



**LOTTE CHEMICAL**  
PAKISTAN LTD

People.  
Progress.  
Profit.



**REPORT FOR THE  
NINE MONTHS PERIOD ENDED  
30 SEPTEMBER 2023**

# 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 12 October 2023

## Board of Directors

Sang Hyeon Lee	Chairman
Young Dae Kim	Chief Executive
IL Kyu Kim	Non-Executive
Jae Sun Park	Non-Executive
Shabbir Diwan	Non-Executive
Rashid Ibrahim	Independent
Khurram Rashid	Independent
Tariq Nazir Virk	Executive

## Audit Committee

Rashid Ibrahim	Chairman
IL Kyu Kim	Member
Khurram Rashid	Member
Faisal Abid	Secretary

## HR & Remuneration Committee

Rashid Ibrahim	Chairman
Sang Hyeon Lee	Member
Young Dae Kim	Member
Waheed U Khan	Secretary

## Shares Sub Committee

Young Dae Kim	Chairman
Sang Hyeon Lee	Member
Khurram Rashid	Member

## Executive Management Team

Young Dae Kim	Chief Executive
Tariq Nazir Virk	Director Manufacturing
Waheed U Khan	Director Admin, HR & IT
Ashiq Ali	Chief Financial Officer
Muhammed Talha Khan	General Manager Commercial

## Chief Financial Officer

Ashiq Ali

## Company Secretary

Faisal Abid

## Bankers

Allied Bank Limited  
Askari Bank Limited  
Bank Alfalah Limited  
Citibank NA  
Deutsche Bank AG  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Ltd  
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

KPMG Taseer Hadi & Co.,  
Chartered Accountants

## External Auditors

A.F. Ferguson & 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, Near Hotel Faran, Nursery,  
Block 6, P.E.C.H.S.,  
Shahrah-e-Faisal, Karachi

# Directors' Review

For the third quarter ended 30 September 2023

The Directors are pleased to present their review report for the third quarter ended 30 September 2023 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 2023.

## Business Overview

Crude Oil (WTI) prices exhibited bullishness throughout the third quarter on the back of a tight supply outlook as OPEC+ announced to extend the production cuts by 1.3 million barrels per day till the end of this year. Despite the increase in interest rates by major economies at the start of the quarter, positive economic data from U.S. and a longer than expected driving season in the west resulted in continued improvement in demand for fuels globally, helping Crude Oil prices maintain the upward trajectory. However, despite China's efforts to provide stimulus to their domestic industry, persistent weak economic data kept the upward price movement in check. The average price for the quarter was US\$ 81.84 per barrel, 10.6% higher than the previous quarter.

Paraxylene (PX) market largely trended higher over the course of the quarter following the escalation in the Crude Oil prices. Demand in the downstream PTA sector remained robust throughout the quarter due to healthy operations as well as the start-up of several new PTA facilities within China. Prompt supply remained tight with premiums being charged on spot parcels as several PX units underwent maintenance turnarounds and the continued diversion of Aromatics towards the Gasoline pool. The average PX price for the quarter was US\$ 1,072.41 per metric tonne, 4% higher than the previous quarter, while the PX-Naptha spread averaged at US\$ 426 per tonne.

The PTA prices trended in line with the upstream PX market, with operations at record high levels in mainland China on account of resilient operations in the downstream polyester sector. However, despite high PTA operating rates, PTA-PX spread in China remained below breakeven levels which were only sustainable for vertically integrated units. Higher than expected demand prior to Golden Week holidays in China as well as winter season holiday demand helped producers maintain strong operations. However, higher feedstock costs including the rise in prices of Acetic Acid put pressure on regional margins which declined as the quarter progressed. The average PTA price for the quarter was US\$ 796.17 per metric tonne, whereas the average PTA margin over PX for the quarter was US\$ 88 per tonne as compared to US \$ 120 per tonne for the previous quarter.

The domestic polyester industry operations remained consistent in Q3-2023; however operating rates remained at the lower end of the spectrum despite the peak season for the Textile and PET sector. Demand once again, remained below par due to high energy costs, volatility in exchange rates as well as high inflation in the country.

