



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

More than Chemistry



Report for the quarter & nine months  
period ended 30 September 2018

# Contents

Company Information	01
Directors' Review	02
Condensed Interim Statement of Financial Position	04
Condensed Interim Statement of Profit or Loss	05
Condensed Interim Statement of Comprehensive Income	06
Condensed Interim Statement of Changes in Equity	07
Condensed Interim Statement of Cash Flows	08
Notes to the Condensed Interim Financial Statements	09

# Company Information

## As at 19 October 2018

### Board of Directors

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

### Audit Committee

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

### HR & Remuneration Committee

Pervaiz Akhtar	Chairman	(appointed w.e.f. 19 October 2018)
Jung Neon Kim	Member	
Sang Hyeon Lee	Member	

### Shares Sub Committee

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

### Executive Management Team

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

### Chief Financial Officer

Ashiq Ali

### Company Secretary

Faisal Abid

### Bankers

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

### Internal Auditors

KPMG Taseer Hadi & Co.,  
Chartered Accountants

### External Auditors

EY Ford Rhodes  
Chartered Accountants

### Legal Advisor

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

### Registered Office

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

### Shares Registrar

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

# Directors' Review

## For the third quarter ended 30 September 2018

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

### Business Overview

The third quarter commenced with Crude Oil (WTI) prices pushing past US\$ 74 per barrel due to production issues in Libya, Venezuela and Canada, however, prices were forced to retreat as major oil producing nations discussed to increase production to curb the rise. Moving forward, the Sino-US trade war added concerns of a global economic slowdown, pointing towards a reduction in demand for crude resulting in additional pressure on prices. Towards the end of the quarter Crude prices edged upwards led by weekly decline in US crude inventories while the market was plagued by concerns of short supply once sanctions on Iran came into effect in Q4 2018. Crude prices averaged at US\$ 69 per barrel for the quarter.

The Paraxylene (PX) market uncharacteristically did not follow the upstream Crude and was driven by its tightening balance due to continued strong demand from PTA. Furthermore, new PX units in Saudi Arabia and Vietnam failed to operate smoothly thereby reducing Spot availability in the market which catapulted PX prices by more than US\$ 350 per tonne (from the start of the quarter) and the prices crossed US\$ 1,370 per tonne by the end of August. Towards the end of the quarter, PX prices softened slightly due to reduction in operating rates in the downstream polyester sector. The PX spot price averaged at US\$ 1,174 per tonne during the quarter while the PX-Naphtha spread averaged at US\$ 490 per tonne.

PTA prices remained stable for most of July as downstream producers continued smooth off-take of PTA from the market to replenish inventories after the peak season. Towards August PTA prices saw an unprecedented price hike initiated by capacity additions in the downstream PET and Polyester sector as well as restart of idle units. This strong demand propelled PTA prices to cross US\$ 1,100 per tonne during September. Towards the end of the quarter, the clamor fizzled out as downstream consumers found themselves unable to pass on the high feedstock prices. The sudden drop in demand and overall slowdown in business activity due to holidays in China caused prices to retreat to US\$ 1,020 per tonne by the end of the quarter. The average spot price of PTA for the quarter was US\$ 956 per tonne while industry margins averaged at US\$ 181 per tonne compared to US\$ 163 per tonne from the previous quarter.

### Operations

Production volume during the quarter at 124,841 tonnes, was 13% higher than the corresponding period last year due to plant outages in Q3 2017 for certain maintenance activities.

Sales volume, comprising of domestic sales only, for Q3 2018 at 126,803 tonnes, was 11% higher than the corresponding quarter last year due to higher product availability.

### Profit, Finance & Taxation

Revenue for the quarter was higher than the corresponding period last year due to higher average PTA price per tonne. This, together with improved PTA margin over PX resulted in a gross profit of Rs 2,937 million for the quarter as compared to gross profit of Rs 198 million during the same period last year. Distribution and selling expenses for the quarter were higher than the corresponding quarter last year mainly due to higher marketing costs. Administrative expenses were 12% higher than Q3 2017 due to overall impact of inflation. Other operating expenses were higher than same period last year mainly due to higher charge for Workers' Profit Participation and Workers' Welfare Funds due to higher operating profit.

The taxation charge for the quarter is based on the statutory income tax rate and reversal of deferred tax asset related to carried forward minimum turnover tax for tax years 2016 and 2017.

