Annual Report 2012

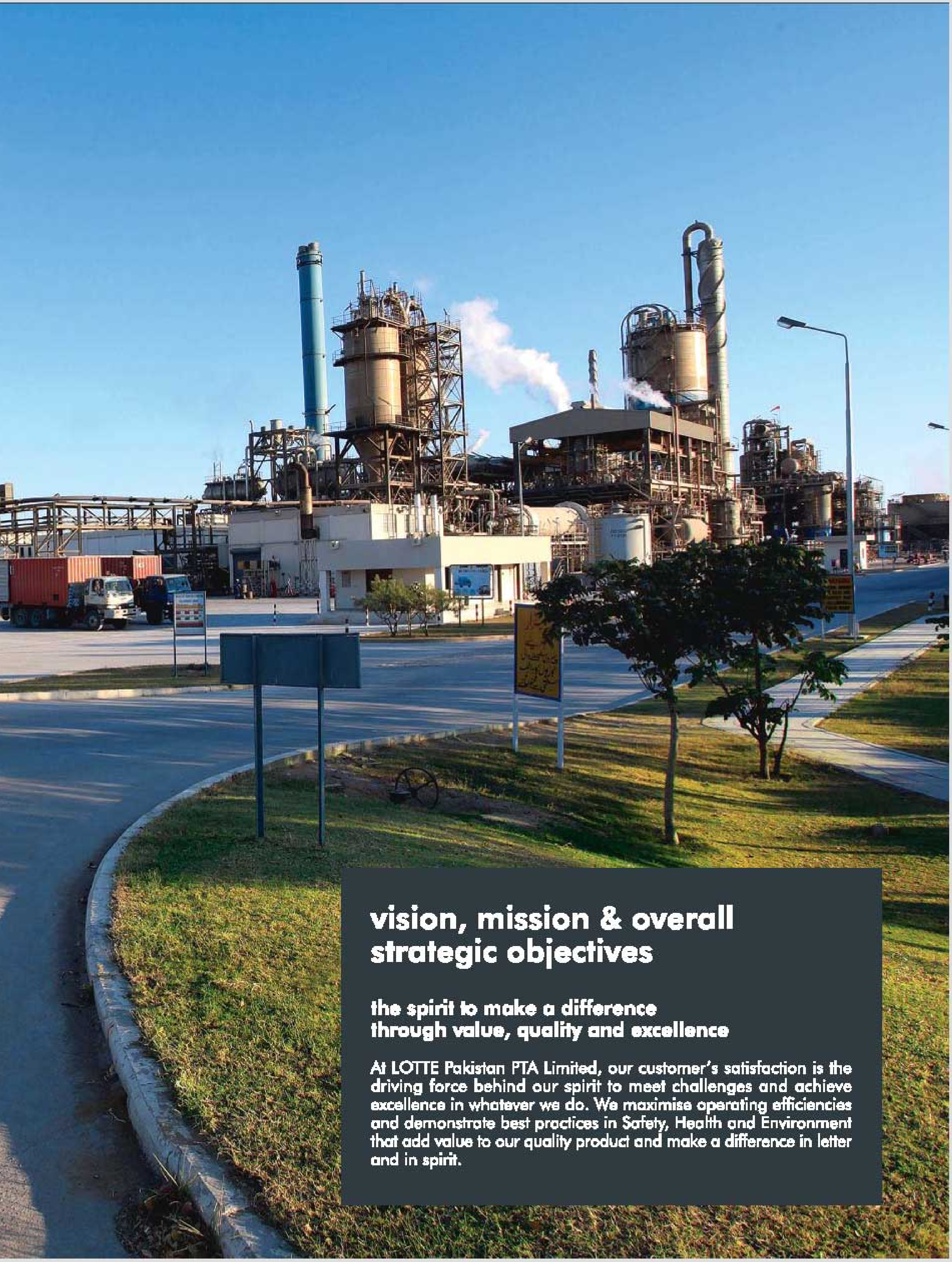
LOTTE PAKISTAN PTA LTD

contents

about us

LOTTE Pakistan PTA Ltd is a world-class supplier of purified terephthalic acid, an essential raw material for Pakistan's textile and PET packaging industries and forms the backbone of the polyester chain, including Polyester Staple Fibre, Filament Yarn and PET (bottle grade) resin. LOTTE Pakistan PTA Ltd is the single largest foreign direct investment to date (US$ 490 million) in Pakistan's petrochemical industry. In addition to its own manufacturing facilities, the Company has helped create a large infrastructure network at the Port Qasim vicinity, which includes a chemical jetty, raw water pipeline and manufacture of industrial gases through third party contracts. It has been a trendsetter in industrial investment in Pakistan.

The Company maintains its competitive edge by virtue of being a local manufacturer and major supplier for the domestic Polyester and PET industries with short delivery times, consistent quality and excellent customer service.



vision, mission & overall strategic objectives

the spirit to make a difference through value, quality and excellence

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

about LOTTE

Established in the late 1960s, the LOTTE Group is a South Korean conglomerate, which operates 60 overseas corporations within 16 countries worldwide. With over three decades of experience, LOTTE Group has gained industry leading competitiveness in world markets that include major industries such as food, retail, tourism, petrochemical, construction, manufacturing and finance.

The LOTTE Group, with turnover exceeding US$ 50 billion, is ranked amongst the top 5 conglomerates in South Korea. LOTTE has now set a new vision to transform itself into one of Asia's top 10 global corporations by 2018. The LOTTE Group aspires to achieve this 2018 vision by strengthening core businesses and expanding its businesses overseas.

FOODS
LOTTE Confectionery
LOTTE Chilsung Beverage
LOTTE SAMKANG
LOTTE HAM
LOTTERIA
LOTTE Boulangerie
LOTTE Asahi
LOTTE MERCHANDISING SERVICE CENTER
KIRIN Food
KOLSON Pakistan

RETAIL
LOTTE Department Store
LOTTE Mart
LOTTE Supermarket
LOTTE Entertainment
LOTTE Station Building
LOTTE MIDOPA
Korea Seven
LOTTE Homeshopping
LOTTE.com
FRL KOREA

TOURISM & SERVICES
HOTEL LOTTE
LOTTE DUTY FREE
LOTTEWORLD
BUSAN LOTTE HOTEL
LOTTE Corporation
LOTTE EITB
LOTTE INTERNATIONAL
LOTTE Sky Hill
LOTTE Logistics
LOTTE Data Communication
Hyundai Information Technology
Daehong Communications
LOTTE GIANTS
LOTTE Asset Development
LOTTE RUS
LOTTE Buyeo Resort
LOTTE Jeju Resort

WELFARE AND R&D
LOTTE R&D CENTER
LOTTE ACADEMY
LOTTE STRATEGY & INSIGHT CENTER
LOTTE Scholarship Foundation
LOTTE Welfare Foundation
LOTTE Samdong Welfare Foundation

PETROCHEMICAL & CONSTRUCTION & MANUFACTURING
LOTTE CHEMICAL CORPORATION
Daesan MMA
KP Chemtech Corp.
LOTTE Engineering & Construction
LOTTE CM DIVISION
LOTTE Aluminium
LOTTE Engineering & Machinery MFG.
Canon Korea Business Solutions
Korea Fujifilm
LOTTE Pakistan PTA Limited
LOTTE CHEMICAL UK
MALAYSIA TITAN

FINANCE
LOTTECARD
LOTTE Insurance
LOTTE CAPITAL
Mybi Co.
eB Card
LOTE PS Net

LOTTE'S 2018 vision

LOTTE established a new vision to become one of Asia's top 10 global business groups by 2018, leading markets across Asia by strengthening core businesses. LOTTE has established five core missions Vision 2018 action plans (GLOBAL VISION, COMPETITIVENESS, CUSTOMER SATISFACTION, PARTNERSHIP & SUSTAINABLE FUTURE), a programme for strengthening employee pride, nurturing future talents, increasing brand management and ensuring a deeper understanding of customers.

MANAGEMENT PRINCIPLES

STRENGTHENING CORE COMPETENCIES
ON-SITE MANAGEMENT
DEVELOPING TALENT
ENHANCING BRAND VALUE

CORE VALUES

CUSTOMER FOCUS
ORIGINALITY
PARTNERSHIP
RESPONSIBILITY
PASSION

new identity

We are pleased to inform about the merger of Honam Petrochemical with KP Chemical Corporation (major shareholder of Lotte Pakistan PTA Limited) with effect from 27 December, 2012. Subsequently, the merged entity is called 'Lotte Chemical Corporation' and is listed on the South Korean Stock Exchange.

This merger will serve as a platform for the Company's vision to be a top tier Asian Chemical Company with the revenue target of 40 trillion won (approx US $40 billion).The core business of Lotte Chemical with operations spanning across the globe will include basic chemicals (Olefins and Aromatics), Advanced materials (Eco-efficient materials) and new business opportunities keeping in view mega trends. The same will cater to various industries including Automobiles, Electronics, Construction/Environment, Energy, Polyester, Consumer goods and pharmaceuticals.

LOTTE Chemical Corporation Global Operations

new parent company logo

LOTTE CHEMICAL

chief executive's message to the stakeholders

2012 has proved to be a difficult year for the PTA industry worldwide. The influx of 7.5 million tons of new PTA capacities, mainly in China, coupled with short PX market and uncertain economic environment in the region have resulted in PTA margins to drop to a historic low in 2012. As a result of this, PTA plants had to curtail production by reducing operating rates or undertaking long shutdowns. The situation was so bad that even larger and integrated plants could not be run fully. However, Lotte Pakistan PTA remained one of the few PTA plants in the world to have operated at optimum levels in 2012.

The management team at Lotte Pakistan PTA has continued to focus on key controllables and ensured that operations remain robust through these adverse times.

Our landmark achievement of 40 million man hours without Lost Time Case (LTC) in 2012 is a testament of our commitment to ensure safe working environment for our employees and contractors and is an unparalleled performance level in Pakistan. Our adherence to safety policies and procedures has also helped us attain OHSAS-18001 & ISO-14001 certifications in record quick time. On the business front, our focus on optimizing production and domestic sales and strict control on fixed cost and cash conservation are all aspects which remained well managed.

2012 also witnessed the completion of Lotte co-generation power plant which is the largest capital project since the base plant construction in 1998. We are pleased to see this project come online smoothly and is providing reliable and consistent power supply to the PTA plant.

Lotte PPTA community engagement program continued in 2012 with the same passion and commitment from the previous years. Our CSR activities were focused mainly on Education, Health and Environment with active voluntary participation from Lotte PPTA employees. We have partnered with various reputable NGOs of the country and will continue to seek and support those who work for the betterment of our society.

As we move into 2013, we remain optimistic about our business. The demand growth in Pakistan augurs well for our future growth and we must strive to be able to retain our strong market position. Further efficiencies in supply chain and costs in the coming years should also help.

I take the opportunity to express my gratitude to all employees, customers, suppliers, contractors, business partners and shareholders for their support and trust they have shown in us throughout the year.

Sincerely yours

M Asif Saad

company information

Board of Directors

Soon Hyo Chung	Chairman
M Asif Saad	Chief Executive
Changgyou Kim	Non-executive
Jung Neon Kim	Executive
Oh Hun Im	Executive
Mohammad Qasim Khan	Independent
Aliya Yusuf	Independent
Manzoor Ahmed	Non-executive

Audit Committee

Aliya Yusuf	Chairperson
Jung Neon Kim	Member
Manzoor Ahmed	Member
Ashiq Ali	Secretary & Head of Internal Audit

HR & Remuneration Committee

Soon Hyo Chung	Chairman
Changgyou Kim	Member
Jung Neon Kim	Member

Shares Sub Committee

Jung Neon Kim	Chairman
Mohammad Qasim Khan	Member
Oh Hun Im	Member

Chief Financial Officer and Company Secretary

Adnan W Samdani

Executive Management Team

M Asif Saad
Chief Executive

Adnan W Samdani
Chief Financial Officer & Company Secretary

Qamar Haris Manzoor
General Manager Manufacturing

Mohammad Wasim
General Manager Operations

Humair Ijaz
General Manager Commercial

Waheed U Khan
Corporate Human Resource Manager

Bankers

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

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

External Auditors

A.F. Ferguson & Co.,
Chartered Accountants

Legal Advisor

Mohammad Mitha
148, 18th East Street,
Phase 1, DHA, Karachi

Registered Office

EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi
UAN: +92(0) 21 111-782-111
Fax: +92(0) 21 3472-6004

Shares Registrar

Famco Associates (Pvt) Limited
State Life Building No. 1-A,
1st Floor, I.I. Chundrigar Road,
Karachi - 74000


LOTTE PAKISTAN PTA LTD

code of conduct

Business Principles

- Each employee should implement the Company's core values, comply with and observe applicable laws, support fundamental human rights and give due regard to health, safety and environment.

Business Integrity

- Bribery and any other form of unethical business practices are prohibited
- Free enterprise is promoted and strict compliance with competition laws is required
- As responsible corporate citizens, participation in community activities is encouraged and all measures are taken for the safety and health of employees as well as for the protection of the environment
- Employees are expected to maintain confidentiality and to act in the Company's interests at all times

Company Responsibilities

- Adopt the spirit of open communication
- Provide equal opportunities and a healthy, safe and secure environment
- Ensure the rights of employees to join unions/associations
- Protect personal data of employees
- Engage in an active performance management system

Employee Responsibilities

The Code provides guidance to employees on their responsibilities in the following areas:

- Media relations and disclosures
- Inside information
- Protecting intellectual property
- Internet use
- Business travel policy
- Prohibition on substance abuse

statement of value added and its distribution

	2012 Rs. 000	%	2011 Rs. 000	%
Gross revenue	**53,063,334**	**98.9**	57,996,746	98.6
Other income	**573,985**	**1.1**	808,583	1.4
Total value added	**53,637,319**	**100.0**	58,805,329	100.0
Value Distribution				
Materials and services	**51,338,161**	**95.7**	49,330,795	83.9
Employee remuneration and benefits	**561,531**	**1.0**	553,297	0.9
Government taxation and duties, as:				
Company taxation	**(62,471)**		2,031,015	
Excise duty and infrastructure cess	**200,518**		327,792	
Worker's funds	**-**		473,464	
	138,047	**0.3**	2,832,271	4.8
Non cash expenses				
Depreciation	**1,365,271**		1,316,740	
Net exchange loss	**59,142**		66,303	
	1,424,413	**2.7**	1,383,043	2.4
Operating and other costs	**263,019**	**0.5**	350,697	0.6
Donations	**8,953**	**0.0**	11,561	0.0
Finance costs	**86,912**	**0.2**	166,134	0.3
Dividends	**-**	**-**	757,104	1.3
(Loss) / profit	**(183,717)**	**(0.3)**	3,420,427	5.8
Total	**53,637,319**	**100.0**	58,805,329	100.0

key operational and financial data
six years at a glance

		2012	2011	2010	2009	2008	2007
PROFIT & LOSS SUMMARY							
Revenue	Rs 000	**52,823,257**	57,577,198	42,401,588	37,851,240	32,936,220	28,467,346
Cost of sales	Rs 000	**53,037,852**	50,914,635	35,371,568	31,954,429	32,067,881	27,117,299
Gross (loss) / profit	Rs 000	**(214,595)**	6,662,563	7,030,020	5,896,811	868,339	1,350,047
Distribution & selling expenses	Rs 000	**132,519**	197,208	109,983	121,252	56,422	16,588
Administration expenses	Rs 000	**304,659**	330,463	268,291	215,709	201,069	160,907
Other operating expenses	Rs 000	**22,346**	502,492	605,923	543,351	40,850	38,371
Other operating income	Rs 000	**304,015**	22,883	10,532	196,646	153,776	169,015
Operating (loss) / profit	Rs 000	**(370,104)**	5,655,283	6,056,355	5,213,145	723,774	1,303,196
Finance income	Rs 000	**269,970**	785,700	882,466	260,800	-	-
Finance costs	Rs 000	**146,054**	232,437	229,225	754,702	2,402,464	1,103,785
(Loss) / profit before taxation	Rs 000	**(246,188)**	6,208,546	6,709,596	4,719,243	(1,678,690)	199,411
Taxation	Rs 000	**(62,471)**	2,031,015	2,184,275	1,145,537	(108,658)	68,044
(Loss) / profit after taxation	Rs 000	**(183,717)**	4,177,531	4,525,321	3,573,706	(1,570,032)	131,367
EBITDA	Rs 000	**1,265,137**	7,757,723	8,184,628	6,679,833	1,917,500	2,478,736
BALANCE SHEET SUMMARY							
Issued, subscribed & paid-up capital	Rs 000	**15,142,072**	15,142,072	15,142,072	15,142,072	15,142,072	15,142,072
Capital reserves	Rs 000	**2,345**	2,345	2,345	2,345	2,345	2,345
Accumulated loss	Rs 000	**(3,002,538)**	(2,061,717)	(5,482,144)	(9,250,361)	(12,886,397)	(11,316,365)
Long term loans	Rs 000	**-**	-	3,437,500	5,322,397	4,996,687	3,879,697
Current liabilities	Rs 000	**8,044,974**	9,616,196	8,054,478	5,750,627	5,666,835	7,103,252
Fixed assets	Rs 000	**6,051,127**	9,852,587	8,754,209	9,201,314	9,952,791	10,745,850
Long term investment	Rs 000	**4,500,000**	-	-	-	-	-
Current assets	Rs 000	**10,310,492**	13,900,632	13,896,908	9,543,763	5,149,368	6,393,459
CASH FLOW SUMMARY							
Operating activities	Rs 000	**638,008**	2,208,812	5,630,598	7,051,345	542,405	1,170,553
Investing activities	Rs 000	**(2,067,451)**	(1,956,139)	(1,305,449)	(277,436)	(272,730)	(227,221)
Financing activities	Rs 000	**(2,850,674)**	(2,657,730)	(2,852,781)	(97,791)	(777,349)	(1,427,291)
Cash and cash equivalents at year end	Rs 000	**225,134**	4,505,251	6,910,308	5,437,940	(1,238,178)	(730,504)
KEY RATIOS							
Gross profit ratio	%	**(0.41)**	11.57	16.58	15.58	2.64	4.74
EBITDA margin to sales	%	**2.40**	13.47	19.30	17.65	5.82	8.71
Net profit margin	%	**(0.35)**	7.26	10.67	9.44	(4.77)	0.46
ROE	%	**(1.51)**	31.93	46.83	60.63	(69.53)	3.43
ROCE	%	**(1.51)**	31.84	33.99	30.89	(20.51)	1.60
Inventory turnover	times	**11.59**	13.90	18.00	25.38	17.87	8.97
Inventory turnover in days	days	**31.48**	26.25	20.27	14.38	20.42	40.70
Debtors turnover	times	**16.40**	18.94	17.90	26.19	16.85	15.71
Average collection period	days	**22.26**	19.27	20.40	13.94	21.66	23.23
Creditors turnover	times	**10.04**	11.03	10.50	12.21	9.57	6.88
Payable turnover in days	days	**36.35**	33.09	34.76	29.89	38.14	53.06
Operating cycle	days	**17.40**	12.44	5.91	(1.57)	3.94	10.87
Total asset turnover	times	**2.35**	2.47	2.04	2.22	2.03	1.63
Fixed asset turnover	times	**6.64**	6.19	4.72	3.95	3.18	2.54
Current ratio	times	**1.28**	1.45	1.73	1.66	0.91	0.90
Quick ratio	times	**0.63**	0.89	1.33	1.37	0.59	0.49
Interest cover	times	**(2.53)**	24.33	26.42	6.91	0.30	1.18
Debt equity ratio	times	**1.00**	1.14	1.38	1.96	3.39	2.14
SHARES & EARNINGS							
Price earnings ratio	times	**(60.58)**	3.36	4.58	3.32	(1.53)	58.21
EPS	Rs	**(0.12)**	2.76	2.99	2.36	(1.04)	0.09
Cash dividend per share	Rs	**-**	0.50	0.50	0.50	-	-
Dividend yield ratio	%	**-**	5.39	3.65	6.39	-	-
Dividend payout ratio	%	**-**	18.12	16.73	21.19	-	-
Dividend cover ratio	times	**-**	5.52	5.98	4.72	-	-
Breakup value per share (w/o surplus on revaluation of fixed assets)	Rs	**8.02**	8.64	6.38	3.89	1.49	2.53
Breakup value per share (including surplus on revaluation of fixed assets)	Rs	**8.02**	8.64	6.38	3.89	1.55	2.53
Market value per share - 31 December	Rs	**7.35**	9.27	13.70	7.83	1.59	5.05
Market value per share – High	Rs	**10.78**	17.36	14.11	8.19	5.95	7.20
Market value per share – Low	Rs	**6.70**	8.31	6.75	1.59	1.15	4.20
Market capitalization	Rs 000	**11,129,423**	14,036,701	20,744,639	11,856,242	2,407,589	7,646,746