## Operations

Sales volume, comprising of domestic sales only, for Q3 2023 at 82,427 tonnes was 35% lower than the corresponding quarter last year due to lower demand as well as additional PTA imports planned by the downstream in the previous quarter.

Production volume during the quarter at 105,395 tonnes was 17% lower than the corresponding period last year due to curtailment of plant operating rate to match sales.

# Directors' Review

For the third quarter ended 30 September 2023

## Financial Performance

Revenue for the quarter was 20% lower than the corresponding period last year mainly due to lower volume sold. This resulted in a lower gross profit of Rs 3,417 million for the quarter as compared to gross profit of Rs 4,805 million during the same period last year.

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

Earnings per share (EPS) for the quarter stood at Rs 1.31 per share as compared to Rs 1.79 per share for Q3 2022.

## Future Outlook

Going forward, Crude Oil (WTI) prices are expected to trend upwards during the last quarter of 2023 as prominent global agencies; including Energy Information Agency (EIA) suggest a continuing supply deficit on account of lower production from OPEC+ as well as the export restrictions being implemented by Russia. The change in consumer spending preferences may result in persistent higher demand for fuels in the winter season as well.

International Paraxylene (PX) prices are expected to trend upwards in the next quarter supported by the upstream Crude Oil prices, however, there is a possibility of limited upside as downstream PTA production approaches the seasonal lull.

PTA prices are forecasted to follow the trend of the upstream markets; however the continued record high output from China and lower demand expected in the upcoming winter season may continue to exert pressure on PTA-PX margins.

The domestic Polyester market is expected to continue facing challenges, as overall domestic manufacturing comes under pressure due to macro-economic issues in the country. Apart from the expected lower seasonal demand, high domestic inflation and unviability in the export market which is already plagued with poor demand, pose a serious risk to operations going forward.



**Sang Hyeon Lee**  
Chairman

Date: 12 October 2023

Karachi



**Young Dae Kim**  
Chief Executive

# Condensed Interim Statement of Financial Position

## As at 30 September 2023

Amounts in Rs '000

	Note	30 September 2023 (Un-audited)	31 December 2022 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	5,840,571	6,259,826
Intangible assets	5	31,259	38,632
Right-of-use assets	6	923,982	1,110,524
Long-term loans		52,130	83,931
Long-term prepayments		113,879	66,115
Deferred taxation - net		2,233,490	1,589,704
		<b>9,195,311</b>	<b>9,148,732</b>
<b>Current assets</b>			
Stores and spare parts		1,908,166	1,416,265
Stock-in-trade		14,790,861	8,529,047
Trade debts	7	4,819,241	7,053,875
Loans and advances		85,147	37,171
Trade deposits and short-term prepayments	8	222,388	107,221
Interest accrued		62,687	39,996
Other receivables		72,179	5,662
Short-term investments - at amortised cost	9	8,592,691	11,952,850
Sales tax refunds due from government	10	3,021,910	547,221
Taxation - net		42,720	97,959
Cash and bank balances	11	688,112	4,397,066
		<b>34,306,102</b>	<b>34,184,333</b>
<b>Total assets</b>		<b>43,501,413</b>	<b>43,333,065</b>
<b>Equity and liabilities</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital			
1,514,207,208 (31 December 2022: 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		6,652,859	7,869,409
<b>Total equity</b>		<b>21,797,276</b>	<b>23,013,826</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligations		211,235	198,723
Lease liability		1,778,503	1,660,096
		<b>1,989,738</b>	<b>1,858,819</b>
<b>Current liabilities</b>			
Trade and other payables	12	9,680,309	13,202,137
Lease liability		434,528	314,484
Accrued interest	13	438,367	344,413
Unclaimed dividend		25,099	25,653
Unpaid dividend	14	9,136,096	4,573,733
		<b>19,714,399</b>	<b>18,460,420</b>
<b>Total liabilities</b>		<b>21,704,137</b>	<b>20,319,239</b>
<b>Contingencies and commitments</b>	15		
<b>Total equity and liabilities</b>		<b>43,501,413</b>	<b>43,333,065</b>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.