# Directors' Review

## For the third quarter ended 30 September 2018

Profit after taxation for the quarter ended 30 September 2018 amounted to Rs 2,062 million as compared to profit after taxation of Rs 51 million in Q3 last year.

### Future Outlook

Moving forward, we can expect the Crude Oil market to trend upwards owing to a reduction in crude output as the sanctions on Iran come into place in November. The instability in the emerging markets in the Middle East as well Venezuela, pose a risk to supply fundamentals. The upside in crude prices may be limited due to a lower forecasted economic growth and the eroding market confidence due to the US-China trade war. Moreover, the continued increase in crude production from Saudi Arabia, US and Russia contrary to OPEC's decision, may limit upside in prices.

The PX market is expected to trend downward in the fourth quarter as overall reduction in downstream demand will weigh on the market. Additionally, the restart of two PX units in the region will help ease the tightness in the market by improving availability of product in the market. However, a downside in prices may be limited as the upstream crude oil market is expected to trend higher.

Demand for PTA in the region is expected to slow down as the downstream Polyester markets (already in the low season) are unable to pass on additional raw material costs and due to the build-up of finished goods inventories.

In line with the regional market the domestic demand is also expected to remain stagnant due to high inventories, reduced demand from textiles sector and low seasonal demand from the PET sector. However, as PET packaging replaces traditional paper-back packaging, we forecast a slight improvement compared to previous seasonal lows.

The Business will continue its follow up with NEPRA and SSGC towards sale of surplus electricity to K-Electric.



**Jung Neon Kim**  
Chairman

Date: 19 October 2018  
Karachi



**Humair Ijaz**  
Chief Executive

# Condensed Interim Statement of Financial Position

## As at 30 September 2018

Amounts in Rs '000

	Note	30 September 2018 (Un-audited)	31 December 2017 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	4	5,132,512	5,652,212
Long-term loans and advances		81,587	74,539
Long-term deposits and prepayments		42,361	62,545
Deferred tax assets	5	433,713	1,599,561
		<b>5,690,173</b>	<b>7,388,857</b>
<b>Current assets</b>			
Stores and spare parts		889,197	848,828
Stock-in-trade		5,516,174	3,361,974
Trade debts		4,640,281	2,817,600
Loans and advances		34,471	27,292
Trade deposits and short-term prepayments		71,482	47,234
Interest accrued on short-term fixed deposits		20,514	15,236
Other receivables	6	217,002	20,054
Tax refunds due from government - sales tax	7	148,688	373,653
Taxation - payments less provision		482,074	597,121
Cash and bank balances	8	8,425,069	5,043,188
		<b>20,444,952</b>	<b>13,152,180</b>
<b>Total assets</b>		<b>26,135,125</b>	<b>20,541,037</b>
<b>Equity</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital 1,514,207,208 (31 December 2017: 1,514,207,208) ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserves		2,345	2,345
Accumulated losses		(1,362,213)	(4,467,337)
		<b>13,782,204</b>	<b>10,677,080</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligations		104,877	98,280
<b>Current liabilities</b>			
Trade and other payables	9	12,045,375	9,585,372
Accrued interest		188,888	168,159
Unclaimed dividend		13,781	12,146
		<b>12,248,044</b>	<b>9,765,677</b>
<b>Total liabilities</b>		<b>12,352,921</b>	<b>9,863,957</b>
<b>Total equity and liabilities</b>		<b>26,135,125</b>	<b>20,541,037</b>
<b>Contingencies and commitments</b>	10		

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



**Jung Neon Kim**  
Chairman



**Humair Ijaz**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

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

## For the quarter and nine months period ended 30 September 2018

Amounts in Rs '000

	Note	Quarter ended 30 September		Nine months period ended 30 September	
		2018	2017	2018	2017
<b>Revenue - net</b>	11	<b>16,444,852</b>	8,466,254	<b>42,140,134</b>	28,413,038
Cost of sales	12	<b>(13,508,256)</b>	(8,267,819)	<b>(36,369,351)</b>	(27,542,524)
<b>Gross profit</b>		<b>2,936,596</b>	198,435	<b>5,770,783</b>	870,514
Distribution and selling expenses		<b>(37,969)</b>	(19,930)	<b>(79,288)</b>	(70,184)
Administrative expenses		<b>(96,217)</b>	(85,783)	<b>(277,393)</b>	(254,634)
Other expenses	13	<b>(212,520)</b>	(9,403)	<b>(478,990)</b>	(37,296)
Other income	14	<b>121,647</b>	61,310	<b>338,918</b>	182,933
Finance (costs) / income	15	<b>(26,085)</b>	15,067	<b>(302,268)</b>	(27,397)
<b>Profit before taxation</b>		<b>2,685,452</b>	159,696	<b>4,971,762</b>	663,936
Taxation	16	<b>(622,977)</b>	(108,299)	<b>(1,563,797)</b>	(258,859)
<b>Profit after taxation</b>		<b>2,062,475</b>	51,397	<b>3,407,965</b>	405,077