vertical analysis

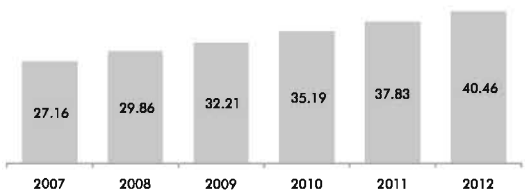
	2012		2011		2010		2009		2008		2007	
	(Rs '000)	%	(Rs '000)	%	(Rs '000)	%	(Rs '000)	%	(Rs '000)	%	(Rs '000)	%
BALANCE SHEET												
SHARE CAPITAL AND RESERVES												
Authorised capital	20,000,000		20,000,000		20,000,000		20,000,000		20,000,000		20,000,000	
Issued, subscribed and paid-up capital	15,142,072	72%	15,142,072	63%	15,142,072	67%	15,142,072	80%	15,142,072	100%	15,142,072	88%
Capital reserves	2,345	0%	2,345	0%	2,345	0%	2,345	0%	2,345	0%	2,345	0%
Accumulated loss	(3,002,538)	-14%	(2,061,717)	-9%	(5,482,144)	-24%	(9,250,361)	-49%	(12,886,397)	-85%	(11,316,365)	-66%
Total Equity	12,141,879	58%	13,082,700	55%	9,662,273	42%	5,894,056	31%	2,258,020	15%	3,828,052	22%
Surplus on revoluation of fixed assets	-	0%	-	0%	-	0%	-	0%	85,992	1%	-	0%
NON CURRENT LIABILITIES												
Long-term loans	-	0%	-	0%	3,437,500	15%	5,322,397	28%	4,996,687	33%	3,879,697	23%
Liability against assets subject to finance lease	-	0%	38,039	0%	214,445	1%	351,796	2%	400,188	3%	499,344	3%
Deferred tax	773,427	4%	1,142,646	5%	1,376,480	6%	1,513,285	8%	1,774,808	12%	1,903,081	11%
Retirement benefit obligation	27,543	0%	20,787	0%	14,749	0%	9,999	0%	6,073	0%	4,938	0%
	800,970	4%	1,201,472	5%	5,043,174	22%	7,197,477	38%	7,177,756	47%	6,287,060	37%
CURRENT LIABILITIES												
Trade and other payables	7,854,630	37%	7,479,634	31%	7,652,365	34%	4,975,045	26%	3,903,517	26%	5,329,344	31%
Interest accrued	147,685	1%	140,074	1%	136,942	1%	137,175	1%	425,079	3%	205,641	1%
Taxation - provision less payments	-	0%	-	0%	118,594	1%	519,114	3%	-	0%	-	0%
Short-term financing	-	0%	-	0%	-	0%	-	0%	1,254,624	8%	804,690	5%
Current portion of:												
long-term loans	-	0%	1,801,150	8%	-	0%	-	0%	-	0%	692,382	4%
liability against assets subject to finance lease	42,659	0%	195,338	1%	146,577	1%	119,293	1%	83,615	1%	71,195	0%
	8,044,974	38%	9,616,196	40%	8,054,478	35%	5,750,627	31%	5,666,835	37%	7,103,252	41%
TOTAL EQUITY AND LIABILITIES	20,987,823	100%	23,900,368	100%	22,759,925	100%	18,842,160	100%	15,188,603	100%	17,218,364	100%
NON CURRENT ASSETS												
Fixed assets	6,051,127	29%	9,852,587	41%	8,754,209	38%	9,201,314	49%	9,952,791	66%	10,745,850	62%
Long-term investment	4,500,000	21%	-		-		-		-		-	
Long-term loans & advances	46,957	0%	46,937	0%	38,660	0%	34,497	0%	44,723	0%	38,431	0%
Long-term deposits & prepayments	79,247	0%	100,212	0%	70,148	0%	62,586	0%	41,721	0%	40,624	0%
	10,677,331	51%	9,999,736	42%	8,863,017	39%	9,298,397	49%	10,039,235	66%	10,824,905	63%
CURRENT ASSETS												
Stores and spares	728,025	3%	694,745	3%	494,231	2%	400,715	2%	548,868	4%	584,917	3%
Stock-in-trade	4,480,516	21%	4,669,004	20%	2,655,203	12%	1,273,922	7%	1,244,313	8%	2,344,637	14%
Trade deposits and short-term prepayments	92,404	0%	159,398	1%	69,846	0%	49,150	0%	74,891	0%	166,240	1%
Taxation - payments less provision	668,177	3%	177,264	1%	-	0%	-	0%	-	0%	8,003	0%
Trade debts	3,300,360	16%	3,143,244	13%	2,937,816	13%	1,800,772	10%	1,089,614	7%	2,818,667	16%
Loans and advances	32,796	0%	40,603	0%	32,196	0%	26,233	0%	27,020	0%	37,769	0%
Mark-up accrued on bank deposits	42	0%	12,831	0%	43,861	0%	27,876	0%	-	0%	-	0%
Other receivables	120,893	1%	209,420	1%	67,007	0%	139,216	1%	1,802,787	12%	96,523	1%
Financial assets - investment	-	0%	-	0%	364,644	2%	-	0%	-	0%	-	0%
Tax refunds due from government - sales tax	662,145	3%	288,872	1%	321,796	1%	387,939	2%	345,429	2%	262,517	2%
Cash and bank balances	225,134	1%	4,505,251	19%	6,910,308	30%	5,437,940	29%	16,446	0%	74,186	0%
	10,310,492	49%	13,900,632	58%	13,896,908	61%	9,543,763	51%	5,149,368	34%	6,393,459	37%
TOTAL ASSETS	20,987,823	100%	23,900,368	100%	22,759,925	100%	18,842,160	100%	15,188,603	100%	17,218,364	100%
PROFIT AND LOSS ACCOUNT												
Turnover	53,063,334	100%	57,996,746	101%	43,473,680	103%	38,629,965	102%	35,975,240	109%	31,103,684	109%
Price settlement and discounts	240,077	0%	419,548	1%	1,072,092	3%	778,725	2%	3,039,020	9%	2,636,338	9%
Revenue	52,823,257	100%	57,577,198	100%	42,401,588	100%	37,851,240	100%	32,936,220	100%	28,467,346	100%
Cost of sales	53,037,852	100%	50,914,635	88%	35,371,568	83%	31,954,429	84%	32,067,881	97%	27,117,299	95%
Gross (loss) / profit	(214,595)	0%	6,662,563	12%	7,030,020	17%	5,896,811	16%	868,339	3%	1,350,047	5%
Distribution and selling expenses	132,519	0%	197,208	0%	109,983	0%	121,252	0%	56,422	0%	16,588	0%
Administration expenses	304,659	1%	330,463	1%	268,291	1%	215,709	1%	201,069	1%	160,907	1%
Other operating expenses	22,346	0%	502,492	1%	605,923	1%	543,351	1%	40,850	0%	38,371	0%
Other operating income	304,015	1%	22,883	0%	10,532	0%	196,646	1%	153,776	0%	169,015	1%
Operating (loss) / profit	(370,104)	-1%	5,655,283	10%	6,056,355	14%	5,213,145	14%	723,774	2%	1,303,196	5%
Finance income	269,970	1%	785,700	1%	882,466	2%	260,800	1%	-	0%	-	0%
Finance costs	146,054	0%	232,437	0%	229,225	1%	754,702	2%	2,402,464	7%	1,103,785	4%
(Loss) / profit before taxation	(246,188)	0%	6,208,546	11%	6,709,596	16%	4,719,243	12%	(1,678,690)	-5%	199,411	1%
Taxation	(62,471)	0%	2,031,015	4%	2,184,275	5%	1,145,537	3%	(108,658)	0%	68,044	0%
(Loss) / profit after taxation	(183,717)	0%	4,177,531	7%	4,525,321	11%	3,573,706	9%	(1,570,032)	-5%	131,367	0%

horizontal analysis

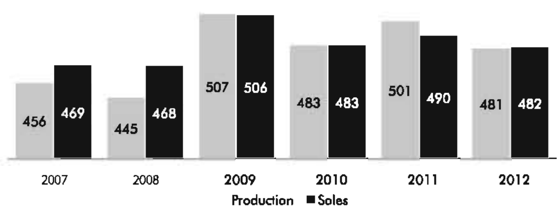
	2012		2011		2010		2009		2008		2007	
	(Rs ' 000)	%	(Rs ' 000)	%	(Rs ' 000)	%	(Rs ' 000)	%	(Rs ' 000)	%	(Rs ' 000)	%
BALANCE SHEET												
SHARE CAPITAL AND RESERVES												
Authorised capital	20,000,000	100%	20,000,000	100%	20,000,000	100%	20,000,000	100%	20,000,000	100%	20,000,000	100%
Issued, subscribed and paid-up capital	15,142,072	100%	15,142,072	100%	15,142,072	100%	15,142,072	100%	15,142,072	100%	15,142,072	100%
Capital reserves	2,345	100%	2,345	100%	2,345	100%	2,345	100%	2,345	100%	2,345	100%
Accumulated loss	(3,002,538)	27%	(2,061,717)	18%	(5,482,144)	48%	(9,250,361)	82%	(12,886,397)	114%	(11,316,365)	100%
Surplus on revaluation of fixed assets	-		-		-		-		85,992		-	
NON CURRENT LIABILITIES												
Long term loans	-	0%	-	0%	3,437,500	89%	5,322,397	137%	4,996,687	129%	3,879,697	100%
Liability against assets subject to finance lease	-	0%	38,039	8%	214,445	43%	351,796	70%	400,188	80%	499,344	100%
Deferred tax	773,427	41%	1,142,646	60%	1,376,480	72%	1,513,285	80%	1,774,808	93%	1,903,081	100%
Retirement benefit obligation	27,543	558%	20,787	421%	14,749	299%	9,999	202%	6,073	123%	4,938	100%
CURRENT LIABILITIES												
Trade and other payables	7,854,630	147%	7,479,634	140%	7,652,365	144%	4,975,045	93%	3,903,517	73%	5,329,344	100%
Interest accrued	147,685	72%	140,074	68%	136,942	67%	137,175	67%	425,079	207%	205,641	100%
Taxation - provision less payments	-		-		118,594		519,114		-		-	
Short-term borrowings	-	0%	-	0%	-	0%	-	0%	1,254,624	156%	804,690	100%
Current portion of:												
Long-term loans	-	0%	1,801,150	260%	-	0%	-	0%	-	0%	692,382	100%
Liability against assets subject to finance lease	42,659	60%	195,338	274%	146,577	206%	119,293	168%	83,615	117%	71,195	100%
TOTAL EQUITY AND LIABILITIES	20,987,823	122%	23,900,368	135%	22,759,925	132%	18,842,160	109%	15,188,603	88%	17,218,364	100%
NON CURRENT ASSETS												
Fixed assets	6,051,127	56%	9,852,587	92%	8,754,209	81%	9,201,314	86%	9,952,791	93%	10,745,850	100%
Long-term Investment	4,500,000		-		-		-		-		-	
Long-term loans & advances	46,957	122%	46,937	122%	38,660	101%	34,497	90%	44,723	116%	38,431	100%
Long-term deposits & prepayments	79,247	195%	100,212	247%	70,148	173%	62,586	154%	41,721	103%	40,624	100%
CURRENT ASSETS												
Stores and spares	728,025	124%	694,745	119%	494,231	84%	400,715	69%	548,868	94%	584,917	100%
Stock-in-trade	4,480,516	191%	4,669,004	199%	2,655,203	113%	1,273,922	54%	1,244,313	53%	2,344,637	100%
Trade deposits and short term prepayments	92,404	56%	159,398	96%	69,846	42%	49,150	30%	74,891	45%	166,240	100%
Taxation - payments less provision	668,177	8349%	177,264	2215%	-	0%	-	0%	-	0%	8,003	100%
Trade debts	3,300,360	117%	3,143,244	112%	2,937,816	104%	1,800,772	64%	1,089,614	39%	2,818,667	100%
Loans and advances	32,796	87%	40,603	108%	32,196	85%	26,233	69%	27,020	72%	37,769	100%
Mark-up accrued on bank deposits	42		12,831		43,861		27,876		-		-	
Other receivables	120,893	125%	209,420	217%	67,007	69%	139,216	144%	1,802,787	1868%	96,523	100%
Financial assets - investment	-		-		364,644		-		-		-	
Tax refunds due from government - sales tax	662,145	252%	288,872	110%	321,796	123%	387,939	148%	345,429	132%	262,517	100%
Cash and bank balances	225,134	303%	4,505,251	6073%	6,910,308	9315%	5,437,940	7330%	16,446	22%	74,186	100%
TOTAL ASSETS	20,987,823	122%	23,900,368	139%	22,759,925	132%	18,842,160	109%	15,188,603	88%	17,218,364	100%
PROFIT AND LOSS ACCOUNT												
Revenue	52,823,257	186%	57,577,198	202%	42,401,588	149%	37,851,240	133%	32,936,220	116%	28,467,346	100%
Cost of sales	53,037,852	196%	50,914,635	188%	35,371,568	130%	31,954,429	118%	32,067,881	118%	27,117,299	100%
Gross (loss) / profit	(214,595)	-16%	6,662,563	494%	7,030,020	521%	5,896,811	437%	868,339	64%	1,350,047	100%
Distribution and selling expense	132,519	799%	197,208	1189%	109,983	663%	121,252	731%	56,422	340%	16,588	100%
Administration expense	304,659	189%	330,463	205%	268,291	167%	215,709	134%	201,069	125%	160,907	100%
Other operating expenses	22,346	58%	502,492	1310%	605,923	1579%	543,351	1416%	40,850	106%	38,371	100%
Other operating income	304,015	180%	22,883	14%	10,532	6%	196,646	116%	153,776	91%	169,015	100%
Operating (loss) / profit	(370,104)	-28%	5,655,283	434%	6,056,355	465%	5,213,145	400%	723,774	56%	1,303,196	100%
Finance income	269,970		785,700		882,466		260,800		-		-	
Finance costs	146,054	13%	232,437	21%	229,225	21%	754,702	68%	2,402,464	218%	1,103,785	100%
(Loss) / profit before taxation	(246,188)	-123%	6,208,546	3113%	6,709,596	3365%	4,719,243	2367%	(1,678,690)	-842%	199,411	100%
Taxation	(62,471)	-92%	2,031,015	2985%	2,184,275	3210%	1,145,537	1684%	(108,658)	-160%	68,044	100%
(Loss) / profit after taxation	(183,717)	-140%	4,177,531	3180%	4,525,321	3445%	3,573,706	2720%	(1,570,032)	-1195%	131,367	100%

graphical presentation

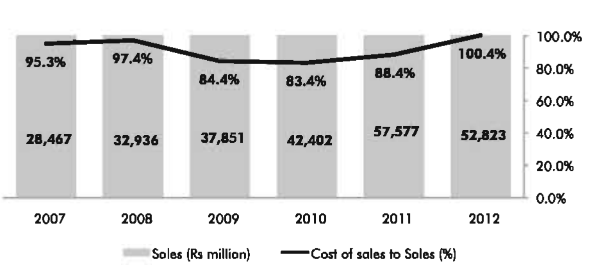
Man Hours in millions without Lost Time Case (employees + contractors)



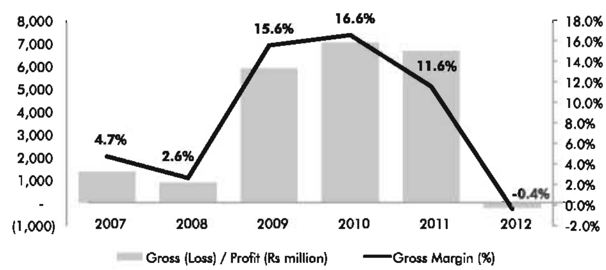
Production & Sales (000 tes)



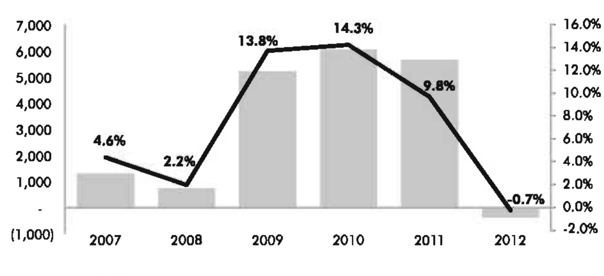
Sales (Rs million) & Cost of Sales to Sales (%)



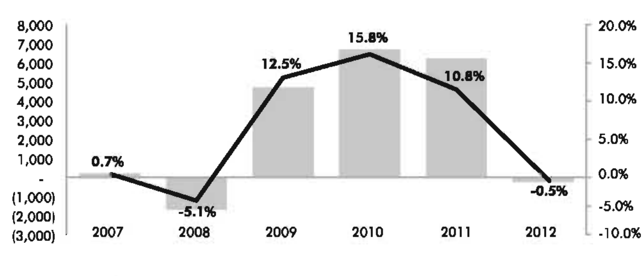
Gross (Loss) / Profit (Rs million) & Gross Margin (%)

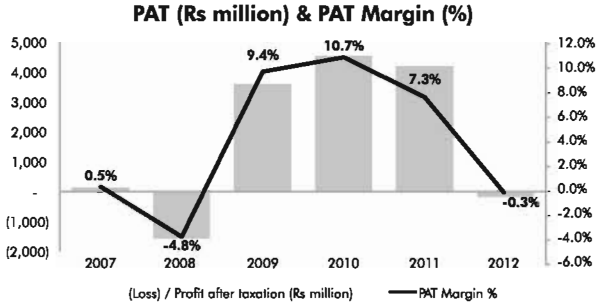


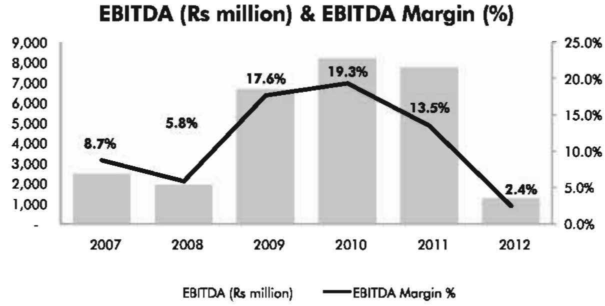
Operating (Loss) / Profit (Rs million) & Operating Margin (%)

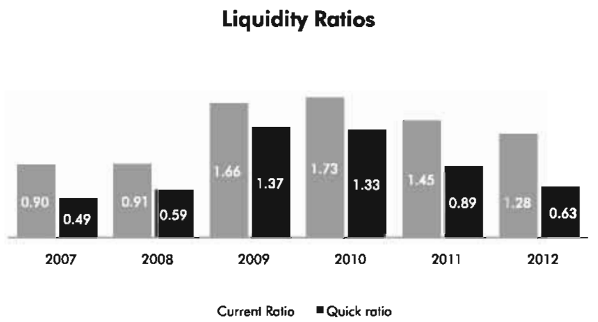


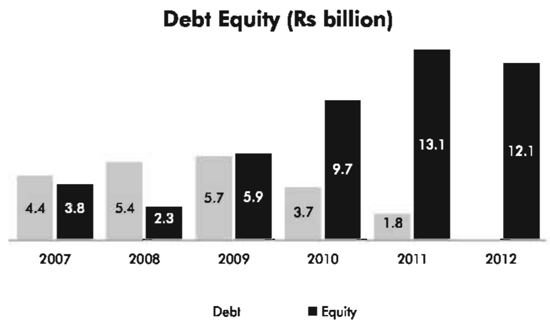
PBT (Rs million) & PBT Margin (%)

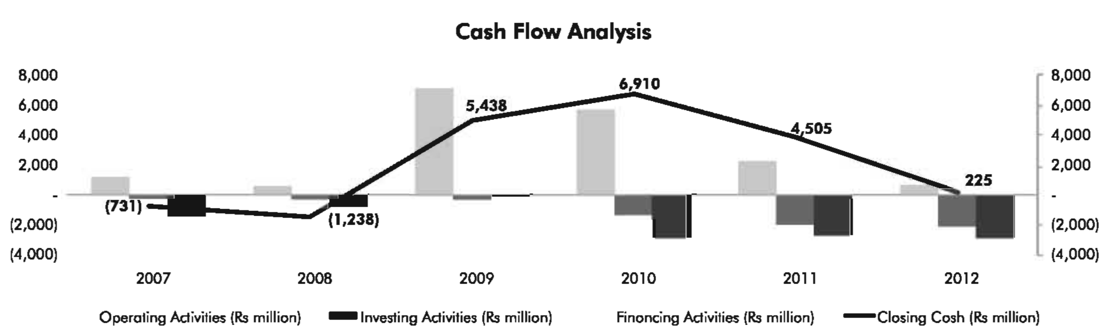



PAT (Rs million) & PAT Margin (%)
0.5%
-4.8%
9.4%
10.7%
7.3%
-0.3%
2007 2008 2009 2010 2011 2012
(Loss) / Profit after taxation (Rs million)
PAT Margin %


EBITDA (Rs million) & EBITDA Margin (%)
8.7%
5.8%
17.6%
19.3%
13.5%
2.4%
2007 2008 2009 2010 2011 2012
EBITDA (Rs million)
EBITDA Margin %


Liquidity Ratios
0.90 0.49
0.91 0.59
1.66 1.37
1.73 1.33
1.45 0.89
1.28 0.63
2007 2008 2009 2010 2011 2012
Current Ratio
Quick ratio


Debt Equity (Rs billion)
4.4 3.8
5.4 2.3
5.7 5.9
3.7 9.7
1.8 13.1
12.1
2007 2008 2009 2010 2011 2012
Debt
Equity


Cash Flow Analysis
(731)
(1,238)
5,438
6,910
4,505
225
2007 2008 2009 2010 2011 2012
Operating Activities (Rs million)
Investing Activities (Rs million)
Financing Activities (Rs million)
Closing Cash (Rs million)

board member profiles

Mr. Soon Hyo Chung, Chairman

Mr. Soon Hyo Chung has been a member of the Lotte Chemical Corporation (formerly KP Chemical Corporation), Korea since 1984 and has been associated with various business divisions of the Company, such as Overseas sales (Garment Goods), Petrochemical, and has also been involved in procurement of Mixed Xylene. His overseas assignments include a tenure of 6 years in New York, and 4 years in Hong Kong. Mr. Soon Hyo Chung graduated from Sung Kwan University in 1980 where he attained his Bacherlor's degree in English Language and Literature. He is currently working as Managing Director (Corporate and Planning) at Lotte Chemical Corporation.