**Sang Hyeon Lee**  
Chairman



**Young Dae Kim**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

Condensed Interim Statement of Profit or Loss (Un-audited)  
For the nine months period ended 30 September 2023

Amounts in Rs '000

	Note	Nine months period ended 30 September (Un-audited)		Quarter ended 30 September (Un-audited)	
		2023	2022	2023	2022
<b>Revenue - net</b>	16	<b>62,135,321</b>	79,513,368	<b>23,592,757</b>	29,555,065
Cost of sales	17	<b>(52,279,191)</b>	(64,702,374)	<b>(20,175,824)</b>	(24,749,957)
<b>Gross profit</b>		<b>9,856,130</b>	14,810,994	<b>3,416,933</b>	4,805,108
Distribution and selling expenses		<b>(125,590)</b>	(113,624)	<b>(46,258)</b>	(40,500)
Administrative and general expenses		<b>(469,265)</b>	(427,765)	<b>(156,199)</b>	(176,365)
Other operating expenses	18	<b>(691,400)</b>	(983,106)	<b>(233,027)</b>	(315,016)
<b>Operating profit</b>		<b>8,569,875</b>	13,286,499	<b>2,981,449</b>	4,273,227
Other income	19	<b>1,883,980</b>	1,429,348	<b>700,470</b>	595,605
Finance costs	20	<b>(1,362,098)</b>	(1,792,345)	<b>(466,977)</b>	(794,696)
<b>Profit before taxation</b>		<b>9,091,757</b>	12,923,502	<b>3,214,942</b>	4,074,136
Taxation	21	<b>(4,251,479)</b>	(4,817,776)	<b>(1,228,393)</b>	(1,369,857)
<b>Profit after taxation</b>		<b>4,840,278</b>	8,105,726	<b>1,986,549</b>	2,704,279
----- Amount in Rupees -----					
<b>Earnings per share - basic and diluted</b>		<b>3.20</b>	5.35	<b>1.31</b>	1.79

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

  
**Sang Hyeon Lee**  
Chairman

  
**Young Dae Kim**  
Chief Executive

  
**Ashiq Ali**  
Chief Financial Officer

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

For the nine months period ended 30 September 2023

Amounts in Rs '000

	Nine months period ended 30 September (Un-audited)		Quarter ended 30 September (Un-audited)	
	2023	2022	2023	2022
<b>Profit after taxation</b>	<b>4,840,278</b>	8,105,726	<b>1,986,549</b>	2,704,279
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>4,840,278</b>	8,105,726	<b>1,986,549</b>	2,704,279

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

  
**Sang Hyeon Lee**  
Chairman

  
**Young Dae Kim**  
Chief Executive

  
**Ashiq Ali**  
Chief Financial Officer



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

For the nine months period ended 30 September 2023

Amounts in Rs '000

	Share capital	Reserves			Total equity
	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Sub-total	
<b>Balance as at 1 January 2022</b>	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)
<b>Balance as at 30 September 2022</b>	<u>15,142,072</u>	<u>2,345</u>	<u>5,880,999</u>	<u>5,883,344</u>	<u>21,025,416</u>
<b>Balance as at 1 January 2023</b>	<b>15,142,072</b>	<b>2,345</b>	<b>7,869,409</b>	<b>7,871,754</b>	<b>23,013,826</b>
Total comprehensive income for the nine months period ended 30 September 2023					
- Profit for the nine months period ended 30 September 2023	-	-	4,840,278	4,840,278	4,840,278
- Other comprehensive income for the nine months period ended 30 September 2023	-	-	-	-	-
	-	-	4,840,278	4,840,278	4,840,278
Final dividend for the year ended 31 December 2022 @ Rs 2.00 per share	-	-	(3,028,414)	(3,028,414)	(3,028,414)
Interim dividend for the year ending 31 December 2023 @ Rs 2.00 per share	-	-	(3,028,414)	(3,028,414)	(3,028,414)
<b>Balance as at 30 September 2023</b>	<u>15,142,072</u>	<u>2,345</u>	<u>6,652,859</u>	<u>6,655,204</u>	<u>21,797,276</u>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

  
Sang Hyeon Lee  
Chairman

  
Young Dae Kim  
Chief Executive

  
Ashiq Ali  
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Un-audited)  
For the nine months period ended 30 September 2023