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

<b>Earnings per share - basic and diluted</b>	<b>1.36</b>	0.03	<b>2.25</b>	0.27
---	-------------	------	-------------	------

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



**Jung Neon Kim**  
Chairman



**Humair Ijaz**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

# Condensed Interim Statement of Comprehensive Income (Un-audited)

For the quarter and nine months period ended 30 September 2018

Amounts in Rs '000

	Quarter ended 30 September		Nine months period ended 30 September	
	2018	2017	2018	2017
<b>Profit after taxation</b>	<b>2,062,475</b>	51,397	<b>3,407,965</b>	405,077
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>2,062,475</b>	51,397	<b>3,407,965</b>	405,077

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



**Jung Neon Kim**  
Chairman



**Humair Ijaz**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer



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

For the nine months period ended 30 September 2018

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated losses	Total
<b>Balance as at 1 January 2017</b>	15,142,072	2,345	(4,869,335)	10,275,082
Total comprehensive income for the nine months period ended 30 September 2017				
- Profit for the nine months period ended 30 September 2017	-	-	405,077	405,077
- Other comprehensive income for the nine months period ended 30 September 2017	-	-	-	-
	-	-	405,077	405,077
<b>Balance as at 30 September 2017</b>	<u>15,142,072</u>	<u>2,345</u>	<u>(4,464,258)</u>	<u>10,680,159</u>
<b>Balance as at 1 January 2018</b>	<b>15,142,072</b>	<b>2,345</b>	<b>(4,467,337)</b>	<b>10,677,080</b>
Final dividend @ Rs 0.20 per share for the year ended 31 December 2017	-	-	(302,841)	(302,841)
Total comprehensive income for the nine months period ended 30 September 2018				
- Profit for the nine months period ended 30 September 2018	-	-	3,407,965	3,407,965
- Other comprehensive income for the nine months period ended 30 September 2018	-	-	-	-
	-	-	3,407,965	3,407,965
<b>Balance as at 30 September 2018</b>	<u>15,142,072</u>	<u>2,345</u>	<u>(1,362,213)</u>	<u>13,782,204</u>

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



**Jung Neon Kim**  
Chairman



**Humair Ijaz**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

# Condensed Interim Statement of Cash Flows (Un-audited)

## For the nine months period ended 30 September 2018

Amounts in Rs '000

	Note	Nine months period ended 30 September	
		2018	2017
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	3,825,472	1,167,512
Long-term loans and advances - net		(7,048)	(6,519)
Long-term deposits and prepayments - net		20,184	(25,349)
Finance costs paid		(25,226)	(50,557)
Payments to retirement benefit obligations		(871)	(674)
Taxes paid		(329,261)	(94,818)
Interest received from short-term fixed deposits		301,969	179,061
Net cash generated from operating activities		3,785,219	1,168,656
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		(102,248)	(848,319)
Proceeds from disposal of property, plant and equipment		116	-
Net cash used in investing activities		(102,132)	(848,319)
<b>Cash flows from financing activities</b>			
Dividend paid		(301,206)	(10)
Net cash used in financing activities		(301,206)	(10)
<b>Net increase in cash and cash equivalents</b>		<b>3,381,881</b>	<b>320,327</b>
Cash and cash equivalents at 1 January		5,043,188	3,319,250
<b>Cash and cash equivalents at 30 September</b>		<b>8,425,069</b>	<b>3,639,577</b>

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.