Mr. M Asif Saad, Chief Executive

A LUMS MBA graduate, Mr. Saad joined ICI as a management trainee in 1988. In 2002, Mr. Saad joined Pakistan PTA Limited as a Commercial Manager. He was associated with ICI Pakistan for almost 15 years in diverse businesses including Paints, Chemicals and Polyester Fibre. He has also been responsible for product stewardship and long-term strategy development for Pakistan PTA. He was appointed Chief Executive of the Company in 2008.

Mr. Changgyou Kim, Director

Mr. Kim started his illustrious career in Honam Petrochemical in 1978 after completing his Bachelors in Industrial Chemistry from Seoul National University, Korea and later went to pursue Masters in Chemical Engineering from University of South Carolina, USA. In 1990, he got a PhD and joined Hyundai Petrochemical Corporation. In 2005, Mr. Kim joined Honam Petrochemical Daeduk Research Institute where he served as the Head of Institute as well as the Managing Director. In February 2012, Mr. Kim was appointed as the CEO of KP Chemical Corporation and post merger is now the Head of Aromatics Business Division in Lotte Chemical Corporation. Mr. Kim is also the Vice Chairman of the 'Polymer Society of Korea'.

Mr. Jung Neon Kim, Director

Mr. Kim has been working with Lotte Chemical Corporation (formerly KP Chemical Corporation), Korea since 1991. Mr. Kim holds a bachelor degree in Economics from Pusan National University in Korea.

Mr. Oh Hun Im, Director

Mr. Im has been working with Lotte Chemical Corporation (formerly KP Chemical Corporation), Korea since 1992. He completed his bachelors in Chemical Engineering from Yeungnam University, Korea in 1992 and has been involved in various functions like Technical, New Projects & Plant Management and Planning.

Mr. Mohammad Qasim Khan, Director

Mr. Khan is currently Business Unit President for PepsiCo based in Bangkok. He is responsible for PepsiCo's beverage and food businesses in Japan, Korea, Philippines and Pakistan. He has been with PepsiCo since 1986 and has served in a variety of roles covering Australia, New Zealand, Vietnam, Malaysia, Singapore, Thailand and Pacific Islands.

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

Ms. Aliya Yusuf, Director

Ms. Yusuf is a Partner of Orr, Dignam & Co. based in Karachi. She joined the firm in 1989 and has been a Partner since 1996. Along with her team, she deals with a wide range of corporate, financial and commercial matters. Her focus areas are M&A (including privatization) and project work, joint ventures in the energy, pharmaceutical, communication and real estate development sector.

Mr. Manzoor Ahmed, Director

Mr. Ahmed is the Chief Operating Officer of National Investment Trust Ltd (NITL), currently managing a Rs. 75 billion+ portfolio. He has experience of over 22 years of the Mutual Fund Industry. Mr. Ahmed has an MBA and also holds a D.A.I.B.P. Mr Ahmed represents NITL as a Director on the Boards of Soneri Bank Ltd, Millat Tractors Ltd, Service Industries Ltd, Mari GasCo. Ltd, Lucky Cement Limited, General Tyre and Rubber Co. Ltd, Nishat(Chunian) Ltd, Bannu Woolen Mills Ltd and Linde Pakistan Ltd.

board & management committees with brief terms of reference

AUDIT COMMITTEE

(From left to right)
Manzoor Ahmed, Aliya Yusuf, Jung Neon Kim

HR & REMUNERATION COMMITTEE

(From left to right)
Soon Hyo Chung, Changgyou Kim, Jung Neon Kim

SHARES SUB COMMITTEE

(From left to right)
Oh Hun Im, Mohammad Qasim Khan, Jung Neon Kim

Audit Committee

The Audit Committee is a sub-committee of the Board to assist the Board in the effective discharge of its responsibilities for corporate governance, financial reporting and corporate control. Terms of reference of the audit committee have been drawn up by the Board in compliance with the relevant regulations and the Board acts in accordance with the recommendations of the Committee on matters forming part of its responsibilities. The audit committee reviews the system of internal controls, risk management and the financial audit process, besides assisting the Board in reviewing financial statements and announcements to shareholders. In carrying out its duties the Audit Committee has the authority to discuss any issues within its remit directly with the management, internal auditors or external auditors and may obtain outside legal professional advice on it, if it considers necessary. The committee controls and monitors the scope of the internal audit function, including powers and responsibilities forming part of its charter.

The Chairperson of the audit committee is an independent non-executive director, while its members comprise of one non-executive and one executive director. The Head of Internal Audit acts as the secretary of the committee.

The Audit Committee meets at least four times a year. At least once a year, it meets the external auditors without the CFO or the internal auditors being present. It further meets at least once a year, the internal auditors without the CFO being present. Minutes of meetings are drawn up expeditiously and circulated for the information and consideration of the Board in the immediately succeeding Board meeting.

EXECUTIVE MANAGEMENT TEAM

(L-R) Adnan W Samdani, Mohammad Wasim,Waheed U Khan, M Asif Saad, Humair Ijaz, Qamar Haris Manzoor

HR & Remuneration Committee

The HR & Remuneration sub committee assists the Board of Directors of the Company to administer and develop a fair and transparent procedure for setting up human resource management policies. The sub committee is responsible for reviewing the remuneration and benefits of the Chief Executive, executive directors and senior managers. It also reviews the overall remuneration budget of the Company. The committee consists of two non-executives and one executive director. The corporate human resource manager acts as the secretary and the committee meets at least once a year.

Shares Sub Committee

The shares sub committee consists of one non-executive and two executive directors. This committee approves registrations, transfers and transmission of the Company's shares. Resolutions passed by this committee are subsequently placed at Board meetings for ratification.

Management Committee - Executive Management Team

Management comprises heads of various functions that operate under powers and limits delegated by the Board and the Chief Executive for ensuring smooth operations and achieving the strategic objectives.

The team conducts its business under the chairmanship of the Chief Executive with five other senior managers. The team is responsible for strategic business planning, decision making and ensuring smooth operations on an ongoing basis, establishing adequacy of the Company's operational, administrative and control policies adopted by the Board and monitoring compliance thereof.

directors' report

The Directors are pleased to present their report together with the audited financial statements of the Company and the Group for the year ended 31 December 2012. The Group results comprises of Lotte Pakistan PTA Limited (Company) and Lotte Powergen (Private) Limited, a wholly owned subsidiary of the Company.

Board Changes
Mr Istaqbal Mehdi and Mr Soo Young Huh resigned from the Board with effect from April 2, 2012 and April 5, 2012 respectively. To fill these casual vacancies, the Board of Directors appointed Mr Manzoor Ahmed and Mr Changgyou Kim, with effect from April 5, 2012 for the remainder of the term to expire on June 22, 2014. The Board places on record its appreciation for the valuable contributions made by the outgoing Directors, Mr Istaqbal Mehdi and Mr Soo Young Huh and welcomes Mr Manzoor Ahmed and Mr Changgyou Kim as new Directors of the Company.

Business Overview
Crude oil prices touched their highest levels of US$ 109.77 per barrel at the start of the year, and averaged around US$ 94.51 per barrel during the year, thus providing a relatively stable derivates environment for the year. However, the Asian Paraxylene (Px) markets remained strong throughout the year as massive capacity start-ups in the PTA industry kept Px prices bullish. This tight supply demand situation made 2012 one of the strongest years for Px producers. Px reached to a peak of US$ 1,683 per tonne CFR Taiwan during March and averaged US$ 1,520 per tonne CFR Taiwan during the year, with a low of US$ 1,206 per tonne CFR Taiwan in June.

PTA producers were caught between high feedstock prices and lack-luster demand from the downstream sector for most of the year. PTA prices and margins remained in loss making territory during 2012, as producers were faced with high Px costs, which they were unable to pass on to the downstream Polyester Industry. The demand growth for PTA was outpaced by the large increase in supply capacities. Poor production/pricing economics has made 2012 one of the worst years for the global PTA industry.

As mentioned above, gargantuan expansions in PTA production capacity in China came online during the year (30% increase in installed capacity), which forced many major producers in the region, particularly those selling into China, to cut production rates or stop plant operations in order to minimize losses. The average price of PTA in the spot market was US$ 1,098 per tonne CFR China with a low of US$ 890 per tonne CFR China and high of US$ 1,215 per tonne CFR China.

The Polyester industry in the region also remained subdued due to weak economic conditions in China and the rest of the world. Lower prices and high stocks of cotton further contributed to lower Polyester margins.

PET industry followed Polyester trends and the economic situation in the European markets further exacerbated the adverse situation. Growth was further restrained by the increase in recycling trends and environmental concerns.

The domestic PSF market operated mostly at high rates, during the second half of the year whereas in the first half, the energy crisis in the Punjab had stifled demand and reduced operations. PSF price averaged Rs 166 per kg in the domestic market.

PET production remained stable throughout the year. The sole domestic producer, Novatex Limited managed to commission a BoPET plant during the year. A local confectionery producer also commissioned a BoPET plant in 2012.

Operations
During the year, your Company achieved a significant milestone of 40 million man-hours without a Lost Time Case (LTC) for its employees and all contractors. This is a major achievement which is a testament of your Company's focus on high quality operations unmatched by most Petrochemical plants globally. In addition, the Company qualified for OHSAS 18001 and ISO 14001 certifications, thus benchmarking its performance in Health, Safety and Environment areas with global standards.

Production volume during the year recorded the best ever monthly levels during the month of November and December since commencement of plant operations. However, production for the year at 480,941 tonnes remained 4% lower than 2011. This was mainly due to a 11 day outage caused by a sudden shutdown at a supplier's manufacturing facility in October.

Sales volume for the year at 482,144 tonnes was 2% lower than last year mainly because of lower product availability. In the domestic market, the

energy crisis in the first half of the year forced a reduction in polyester operating rates. This slowdown in domestic PSF operating rates caused the Company to export 18,876 tonnes as compared to 49,764 tonnes last year. The domestic/export sales mix for 2012 was therefore 96% compared to 90% in 2011.

Lotte Powergen (Private) Limited
The co-generation power project was undertaken through a wholly owned subsidiary of the Company, Lotte Powergen (Private) Limited, in order to be eligible for exemptions and concessions under the relevant fiscal regulations. The co-generation power project started its commercial production on 17 July 2012. As mentioned in the previous reports, the successful commissioning of the co-generation project has not only minimised the risk of electric supply fluctuations/ outages to the PTA plant but has also started to deliver better operating efficiencies.

This project included world renowned General Electric LM 6000 aero derivative gas turbine along with a heat recovery steam generator. We are pleased to report that this was managed and handled by Company's own projects team including Engineering, Construction, Procurement, Installation and Commissioning which also resulted in cost savings.

The co-generation plant operated smoothly since commencement of commercial operations. Financial performance of Lotte Powergen (Private) Limited together with Lotte Pakistan PTA Limited is presented in the consolidated financial results for the year ended 31 December 2012.

Profit, Finance & Taxation
Revenue for the year was 8% lower than 2011 due to lower sales volume and lower average PTA price per tonne. Impact of lower PTA prices resulted in 51% reduction in PTA margin over Px as compared to last year. As a result, your Company posted a gross loss of Rs 214.6 million for the year as compared to gross profit of Rs 6,662.6 million last year.

Distribution and selling expenses were lower than last year mainly due to lower export sales. Administration expenses were also lower than last year due to strict internal control and monitoring. Other operating expenses for the year were lower than last year mainly due to no provision for Workers' Profit Participation and Workers' Welfare Funds due to operating loss. Other operating income for the year was higher than last year mainly due to dividend income received from Lotte Powergen (Private) Limited.

Finance income for the year was 34% lower than last year mainly due to reduction in average cash surplus levels on the back of outflows for repayment of the final outstanding parent company loans, capital expenditure for cogeneration power plant and payment of dividend.

Taxation for the year ended 31 December 2012, shows a credit of Rs 62 million. This is based on minimum turnover tax as reduced by the movement in the deferred tax account.

The loss after taxation for the Company amounted to Rs 183.7 million as compared to profit after taxation of Rs 4,177.5 million last year; however on consolidated basis, the Group was able to generate breakeven profit after taxation.

Future Outlook

The US and the Chinese economies have shown signs of improvement at the end of 2012 and most global economic forecasts present some improvement in 2013. However, the tensions in the Middle East and the situation with Iran are expected to continue to play a role on the geo-political stage. It will be critical to see what direction is taken by the economic managers post elections in Pakistan.

2012 has been dominated by new expansions in the PTA industry leading to a notable oversupply situation in the market. 2013 is forecast to see a further exacerbation of this demand supply gap as major PTA plants commissioned in 2012 will enhance output. As a result Px is expected to remain tight and consequently PTA margins are expected to remain under pressure.

Demand for Polyester and PET is also expected to follow similar trends as last year. However, some respite in Polyester margins can be expected as cotton production is forecasted to reduce in 2013, due to low profits and reduced cultivated areas throughout the world.

The domestic PSF industry will likely take on a different shape in years to come. Ibrahim Fibers Ltd. expansion of 220,000 tonnes per annum should help improve the Man Made Fiber share in Textile Production and exports in the longer term. However, in the short to medium term, a situation of PSF over supply is likely to occur, with producers competing to keep market share and production levels intact.

PTA demand in the domestic market is expected to gain momentum in 2013 post Ibrahim's new PSF production capacity start up. Downstream textile production has remained constrained due to availability of gas – a trend which presently is seen to persist or may get worse. The "Most Favored Nation" trade status for India, which is expected to come into force in 2013, is being viewed with some skeptism by the downstream industry.

Given the continued turbulent market conditions, the Company recognises the importance of sharp focus on optimising operating costs and conservation of cash. The successful commissioning of the co-generation power project during 2012 and new supply chain initiatives will help generate savings in 2013. However, the absolute impact of these initiatives may not be visible as energy costs for all types of consumers in Pakistan are expected to increase further.

Despite your Company's operational efficiencies, domestic market growth and strong focus on costs, the decline of PTA margins since Q4 2011 has been too steep to arrest the sharp deterioration in profitability. Being the only PTA producer in Pakistan, it is critical for the country to keep this plant operating at high levels – something which is challenging to achieve in these dismal margin conditions. Your Company has therefore argued consistently with the Government of Pakistan to peg import tariff on PTA at levels which provide as a minimum the same protection levels available in similar textile economies. The import tariff on PTA (3%) deprives the nascent PTA industry in the country of the ability to survive through the commodity cycles but is also a major disincentive for further investment and growth of this vital source of raw material for the domestic textile and PET sectors. In view of these considerations it has now become critical for the government to reconsider its position on the PTA tariff and we hope that the Government of Pakistan is able to give this matter its attention in 2013.

Corporate Governance

During the year, the Securities and Exchange Commission of Pakistan issued a Revised Code of Corporate Governance (the "Revised Code") effective April 1 2012 with an objective to improve and raise standards of corporate governance in the country while considering global developments in corporate governance.

The Revised Code incorporates certain additional requirements in relation to proceedings of the Board of Directors that are to be complied with immediately. The Company has complied with the relevant requirements subsequent to year-end. For further details, please refer to the 'Statement of Compliance with the Code of Corporate Governance on page 29 to 30 of this annual report.

Compliance with the code of corporate governance
As required under the Code of Corporate Governance, the Directors are pleased to state as follows:

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

Key Operational and Financial Data
A statement summarizing key operating and financial data for the last six years of the Company is given on page 11 of the Annual Report.

Investment in retirement benefits
The value of investments made by the staff retirement funds as per their respective audited financial statements for the year ended 31 December 2011, is as follows:

	Value (Rs '000)
Pakistan PTA Management Staff Provident Fund	197,330
Pakistan PTA Management Staff Pension Fund	34,096
Pakistan PTA Management Staff Gratuity Fund	105,653
Pakistan PTA Management Staff Defined Contribution Superannuation Fund	148,115
Pakistan PTA Non-Management Staff Provident Fund	3,395
Pakistan PTA Non-Management Staff Gratuity Fund	2,480

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

S.No.	Name of Directors	Board of Directors Attendance	Audit Committee Attendance	HR & Remuneration Committee Attendance
1.	Mr Soon Hyo Chung	4	-	1
2.	Mr M Asif Saad	4	-	-
3.	Mr Changgyou Kim (i)	2	-	-
4.	Mr Jung Neon Kim	4	4	1
5.	Mr Oh Hun Im	4	-	1
6.	Mr M Qasim Khan	3	-	-
7.	Ms Aliya Yusuf	4	4	-
8.	Mr Manzoor Ahmed (i)	-	-	-
9.	Mr Soo Young Huh (ii)	1	-	1
10.	Mr Istaqbal Mehdi (iii)	1	1	-

(i) Appointed w.e.f. 5 April 2012 (ii) Resigned w.e.f. 5 April 2012 (iii) Resigned w.e.f. 2 April 2012

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

Pattern of Shareholding
The statement of Pattern of shareholding in the Company as at 31 December 2012, is given on page 116 of the Annual Report.

Trading in Company Shares
The Directors, Chief Executive and Chief Financial Officer & Company Secretary and Head of Internal Audit and their spouses and minor children did not carry out any transaction in the shares of the Company during the year, except for the transfer of one share each to Mr Changgyou Kim and Mr Manzoor Ahmed.

Holding Company
Lotte Chemcial Corporation (formerly KP Chemical Corporation), South Korea continues to hold 75.01% shares in Lotte Pakistan PTA Limited.

External Auditors
The present auditors Messrs A.F. Ferguson & Co., Chartered Accountants retire and being eligible, have offered themselves for reappointment.

Group Financial Statements
The audited financial statements of the Group for the year ended 31 December 2012 are attached. The Group comprises of Lotte Pakistan PTA Limited (the Company) and Lotte Powergen (Private) Limited, a 100% wholly owned subsidiary of the Company.