Amounts in Rs '000

	Note	<b>Nine months period ended 30 September (Un-audited)</b>	
		<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	22	<b>(1,339,070)</b>	1,260,056
Finance costs paid		<b>(179,190)</b>	(34,350)
Payments to retirement benefit obligations		<b>(2,199)</b>	(1,958)
Long-term loans and advances - net		<b>31,801</b>	(21,044)
Long-term deposits and prepayments - net		<b>(47,764)</b>	212
Taxes paid		<b>(4,960,727)</b>	(4,441,162)
Interest received		<b>1,692,702</b>	1,439,882
Net cash used in operating activities		<b>(4,804,447)</b>	(1,798,364)
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		<b>(332,962)</b>	(1,117,191)
Proceeds from disposal of property, plant and equipment		<b>62,782</b>	3,944
Redemption of short-term investments (net of purchases)		<b>2,567,369</b>	(4,321,229)
Net cash generated from / (used in) investing activities		<b>2,297,189</b>	(5,434,476)
<b>Cash flows from financing activities</b>			
Dividend paid		<b>(1,495,019)</b>	(1,486,724)
Payment of lease liability		<b>(499,467)</b>	(355,673)
Net cash used in financing activities		<b>(1,994,486)</b>	(1,842,397)
<b>Net decrease in cash and cash equivalents</b>		<b>(4,501,744)</b>	(9,075,237)
Cash and cash equivalents at 1 January		<b>13,782,547</b>	15,305,673
<b>Cash and cash equivalents at 30 September</b>	23	<b><u>9,280,803</u></b>	<b><u>6,230,436</u></b>

The annexed notes 1 to 25 form an integral part of these condensed interim financial statements.

  
**Sang Hyeon Lee**  
Chairman

  
**Young Dae Kim**  
Chief Executive

  
**Ashiq Ali**  
Chief Financial Officer

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

For the nine months period ended 30 September 2023

## 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) and is listed on Pakistan Stock Exchange Limited. The principal activity of the Company is to manufacture and sale of Purified Terephthalic Acid (PTA).

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

<b>Location</b>	<b>Address</b>
Registered Office	EZ/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.

**1.4** The Company had to shut down its plant operations from mid March till end of April 2023, mainly due to economic conditions prevalent in the Country.

**1.5** The Board of Directors of the Lotte Chemical Corporation ("LCC Korea"), the majority shareholder of the Company entered into Share Purchase Agreement dated 26 January 2023 with Lucky Core Industries Limited for the sale of all of the Company's shares held by LCC Korea (i.e. 1,135,860,105 constituting approximately 75.01% of the issued and paid-up capital of the Company).

Subsequently, on 15 May 2023 LCC Korea has signed an Assignment and Assumption Agreement with Lucky Core Industries Limited and Lucky Core Ventures (Private) Limited (a wholly owned subsidiary of the Lucky Core Industries Limited), in respect of Share Purchase Agreement.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These condensed interim financial statements of the Company for the nine months period ended 30 September 2023 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;
- 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 2022. 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 2023

Amounts in Rs '000

## 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 to the accounting and reporting standards which are mandatory for the Company's annual accounting period which began on 1 January 2023. However, these do not have any significant impact on the Company's financial reporting.

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

There are standards and certain other amendments to the accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after 1 January 2024. However, these are considered either not to be relevant or to have any significant impact on the Company's financial statements and operations and, therefore, have not been disclosed in these condensed interim financial statements.

## 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 2022.

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 2022.

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 2022.

	Note	30 September 2023 (Un-audited)	31 December 2022 (Audited)
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating property, plant and equipment	4.1	<b>5,648,899</b>	5,591,103
Capital work-in-progress	4.1 & 4.2	<b>191,672</b>	668,723
		<b>5,840,571</b>	6,259,826

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

	2023		2022	
	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	<b>5,322</b>	-	-	-
Plant and machinery	<b>771,564</b>	<b>2,573</b>	677,384	-
Furniture and equipment	<b>29,476</b>	<b>84</b>	13,147	-
Motor vehicles	<b>533</b>	-	529	-
<b>Capital work-in-progress - net</b>	<b>(477,051)</b>		293,042	

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

For the nine months period ended 30 September 2023

Amounts in Rs '000

**4.2** This includes capital expenditure pertaining to civil work & building, plant & machinery and other equipment amounting to Rs 6.90 million (31 December 2022: Nil), Rs 179.82 million (31 December 2022: Rs 648.01 million), and Rs 4.95 million (31 December 2022: Rs 20.71 million) respectively.