**Jung Neon Kim**  
Chairman



**Humair Ijaz**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

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

For the nine months period ended 30 September 2018

## 1. Status and nature of business

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

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

## 2. Basis of preparation

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

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

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

## 3. Significant accounting policies

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

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

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

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

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

IFRIC 22 -Foreign Currency Transactions and Advance Consideration

Annual improvements to IFRSs 2014-2016 Cycle

Adoption of Fourth Schedule of Companies Act, 2017

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

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

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

For the nine months period ended 30 September 2018

Amounts in Rs '000

## 4. Fixed assets

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

	2018		2017	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
<b>Property, plant and equipment</b>				
<b>Operating assets - owned</b>				
Buildings on leasehold land	6,394	-	140	-
Plant and machinery	64,478	-	12,777	-
Furniture and equipment	5,366	57	14,220	-
<b>Capital work-in-progress</b>	<b>26,010</b>	<b>-</b>	<b>821,136</b>	<b>-</b>
<b>Intangible assets</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>-</b>

	Note	30 September 2018 (Un-audited)	31 December 2017 (Audited)
<b>5. Deferred tax assets</b>			
(Credit) balance arising in respect of property, plant and equipment		(544,378)	(738,186)
Debit balances arising in respect of:			
- provisions for:			
- sales tax refundable		30,896	25,651
- retirement benefit obligations		30,319	32,536
- slow moving, obsolete and rejected items of stores and spare parts		14,321	3,432
- unpaid liabilities		902,555	414,339
- carry forward of minimum tax		-	1,631,635
- taxable losses		-	230,154
		<b>433,713</b>	<b>1,599,561</b>

## 6. Other receivables

	Note	30 September 2018 (Un-audited)	31 December 2017 (Audited)
Rebates receivable	6.1	199,354	19,969
Insurance claims		14,095	-
Others		3,553	85
		<b>217,002</b>	<b>20,054</b>

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

	Note	30 September 2018 (Un-audited)	31 December 2017 (Audited)
<b>7. Tax refunds due from government - sales tax</b>			
Sales tax refundable	7.1	278,777	463,657
Provision for doubtful receivables	7.2	(130,089)	(90,004)
		<b>148,688</b>	<b>373,653</b>

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

For the nine months period ended 30 September 2018

Amounts in Rs '000

**7.1** This includes Rs 114.09 million (31 December 2017: Rs 198.2 million) on account of input tax arising from sales tax charged to the Company under the Sindh Sales Tax on Services Act, 2011 which is administered by the Sindh Revenue Board with effect from 01 July 2011. This is being deferred due to procedural issues between Federal and Provincial Tax collecting agencies, resulting in lack of verification by the refund issuing authority i.e. the Federal Board of Revenue (FBR). The Company had approached Federal Tax Ombudsman (FTO) for resolution of the matter. The FTO in its order dated 02 May 2013 have directed FBR, with certain recommendations, to resolve the issue. The Company has filed a Suit No. 537 of 2014 before the Sindh High Court (SHC) to resolve this issue as per the prevailing Sales Tax Law. The SHC passed an order dated 14 January 2015 directing the FBR to verify exact amount of refund of sales tax to which plaintiff is entitled and submit their report accordingly. During the period, the Company has received a refund of Rs 84.11 million from FBR.

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

		<b>30 September 2018</b>	31 December 2017
	Note	<b>(Un-audited)</b>	(Audited)
<b>8. Cash and bank balances</b>			
Short-term fixed deposits	8.1	<b>8,408,450</b>	5,026,900
With banks in current accounts		<b>14,648</b>	14,519
Cash in hand		<b>1,971</b>	1,769
		<b>8,425,069</b>	5,043,188

**8.1** During the period ended 30 September 2018, the mark-up rates on term deposits ranged from 5.5% to 8.0% (31 December 2017: 5.0% to 6.8%) per annum and had maturities of less than three months.

		<b>30 September 2018</b>	31 December 2017
		<b>(Un-audited)</b>	(Audited)
<b>9. Trade and other payables</b>			
Trade creditors including bills payable		<b>6,137,721</b>	4,775,613
Accrued expenses		<b>795,383</b>	683,429
Advances from customer		<b>8,565</b>	3,413
Infrastructure cess		<b>2,338,830</b>	2,144,434
Gas infrastructure development cess		<b>2,284,590</b>	1,895,783
Workers' Profit Participation Fund		<b>267,218</b>	46,359
Workers' Welfare Fund		<b>129,093</b>	23,713
Others		<b>83,975</b>	12,628
		<b>12,045,375</b>	9,585,372

## **10. Contingencies and commitments**

### **10.1 Contingencies**

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

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

For the nine months period ended 30 September 2018

Amounts in Rs '000

The High Court of Sindh has issued hearing notice on 31 August 2017 to the Company and the matter was fixed for hearing on 22 September 2017. However, the matter could not proceed further for want of Court's time. Accordingly, no provision has been made for the potential liability amounting to Rs 97.37 million (31 December 2017: Rs 97.37 million) in this condensed interim financial statements.