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

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

Date: 25 January 2013
Karachi

corporate governance and compliance

Lotte Pakistan PTA Limited corporate governance structure is based on the requirements of the Companies Ordinance, 1984, along with other circulars and guidelines issued by the Securities and Exchange Commission of Pakistan (SECP), listing regulation of the three stock exchanges, the Code of Corporate Governance and the Company's Article of Association. This is further strengthened by several internal procedures, which includes a risk management assessment and control system, as well as a system of assurances of compliance with the applicable laws, regulations and Company's Code of Conduct.

Governance & Corporate Culture

Lotte Pakistan PTA Ltd is a public limited company established under the laws of Pakistan. The shares of the Company are listed on the three stock exchanges of the country, the Karachi Stock Exchange (G) Limited, Lahore Stock Exchange (G) Limited and Islamabad Stock Exchange (G) Limited.

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

The activities of the Board are based on the requirements and duties laid down under respective laws and the Company's memorandum and articles of association. This compliance enables the Board to ensure safeguarding of the interests of all the stakeholders.

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

None of the directors are either members of any stock exchanges in Pakistan or engaged in the business of stock brokerage. Moreover, they are not involved in external audit and have had no relationship with the Company's external auditors during the preceding two years. Remuneration and benefits of the Board, including the Chief Executive and executive directors, are disclosed in note 37 to the financial statements, as determined under provisions of the articles of association of the Company.

Financial Statements

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

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

Annual financial statements together with the directors' report, auditors' reports and other statutory statements / information are circulated for consideration and approval by the shareholders, within four months from the end of the financial year. These statements are also made available on the Company's website. All other important information, considered sensitive for share price determination, is transmitted to stakeholders and regulators on timely basis.

Board Composition

The structure of the Board reflects an optimum combination of executive, non-executive and independent directors. The current Board comprises eight directors which include three executive directors (including the Chief Executive), three non-executive directors and two independent directors. The Chairman of the Board is a non-executive director. The positions of Chairman and Chief Executive are held by separate individuals with clearly defined roles and responsibilities.

All the directors are appointed for a term of three years on completion of which they are eligible for re-election under the Company's articles of association through a formal election process. Consent to act as director is obtained from each candidate prior to election.

The Company has had an Audit Sub Committee and an HR & Remuneration Sub Committee of the Board much before the introduction of the Code of Corporate Governance.

Role and Responsibilities of the Chairman and Chief Executive

There is a clear segregation of roles between the Chairman of the Board and the Chief Executive for smooth running of the business. The Company's articles of association, related laws and the duties assigned by the Board outline the responsibilities and the power of the Chairman of the Board. He presides over the meetings of the Board / shareholders and is responsible for appropriate composition of the Board and all the activities of the Board.

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

Training of Directors

All Directors, including foreign resident directors, are provided with sufficient information of their duties and responsibilities under respective laws and the Company's memorandum and articles of association. Directors, being senior professionals and possessing experience of managing various responsibilities, have adequate exposure to corporate matters. The three executive directors, including the Chief Executive, have completed all parts of the certification "The Board Development Series" offered by the Pakistan Institute of Corporate Governance. Certification for remaining directors will be obtained in accordance with the Code of Corporate Governance.

Code of Conduct

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

Speak Up

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

Employees of the Company are encouraged to use the guidance provided by this policy for reporting wrong doing/improper conduct. A separate Speak-up Committee has been formed with a direct reporting line to the Board Audit Committee (BAC).

Internal Control

Lotte Pakistan PTA Ltd has a sound system of internal control and risk management. The internal audit function which is mainly responsible for internal controls, has been outsourced to M/s Ernst & Young Ford Rhodes Sidat Hyder and reports directly to the Chairman of the Audit Committee. As a consequence of regular review over several years the Company now has an extremely robust system of internal controls which was further strengthened in 2005 when the Company had to go through a comprehensive implementation of the Sarbanes-Oxley Act (SOX) due to listing of its previous parent company's shares on the New York Stock Exchange. Although this requirement is no longer applicable to Lotte Pakistan PTA Ltd the Company continued with the control framework then adopted.

Insider Trading

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

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

Investor Relations
The Company seeks to inform all stakeholders on a regular basis. This is done by means of publication on Company's website containing complete financial reports on a quarterly basis and the publication of the annual and interim reports. In addition, the Company communicates with all its shareholders / investors and analysts through organizing or attending meetings such as AGMs. Also, on need basis, meetings are held with stakeholders to ensure that the investment community receives a balanced and complete view of the Company's performance and the issues faced by the business, while always observing applicable rules concerning selective disclosure, equal treatment of shareholders and insider trading.

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

Ownership & Control Structure
Complete disclosure of Lotte Pakistan PTA Ltd shareholding structure is given in the pattern pursuant to the Companies Ordinance and the Code of Corporate Governance in the printed accounts of the Company. Our share capital is comprised of ordinary shares. No other class of shares is issued by the Company. Lotte Chemical Corporation (formerly KP Chemical Corporation), Korea holds 75.01% shares, while the balance 24.99% shares are held by individuals and domestic and foreign institutions. The pattern of shareholding in the Company, as at 31 December 2012, is given on page 116 of the Annual Report.

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

Material Interests of Board Members
Directors are required to disclose, at the time of appointment and on an annual basis the directorships or memberships they hold in other corporations. This is in pursuance with Section 214 of the Companies Ordinance 1984, which also requires them to disclose all material interests. We use this information to help us maintain an updated list of related parties. In case any conflict of interest arises, we refer the matter to the Board's Audit Committee.

Evaluation of the Board's Performance
As stipulated in the revised Code of Corporate Governance, a mechanism is to be put in place for an annual evaluation of the board's own performance by 2014. The Company is in the process of putting a formal mechanism and same will be implemented as per the requirements of the Code.

Internal and External Audit

Our Internal Audit function plays a key role in providing the management and the Board an objective view and reassurance of the effectiveness of the risk management and related control systems throughout the entity. Internal Audits are carried out across all functions by Ernst & Young (our independent internal auditors) and all findings are reported to the Management and the Audit Committee of the Board. Action plans are followed up rigorously to ensure that timely corrective action is implemented for the effective functioning of controls. The Board, through the Audit Committee, reviews the assessment of risks, internal and disclosure controls and procedures and suggests remedial actions where applicable. The role of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities regarding the integrity of Company's financial statements, risk management and internal control, compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, the performance of the internal audit function, and compliance with the Code of Conduct.

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

Risk Management

The Board has an overall responsibility for the risk management process and internal control procedures. The Company's documented and regularly reviewed procedures are designed to safeguard our assets, address risks facing the business, and ensure timely reporting to the Board and senior management. A clear organizational structure with defined delegation of authorities is maintained and the senior management takes the day to day responsibility for implementation of procedures; ongoing risk monitoring; and effectiveness of controls.

Our risk and control procedure is supported through Business Continuity Plan and Crises Management Plan.

**Business Continuity Plan/
Crises Management Plan**

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

Board & Management Committee

The Board and Management Committees brief details are covered earlier in the report.

statement of compliance with the code of corporate governance for the year ended 31 december 2012

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 35 of listing regulations of the Karachi Stock Exchange, Lahore Stock Exchange and the Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board includes:

Category	**Names**
Independent Directors	Mohammad Qasim Khan, Aliya Yusuf
Executive Directors	M Asif Saad, Jung Neon Kim, Oh Hun Im
Non-Executive Directors	Soon Hyo Chung, Changgyou Kim Manzoor Ahmed

The independent directors meets the criteria of independence under clause i (b) of the Code.

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company except Mr Manzoor Ahmed who represents NIT and has been granted special permission by SECP.

3. The Directors have voluntarily declared that all the resident Directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. The Company had adopted a Code of Conduct on 26 April 2011 and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The two casual vacancies occurring on the Board on 2 April 2012 and 5 April 2012 were filled up by the induction of new Directors on 5 April 2012.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies at its meeting held on 25 February 2003. The significant policies, including two new policies 'Investors Relation Policy' & 'Speak Up Policy' were implemented / updated at its meeting held on 28 August 2012. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The Board, subsequent to the year ended 31 December 2012, has also approved 'Corporate Governance and Compliance Policy' in its meeting held on 25 January 2013.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, other executive and non-executive Directors, have been taken by the Board/Shareholders.

8. All the meetings of the Board were presided over by the Chairman who is a Non-Executive Director and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.

9. During the year, Mr Adnan Wasey Samdani was appointed as Chief Financial Officer and Company Secretary with effect from 30 January 2012 and Mr Ashiq Ali was appointed as the Head of Internal Audit with effect from 24 April 2012. The Board, subsequent to the year ended 31 December 2012 has approved the appointment of Chief Financial Officer & Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, in its meeting held on 25 January 2013.

10. The Directors have been provided with copies of the Listing Regulations of the Stock Exchange; the Company's Memorandum and Articles of Association and the Code of Corporate Governance and are well conversant with their duties and responsibilities. Three executive Directors have the required certification of Directors Training Course from Pakistan Institute of Corporate Governance.

11. The Directors' report for the year ended 31 December 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the Chief Executive and the Chief Financial Officer, before approval of the Board.

13. The Directors, Chief Executive and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding. The Board, subsequent to the year ended 31 December 2012, has approved the threshold for executives for the purpose of disclosing trades in the shares of the Company in its meeting held on 25 January 2013.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. It comprises three members, including one Independent Director, one non-executive Director and one executive Director. The chairperson of the Committee is an independent Director.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee comprising of one executive and two non-executive Directors. The Chairman of the committee is a non-executive Director.

18. The Board has outsourced the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period' prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, employees and stock exchanges.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchanges.

23. The related party transactions with details of pricing methods have been placed before the Audit Committee and approved by the Board of Directors.

24. As stated above, we confirm that all other material principles contained in the Code have been complied with.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

Date: 25 January 2013
Karachi

review report to the members on statement of compliance with the code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Statement) prepared by the Board of Directors of Lotte Pakistan PTA Limited to comply with the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further, Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges require the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2012.

As mentioned in the Statement, following (reference to the Statement included thereagainst) have been complied with subsequent to the year end i.e. 31 December 2012:

i) Approval of "Corporate Governance and Compliance Policy" (point reference 6 of the Statement);

ii) Ratification of the appointment, remuneration and terms and conditions of employment of the Company Secretary & Chief Financial Officer and the Head of Internal Audit (point reference 9 of the Statement); and

iii) Setting of the threshold for other employees for the purposes of disclosing trades in the shares of the listed company (point reference 13 of the Statement).

A.F. Ferguson & Co.,
Chartered Accountants

Dated: 14 February 2013
Karachi

Lotte Pakistan PTA Limited Financial Statements

auditors' report to the members

We have audited the annexed balance sheet of Lotte Pakistan PTA Limited as at 31 December 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

(ii) the expenditure incurred during the year was for the purpose of the Company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A.F. Ferguson & Co.,
Chartered Accountants
Engagement Partner: Farrukh Rehman

Dated: 14 February 2013
Karachi

balance sheet
as at 31 december 2012

	Note	2012	2011
			Amounts in Rs '000
Assets			
Non-current assets			
Fixed assets	4	**6,051,127**	9,852,587
Long-term investment	5	**4,500,000**	-
Long-term loans and advances	6	**46,957**	46,937
Long-term deposits and prepayments	7	**79,247**	100,212
		10,677,331	9,999,736
Current assets			
Stores and spares	8	**728,025**	694,745
Stock-in-trade	9	**4,480,516**	4,669,004
Trade debts	10	**3,300,360**	3,143,244
Loans and advances	11	**32,796**	40,603
Trade deposits and short-term prepayments	12	**92,404**	159,398
Mark-up accrued on bank deposits		**42**	12,831
Other receivables	13	**120,893**	209,420
Tax refunds due from government - sales tax	14	**662,145**	288,872
Taxation - payments less provision		**668,177**	177,264
Cash and bank balances	15	**225,134**	4,505,251
		10,310,492	13,900,632
Total assets		**20,987,823**	23,900,368

Amounts in Rs '000

	Note	2012	2011
Equity			
Share capital and reserves			
Share capital	16	**15,142,072**	15,142,072
Capital reserves	17	**2,345**	2,345
Accumulated losses		**(3,002,538)**	(2,061,717)
		12,141,879	13,082,700
Liabilities			
Non-current liabilities			
Liability against assets subject to finance lease	18	**-**	38,039
Deferred tax	19	**773,427**	1,142,646
Retirement benefit obligation	20	**27,543**	20,787
		800,970	1,201,472
Current liabilities			
Trade and other payables	21	**7,854,630**	7,479,634
Current maturity of long-term loans	22	**-**	1,801,150
Interest accrued	23	**147,685**	140,074
Short-term financing	24	**-**	-
Current portion of liability against assets subject to finance lease	18	**42,659**	195,338
		8,044,974	9,616,196
Total liabilities		**8,845,944**	10,817,668
Contingencies and commitments	25		
Total equity and liabilities		**20,987,823**	23,900,368

The annexed notes 1 to 43 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

profit and loss account
for the year ended 31 december 2012

Amounts in Rs '000

	Note	2012	2011
Revenue	26	**52,823,257**	57,577,198
Cost of sales	27	**(53,037,852)**	(50,914,635)
Gross (loss) / profit		**(214,595)**	6,662,563
Distribution and selling expenses	28	**(132,519)**	(197,208)
Administrative expenses	29	**(304,659)**	(330,463)
Other operating expenses	30	**(22,346)**	(502,492)
Other operating income	31	**304,015**	22,883
Operating (loss) / profit		**(370,104)**	5,655,283
Finance income	32	**269,970**	785,700
Finance costs	33	**(146,054)**	(232,437)
(Loss) / profit before taxation		**(246,188)**	6,208,546
Taxation	34	**62,471**	(2,031,015)
(Loss) / profit after taxation		**(183,717)**	4,177,531
Earnings per share - basic and diluted (in Rupees)	36	**(0.12)**	2.76

The annexed notes 1 to 43 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

statement of comprehensive income
for the year ended 31 december 2012

Amounts in Rs '000

	2012	2011
(Loss) / profit after taxation	**(183,717)**	4,177,531
Other comprehensive income	-	-
Total comprehensive (loss) / income	**(183,717)**	4,177,531

The annexed notes 1 to 43 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

cash flow statement
for the year ended 31 december 2012

Amounts in Rs '000

	Note	2012	2011
Cash flows from operating activities			
Cash generated from operations	35	1,207,964	4,720,641
Long-term loans and advances - net		(20)	(8,277)
Long-term deposits and prepayments - net		20,965	(30,064)
Finance costs paid		(75,789)	(146,080)
Payments to staff retirement benefit scheme - unfunded		(210)	(77)
Taxes paid		(797,661)	(2,560,707)
Infrastructure cess paid		-	(486,104)
Mark-up received from bank deposits		282,759	719,480
Net cash generated from operating activities		638,008	2,208,812
Cash flows from investing activities			
Payments for capital expenditure		(1,720,529)	(2,418,033)
Disposal of financial assets - net		-	461,894
Long-term investment - payment for shares in subsidiary		(346,922)	-
Net cash used in investing activities		(2,067,451)	(1,956,139)
Cash flows from financing activities			
Payments for liability against assets subject to finance lease		(217,002)	(162,314)
Repayment of long term loan		(1,878,950)	(1,740,500)
Dividend paid		(754,722)	(754,916)
Net cash used in financing activities		(2,850,674)	(2,657,730)
Net decrease in cash and cash equivalents		(4,280,117)	(2,405,057)
Cash and cash equivalents at the beginning of the year		4,505,251	6,910,308
Cash and cash equivalents at the end of the year		225,134	4,505,251

The annexed notes 1 to 43 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

statement of changes in equity
for the year ended 31 december 2012

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total equity
Balance as at 1 January 2011	15,142,072	2,345	(5,482,144)	9,662,273
Total comprehensive income for the year ended 31 December 2011	-	-	4,177,531	4,177,531
Final cash dividend for the year ended 31 December 2010 @ Rs 0.50 per share	-	-	(757,104)	(757,104)
Balance as at 31 December 2011	**15,142,072**	**2,345**	**(2,061,717)**	**13,082,700**
Total comprehensive loss for the year ended 31 December 2012	-	-	(183,717)	(183,717)
Final cash dividend for the year ended 31 December 2011 @ Rs 0.50 per share	-	-	(757,104)	(757,104)
Balance as at 31 December 2012	**15,142,072**	**2,345**	**(3,002,538)**	**12,141,879**

The annexed notes 1 to 43 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

notes to and forming part of the financial statements
for the year ended 31 december 2012

1. STATUS AND NATURE OF BUSINESS

Lotte Pakistan PTA Limited ("the Company") is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges, 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 (formerly KP Chemical Corporation) - South Korea. Effective 27 December 2012, KP Chemical Corporation and Honam Petrochemical Corporation (the two chemical companies of Lotte) merged and as a result the name was changed to Lotte Chemical Corporation. The ultimate parent company is South Korean conglomerate Lotte.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984 and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 (the Ordinance) have been followed.

2.1.2 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

There are no amended standards and interpretations that are effective for the first time in the current year that would be expected to have a meterial impact on the Company.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 January 2012 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

IAS 1 (Amendment), 'Presentation of Financial Statements', is effective for the accounting periods beginning on or after 1 July 2012. It entails the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The change is not expected to have material impact on the Company financial statements.

notes to and forming part of the financial statements
for the year ended 31 december 2012

IAS 19 (Amendment) - 'Employee benefits' is applicable for the periods beginning on or after 1 January 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The change is not expected to have material impact on the Company financial statements.

2.2 Overall valuation policy

These financial statements have been prepared under the historical cost convention, except that certain exchange elements have been incorporated in the cost of the relevant operating property, plant and equipment upto 4 July 2004.

2.3 Fixed assets

2.3.1 Property, plant and equipment and depreciation

Operating property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (if any). Cost of certain items of operating property, plant and equipment comprises historical cost, exchange differences referred to in note 2.2 and the cost of borrowings during the construction period in respect of loans taken for the PTA construction project.

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

Depreciation charge is based on the straight-line method whereby the cost of an asset is written off to profit and loss account over its estimated useful life, from the date the asset is available for use. The cost of leasehold land is amortised in equal installments over the lease period.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Gains and losses on disposal of assets are taken to the profit and loss account.

2.3.2 Intangible assets and amortisation

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

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

2.4 Long-term investment

Investment in subsidiary is stated at cost.

2.5 Stores and spares

Stores and spares are stated at the lower of weighted average cost and net realisable value.

2.6 Stock-in-trade

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

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

2.7 Trade debts and other receivables

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

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

2.8 Cash and cash equivalents

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

2.9 Impairment

2.9.1 Financial assets

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

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

2.9.2 Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised as an expense in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

notes to and forming part of the financial statements
for the year ended 31 december 2012

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.10 Trade and other payables

Trade and other payables, excluding provisions are carried at the fair value of the consideration to be paid for goods and services.

2.11 Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of that can be made.

2.12 Offsetting

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

2.13 Lease payments

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

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

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

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

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

2.14 Staff retirement benefits

2.14.1 Defined benefit plans

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

The Company also has an approved funded defined benefit pension scheme for all management staff who joined the Company before 1 May 2004.

The Company also has an unfunded medical scheme to provide post retirement medical benefits to members of its pension fund.

Contributions to all schemes are made periodically on the basis of recommendations of the actuary and in line with the provisions of the Income Tax Ordinance, 2001. Actuarial valuations of these schemes are carried out at the end of every year. The valuations use the "Projected Unit Credit" method. Actuarial gains and losses are amortised over the expected future service of current members.

2.14.2 Defined contribution plans

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contributions are made to the fund, both by the Company and the employees at the rate of 10 percent of basic salary and cost of living allowance wherever applicable.

The Company also operates a defined contribution superannuation fund for its management staff who joined the Company on or after 1 May 2004 and for those who opted out of the defined benefit pension scheme. Contributions are made at the rate of 10.6 percent of basic salary of the members of the fund.

2.15 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividend is approved.

2.16 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

2.16.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any, or one-half percent of turnover, whichever is higher. The charge for current tax includes adjustments to charge for prior years, if any.

2.16.2 Deferred

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.17 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Pakistan Rupees at the exchange rate ruling at the date of transaction.

Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Pakistan Rupees at exchange rates ruling on that date.

In respect of foreign currency loans obtained for acquisition of operating property, plant and equipment, the exchange differences on principal amount upto 4 July 2004 were included in the cost of relevant operating property, plant and equipment. All exchange differences, effective 5 July 2004, are taken to the profit and loss account, due to amendments in the Fourth Schedule to the Ordinance.