	<b>30 September 2023</b>	31 December 2022
Note	<b>(Un-audited)</b>	(Audited)
<b>5. INTANGIBLE ASSETS - Softwares &amp; Licenses</b>		
<b>5.1 Gross carrying value basis</b>		
Cost	<b>258,555</b>	255,428
Accumulated depreciation	<b>(227,296)</b>	(216,796)
Net book value	<b>31,259</b>	38,632
<b>5.2 Net carrying value basis</b>		
Balance as at 1 January	<b>38,632</b>	2,615
Additions during the period / year	<b>3,127</b>	36,579
Depreciation charge during the period / year	<b>(10,500)</b>	(562)
Balance as at 30 September	<b>31,259</b>	38,632
<b>6. RIGHT-OF-USE ASSETS</b>		
<b>6.1 Gross carrying value basis</b>		
Cost	<b>1,936,026</b>	1,936,026
Accumulated depreciation	<b>(1,012,044)</b>	(825,502)
Net book value	<b>923,982</b>	1,110,524
<b>6.2 Net carrying value basis</b>		
Balance as at 1 January	<b>1,110,524</b>	1,217,305
Additions during the period / year	<b>-</b>	133,089
Depreciation charge during the period / year	<b>(186,542)</b>	(239,870)
Balance as at 30 September	<b>923,982</b>	1,110,524
<b>7. TRADE DEBTS</b>		
Trade receivable - PTA and related products	7.1 & 7.2 <b>4,819,241</b>	7,010,116
Trade receivable - electricity	<b>-</b>	43,759
	<b>4,819,241</b>	7,053,875
<b>7.1</b> All of the Company's trade debts for PTA and related products are secured by letters of credit of 30 to 120 days issued by various banks. Receivable from K-Electric on account of sale of electricity is secured against post dated cheques. These balances are neither past due nor impaired and are considered good.		
<b>7.2</b> This includes receivable from related parties amounting to Rs 1,947.09 million (31 December 2022: Nil).		
<b>8. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>		
Deposits - unsecured and considered good	<b>31,692</b>	30,867
Margin on import letters of credit	<b>118,804</b>	28,934
Short-term prepayments	<b>71,892</b>	29,925
Current portion of amortization of loans to employees	<b>-</b>	17,495
	<b>222,388</b>	107,221

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

For the nine months period ended 30 September 2023

Amounts in Rs '000

		<b>30 September 2023</b>	31 December 2022
	Note	<b>(Un-audited)</b>	(Audited)
<b>9. SHORT-TERM INVESTMENTS - at amortised cost</b>			
Term Deposit Receipts (TDRs)	9.1	<b>8,592,691</b>	9,385,481
Treasury Bills		-	2,567,369
		<b>8,592,691</b>	11,952,850
<b>9.1</b>	The markup rates on TDRs as of reporting date ranges from 20.5% to 21.5% per annum (31 December 2022: 14.3% to 15.0% per annum) having original maturities of less than three months.		
		<b>30 September 2023</b>	31 December 2022
	Note	<b>(Un-audited)</b>	(Audited)
<b>10. SALES TAX REFUNDS DUE FROM GOVERNMENT</b>			
Sales tax refundable		<b>3,208,503</b>	733,814
Provision for impairment		<b>(186,593)</b>	(186,593)
		<b>3,021,910</b>	547,221
<b>11. CASH AND BANK BALANCES</b>			
<b>Cash in hand</b>		<b>462</b>	65
<b>With banks in local currency:</b>			
Current accounts		<b>284,513</b>	4,387,597
Savings account	11.1	<b>403,137</b>	9,404
		<b>687,650</b>	4,397,001
		<b>688,112</b>	4,397,066
<b>11.1</b>	These carry markup at 14.50% to 20.50% per annum (31 December 2022: 8.25% to 14.50% per annum).		
		<b>30 September 2023</b>	31 December 2022
	Note	<b>(Un-audited)</b>	(Audited)
<b>12. TRADE AND OTHER PAYABLES</b>			
Trade creditors including accrued liabilities		<b>138,214</b>	4,872,494
Captive Gas Tariff differential	12.1	<b>166,131</b>	233,501
Contract liabilities - advances from customers		<b>34,058</b>	42,673
Withholding tax payable		<b>6,891</b>	3,300
Infrastructure Cess		<b>5,076,239</b>	4,371,509
Provision for GIDC		<b>3,113,744</b>	3,113,744
Workers' Profit Participation Fund (WPPF)		<b>489,122</b>	45,660
Workers' Welfare Fund (WWF)		<b>491,101</b>	363,864
Retention money		<b>4,794</b>	6,880
Others		<b>160,015</b>	148,512
		<b>9,680,309</b>	13,202,137