## 10.2 Commitments

**10.2.1** Outstanding guarantees and letters of credit issued on behalf of the Company as at 30 September 2018 were Rs 2.53 billion (31 December 2017: Rs 2.29 billion) and Rs 0.23 billion (31 December 2017: Rs 0.64 billion), respectively.

**10.2.2** Commitments in respect of capital expenditure as at 30 September 2018 amount to Rs 49.69 million (31 December 2017: Rs 47.31 million).

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

Year	30 September 2018	31 December 2017
	(Un-audited)	(Audited)
2018	5,055	16,294
2019	19,314	14,247
2020	18,607	13,495
2021	13,649	8,359
2022	7,059	2,013
2023	2,094	-
	<b>65,778</b>	<b>54,408</b>

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

Year	30 September 2018	31 December 2017
	(Un-audited)	(Audited)
2018	286,636	-
2019	740,937	-
2020	755,755	-
2021	770,870	-
2022	786,288	-
2023	133,669	-
	<b>3,474,155</b>	<b>-</b>

## 11. Revenue - net

	Quarter ended 30 September		Nine months period ended 30 September	
	2018	2017	2018	2017
<b>Manufactured goods</b>				
Local sales	17,066,723	8,968,317	43,594,889	29,774,529
Export sales	-	-	-	236,705
	<b>17,066,723</b>	8,968,317	<b>43,594,889</b>	30,011,234
Less: Sales tax and excise duty	(666,889)	(329,221)	(1,570,487)	(943,076)
Price settlements and discounts	(210,568)	(290,062)	(748,714)	(987,662)
	<b>16,189,266</b>	8,349,034	<b>41,275,688</b>	28,080,496
<b>Trading goods</b>				
Local sales	264,177	120,190	899,896	347,164
Less: Sales tax and excise duty	(7,396)	(384)	(23,595)	(7,927)
Price settlements and discounts	(1,195)	(2,586)	(11,855)	(6,695)
	<b>255,586</b>	117,220	<b>864,446</b>	332,542
	<b>16,444,852</b>	8,466,254	<b>42,140,134</b>	28,413,038

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

For the nine months period ended 30 September 2018

Amounts in Rs '000

	Quarter ended 30 September		Nine months period ended 30 September	
	2018	2017	2018	2017
<b>12. Cost of sales</b>				
<b>Manufactured goods</b>				
Opening stock of raw and packing materials	3,859,065	2,013,105	2,843,041	1,599,579
Purchases	13,278,567	6,867,076	34,628,260	23,411,734
Closing stock of raw and packing materials	(5,043,202)	(1,975,445)	(5,043,202)	(1,975,445)
Raw and packing materials consumed	12,094,430	6,904,736	32,428,099	23,035,868
Manufacturing costs	1,091,205	1,022,657	3,304,557	3,055,257
Cost of goods manufactured	13,185,635	7,927,393	35,732,656	26,091,125
Opening stock of finished goods	512,619	568,870	322,157	1,497,266
	13,698,254	8,496,263	36,054,813	27,588,391
Closing stock of finished goods	(411,022)	(330,310)	(411,022)	(330,310)
	13,287,232	8,165,953	35,643,791	27,258,081
<b>Trading goods</b>				
Opening stock	121,378	55,640	196,776	46,329
Purchases	161,596	134,419	590,734	326,307
Closing stock	(61,950)	(88,193)	(61,950)	(88,193)
	221,024	101,866	725,560	284,443
	13,508,256	8,267,819	36,369,351	27,542,524
<b>13. Other expenses</b>				
Auditors' remuneration	11	594	940	1,041
Donations	596	266	1,748	747
Provision against sales tax receivable	-	-	42,000	-
Provision against obsolete and slow moving stores and spare parts	-	-	60,211	-
Other receivables written off	-	-	-	70
Workers' Profit Participation Fund	144,868	8,446	267,218	34,969
Workers' Welfare Fund	67,045	97	105,380	469
Others	-	-	1,493	-
	212,520	9,403	478,990	37,296
<b>14. Other income</b>				
Scrap sales	-	492	23,519	1,788
Gain on disposal of property, plant and equipment	-	-	59	-
Income from short-term fixed deposits	119,155	60,153	307,247	178,493
Sales tax refunds	-	-	1,914	-
Liabilities no longer payable written back	-	-	-	286
Indenting commission	2,492	665	4,623	1,690
Others	-	-	1,556	676
	121,647	61,310	338,918	182,933