2.18 Revenue recognition

Revenue from the sale of goods is recognised on despatch of goods i.e. when the significant risks and rewards of ownership are transferred to the customer.

Dividend income is recognised when the right to receive payment is established.

2.19 Finance income and finance costs

Profit on funds invested is recognised as it accrues in the profit and loss account, using the effective interest method.

Finance costs comprise mark-up / interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit and loss account using the effective interest method. Foreign currency gains and losses are reported on the net basis.

2.20 Borrowings and their cost

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

2.21 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

2.22 Functional and presentation currency

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1.1 Income taxes

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

The deemed assessment order of the Company for the Tax Year 2003 was rectified by the tax department in 2008 without any cause and basis, allowing tax losses brought forward relating to the pre de-merger period. This treatment was apparently made as a consequence of the action undertaken to effect the amendment of assessment for the Tax Year 2003 in the case of ICI Pakistan Limited. In that case the tax department had taken certain actions in the order, considered by the department as "protective assessment", on the matter of unabsorbed depreciation carried forward by ICI Pakistan Limited relating to assets of the PTA business as of the date of de-merger. The Company's position under the tax law is that such depreciation should be allowed to ICI Pakistan Limited and a writ petition was, therefore, filed jointly with ICI Pakistan Limited in the High Court of Sindh challenging this rectification.

In 2008 while issuing the rectification order for the Tax Year 2003, the Taxation Officer had erroneously disallowed the loss brought forward of Rs 2.6 billion for which a rectification application and corresponding appeal was filed with the Additional Commissioner of Income Tax and CIT (Appeals) respectively. During 2011, the Commissioner (Appeals) disposed off the Company's appeal via order no. 156 dated 14 March 2011 and allowed the said loss while maintaining certain disallowances against which corresponding appeals were filed with the Appellate Tribunal Inland Revenue [ATIR]. In its order passed on 14 September 2011, ATIR referred back the matter of disallowance of such loss against which rectification appeal was filed on 13 October 2011.

3.1.2 Defined benefit plans

The Company has adopted certain actuarial assumptions as disclosed in note 20 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets, based on actuarial advice.

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

4. FIXED ASSETS

	2012	2011
Property, plant and equipment		
Operating assets - note 4.1	**5,967,079**	7,134,254
Capital work in progress - note 4.2	**82,174**	2,717,177
	6,049,253	9,851,431
Intangible assets - note 4.4	**1,874**	1,156
	6,051,127	9,852,587

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

4.1 Operating assets

The following is a statement of operating property, plant and equipment:

	Leasehold land	Buildings on leasehold land	Plant and machinery		Motor vehicles	Furniture and equipment	Total
			Owned	Held under finance lease			
Net carrying value basis Year ended 31 December 2012							
Opening net book value (NBV)	51,916	186,004	6,805,141	30,765	11,785	48,643	7,134,254
Additions (at cost)	-	3,347	143,110	-	-	54,820	201,277
Disposals (at NBV)	-	-	(3,432)	-	-	(208)	(3,640)
Depreciation charge	(1,422)	(23,752)	(1,285,229)	(26,370)	(5,403)	(22,636)	(1,364,812)
Closing net book value (NBV)	**50,494**	**165,599**	**5,659,590**	**4,395**	**6,382**	**80,619**	**5,967,079**
Gross carrying value basis at 31 December 2012							
Cost	90,278	989,209	26,663,180	395,543	56,613	250,441	28,445,264
Accumulated depreciation	(39,784)	(621,899)	(19,745,476)	(391,148)	(50,231)	(169,822)	(21,018,360)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	-	(1,459,825)
Net book value (NBV)	**50,494**	**165,599**	**5,659,590**	**4,395**	**6,382**	**80,619**	**5,967,079**
Net carrying value basis Year ended 31 December 2011							
Opening net book value (NBV)	55,452	203,181	7,799,855	57,134	16,124	45,412	8,177,158
Additions (at cost)	-	1,101	255,840	-	832	18,776	276,549
Disposals (at NBV)	-	(608)	(2,353)	-	-	(10)	(2,971)
Depreciation charge	(3,536)	(17,670)	(1,248,201)	(26,369)	(5,171)	(15,535)	(1,316,482)
Closing net book value (NBV)	**51,916**	**186,004**	**6,805,141**	**30,765**	**11,785**	**48,643**	**7,134,254**
Gross carrying value basis at 31 December 2011							
Cost	90,278	985,862	26,534,520	395,543	56,613	196,439	28,259,255
Accumulated depreciation	(38,362)	(598,147)	(18,471,265)	(364,778)	(44,828)	(147,796)	(19,665,176)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	-	(1,459,825)
Net book value (NBV)	**51,916**	**186,004**	**6,805,141**	**30,765**	**11,785**	**48,643**	**7,134,254**
Depreciation rate % per annum	2	5	5 - 6.67	6.67	25	10 - 33	

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

		2012	2011
4.2	**Capital work-in-progress**		
	Civil works and buildings	**-**	3,927
	Plant and machinery	**81,489**	2,625,644
	Miscellaneous equipments	**685**	1,081
	Advances to suppliers	**-**	86,525
		82,174	2,717,177
4.3	**Capital work-in-progress - movement**		
	Opening balance	**2,717,177**	576,645
	Capital expenditure	**1,717,595**	2,399,330
	Transferred to operating property, plant and equipment	**(199,520)**	(258,798)
	Transferred to Lotte Powergen (Private) Limited - wholly owned subsidiary	**(4,153,078)**	-
	Closing balance	**82,174**	2,717,177
4.4	**INTANGIBLE ASSETS**		
4.4.1	**Net carrying value basis**		
	Opening net book value	**1,156**	406
	Additions during the year	**1,177**	1,008
	Amortisation charge	**(459)**	(258)
	Closing net book value	**1,874**	1,156
4.4.2	**Gross carrying value basis**		
	Cost	**214,066**	212,889
	Accumulated amortisation	**(212,192)**	(211,733)
	Net book value	**1,874**	1,156

4.5 Following assets, having net book value exceeding Rs 50,000 were retired during the year.

Description	**2012**				**Particulars of buyers / others**
	Cost	**Accumulated depreciation**	**Net book value**	**Sale proceeds**	
Plant and machinery					
Particle size analyser	10,907	8,314	2,593	-	Discarded / scraped
XRF backup for laboratory	3,528	2,689	839	-	Discarded / scraped
Furniture and equipment					
TCP/IP kit time management system (Amano data collection terminal)	785	589	196	-	Discarded / scraped

notes to and forming part of the financial statements
for the year ended 31 december 2012

	2012	2011
	Amounts in Rs '000	
5. LONG-TERM INVESTMENT - unquoted		
Investment in subsidiary		
Lotte Powergen (Private) Limited, wholly owned subsidiary - at cost 450,000,000 ordinary shares of Rs 10 each (31 December 2011: Nil)	**4,500,000**	-

This represents investment made in the power generation project, the breakup of which is as under:

2012	2011		2012	2011
Number of shares			Amounts in Rs '000	
415,307,819	-	Ordinary share of Rs 10 each (Issued against plant and machinery)	**4,153,078**	-
34,692,181	-	Ordinary share of Rs 10 each (Issued against cash consideration)	**346,922**	-
450,000,000	-		**4,500,000**	-

During the year the company on 29 February 2012 incorporated a wholly owned subsidiary Lotte Powergen (Private) Limited (the Subsidiary) for the power generation project. The commercial operation of the Subsidiary started on 17 July 2012. The related assets comprising of plant and machinery recognised in the Company books of accounts under capital work in progress were transferred to the Subsidiary against issue of shares for consideration otherwise in cash. The valuation of these assets was carried out by Messrs Joseph Lobo (Pvt) Ltd through their report dated 9 April 2012.

The plant and machinery transferred is situated at the leasehold land of the Company. No amount is charged in this respect by the Company to the Subsidiary.

The gas procured under the contract from Sui Southern Gas Company Limited (SSGC) is utilised for such power generation. Amount billed by SSGC to the Company are reimbursed by the Subsidiary; thus having no effect on the income statement.

The Company has entered into agreement with the Subsidiary for purchase of electricity and steam energy.

The Company has entered into another agreement for certain technical and administrative services rendered by the Company to its subsidiary under a service level agreement.

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

6. LONG-TERM LOANS AND ADVANCES - considered good

	2012				2011
	Motor car	**House building assistance**	**Others**	**Total**	Total
Due from executives - note 6.1	**25,518**	**21,042**	**-**	**46,560**	47,135
Less: Receivable within one year - note 11	**(5,017)**	**(8,953)**	**-**	**(13,970)**	(15,119)
	20,501	**12,089**	**-**	**32,590**	32,016
Due from employees	**13,932**	**2,878**	**2,525**	**19,335**	19,911
Less: Receivable within one year - note 11	**(2,537)**	**(1,755)**	**(676)**	**(4,968)**	(4,990)
	11,395	**1,123**	**1,849**	**14,367**	14,921
	31,896	**13,212**	**1,849**	**46,957**	46,937

6.1 Reconciliation of carrying amount of loans to executives

	2012			2011		
	Key management personnel	**Executives**	**Total**	Key management personnel	Executives	Total
Balance at 1 January	**806**	**46,329**	**47,135**	2,011	36,300	38,311
Disbursements	**6,555**	**13,925**	**20,480**	-	31,259	31,259
Repayments	**(1,352)**	**(19,703)**	**(21,055)**	(1,205)	(21,230)	(22,435)
Balance at 31 December	**6,009**	**40,551**	**46,560**	806	46,329	47,135

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

6.3 The maximum aggregate amount of loans and advances due from Executives at the end of any month during the year was Rs 52.70 million (2011: Rs 54.05 million).

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

		2012	2011
7.	**LONG-TERM DEPOSITS AND PREPAYMENTS**		
	Deposits - note 7.1	**40,524**	40,424
	Prepayments	**38,723**	59,788
		79,247	100,212

7.1 These include Rs 14.42 million (2011: Rs 14.42 million) paid to Pakistan Steel Mills Corporation for emergency back-up supply of water and Rs 24.27 million (2011: Rs 24.27 million) paid to Karachi Electric Supply Corporation (KESC). The Company receives mark-up at the rate of 5% on the deposit with KESC.

		2012	2011
8.	**STORES AND SPARES**		
	Stores	**23,517**	24,168
	Spares	**720,254**	681,552
		743,771	705,720
	Less: Provision for slow moving, obsolete and rejected items - note 8.1	**(15,746)**	(10,975)
		728,025	694,745
8.1	**Provision for slow moving, obsolete and rejected items**		
	Provision at 1 January	**10,975**	39,491
	Charge for the year	**4,771**	9,552
		15,746	49,043
	Write-offs	**-**	(38,068)
	Provision at 31 December	**15,746**	10,975
9.	**STOCK-IN-TRADE**		
	Raw and packing materials [including in-transit Rs 942 million (2011: Rs 1.4 billion)]	**2,802,171**	3,334,047
	Finished goods		
	- Manufactured goods	**1,538,654**	1,332,340
	- Trading goods [including in-transit Rs 115.5 million (2011: Nil)]	**139,691**	2,617
		1,678,345	1,334,957
		4,480,516	4,669,004

9.1 Raw and packing materials include Rs 1.25 billion (2011: Rs 1.22 billion) held with third party.

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

10. TRADE DEBTS

10.1 These are secured and considered good.

10.2 All of the Company's trade debts are secured by letters of credit issued by various banks.

11. LOANS AND ADVANCES - considered good

	2012	2011
Loans due from:		
- Executives - note 6	**13,970**	15,119
- Employees - note 6	**4,968**	4,990
	18,938	20,109
Advances to:		
- Executives	**4,701**	3,128
- Employees	**1,148**	1,254
- Contractors and suppliers	**8,009**	16,112
	13,858	20,494
	32,796	40,603

11.1 The maximum aggregate amount of advances due from Executives at the end of any month during the year was Rs 4.01 million (2011: Rs 5.27 million).

12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2012	2011
Deposits	**4,489**	1,964
Margin on import letters of credit	**47,463**	3,937
Short-term prepayments	**40,452**	153,497
	92,404	159,398

13. OTHER RECEIVABLES

	2012	2011
Rebates receivable - note 13.1	**62,850**	180,834
Asset recognised in respect of staff retirement benefit funds - note 20.1	**15,866**	13,795
Insurance claims receivable	**27,112**	12,828
Receivable from subsidiary of the Company	**13,479**	-
Others	**1,586**	1,963
	120,893	209,420

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

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

	2012	2011
14. TAX REFUNDS DUE FROM GOVERNMENT - SALES TAX		
Sales tax refundable	**756,153**	412,705
Provision for doubtful receivables	**(94,008)**	(123,833)
	662,145	288,872

14.1 This includes Rs 259 million (31 December 2011: Rs 77.6 million) on account of input tax arising from sales tax charged to the Company under the Sindh Sales Tax 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 authorities, resulting in lack of verification by the refund issuing authority i.e. the Federal Board of Revenue. The Company has approached Federal Tax Ombudsman for resolution of the matter.

15. CASH AND BANK BALANCES

	2012	2011
Short-term fixed deposits - note 15.1	**171,950**	4,291,194
With banks in current accounts	**44,438**	200,431
Cash in hand	**8,746**	13,626
	225,134	4,505,251

15.1 During the year ended 31 December 2012, the mark-up rates on term deposits ranged from 6.5% to 11.75% (2011: 9.5% to 13.30%) per annum and had maturities of less than three months.

16. SHARE CAPITAL

	2012	2011
16.1 Authorised capital 2,000,000,000 ordinary shares of Rs 10 each	**20,000,000**	20,000,000
16.2 504,735,636 ordinary shares of Rs 10 each fully paid-up issued pursuant to the Scheme for consideration other than cash - note 16.3	**5,047,356**	5,047,356
1,009,471,572 ordinary shares of Rs 10 each fully paid-up in cash	**10,094,716**	10,094,716
	15,142,072	15,142,072

16.3 With effect from 1 October 2000 the PTA Business of ICI Pakistan Limited was demerged under a Scheme of Arrangement (Scheme), dated 12 December 2000, approved by the shareholders and sanctioned by the High Court of Sindh.

16.4 At 31 December 2012 and 2011, Lotte Chemical Corporation held 1,135,860,105 ordinary shares of Rs 10 each.

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

17. CAPITAL RESERVES

Capital reserves represent the amount received from various overseas companies of AkzoNobel Group (then group Companies), for purchase of fixed assets. The remitting companies have no claim to their repayments.

18. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE - plant and machinery

		31 December 2012			31 December 2011		
	Discount rate %	**Minimum lease payments**	**Financial charges for future periods**	**Principal outstanding**	Minimum lease payments	Financial charges for future periods	Principal outstanding
Not later than one year	18.9 - 20.3	**43,687**	**1,028**	**42,659**	223,456	28,118	195,338
Later than one year and not later than five years		-	-	-	38,921	882	38,039
		43,687	**1,028**	**42,659**	262,377	29,000	233,377

18.1 The Company executed a take or pay contract in 1996 for the supply of hydrogen and nitrogen gases recognised as finance lease in terms of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease". The liability is repayable within quarter 1 2013.

19. DEFERRED TAX

	2012	2011
Credit balance arising in respect of property, plant and equipment	**1,199,074**	1,432,500
(Debit) balances arising in respect of:		
- liability against assets subject to finance lease	**(12,723)**	(77,598)
- provisions for:		
- sales tax refundable	**(31,258)**	(41,174)
- staff retirement benefits	**(9,158)**	(6,912)
- slow moving, obsolete and rejected items	**(5,236)**	(3,649)
- unpaid liabilities	**(209,307)**	(160,521)
- carry forward of turnover tax	**(157,965)**	-
	773,427	1,142,646

notes to and forming part of the financial statements

for the year ended 31 december 2012

Amounts in Rs '000

20. RETIREMENT BENEFIT OBLIGATION

20.1 Staff retirement benefits

		2012				2011			
			Funded		**Unfunded**		Funded		Unfunded
		Pension	**Gratuity**	**Total**	**Medical**	Pension	Gratuity	Total	Medical
20.1.1	**Movement in the liability for defined benefit obligations**								
	Balances as at 1 January	**48,359**	**130,914**	**179,273**	**31,313**	38,146	108,056	146,202	25,110
	Benefits paid by the plan	**(3,507)**	**(4,847)**	**(8,354)**	**(210)**	(5,783)	(4,950)	(10,733)	(77)
	Current service costs	**2,639**	**11,524**	**14,163**	**2,215**	1,943	10,240	12,183	1,882
	Interest cost	**6,066**	**16,714**	**22,780**	**4,057**	5,037	15,057	20,094	3,573
	Actuarial (gains) / losses recognised	**1,790**	**459**	**2,249**	**(971)**	9,016	2,511	11,527	825
	Balance as at 31 December	**55,347**	**154,764**	**210,111**	**36,404**	48,359	130,914	179,273	31,313
20.1.2	**Movement in plan assets**								
	Fair value of plan assets at 1 January	**34,871**	**110,699**	**145,570**	**-**	32,519	97,154	129,673	-
	Contributions paid into the plan	**6,279**	**17,134**	**23,413**	**-**	4,200	4,140	8,340	-
	Benefits paid by the plan	**(3,507)**	**(4,847)**	**(8,354)**	**-**	(5,783)	(4,950)	(10,733)	-
	Expected return on plan assets	**4,527**	**14,549**	**19,076**	**-**	4,169	12,239	16,408	-
	Actuarial (losses) / gains recognised	**5,913**	**17,256**	**23,169**	**-**	(234)	2,116	1,882	-
	Fair value of plan assets at 31 December	**48,083**	**154,791**	**202,874**	**-**	34,871	110,699	145,570	-
20.1.3	**Reconciliation**								
	Fair value of plan assets at 31 December - note 20.1.2	**48,083**	**154,791**	**202,874**	**-**	34,871	110,699	145,570	-
	Liability for defined benefit obligation at 31 December - note 20.1.1	**(55,347)**	**(154,764)**	**(210,111)**	**(36,404)**	(48,359)	(130,914)	(179,273)	(31,313)
	Surplus / (deficit)	**(7,264)**	**27**	**(7,237)**	**(36,404)**	(13,488)	(20,215)	(33,703)	(31,313)
	Unrecognised past service cost	**-**	**-**	**-**	**2,574**	-	-	-	2,825
	Unrecognised actuarial loss	**12,573**	**10,530**	**23,103**	**6,287**	18,256	29,242	47,498	7,701
	Recognised (liability) / asset	**5,309**	**10,557**	**15,866**	**(27,543)**	4,768	9,027	13,795	(20,787)
20.1.4	**Expense recognised in profit and loss account**								
	Current service costs	**2,639**	**11,524**	**14,163**	**2,215**	1,943	10,240	12,183	1,882
	Interest on obligation	**6,066**	**16,714**	**22,780**	**4,057**	5,037	15,057	20,094	3,573
	Expected return on plan assets	**(4,527)**	**(14,549)**	**(19,076)**	**-**	(4,169)	(12,239)	(16,408)	-
	Past service cost	**-**	**-**	**-**	**251**	-	-	-	251
	Actuarial losses recognised during the period	**1,560**	**1,915**	**3,475**	**443**	901	1,953	2,854	409
	Expense recognised in profit and loss account	**5,738**	**15,604**	**21,342**	**6,966**	3,712	15,011	18,723	6,115
20.1.5	**Actual return on plan assets**	**10,440**	**31,805**	**42,245**	**-**	3,935	14,355	18,290	-
20.1.6	**Recognised asset / (liability)**								
	Recognised asset / (liability) at 1 January	**4,768**	**9,027**	**13,795**	**(20,787)**	4,280	19,898	24,178	(14,749)
	Expenses recognised in profit and loss account - note 20.1.4	**(5,738)**	**(15,604)**	**(21,342)**	**(6,966)**	(3,712)	(15,011)	(18,723)	(6,115)
	Company contributions	**6,279**	**17,134**	**23,413**	**210**	4,200	4,140	8,340	77
	Recognised asset / (liability) as at 31 December	**5,309**	**10,557**	**15,866**	**(27,543)**	4,768	9,027	13,795	(20,787)
20.1.7	**Fund's Investments**								
	Government bonds	**30,426**	**106,934**	**137,360**		20,803	59,694	80,497	
	Other bonds (TFCs)	**4,114**	**5,214**	**9,328**		3,991	5,059	9,050	
	Shares	**11,268**	**36,306**	**47,574**		7,980	27,348	35,328	
	Term deposits	**-**	**1,533**	**1,533**		-	16,661	16,661	
	Cash at bank	**2,275**	**4,804**	**7,079**		2,097	1,937	4,034	
	Total as at 31 December	**48,083**	**154,791**	**202,874**		34,871	110,699	145,570	
20.1.8	**Actuarial assumptions**								
	Discount rate at 31 December	**11.50%**	**11.50%**		**11.50%**	13.00%	13.00%		13.00%
	Expected return on plan assets	**11.50%**	**11.50%**			13.00%	13.00%		
	Future salary increases	**9.50%**	**9.50%**			10.75%	10.75%		
	Medical cost trend rate				**6.25%**				7.50%
	Future pension increases	**6.25%**				7.50%			

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

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

The Company's contribution to the pension and gratuity funds in 2013 is expected to amount to Rs 16.4 million.