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

For the nine months period ended 30 September 2023

**12.1** This represents provision which pertains to the following matters:

- The Company along with the industry challenged the increase in gas tariff as notified by OGRA effective 31 August 2015. The case was decided by the Sindh High Court in favor of the consumers in order dated 18 May 2016. The SSGC has filed an appeal in Supreme Court of Pakistan on 13 December 2017, the Company has therefore made full provision amounting to Rs 114.82 million on a prudent basis; and
- The Company along with the industry challenged the incorrect application of captive gas tariff instead of industrial gas tariff, for own consumption, on Export Oriented Sector. The Sindh High Court (SHC) passed an ad-interim stay order on 04 June 2021 for no coercive/adverse action against the industry and thereafter SSGC started billing on Industrial gas tariff. The case has been decided against the Company in Sindh High Court Order dated 18 February 2023 and SSGC has started billing for the differential amount of captive and industrial gas tariff. The Company along with industry has filed an appeal against the order on 24 March 2023. The Company has carried provision amounting to Rs 51.31 million in this regard.

## **13. ACCRUED INTEREST**

This represents interest payable to Mortar Investments International Limited amounting to USD 1.52 million (31 December 2022: USD 1.52 million) on long-term loans previously repaid by ICI Pakistan Limited. The amount is still unpaid due to certain legal and procedural complexities with respect to foreign remittance.

## **14. UNPAID DIVIDEND**

This includes dividend payable to Lotte Chemical Corporation (the Parent Company). The Company has submitted duly certified application for remittance to authorized dealer for onward approval of regulator which is still awaited.

## **15. CONTINGENCIES AND COMMITMENTS**

### **15.1 Contingencies**

There is no significant change in the status of contingencies as reported in the annual financial statement for the year ended 31 December 2022, except for the following:

#### **Tax year 2016-2020**

On 29 April 2021, Assessment Orders were passed in respect of Tax years 2016 to 2020 which created additional tax liability of Rs 1.71 billion and consequently tax refundable of Rs 0.75 billion was converted to a tax liability of Rs 0.96 billion.

The Company has filed appeals for tax years 2016-2020, before the Commissioner Inland Revenue (Appeal) [CIR(A)] in respect of aforementioned Orders. Adjudication of the cases were assigned to CIR(A)-Hyderabad and various hearings were conducted on different dates. The last hearing was conducted on 31 July 2023 with CIR(A)-Hyd.

Unexpectedly, the CIR(A)-II on 29 August 2023 has disposed off the Company's appeal on ex-parte basis without considering the fact that the last hearing fixed on 31 July 2023 by the CIR(A)-Hyd was attended along with written appeal arguments. No notice for fixing the hearing was issued by the CIR(A)-II after the case has been transferred from CIR(A)-Hyd to CIR(A)-II. Consequently through the aforesaid orders the CIR(A)-II has confirmed the tax demand of Rs 1.3 billion without considering the arguments available on Federal Board of Revenue IRIS record. Notices under section 138 of the Income Tax Ordinance, 2001 were issued on 30 August 2023 for recovery of demand of Rs 1.3 billion.

The Company has filed appeals before the Appellate Tribunal Inland Revenue (ATIR) on 31 August 2023 and has obtained stay on 07 September 2023 against the recovery of demand. Further proceeding of the case is pending. The Company along with its tax advisor, is confident that decisions will be in favor of the Company and hence, no provision has been recognized in these financial statements.