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

For the nine months period ended 30 September 2018

Amounts in Rs '000

	Quarter ended 30 September		Nine months period ended 30 September	
	2018	2017	2018	2017
<b>15. Finance costs / (income)</b>				
Discounting charges on trade debts	2,476	3,019	5,889	6,516
Interest on WPPF	-	-	23	-
Exchange loss / (gain) - net	18,422	(17,284)	277,019	(23,160)
Bank and other charges	5,187	(802)	19,337	44,041
	<b>26,085</b>	<b>(15,067)</b>	<b>302,268</b>	<b>27,397</b>

## 16. Taxation

The current tax charge for the nine months period ended 30 September 2018 is based on the statutory income tax rate and reversal of deferred tax asset related to carried forward minimum turnover tax for tax years 2014, 2016 and 2017 and taxable losses (note 5).

	Nine months period ended 30 September	
	2018	2017
<b>17. Cash generated from operations</b>		
Profit before taxation	4,971,762	663,936
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation and amortisation	621,891	437,193
Provision against obsolete and slow moving stores and spare parts	60,211	-
Provision against sales tax receivable	42,000	-
Gain on disposal of property, plant and equipment	(59)	-
Provision for retirement benefit obligations	7,468	6,992
Finance costs	45,955	51,563
Interest accrued on short-term fixed deposits	(307,247)	(178,493)
Infrastructure cess	194,396	137,099
Gas infrastructure development cess	388,807	376,472
	<b>1,053,422</b>	<b>830,826</b>
	<b>6,025,184</b>	<b>1,494,762</b>
<b>Effect on cashflows due to working capital changes</b>		
(Increase) / decrease in current assets:		
Stores and spare parts	(100,580)	(40,387)
Stock-in-trade	(2,154,200)	749,226
Trade debts	(1,822,681)	(410,451)
Loans and advances	(7,179)	(37,376)
Trade deposits and short-term prepayments	(24,248)	(45,150)
Other receivables and tax refunds due from government	(13,983)	(114,088)
	<b>(4,122,871)</b>	<b>101,774</b>
Increase / (decrease) in trade and other payables	<b>1,923,159</b>	<b>(429,024)</b>
Cash generated from operations	<b>3,825,472</b>	<b>1,167,512</b>



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

For the nine months period ended 30 September 2018

Amounts in Rs '000

## 18. Transactions with related parties

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

Relationship	Nature of transaction	Quarter ended 30 September		Nine months period ended 30 September	
		2018	2017	2018	2017
Associate	Purchase of services	-	151	-	151
Key management personnel	Salaries and other short-term benefits	18,950	15,282	52,849	45,434
	Post employment benefits	2,485	2,202	7,173	6,401
	Loans				
	- given	-	-	21,346	-
	- received	19,568	-	21,346	-
Others	Payments to retirement benefit funds	16,522	15,184	48,170	44,611

## 19. Post balance sheet event

The Directors in their meeting held on 19 October 2018 have recommended and approved an interim cash dividend of PKR 1.50 per share in respect of financial year ending 31 December 2018. These condensed interim financial statements for the nine months period ended 30 September 2018 do not include the effect of the above interim dividend which will be accounted for in the period in which it is approved.

## 20. General

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

## 21. Corresponding figures

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

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

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

For the nine months period ended 30 September 2018

## 22. Date of authorisation

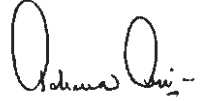
These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on 19 October 2018.



**Jung Neon Kim**  
Chairman



**Humair Ijaz**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

www.jamapunji.pk









 **Jama  
Punji**  
سرمايہ کاری سمجھداری کے ساتھ









**Be aware, Be alert,  
Be safe**

**Learn about investing at  
www.jamapunji.pk**

**Key features:**

-  Licensed Entities Verification
-  Scam meter\*
-  Jamapunji games\*
-  Tax credit calculator\*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered
-  Online Quizzes

-  Stock trading simulator  
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event  
notifications, corporate and  
regulatory actions)
-  Jamapunji application for  
mobile device




Jama Punji is an Investor  
Education Initiative of  
Securities and Exchange  
Commission of Pakistan

 jamapunji.pk

 @jamapunji\_pk

\*Mobile apps are also available for download for android  
and ios devices



**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

Fax: +92 (0) 21 3416 9119