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

Figures in this note are based on the latest actuarial valuation carried out as at 31 December 2012.

20.2 Historical information

	2012	2011	2010	2009	2008
Present value of the defined benefit obligation as at 31 December	**246,515**	210,586	171,312	131,655	100,212
Fair value of plan assets	**202,874**	145,570	129,673	109,724	83,431
Deficit in the plan	**(43,641)**	(65,016)	(41,639)	(21,931)	(16,781)
Experience adjustments					
Loss on obligations (as percentage of plan obligations)	**(1)%**	(6)%	(7)%	(9)%	(19)%
Gain / (loss) on plan assets (as percentage of plan assets)	**11%**	1%	1%	17%	(64)%

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

20.4 The Company's contributions towards the provident fund and defined contribution superannuation fund for the year ended 31 December 2012 amounted to Rs 18.16 million (2011: Rs 16.76 million) and Rs 17.93 million (2011: Rs 16.59 million).

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

	2012	2011
21. TRADE AND OTHER PAYABLES		
Trade creditors including bills payable	**5,597,069**	4,966,902
Accrued expenses	**773,548**	854,838
Advances from supplier / customer	**152,483**	103,422
Unclaimed dividend	**12,385**	10,003
Provision for infrastructure cess - note 21.1	**1,249,432**	1,048,914
Workers' profit participation fund - note 21.2	**-**	334,196
Workers' welfare fund	**-**	139,268
Others	**69,713**	22,091
	7,854,630	7,479,634

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

The High Court vide its order dated 2 June 2011 provided for an interim arrangement reached through a joint statement filed with the Court by the counsels of the petitioners and respondent of the case. As per the order, bank guarantees / securities furnished in respect of consignments cleared after 27 December 2006 would be encashed to the extent of 50% and guarantees for the remaining balance would be kept till final disposal of the petitions. Consequently, bank guarantees relating to the period upto 27 December 2006 have been cancelled and returned to the Company.

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

	2012	2011
Balance as at 1 January	**1,048,914**	1,207,226
Charge	**200,518**	327,792
Payment	**-**	(486,104)
Balance as at 31 December	**1,249,432**	1,048,914

21.2 Reconciliation of workers' profit participation fund

	2012	2011
Balance as at 1 January	**334,196**	361,993
Allocation for the year - note 30	**-**	334,196
Interest on funds utilised - note 33	**3,433**	3,132
Amount paid to the fund	**(337,629)**	(365,125)
Balance as at 31 December	**-**	334,196

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

22. LONG-TERM LOANS - unsecured

Lender	Installments payable	Interest rate	Repayment period	2012	2011
Loan from parent company					
KP Chemical Corporation - Nil (31 December 2011: USD 20 million)	full payment on maturity	1% p.a. above 6 months LIBOR	2012	-	1,801,150
Less: Payable within one year				-	(1,801,150)
				-	-

The Company has paid USD 20 million (equivalent to Rs 1.88 billion) in May and November 2012.

23. INTEREST ACCRUED

23.1 This represents interest payable to Mortar Investments International Limited on long-term loans previously repaid.

24. SHORT-TERM FINANCING

24.1 The facilities for running finance available from various banks as at 31 December 2012 amounted to Rs 1.43 billion (2011: Rs 1.43 billion). These facilities carry mark-up at rates ranging from 1 month KIBOR plus 1.50 percent per annum to 3 months KIBOR plus 1.75 percent per annum and are secured by joint pari-passu hypothecation charge over all the present and future stock and book debts of the Company.

24.2 Foreign currency import and export finance facilities available from a local bank as at 31 December 2012 amounted to USD 10.0 million (2011: USD 11.0 million). These facilities are available at interest rates to be negotiated at the time of booking and are secured against trust receipts and / or joint pari-passu hypothecation charge over all the present and future stock and book debts of Company. Total facility was unutilised as at 31 December 2012 and 2011.

25. CONTINGENCIES AND COMMITMENTS

25.1 Commitments in respect of capital expenditure as at 31 December 2012 amount to Rs 286 million (2011: Rs 1.68 billion).

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

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

Year	2012	2011
2012	-	18,443
2013	**17,806**	13,769
2014	**14,434**	10,214
2015	**10,172**	3,833
2016	**3,850**	-
	46,262	46,259

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

2012	-	1,367,902
2013	**604,199**	47,267
2014	**561,436**	-
2015	**572,665**	-
2016	**584,118**	-
2017	**595,800**	-
	2,918,218	1,415,169

25.3.1 Commitments for rentals under operating lease agreements in respect of goods and services are stated at minimum lease payments. Some of these are linked to consumer price index (CPI) of UK / Pakistan, priced in foreign currency and payable in Pakistan Rupees, converted at exchange rates applicable on the date of payment.

25.4 Outstanding guarantees and letters of credit issued on behalf of the Company as at 31 December 2012 were Rs 1.41 billion (2011: Rs 1.09 billion) and Rs 342 million (2011: Rs 2.33 billion), respectively.

25.5 The Income Tax Appellate Tribunal (ITAT) 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 ending 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) 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 ITAT'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 vide number 01/171 dated 25 June 2012 (received by the Company in July 2012) has maintained the above basis of allocation to export sales. Company has filed an appeal against the said order in August 2012. No provision has been made in these financial statements for the potential liability of Rs 326.12 million as the Company is confident of a favourable outcome from the appeal process.

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

26. REVENUE

	2012			2011		
	Manufactured goods	**Trading goods**	**Total**	Manufactured goods	Trading goods	Total
Local sales	**50,405,677**	**624,095**	**51,029,772**	52,321,142	232,005	52,553,147
Export sales	**2,033,562**	**-**	**2,033,562**	5,443,599	-	5,443,599
	52,439,239	**624,095**	**53,063,334**	57,764,741	232,005	57,996,746
Less:						
Sales tax and excise duty	**(61)**	**(7,207)**	**(7,268)**	(52,254)	(14,533)	(66,787)
Price settlements and discounts	**(231,477)**	**(1,332)**	**(232,809)**	(352,761)	-	(352,761)
	52,207,701	**615,556**	**52,823,257**	57,359,726	217,472	57,577,198

26.1 Four (2011: Three) of the Company's customers contributed towards 84% (2011: 66.8%) of the revenue during the year amounting to Rs 44.43 billion (2011: Rs 38.46 billion) and each customer individually exceeded 10% of the revenue.

27. COST OF SALES

	2012	2011
Raw and packing materials consumed:		
Opening stock	**3,334,047**	2,442,186
Purchases - note 27.1	**47,393,721**	48,095,775
Closing stock	**(2,802,171)**	(3,334,047)
	47,925,597	47,203,914
Salaries, wages and benefits - note 27.2	**373,979**	358,856
Stores and spares consumed	**133,439**	107,026
Lease rentals / Ijarah arrangements	**11,268**	11,218
Insurance	**100,785**	94,542
Oil, gas and electricity	**2,492,496**	2,508,808
Travelling expenses	**61,284**	52,256
Depreciation and amortisation	**1,365,271**	1,316,740
Repairs and maintenance	**175,899**	199,054
Other expenses	**38,389**	45,645
Cost of goods manufactured	**52,678,407**	51,898,059
Opening stock of manufactured goods	**1,332,340**	176,291
	54,010,747	52,074,350
Closing stock of manufactured goods	**(1,538,654)**	(1,332,340)
	52,472,093	50,742,010
Trading goods		
Opening stock	**2,617**	36,726
Purchases	**702,833**	138,516
Closing stock	**(139,691)**	(2,617)
	565,759	172,625
	53,037,852	50,914,635

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

27.1 This includes Rs 1.06 billion (2011: Rs 1.04 billion) in relation to contracts for receipt and storage of paraxylene and Rs 215.46 million (2011: Rs 194.39 million) on account of supply of hydrogen and nitrogen gases recognised as operating lease arrangements in terms of IFRIC 4.

27.2 Salaries, wages and benefits include Rs 10.11 million (2011: Rs 9.73 million) and Rs 25.03 million (2011: Rs 22.27 million) in respect of defined benefit and defined contribution plans respectively.

28. DISTRIBUTION AND SELLING EXPENSES	**2012**	2011
Outward freight and handling charges	**69,065**	134,985
Salaries and benefits - note 28.1	**44,252**	39,660
Lease rentals / Ijarah arrangements	**2,043**	2,133
Repairs and maintenance	**4,378**	6,970
Travelling expenses	**5,573**	6,170
Postage and telephone	**1,304**	1,155
Advertising and sales promotion	**527**	1,252
Other expenses	**5,377**	4,883
	132,519	197,208

28.1 Salaries and benefits include Rs 1.49 million (2011: Rs 1.29 million) and Rs 3.63 million (2011: Rs 2.99 million) in respect of defined benefit plans and defined contribution plans respectively.

29. ADMINISTRATIVE EXPENSES		
Salaries and benefits - note 29.1	**143,300**	154,781
Legal, professional and consultancy charges	**15,880**	20,794
Lease rentals / Ijarah arrangements	**5,555**	8,218
Travelling expenses	**16,085**	22,931
Repairs and maintenance	**18,577**	17,108
Expenses on information technology	**10,539**	17,931
Security expenses	**13,980**	12,702
Rent, rates and taxes	**25,754**	9,619
Publication and subscriptions	**4,324**	4,235
Postage and telephone	**5,335**	5,973
Printing and stationery	**6,499**	6,938
Other expenses	**38,831**	49,233
	304,659	330,463

29.1 Salaries and benefits include Rs 9.74 million (2011: Rs 7.70 million) and Rs 7.43 million (2011: Rs 8.09 million) in respect of defined benefit plans and defined contribution plans respectively.

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

		2012	2011
30.	**OTHER OPERATING EXPENSES**		
	Auditors' remuneration - note 30.1	**4,097**	5,000
	Donations - note 30.2	**8,953**	11,561
	Loss on retirement of property, plant and equipment	**3,640**	2,915
	Provision for obsolete stores and spares	**4,771**	9,552
	Workers' profit participation fund - note 21.2	**-**	334,196
	Workers' welfare fund	**-**	139,268
	Others	**885**	-
		22,346	502,492
30.1	**Auditors' remuneration**		
	Audit fee	**1,900**	1,900
	Taxation	**361**	1,709
	Limited reviews, audit of consolidated financial statements, certain funds for staff retirement benefits, group reporting package and various certifications	**1,630**	1,025
	Out of pocket expenses	**206**	366
		4,097	5,000
30.2	Donations include payments in respect of the following:		
	Community services	**3,178**	6,588
	Education	**3,780**	-
30.2.1	None of the directors or their spouse had any interest in the donee.		
31.	**OTHER OPERATING INCOME**		
	Scrap sales	**22,280**	21,126
	Recoveries against provision made in prior year for sales tax refundable	**29,825**	207
	Dividend received from subsidiary	**225,000**	-
	Service fee from subsidiary - note 5	**8,400**	-
	Liabilities no longer payable written back	**16,700**	-
	Others	**1,810**	1,550
		304,015	22,883
32.	**FINANCE INCOME**		
	Interest on bank deposits	**269,970**	688,450
	Gain on the disposal of financial assets - investment	**-**	97,250
		269,970	785,700

notes to and forming part of the financial statements

for the year ended 31 december 2012

Amounts in Rs '000

33. FINANCE COSTS

	2012	2011
Interest / mark-up on:		
- Workers' profit participation fund - note 21.2	**3,433**	3,132
- Finance lease - note 33.1	**34,385**	81,449
- Long term loans from parent company	**31,307**	49,323
Discounting charges on trade debts	**7,552**	6,844
Exchange loss - net	**59,142**	66,303
Bank charges	**10,235**	25,386
	146,054	232,437

33.1 This includes contingent rent of Rs 23.14 million (2011: Rs 19.44 million) recognised as an expense during the year which is determined by the movement in UK Consumer Price Index.

34. TAXATION

	2012	2011
Current - for the year	**274,421**	2,258,039
- for prior year	**32,327**	6,810
	306,748	2,264,849
Deferred	**(369,219)**	(233,834)
	(62,471)	2,031,015

34.1 The tax charge for the year ended 31 December 2012 is based on the minimum turnover tax as reduced by the movement in the deferred tax account.

34.2 Reconciliation of income tax expense for the year

	2012	2011
(Loss) / profit before taxation	**(246,188)**	6,208,546
Applicable tax rate	**35%**	35%
Tax calculated at the applicable tax rate	**(86,166)**	2,172,991
Tax effect of :		
- Income chargeable to tax under FTR basis	**6,506**	(129,115)
- Tax credits	**(16,852)**	(80,077)
- Flood surcharge	**-**	93,437
- Prior year tax charge	**32,327**	6,810
- Gain in relation to money market fund	**-**	(34,037)
- Others	**1,714**	1,006
	(62,471)	2,031,015

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

	2012	2011
35. CASH GENERATED FROM OPERATIONS		
(Loss) / profit before taxation	**(246,188)**	6,208,546
Adjustments for non cash charges and other items:		
Depreciation and amortisation	**1,365,271**	1,316,740
Loss on retirement of property, plant and equipment	**3,640**	2,915
Provision for staff retirement benefit scheme - unfunded	**6,966**	6,115
Finance costs	**86,912**	166,134
Unrealised exchange loss on current maturity of long-term loan and current portion of liability against assets subject to finance lease	**100,572**	121,897
Mark-up accrued on bank deposits	**(269,970)**	(688,450)
Provision for infrastructure cess	**200,518**	327,792
Gain on the disposal of financial assets - investment	**-**	(97,250)
	1,493,909	1,155,893
	1,247,721	7,364,439
Effect on cashflows due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(33,280)**	(200,514)
Stock-in-trade	**188,488**	(2,013,801)
Trade debts	**(157,116)**	(205,428)
Loans and advances	**7,807**	(8,407)
Trade deposits and short-term prepayments	**66,994**	(89,552)
Other receivables and tax refunds	**(284,746)**	(109,489)
	(211,853)	(2,627,191)
Increase / (decrease) in trade and other payables	**172,096**	(16,607)
Cash generated from operations	**1,207,964**	4,720,641

36. EARNINGS PER SHARE - basic and diluted

	2012	2011
(Loss) / profit for the year after tax	**(183,717)**	4,177,531
	Number of shares	
Weighted average ordinary shares in issue during the year	**1,514,207,208**	1,514,207,208
	Rupees	
Earnings per share	**(0.12)**	2.76

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

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

37. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Chief Executive		Executive Directors		Executives	
	2012	2011	**2012**	2011	**2012**	2011
Managerial remuneration	**14,552**	12,709	**11,322**	11,292	**169,777**	160,659
Retirement benefits	**7,150**	5,059	**-**	-	**48,305**	45,460
Group insurance	**64**	47	**-**	15	**997**	1,121
Rent and house maintenance	**455**	627	**3,380**	3,139	**55,676**	48,810
Utilities	**-**	-	**-**	-	**11,974**	10,754
Medical expenses	**168**	45	**225**	59	**9,868**	9,666
	22,389	18,487	**14,927**	14,505	**296,597**	276,470
Number of persons	**1**	1	**2**	2	**119**	121

37.1 In addition to the above amount charged in the financial statements for remuneration and fee to the non-executive directors, were Rs 0.6 million (2011: Rs 0.6 million) and Rs 0.075 million (2011: Rs 0.06 million) respectively.

37.2 An amount of Rs 57.04 million (2011: Rs 84.36 million) on account of variable pay has been recognised in the financial statements. This amount is payable in 2013 after verification of target achievements.

Out of variable pay recognised for 2011, following payments were made:

	Paid in 2012 relating to 2011	Paid in 2011 relating to 2010
Chief Executive	**5,722**	6,879
Executives	**68,237**	59,936
Other employees	**7,713**	7,609
	81,672	74,424

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

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

38. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transaction	2012	2011
Parent company	Repayment of loan	**1,878,950**	1,740,500
	Payment of interest on loan	**23,696**	46,191
	Purchase of goods	**343,986**	-
	Purchase of services	**4,071**	-
	Amount payable	**346,486**	-
Subsidiary company	Purchase of shares against transfer of asset	**4,153,078**	-
	Purchase of shares against cash	**346,922**	-
	Purchase of goods - note 5	**1,304,407**	-
	Sale of spares	**16,661**	-
	Fee for providing of services to subsidiary company - note 5	**8,400**	-
	Amount payable	**264,549**	-
Associates	Purchase of services	**33**	-
Key management personnel	Salaries and other short term benefits	**71,457**	86,631
	Post employment benefit	**13,142**	11,479
Others	Payment to staff retirement benefit funds	**57,369**	52,105

38.1.1 Status of related party receivables has been disclosed in relevant note. Related party payables and receivables are settled in the ordinary course of business.

39. CAPACITY AND PRODUCTION - in metric tonnes

	2012	2011
Annual name plate capacity	**506,750**	506,750
Production	**480,941**	501,368

The current Production is based on 95% Plant availability. This was mainly due to a 11 days outage caused by a sudden shutdown at a supplier's manufacturing facility in October.

40. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

40.1 Risk management framework

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

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

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

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

Financial assets and liabilities by category and their respective maturities

	Interest bearing			Non-Interest bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
Financial Assets							
Loans and receivables							
Loans and advances	-	-	-	32,796	46,957	79,753	79,753
Deposits	-	24,272	24,272	51,952	16,252	68,204	92,476
Trade debts	-	-	-	3,300,360	-	3,300,360	3,300,360
Mark-up accrued on bank deposits	-	-	-	42	-	42	42
Other receivables	-	-	-	120,893	-	120,893	120,893
Cash and bank balances	171,950	-	171,950	53,184	-	53,184	225,134
31 December 2012	**171,950**	**24,272**	**196,222**	**3,559,227**	**63,209**	**3,622,436**	**3,818,658**
31 December 2011	4,291,194	24,272	4,315,466	3,626,056	63,089	3,689,145	8,004,611
Financial liabilities							
At amortised cost							
Trade & other payables	-	-	-	7,854,630	-	7,854,630	7,854,630
Finance lease liabilities	42,659	-	42,659	-	-	-	42,659
Interest accrued	-	-	-	147,685	-	147,685	147,685
31 December 2012	**42,659**	**-**	**42,659**	**8,002,315**	**-**	**8,002,315**	**8,044,974**
31 December 2011	1,996,488	38,039	2,034,527	7,619,708	-	7,619,708	9,654,235
On balance sheet date gap							
31 December 2012	**129,291**	**24,272**	**153,563**	**(4,443,088)**	**63,209**	**(4,379,879)**	**(4,226,316)**
31 December 2011	2,294,706	(13,767)	2,280,939	(3,993,652)	63,089	(3,930,563)	(1,649,624)
OFF BALANCE SHEET ITEMS							
Letter of credits / guarantees							**946,995**
Operating lease liability							**2,964,480**
31 December 2011							5,938,276

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

40.2 Credit risk

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

Amounts in Rs '000

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To reduce exposure to credit risk, substantially all the sales are made against letters of credit. Approximately 28 percent (2011: 29 percent) of the Company's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

The Board has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available. More than 85 percent of the Company's customers have been transacting with the Company for over four years, and losses have occurred infrequently.