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

For the nine months period ended 30 September 2023

Amounts in Rs '000

## 15.2 Commitments and Guarantees

**15.2.1** Commitments for capital expenditure as at 30 September 2023 amounted to Rs 3.57 million (31 December 2022: Rs 221.97 million).

**15.2.2** Commitments for rentals under Ijarah contracts for vehicles as at 30 September 2023 are as follows:

	<b>30 September 2023</b>	31 December 2022
	<b>(Un-audited)</b>	(Audited)
Not later than 1 year	<b>20,198</b>	52,392
Later than 1 year and not later than 5 years	<b>261,841</b>	150,619
	<b>282,039</b>	203,011

**15.2.3** Commitments for rentals under agreement in respect of services are priced in foreign currency and converted at the exchange rate as at 30 September are as follows:

	<b>30 September 2023</b>	31 December 2022
	<b>(Un-audited)</b>	(Audited)
Not later than 1 year	<b>228,194</b>	115,668
Later than 1 year and not later than 5 years	<b>2,950,943</b>	-
	<b>3,179,137</b>	115,668

**15.2.4** Outstanding guarantees of the Company as at 30 September 2023 were Rs 5,644.15 million (31 December 2022: Rs 5,144.15 million).

**15.2.5** Letters of credit issued on behalf of the Company as at 30 September 2023 were Rs 8,067.22 million (31 December 2022: Rs 2,705.02 million).

	<b>Nine months period ended 30 September (Un-audited)</b>	
	<b>2023</b>	2022
<b>16. REVENUE - net</b>		
<b>Manufactured goods</b>		
Local sales	<b>72,263,595</b>	92,546,024
Less: Sales tax and excise duty, price settlements and discounts / rebates	<b>(10,935,952)</b> <b>(1,308,062)</b>	(13,446,858) (2,334,328)
	<b>60,019,581</b>	76,764,838
<b>Trading goods</b>		
Local sales	<b>2,264,783</b>	1,858,156
Less: Sales tax and excise duty, price settlements and discounts / rebates	<b>(344,056)</b> <b>(16,147)</b>	(269,989) (13,278)
	<b>1,904,580</b>	1,574,889
<b>Sale of electricity</b>		
Local sales	<b>252,464</b>	1,373,160
Less: Sales tax	<b>(41,304)</b>	(199,519)
	<b>211,160</b>	1,173,641
	<b>62,135,321</b>	79,513,368



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

For the nine months period ended 30 September 2023

Amounts in Rs '000

	<b>Nine months period ended 30 September (Un-audited)</b>	
	<b>2023</b>	<b>2022</b>
<b>17. COST OF SALES</b>		
<b>Manufactured goods</b>		
Opening stock of raw and packing materials	<b>6,237,395</b>	4,489,456
Purchases	<b>51,514,096</b>	61,193,850
Closing stock of raw and packing materials	<b>(5,729,458)</b>	(7,515,188)
Raw and packing materials consumed	<b>52,022,033</b>	58,168,118
Manufacturing costs	<b>5,434,313</b>	4,266,923
Cost of goods manufactured	<b>57,456,346</b>	62,435,041
Opening stock of finished goods	<b>2,123,326</b>	899,009
	<b>59,579,672</b>	63,334,050
Closing stock of finished goods	<b>(8,846,721)</b>	(1,089,637)
Cost of goods manufactured sold	<b>50,732,951</b>	62,244,413
<b>Trading goods</b>		
Opening stock	<b>168,326</b>	460,127
Purchases	<b>1,368,858</b>	929,247
Closing stock	<b>(214,682)</b>	(68,220)
Cost of trading goods sold	<b>1,322,502</b>	1,321,154
<b>Cost to produce electricity</b>	<b>223,738</b>	1,136,807
	<b>52,279,191</b>	64,702,374
<b>18. OTHER OPERATING EXPENSES</b>		
Workers' Profit Participation Fund	<b>489,158</b>	695,330
Workers' Welfare Fund	<b>202,242</b>	287,776
	<b>691,400</b>	983,106
<b>19. OTHER INCOME</b>		
<b>Income from financial assets</b>		
Interest income	<b>1,715,393</b>	1,395,618
<b>Income from non-financial assets</b>		
Scrap sales	<b>13,522</b>	8,307
Gain on disposal of property, plant and equipment	<b>60,125</b>	3,944
Indenting commission - net	<b>93,662</b>	10,076
Others	<b>1,278</b>	11,403
	<b>168,587</b>	33,730
	<b>1,883,980</b>	1,429,348