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

	2012	2011
Financial assets		
Loans and advances	**98,267**	112,391
Deposits	**92,476**	46,325
Trade debts	**3,300,360**	3,143,244
Mark-up accrued on bank deposits	**42**	12,831
Other receivables	**120,893**	209,420
Bank balances	**216,388**	4,491,625
	3,828,426	8,015,836
Secured	**3,300,360**	3,143,244
Unsecured	**528,066**	4,872,592
	3,828,426	8,015,836
Not past due	**3,828,426**	8,015,836

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

Domestic	**3,300,360**	2,153,981
Other regions	**-**	989,263
	3,300,360	3,143,244

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

40.3 Liquidity risk

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

notes to and forming part of the financial statements
for the year ended 31 december 2012

Amounts in Rs '000

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

	31 December 2012					
	Carrying amount	Contractual cash flows	Less than one year	1-2 years	2-3 years	3-5 years
Financial Liabilities						
Finance lease liabilities	42,659	43,687	43,687	-	-	-
Trade and other payables	7,854,630	7,854,630	7,854,630	-	-	-
Interest accrued	147,685	147,685	147,685	-	-	-
Off balance sheet						
Operating lease liabilities	-	2,964,480	-	1,197,875	582,837	1,183,768
	8,044,974	**11,010,482**	**8,046,002**	**1,197,875**	**582,837**	**1,183,768**

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

The Company manages liquidity risk by maintaining sufficient cash in bank accounts. At 31 December 2012, the Company had financial assets of Rs 3.83 billion (2011: Rs 8.02 billion), which include Rs 0.22 billion (2011: Rs 4.49 billion) of cash placed in bank accounts.

40.4 Market risk

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

40.4.1 Currency risk

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

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

	2012			2011		
	GBP	Euro	US$	GBP	Euro	US$
	Equivalent Rs '000					
Financial asset						
Trade receivables	-	-	-	-	-	989,263
Financial liabilities						
Loan from parent company	-	-	-	-	-	(1,801,150)
Trade payables	**(6,809)**	**(6,098)**	**(5,165,621)**	(2,061)	(1,030,641)	(3,497,350)
Liability against assets subject to finance lease	**(42,659)**	-	-	(233,377)	-	-
	(49,468)	**(6,098)**	**(5,165,621)**	(235,438)	(1,030,641)	(5,298,500)
Operating lease liability (off balance sheet)	**(44,492)**	-	**(2,864,446)**	(276,637)	-	(775,057)

Amounts in Rs '000

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at 31 December	
	2012	2011	**2012**	2011
	Rupees		**Rupees**	
US Dollar	**93.5**	86.5	**97.3**	90.1
Great Britain Pound Sterling	**149.5**	139.5	**157.1**	138.8

Sensitivity analysis

Every 1% increase or decrease in exchange rate, with all other variables held constant, will decrease or increase (loss) / profit before tax for the year by Rs 52.09 million (2011: Rs 40.83 million).

40.4.2 Interest rate risk

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

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2012	2011
Fixed rate instruments		
Financial assets	**196,222**	4,316,045
Variable rate instruments		
Financial liabilities	**42,659**	2,034,527

Sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss account. Therefore a change in interest rates at the reporting date would not affect materially profit or loss for the year.

Sensitivity analysis for variable rate instruments

If LIBOR had been 10% higher / lower with all other variables held constant, the impact on the profit after tax for the year would not have been material.

notes to and forming part of the financial statements
for the year ended 31 december 2012

40.4.3 Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the fund issuing that financial instruments, or its management company.

41. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal structure to reduce the cost of capital. The Company has no debt as at 31 December 2012.

42. GENERAL

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

43. DATE OF AUTHORISATION

These financial statements were authorised for issue in the Board of Directors meeting held on 25 January 2013.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

Lotte Pakistan PTA Limited Consolidated Financial Statements

auditors' report to the members

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of **Lotte Pakistan PTA Limited (the Holding Company) and its subsidiary company Lotte Powergen (Private) Limited** as at 31 December 2012 and the related consolidated Pofit and Loss Account, consolidated Statement of Comprehensive Income, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Lotte Pakistan PTA Limited and its subsidiary company. These financial statemetns are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Lotte Pakistan PTA Limited and its subsidiary company as at 31 December 2012 and the results of their operations for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

A.F. Ferguson & Co.,
Chartered Accountants
Engagement Partner: Farrukh Rehman

Dated: 14 February 2013
Karachi

consolidated balance sheet
as at 31 december 2012

Amounts in Rs '000

	Note	2012	2011
Assets			
Non-current assets			
Fixed assets	4	**10,065,769**	9,852,587
Long-term loans and advances	5	**46,957**	46,937
Long-term deposits and prepayments	6	**79,247**	100,212
		10,191,973	9,999,736
Current assets			
Stores and spares	7	**732,735**	694,745
Stock-in-trade	8	**4,440,877**	4,669,004
Trade debts	9	**3,300,360**	3,143,244
Loans and advances	10	**32,796**	40,603
Trade deposits and short-term prepayments	11	**92,404**	159,398
Mark-up accrued on bank deposits		**186**	12,831
Other receivables	12	**107,414**	209,420
Tax refunds due from government - sales tax	13	**625,656**	288,872
Taxation - payments less provision		**670,290**	177,264
Cash and bank balances	14	**879,990**	4,505,251
		10,882,708	13,900,632
Total assets		**21,074,681**	23,900,368

Amounts in Rs '000

	Note	2012	2011
Equity			
Share capital and reserves			
Share capital	15	**15,142,072**	15,142,072
Capital reserves	16	**2,345**	2,345
Accumulated losses		**(2,818,026)**	(2,061,717)
		12,326,391	13,082,700
Liabilities			
Non-current liabilities			
Liability against assets subject to finance lease	17	**-**	38,039
Deferred tax	18	**773,427**	1,142,646
Retirement benefit obligation	19	**27,543**	20,787
		800,970	1,201,472
Current liabilities			
Trade and other payables	20	**7,756,976**	7,479,634
Current maturity of long-term loans	21	**-**	1,801,150
Interest accrued	22	**147,685**	140,074
Short-term financing	23	**-**	-
Current portion of liability against assets subject to finance lease	17	**42,659**	195,338
		7,947,320	9,616,196
Total liabilities		**8,748,290**	10,817,668
Contingencies and commitments	24		
Total equity and liabilities		**21,074,681**	23,900,368

The annexed notes 1 to 42 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

consolidated profit and loss account
for the year ended 31 december 2012

Amounts in Rs '000

	Note	2012	2011
Revenue	25	**52,823,257**	57,577,198
Cost of sales	26	**(52,617,057)**	(50,914,635)
Gross profit		**206,200**	6,662,563
Distribution and selling expenses	27	**(132,519)**	(197,208)
Administrative expenses	28	**(304,659)**	(330,463)
Other operating expenses	29	**(46,500)**	(502,492)
Other operating income	30	**70,615**	22,883
Operating (loss) / profit		**(206,863)**	5,655,283
Finance income	31	**291,241**	785,700
Finance costs	32	**(146,054)**	(232,437)
(Loss) / profit before taxation		**(61,676)**	6,208,546
Taxation	33	**62,471**	(2,031,015)
Profit after taxation		**795**	4,177,531
Earnings per share - basic and diluted (in Rupees)	35	**0.0005**	2.76

The annexed notes 1 to 42 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

consolidated statement of comprehensive income
for the year ended 31 december 2012

Amounts in Rs '000

	2012	2011
Profit after taxation	**795**	4,177,531
Other comprehensive income	**-**	-
Total comprehensive income	**795**	4,177,531

The annexed notes 1 to 42 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

consolidated cash flow statement
for the year ended 31 december 2012

Amounts in Rs '000

	Note	2012	2011
Cash flows from operating activities			
Cash generated from operations	34	**1,496,884**	4,720,641
Long-term loans and advances - net		**(20)**	(8,277)
Long-term deposits and prepayments - net		**20,965**	(30,064)
Finance costs paid		**(75,789)**	(146,080)
Payments to staff retirement benefit scheme - unfunded		**(210)**	(77)
Taxes paid		**(799,774)**	(2,560,707)
Infrastructure cess paid		**-**	(486,104)
Mark-up received from bank deposits		**303,886**	719,480
Net cash generated from operating activities		**945,942**	2,208,812
Cash flows from investing activities			
Payments for capital expenditure		**(1,720,529)**	(2,418,033)
Disposal of financial assets - net		**-**	461,894
Net cash used in investing activities		**(1,720,529)**	(1,956,139)
Cash flows from financing activities			
Payments for liability against assets subject to finance lease		**(217,002)**	(162,314)
Repayment of long term loan		**(1,878,950)**	(1,740,500)
Dividend paid		**(754,722)**	(754,916)
Net cash used in financing activities		**(2,850,674)**	(2,657,730)
Net decrease in cash and cash equivalents		**(3,625,261)**	(2,405,057)
Cash and cash equivalents at the beginning of the year		**4,505,251**	6,910,308
Cash and cash equivalents at the end of the year		**879,990**	4,505,251

The annexed notes 1 to 42 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

consolidated statement of changes in equity

for the year ended 31 december 2012

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total equity
Balance as at 1 January 2011	15,142,072	2,345	(5,482,144)	9,662,273
Total comprehensive income for the year ended 31 December 2011	-	-	4,177,531	4,177,531
Final cash dividend for the year ended 31 December 2010 @ Rs 0.50 per share	-	-	(757,104)	(757,104)
Balance as at 31 December 2011	**15,142,072**	**2,345**	**(2,061,717)**	**13,082,700**
Total comprehensive income for the year ended 31 December 2012	-	-	795	795
Final cash dividend for the year ended 31 December 2011 @ Rs 0.50 per share	-	-	(757,104)	(757,104)
Balance as at 31 December 2012	**15,142,072**	**2,345**	**(2,818,026)**	**12,326,391**

The annexed notes 1 to 42 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

1. STATUS AND NATURE OF BUSINESS

The Group consists of:

i) Lotte Pakistan PTA Limited (the Company)
ii) Lotte Powergen (Private) Limited (the Subsidiary)

The Subsidiary is a wholly owned subsidiary of the Company. The Parent company of the Group is Lotte Chemical Corporation (formerly KP Chemical Corporation) - South Korea. Effective 27 December 2012, KP Chemical Corporation and Honam Petrochemical Corporation (the two chemical companies of Lotte) merged and as a result the name was changed to Lotte Chemical Corporation. The ultimate parent company of the Group is South Korean conglomerate Lotte.

The Company is a limited liability company incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges, and is engaged in the manufacture and sale of Pure Terephthalic Acid (PTA).

The Subsidiary is engaged in generation and sale of electricity and steam to the Company. The Subsidiary was incorporated in Pakistan on 29 February 2012 and from 17 July 2012, the Subsidiary has commenced the commercial production. The Subsidiary has applied for generation license with National Electric Power Regulatory Authority which is pending.

1.1 Basis of consolidation

The consolidated financial statements include the financial statements of Lotte Pakistan PTA Limited and Lotte Powergen (Private) Limited. The financial statements of the Subsidiary have been consolidated on a line by line basis.

All inter-company transactions have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984 and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 (the Ordinance) have been followed.

2.1.2 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

There are no amended standards and interpretations that are effective for the first time in the current year that would be expected to have a material impact on the Group.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 January 2012 are considered not to be relevant for the Group's financial statements and hence have not been detailed here.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

IAS 1 (Amendment), 'Presentation of Financial Statements', is effective for the accounting periods beginning on or after 1 July 2012. It entails the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The change is not expected to have material impact on the Group financial statements.

IAS 19 (Amendment) - 'Employee benefits' is applicable for the periods beginning on or after 1 January 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The change is not expected to have material impact on the Group financial statements.

2.2 Overall valuation policy

These financial statements have been prepared under the historical cost convention, except that certain exchange elements have been incorporated in the cost of the relevant operating property, plant and equipment upto 4 July 2004.

2.3 Fixed assets

2.3.1 Property, plant and equipment and depreciation

Operating property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (if any). Cost of certain items of operating property, plant and equipment comprises historical cost, exchange differences referred to in note 2.2 and the cost of borrowings during the construction period in respect of loans taken for the PTA construction project.

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

Depreciation charge is based on the straight-line method whereby the cost of an asset is written off to profit and loss account over its estimated useful life, from the date the asset is available for use. The cost of leasehold land is amortised in equal installments over the lease period.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Gains and losses on disposal of assets are taken to the profit and loss account.

2.3.2 Intangible assets and amortisation

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

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

2.4 Stores and spares

Stores and spares are stated at the lower of weighted average cost and net realisable value.

2.5 Stock-in-trade

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

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

2.6 Trade debts and other receivables

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

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

2.7 Cash and cash equivalents

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

2.8 Impairment

2.8.1 Financial assets

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

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

2.8.2 Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised as an expense in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Trade and other payables

Trade and other payables, excluding provisions are carried at the fair value of the consideration to be paid for goods and services.

2.10 Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of that can be made.

2.11 Offsetting

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

2.12 Lease payments

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

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

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

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

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

2.13 Staff retirement benefits

2.13.1 Defined benefit plans

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

The Group also has an approved funded defined benefit pension scheme for all management staff who joined the Group before 1 May 2004.

The Group also has an unfunded medical scheme to provide post retirement medical benefits to members of its pension fund.

Contributions to all schemes are made periodically on the basis of recommendations of the actuary and in line with the provisions of the Income Tax Ordinance, 2001. Actuarial valuations of these schemes are carried out at the end of every year. The valuations use the "Projected Unit Credit" method. Actuarial gains and losses are amortised over the expected future service of current members.

2.13.2 Defined contribution plans

The Group operates a provident fund scheme for all its permanent employees. Equal monthly contributions are made to the fund, both by the Group and the employees at the rate of 10 percent of basic salary and cost of living allowance wherever applicable.

The Group also operates a defined contribution superannuation fund for its management staff who joined the Group on or after 1 May 2004 and for those who opted out of the defined benefit pension scheme. Contributions are made at the rate of 10.6 percent of basic salary of the members of the fund.

2.14 Dividend

Dividend distribution to the Group's shareholders is recognised as a liability in the period in which the dividend is approved.

2.15 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

2.15.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any, or one-half percent of turnover, whichever is higher. The charge for current tax includes adjustments to charge for prior years, if any.

2.15.2 Deferred

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.16 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Pakistan Rupees at the exchange rate ruling at the date of transaction.

Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Pakistan Rupees at exchange rates ruling on that date.

In respect of foreign currency loans obtained for acquisition of operating property, plant and equipment, the exchange differences on principal amount upto 4 July 2004 were included in the cost of relevant operating property, plant and equipment. All exchange differences, effective 5 July 2004, are taken to the profit and loss account, due to amendments in the Fourth Schedule to the Ordinance.

2.17 Revenue recognition

Revenue from the sale of goods is recognised on despatch of goods i.e. when the significant risks and rewards of ownership are transferred to the customer.

2.18 Finance income and finance costs

Profit on funds invested is recognised as it accrues in the profit and loss account, using the effective interest method.

Finance costs comprise mark-up / interest expense on borrowings, unwinding of the discount on provisions and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit and loss account using the effective interest method. Foreign currency gains and losses are reported on the net basis.

2.19 Borrowings and their cost

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

2.20 Earnings per share

The Group presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

2.21 Functional and presentation currency

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

3.1.1 Income taxes

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

The deemed assessment order of the Group for the Tax Year 2003 was rectified by the tax department in 2008 without any cause and basis, allowing tax losses brought forward relating to the pre de-merger period. This treatment was apparently made as a consequence of the action undertaken to effect the amendment of assessment for the Tax Year 2003 in the case of ICI Pakistan Limited. In that case the tax department had taken certain actions in the order, considered by the department as "protective assessment", on the matter of unabsorbed depreciation carried forward by ICI Pakistan Limited relating to assets of the PTA business as of the date of de-merger. The Group's position under the tax law is that such depreciation should be allowed to ICI Pakistan Limited and a writ petition was, therefore, filed jointly with ICI Pakistan Limited in the High Court of Sindh challenging this rectification.

In 2008 while issuing the rectification order for the Tax Year 2003, the Taxation Officer had erroneously disallowed the loss brought forward of Rs 2.6 billion for which a rectification application and corresponding appeal was filed with the Additional Commissioner of Income Tax and CIT (Appeals) respectively. During 2011, the Commissioner (Appeals) disposed off the Group's appeal via order no. 156 dated 14 March 2011 and allowed the said loss while maintaining certain disallowances against which corresponding appeals were filed with the Appellate Tribunal Inland Revenue [ATIR]. In its order passed on 14 September 2011, ATIR referred back the matter of disallowance of such loss against which rectification appeal was filed on 13 October 2011.

3.1.2 Defined benefit plans

The Group has adopted certain actuarial assumptions as disclosed in note 19 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets, based on actuarial advice.

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

4. FIXED ASSETS	**2012**	2011
Property, plant and equipment		
Operating assets - note 4.1	**9,981,721**	7,134,254
Capital work in progress - note 4.2	**82,174**	2,717,177
	10,063,895	9,851,431
Intangible assets - note 4.4	**1,874**	1,156
	10,065,769	9,852,587

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

4.1 Operating assets

The following is a statement of operating property, plant and equipment:

	Leasehold land	Buildings on leasehold land	Plant and machinery		Motor vehicles	Furniture and equipment	Total
			Owned	Held under finance lease			
Net carrying value basis Year ended 31 December 2012							
Opening net book value (NBV)	51,916	186,004	6,805,141	30,765	11,785	48,643	7,134,254
Additions (at cost)	-	3,347	4,296,188	-	-	54,820	4,354,355
Disposals (at NBV)	-	-	(3,432)	-	-	(208)	(3,640)
Depreciation charge	(1,422)	(23,752)	(1,423,665)	(26,370)	(5,403)	(22,636)	(1,503,248)
Closing net book value (NBV)	**50,494**	**165,599**	**9,674,232**	**4,395**	**6,382**	**80,619**	**9,981,721**
Gross carrying value basis at 31 December 2012							
Cost	90,278	989,209	30,816,258	395,543	56,613	250,441	32,598,342
Accumulated depreciation	(39,784)	(621,899)	(19,883,912)	(391,148)	(50,231)	(169,822)	(21,156,796)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	-	(1,459,825)
Net book value (NBV)	**50,494**	**165,599**	**9,674,232**	**4,395**	**6,382**	**80,619**	**9,981,721**
Net carrying value basis Year ended 31 December 2011							
Opening net book value (NBV)	55,452	203,181	7,799,855	57,134	16,124	45,412	8,177,158
Additions (at cost)	-	1,101	255,840	-	832	18,776	276,549
Disposals (at NBV)	-	(608)	(2,353)	-	-	(10)	(2,971)
Depreciation charge	(3,536)	(17,670)	(1,248,201)	(26,369)	(5,171)	(15,535)	(1,316,482)
Closing net book value (NBV)	**51,916**	**186,004**	**6,805,141**	**30,765**	**11,785**	**48,643**	**7,134,254**
Gross carrying value basis at 31 December 2011							
Cost	90,278	985,862	26,534,520	395,543	56,613	196,439	28,259,255
Accumulated depreciation	(38,362)	(598,147)	(18,471,265)	(364,778)	(44,828)	(147,796)	(19,665,176)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	-	(1,459,825)
Net book value (NBV)	**51,916**	**186,004**	**6,805,141**	**30,765**	**11,785**	**48,643**	**7,134,254**
Depreciation rate % per annum	2	5	5 - 6.67	6.67	25	10 - 33	

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

		2012	2011
4.2	**Capital Work-in-Progress**		
	Civil works and buildings	**-**	3,927
	Plant and machinery	**81,489**	2,625,644
	Miscellaneous equipments	**685**	1,081
	Advances to suppliers	**-**	86,525
		82,174	2,717,177
4.3	**Capital work-in-progress - movement**		
	Opening balance	**2,717,177**	576,645
	Capital expenditure	**1,717,595**	2,399,330
	Transferred to operating property, plant and equipment	**(4,352,598)**	(258,798)
	Closing balance	**82,174**	2,717,177
4.4	**INTANGIBLE ASSETS**		
4.4.1	**Net carrying value basis**		
	Opening net book value	**1,156**	406
	Additions during the year	**1,177**	1,008
	Amortisation charge	**(459)**	(258)
	Closing net book value	**1,874**	1,156
4.4.2	**Gross carrying value basis**		
	Cost	**214,066**	212,889
	Accumulated amortisation	**(212,192)**	(211,733)
	Net book value	**1,874**	1,156

4.5 Following assets, having net book value exceeding Rs 50,000 were retired during the year.

Description	**2012**				**Particulars of buyers / others**
	Cost	**Accumulated depreciation**	**Net book value**	**Sale proceeds**	
Plant and machinery					
Particle size analyser	10,907	8,314	2,593	-	Discarded / scraped
XRF backup for laboratory	3,528	2,689	839	-	Discarded / scraped
Furniture and equipment					
TCP/IP kit time management system (Amano data collection terminal)	785	589	196	-	Discarded / scraped

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

5. LONG-TERM LOANS AND ADVANCES - considered good

	2012				2011
	Motor car	**House building assistance**	**Others**	**Total**	Total
Due from executives - note 5.1	**25,518**	**21,042**	**-**	**46,560**	47,135
Less: Receivable within one year - note 10	**(5,017)**	**(8,953)**	**-**	**(13,970)**	(15,119)
	20,501	**12,089**	**-**	**32,590**	32,016
Due from employees	**13,932**	**2,878**	**2,525**	**19,335**	19,911
Less: Receivable within one year - note 10	**(2,537)**	**(1,755)**	**(676)**	**(4,968)**	(4,990)
	11,395	**1,123**	**1,849**	**14,367**	14,921
	31,896	**13,212**	**1,849**	**46,957**	46,937

5.1 Reconciliation of carrying amount of loans to executives

	2012			2011		
	Key management personnel	**Executives**	**Total**	Key management personnel	Executives	Total
Balance at 1 January	**806**	**46,329**	**47,135**	2,011	36,300	38,311
Disbursements	**6,555**	**13,925**	**20,480**	-	31,259	31,259
Repayments	**(1,352)**	**(19,703)**	**(21,055)**	(1,205)	(21,230)	(22,435)
Balance at 31 December	**6,009**	**40,551**	**46,560**	806	46,329	47,135

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

5.3 The maximum aggregate amount of loans and advances due from Executives at the end of any month during the year was Rs 52.70 million (2011: Rs 54.05 million).