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

For the nine months period ended 30 September 2023

Amounts in Rs '000

	Note	<b>Nine months period ended 30 September (Un-audited)</b>	
		<b>2023</b>	<b>2022</b>
<b>20. FINANCE COSTS</b>			
Interest on lease liability		<b>208,472</b>	169,676
Exchange loss - net		<b>973,937</b>	1,588,139
Bank, LCs and other charges		<b>38,431</b>	32,136
Markup on LC discounting		<b>140,759</b>	2,214
Others		<b>499</b>	180
		<b>1,362,098</b>	<b>1,792,345</b>

## 21. TAXATION

Current	21.1	<b>3,864,771</b>	4,662,078
Prior	21.2	<b>1,030,494</b>	690,831
Deferred		<b>(643,786)</b>	(535,133)
		<b>4,251,479</b>	<b>4,817,776</b>

**21.1** This includes super tax at the rate of 10% of taxable profit for the current period (30 September 2022: at the rate of 4%).

**21.2** This represents super tax as a result of retrospective increase in the rate from 4% to 10% for TY 2023 vide Finance Act, 2023.

	Note	<b>Nine months period ended 30 September (Un-audited)</b>	
		<b>2023</b>	<b>2022</b>
<b>22. CASH (USED IN) / GENERATED FROM OPERATIONS</b>			
Profit before taxation		<b>9,091,757</b>	12,923,502
<b>Adjustments for non-cash charges and other items</b>			
Depreciation and amortisation		<b>943,475</b>	912,811
Gain on disposal of property, plant and equipment		<b>(60,125)</b>	(3,944)
Provision for retirement benefit obligations		<b>14,711</b>	11,922
Finance cost		<b>1,011,062</b>	767,433
Interest income	19	<b>(1,715,393)</b>	(1,395,618)
		<b>193,730</b>	292,604
		<b>9,285,487</b>	<b>13,216,106</b>

### Effect on cashflows due to working capital changes

(Increase) / decrease in current assets:

Stores and spare parts	<b>(491,901)</b>	(33,377)
Stock-in-trade	<b>(6,261,814)</b>	(2,824,453)
Trade debts	<b>2,234,634</b>	(9,219,658)
Loans and advances	<b>(47,976)</b>	338
Trade deposits and short-term prepayments	<b>(115,167)</b>	(55,603)
Other receivables	<b>(66,517)</b>	(620,565)
Sales tax refunds due from government	<b>(2,474,689)</b>	(129,906)
	<b>(7,223,430)</b>	(12,883,224)

(Decrease) / increase in trade and other payables **(3,401,127)** 927,174

Cash (used in) / generated from operations **(1,339,070)** 1,260,056

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

For the nine months period ended 30 September 2023

Amounts in Rs '000

		<b>30 September 2023</b>	31 December 2022
	Note	<b>(Un-audited)</b>	(Audited)
<b>23. CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	11	<b>688,112</b>	4,163,136
TDRs with banks having maturity less than three months	9	<b>8,592,691</b>	2,067,300
		<b>9,280,803</b>	6,230,436

## 24. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of parent company, related group companies, associated undertakings, 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	<b>Nine months period ended 30 September (Un-audited)</b>	
		<b>2023</b>	2022
<b>Associated undertakings</b>			
Novatex Limited	Sale of goods	<b>10,458,846</b>	-
<b>Key management personnel</b>			
	Salaries and other short-term benefits	<b>69,280</b>	53,694
	Retirement benefits	<b>6,563</b>	5,560
	Loans repaid	-	9,800
<b>Others</b>			
	Payments to retirement benefit funds	<b>80,864</b>	73,830

## 25. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on 12 October 2023.



**Sang Hyeon Lee**  
Chairman



**Young Dae Kim**  
Chief Executive



**Ashiq Ali**  
Chief Financial Officer

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