6. LONG-TERM DEPOSITS AND PREPAYMENTS

	2012	2011
Deposits - note 6.1	**40,524**	40,424
Prepayments	**38,723**	59,788
	79,247	100,212

6.1 These include Rs 14.42 million (2011: Rs 14.42 million) paid to Pakistan Steel Mills Corporation for emergency back-up supply of water and Rs 24.27 million (2011: Rs 24.27 million) paid to Karachi Electric Supply Corporation (KESC). The Group receives mark-up at the rate of 5% on the deposit with KESC.

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

		2012	2011
7.	**STORES AND SPARES**		
	Stores	**23,517**	24,168
	Spares	**724,964**	681,552
		748,481	705,720
	Less: Provision for slow moving, obsolete, and rejected items - note 7.1	**(15,746)**	(10,975)
		732,735	694,745
7.1	**Provision for slow moving, obsolete and rejected items**		
	Provision at 1 January	**10,975**	39,491
	Charge for the year	**4,771**	9,552
		15,746	49,043
	Write-offs	**-**	(38,068)
	Provision at 31 December	**15,746**	10,975
8.	**STOCK-IN-TRADE**		
	Raw and packing materials [including in-transit Rs 942 million (2011: Rs 1.4 billion)]	**2,802,171**	3,334,047
	Finished goods		
	- Manufactured goods	**1,499,015**	1,332,340
	- Trading goods [including in-transit Rs 115.5 million (2011: Rs Nil)]	**139,691**	2,617
		1,638,706	1,334,957
		4,440,877	4,669,004

8.1 Raw and packing materials include Rs 1.25 billion (2011: Rs 1.22 billion) held with third party.

9. TRADE DEBTS

9.1 These are secured and considered good.

9.2 All of the Group's trade debts are secured by letters of credit issued by various banks.

notes to and forming part of the consolidated financial statements

for the year ended 31 december 2012

Amounts in Rs '000

	2012	2011
10. LOANS AND ADVANCES - considered good		
Loans due from:		
- Executives - note 5	**13,970**	15,119
- Employees - note 5	**4,968**	4,990
	18,938	20,109
Advances to:		
- Executives	**4,701**	3,128
- Employees	**1,148**	1,254
- Contractors and suppliers	**8,009**	16,112
	13,858	20,494
	32,796	40,603

10.1 The maximum aggregate amount of advances due from Executives at the end of any month during the year was Rs 4.01 million (2011: Rs 5.27 million).

11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2012	2011
Deposits	**4,489**	1,964
Margin on import letters of credit	**47,463**	3,937
Short-term prepayments	**40,452**	153,497
	92,404	159,398

12. OTHER RECEIVABLES

	2012	2011
Rebates receivable - note 12.1	**62,850**	180,834
Asset recognised in respect of staff retirement benefit funds - note 19.1	**15,866**	13,795
Insurance claims receivable	**27,112**	12,828
Others	**1,586**	1,963
	107,414	209,420

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

13. TAX REFUNDS DUE FROM GOVERNMENT - SALES TAX

	2012	2011
Sales tax refundable	**719,664**	412,705
Provision for doubtful receivables	**(94,008)**	(123,833)
	625,656	288,872

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

13.1 This includes Rs 259 million (31 December 2011: Rs 77.6 million) on account of input tax arising from sales tax charged to the Group under the Sindh Sales Tax 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 authorities, resulting in lack of verification by the refund issuing authority i.e. the Federal Board of Revenue. The Group has approached Federal Tax Ombudsman for resolution of the matter.

	2012	2011
14. CASH AND BANK BALANCES		
Short term fixed deposits - note 14.1	**826,800**	4,291,194
With banks in current accounts	**44,444**	200,431
Cash in hand	**8,746**	13,626
	879,990	4,505,251

14.1 During the year ended 31 December 2012, the mark-up rates on term deposits ranged from 6.5% to 11.75% (2011: 9.5% to 13.30%) per annum and had maturities of less than three months.

15. SHARE CAPITAL

15.1 Authorised capital 2,000,000,000 ordinary shares of Rs 10 each	**20,000,000**	20,000,000
15.2 504,735,636 ordinary shares of Rs 10 each fully paid-up issued pursuant to the Scheme for consideration other than cash - note 15.3	**5,047,356**	5,047,356
1,009,471,572 ordinary shares of Rs 10 each fully paid-up in cash	**10,094,716**	10,094,716
	15,142,072	15,142,072

15.3 With effect from 1 October 2000 the PTA Business of ICI Pakistan Limited was demerged under a Scheme of Arrangement (Scheme), dated 12 December 2000, approved by the shareholders and sanctioned by the High Court of Sindh.

15.4 At 31 December 2012 and 2011, Lotte Chemical Corporation held 1,135,860,105 ordinary shares of Rs 10 each.

16. CAPITAL RESERVES

Capital reserves represent the amount received from various overseas companies of AkzoNobel Group (then group Companies), for purchase of fixed assets. The remitting companies have no claim to their repayments.

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

17. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE - plant and machinery

	Discount rate %	31 December 2012 Minimum lease payments	31 December 2012 Financial charges for future periods	31 December 2012 Principal outstanding	31 December 2011 Minimum lease payments	31 December 2011 Financial charges for future periods	31 December 2011 Principal outstanding
Not later than one year	18.9 - 20.3	**43,687**	**1,028**	**42,659**	223,456	28,118	195,338
Later than one year and not later than five years		**-**	**-**	**-**	38,921	882	38,039
		43,687	**1,028**	**42,659**	262,377	29,000	233,377

17.1 The Group executed a take or pay contract in 1996 for the supply of hydrogen and nitrogen gases recognised as finance lease in terms of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease". The liability is repayable within quarter 1 2013.

18. DEFERRED TAX

	2012	2011
Credit balance arising in respect of property, plant and equipment	**1,199,074**	1,432,500
(Debit) balance arising in respect of:		
- liability against assets subject to finance lease	**(12,723)**	(77,598)
- provisions for:		
- sales tax refundable	**(31,258)**	(41,174)
- staff retirement benefits	**(9,158)**	(6,912)
- slow moving, obsolete and rejected items	**(5,236)**	(3,649)
- unpaid liabilities	**(209,307)**	(160,521)
- carry forward of turnover tax	**(157,965)**	-
	773,427	1,142,646

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

19. RETIREMENT BENEFIT OBLIGATION

19.1 Staff retirement benefits

	2012				2011			
	Funded			Unfunded	Funded			Unfunded
	Pension	Gratuity	Total	Medical	Pension	Gratuity	Total	Medical
19.1.1 Movement in the liability for defined benefit obligations								
Balances as at 1 January	48,359	130,914	179,273	31,313	38,146	108,056	146,202	25,110
Benefits paid by the plan	(3,507)	(4,847)	(8,354)	(210)	(5,783)	(4,950)	(10,733)	(77)
Current service costs	2,639	11,524	14,163	2,215	1,943	10,240	12,183	1,882
Interest cost	6,066	16,714	22,780	4,057	5,037	15,057	20,094	3,573
Actuarial (gains) / losses recognised	1,790	459	2,249	(971)	9,016	2,511	11,527	825
Balance as at 31 December	55,347	154,764	210,111	36,404	48,359	130,914	179,273	31,313
19.1.2 Movement in plan assets								
Fair value of plan assets at 1 January	34,871	110,699	145,570	-	32,519	97,154	129,673	-
Contributions paid into the plan	6,279	17,134	23,413	-	4,200	4,140	8,340	-
Benefits paid by the plan	(3,507)	(4,847)	(8,354)	-	(5,783)	(4,950)	(10,733)	-
Expected return on plan assets	4,527	14,549	19,076	-	4,169	12,239	16,408	-
Actuarial (losses) / gains recognised	5,913	17,256	23,169	-	(234)	2,116	1,882	-
Fair value of plan assets at 31 December	48,083	154,791	202,874	-	34,871	110,699	145,570	-
19.1.3 Reconciliation								
Fair value of plan assets at 31 December - note 19.1.2	48,083	154,791	202,874	-	34,871	110,699	145,570	-
Liability for defined benefit obligation at 31 December - note 19.1.1	(55,347)	(154,764)	(210,111)	(36,404)	(48,359)	(130,914)	(179,273)	(31,313)
Surplus / (deficit)	(7,264)	27	(7,237)	(36,404)	(13,488)	(20,215)	(33,703)	(31,313)
Unrecognised past service cost	-	-	-	2,574	-	-	-	2,825
Unrecognised actuarial loss	12,573	10,530	23,103	6,287	18,256	29,242	47,498	7,701
Recognised (liability) / asset	5,309	10,557	15,866	(27,543)	4,768	9,027	13,795	(20,787)
19.1.4 Expense recognised in profit and loss account								
Current service costs	2,639	11,524	14,163	2,215	1,943	10,240	12,183	1,882
Interest on obligation	6,066	16,714	22,780	4,057	5,037	15,057	20,094	3,573
Expected return on plan assets	(4,527)	(14,549)	(19,076)	-	(4,169)	(12,239)	(16,408)	-
Past service cost	-	-	-	251	-	-	-	251
Actuarial losses recognised during the period	1,560	1,915	3,475	443	901	1,953	2,854	409
Expense recognised in profit and loss account	5,738	15,604	21,342	6,966	3,712	15,011	18,723	6,115
19.1.5 Actual return on plan assets	10,440	31,805	42,245	-	3,935	14,355	18,290	-
19.1.6 Recognised asset / (liability)								
Recognised asset / (liability) at 1 January	4,768	9,027	13,795	(20,787)	4,280	19,898	24,178	(14,749)
Expenses recognised in profit and loss account - note 19.1.4	(5,738)	(15,604)	(21,342)	(6,966)	(3,712)	(15,011)	(18,723)	(6,115)
Company contributions	6,279	17,134	23,413	210	4,200	4,140	8,340	77
Recognised asset / (liability) as at 31 December	5,309	10,557	15,866	(27,543)	4,768	9,027	13,795	(20,787)
19.1.7 Fund's Investments								
Government bonds	30,426	106,934	137,360		20,803	59,694	80,497	
Other bonds (TFCs)	4,114	5,214	9,328		3,991	5,059	9,050	
Shares	11,268	36,306	47,574		7,980	27,348	35,328	
Term deposits	-	1,533	1,533		-	16,661	16,661	
Cash at bank	2,275	4,804	7,079		2,097	1,937	4,034	
Total as at 31 December	48,083	154,791	202,874		34,871	110,699	145,570	
19.1.8 Actuarial assumptions								
Discount rate at 31 December	11.50%	11.50%		11.50%	13.00%	13.00%		13.00%
Expected return on plan assets	11.50%	11.50%			13.00%	13.00%		
Future salary increases	9.50%	9.50%			10.75%	10.75%		
Medical cost trend rate				6.25%				7.50%
Future pension increases	6.25%				7.50%			

Amounts in Rs '000

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

The Group's contribution to the pension and gratuity funds in 2013 is expected to amount to Rs 16.4 million.

The actuary conducts separate valuations for calculating contribution rates and the Group contributes to the pension and gratuity funds according to the actuary's advice. Expense of the defined benefit plan is calculated by the actuary.

Figures in this note are based on the latest actuarial valuation carried out as at 31 December 2012.

19.2 Historical information

	2012	2011	2010	2009	2008
Present value of the defined benefit obligation as at 31 December	**246,515**	210,586	171,312	131,655	100,212
Fair value of plan assets	**202,874**	145,570	129,673	109,724	83,431
Deficit in the plan	**(43,641)**	(65,016)	(41,639)	(21,931)	(16,781)
Experience adjustments					
Loss on obligations (as percentage of plan obligations)	**(1)%**	(6)%	(7)%	(9)%	(19)%
Gain / (loss) on plan assets (as percentage of plan assets)	**11%**	1%	1%	17%	(64)%

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

19.4 The Group's contributions towards the provident fund and defined contribution superannuation fund for the year ended 31 December 2012 amounted to Rs 18.16 million (2011: Rs 16.76 million) and Rs 17.93 million (2011: Rs 16.59 million).

20. TRADE AND OTHER PAYABLES

	2012	2011
Trade creditors including bills payable	**5,332,520**	4,966,902
Accrued expenses	**916,914**	854,838
Advances from supplier / customer	**152,483**	103,422
Unclaimed dividend	**12,385**	10,003
Provision for infrastructure cess - note 20.1	**1,249,432**	1,048,914
Workers' profit participation fund - note 20.2	**23,529**	334,196
Workers' welfare fund	**-**	139,268
Others	**69,713**	22,091
	7,756,976	7,479,634

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

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

The High Court vide its order dated 2 June 2011 provided for an interim arrangement reached through a joint statement filed with the Court by the counsels of the petitioners and respondent of the case. As per the order, bank guarantees / securities furnished in respect of consignments cleared after 27 December 2006 would be encashed to the extent of 50% and guarantees for the remaining balance would be kept till final disposal of the petitions. Consequently, bank guarantees relating to the period upto 27 December 2006 have been cancelled and returned to the Group.

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

	2012	2011
Balance as at 1 January	**1,048,914**	1,207,226
Charge	**200,518**	327,792
Payment	**-**	(486,104)
Balance as at 31 December	**1,249,432**	1,048,914

20.2 Reconciliation of workers' profit participation fund

Balance as at 1 January	**334,196**	361,993
Provision / allocation for the year - note 29	**23,529**	334,196
Interest on funds utilised - note 32	**3,433**	3,132
Amount paid to the fund	**(337,629)**	(365,125)
Balance as at 31 December	**23,529**	334,196

Amounts in Rs '000

21. LONG-TERM LOANS - unsecured

Lender	Installments payable	Interest rate	Repayment period	2012	2011
Loan from parent company					
KP Chemical Corporation - Nil (31 December 2011: USD 20 million)	full payment on maturity	1% p.a. above 6 months LIBOR	2012	-	1,801,150
Less: Payable within one year				-	(1,801,150)
				-	-

The Group has paid USD 20 million (equivalent to Rs 1.88 billion) in May and November 2012.

22. INTEREST ACCRUED

22.1 This represents interest payable to Mortar Investments International Limited on long-term loans previously repaid.

23. SHORT-TERM FINANCING

23.1 The facilities for running finance available from various banks as at 31 December 2012 amounted to Rs 1.43 billion (2011: Rs 1.43 billion). These facilities carry mark-up at rates ranging from 1 month KIBOR plus 1.50 percent per annum to 3 months KIBOR plus 1.75 percent per annum and are secured by joint pari-passu hypothecation charge over all the present and future stock and book debts of the Group.

23.2 Foreign currency import and export finance facilities available from a local bank as at 31 December 2012 amounted to USD 10.0 million (2011: USD 11.0 million). These facilities are available at interest rates to be negotiated at the time of booking and are secured against trust receipts and / or joint pari-passu hypothecation charge over all the present and future stock and book debts of Group. Total facility was unutilised as at 31 December 2012 and 2011.

24. CONTINGENCIES AND COMMITMENTS

24.1 Commitments in respect of capital expenditure as at 31 December 2012 amount to Rs 286 million (2011: Rs 1.68 billion).

Amounts in Rs '000

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

Year	2012	2011
2012	**-**	18,443
2013	**17,806**	13,769
2014	**14,434**	10,214
2015	**10,172**	3,833
2016	**3,850**	-
	46,262	46,259

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

2012	**-**	1,367,902
2013	**604,199**	47,267
2014	**561,436**	-
2015	**572,665**	-
2016	**584,118**	-
2017	**595,800**	-
	2,918,218	1,415,169

24.3.1 Commitments for rentals under operating lease agreements in respect of goods and services are stated at minimum lease payments. Some of these are linked to consumer price index (CPI) of UK / Pakistan, priced in foreign currency and payable in Pakistan Rupees, converted at exchange rates applicable on the date of payment.

24.4 Outstanding guarantees and letters of credit issued on behalf of the Group as at 31 December 2012 were Rs 1.41 billion (2011: Rs 1.09 billion) and Rs 342 million (2011: Rs 2.33 billion), respectively.

24.5 The Income Tax Appellate Tribunal (ITAT) 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 ending 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 Group had filed an appeal. The Commissioner Inland Revenue (Appeals) vide order numbers 153 and 391 dated 31 January 2011 (received by the Group on 4 June 2011) has set aside the taxation officer's order with instructions to strictly comply with the directions contained in the ITAT'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 vide number 01/171 dated 25 June 2012 (received by the Group in July 2012) has maintained the above basis of allocation to export sales. Group has filed an appeal against the said order in August 2012. No provision has been made in these financial statements for the potential liability of Rs 326.12 million as the Group is confident of a favourable outcome from the appeal process.

notes to and forming part of the consolidated financial statements

for the year ended 31 december 2012

Amounts in Rs '000

25. REVENUE

	2012			2011		
	Manufactured goods	**Trading goods**	**Total**	Manufactured goods	Trading goods	Total
Local sales	**50,405,677**	**624,095**	**51,029,772**	52,321,142	232,005	52,553,147
Export sales	**2,033,562**	**-**	**2,033,562**	5,443,599	-	5,443,599
	52,439,239	**624,095**	**53,063,334**	57,764,741	232,005	57,996,746
Less:						
Sales tax and excise duty	**(61)**	**(7,207)**	**(7,268)**	(52,254)	(14,533)	(66,787)
Price settlements and discounts	**(231,477)**	**(1,332)**	**(232,809)**	(352,761)	-	(352,761)
	52,207,701	**615,556**	**52,823,257**	57,359,726	217,472	57,577,198

25.1 Four (2011: Three) of the Group's customers contributed towards 84% (2011: 66.8%) of the revenue during the year amounting to Rs 44.43 billion (2011: Rs 38.46 billion) and each customer individually exceeded 10% of the revenue.

26. COST OF SALES

	2012	2011
Raw and packing materials consumed:		
Opening stock	**3,334,047**	2,442,186
Purchases - note 26.1	**47,393,721**	48,095,775
Closing stock	**(2,802,171)**	(3,334,047)
	47,925,597	47,203,914
Salaries, wages and benefits - note 26.2	**373,979**	358,856
Stores and spares consumed	**145,390**	107,026
Lease rentals / Ijarah arrangements	**11,268**	11,218
Insurance	**104,417**	94,542
Oil, gas and electricity	**1,869,354**	2,508,808
Travelling expenses	**62,280**	52,256
Depreciation and amortisation	**1,503,707**	1,316,740
Repairs and maintenance	**183,499**	199,054
Other expenses	**38,482**	45,645
Cost of goods manufactured	**52,217,973**	51,898,059
Opening stock of manufactured goods	**1,332,340**	176,291
	53,550,313	52,074,350
Closing stock of manufactured goods	**(1,499,015)**	(1,332,340)
	52,051,298	50,742,010
Trading goods		
Opening stock	**2,617**	36,726
Purchases	**702,833**	138,516
Closing stock	**(139,691)**	(2,617)
	565,759	172,625
	52,617,057	50,914,635

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

26.1 This includes Rs 1.06 billion (2011: Rs 1.04 billion) in relation to contracts for receipt and storage of paraxylene and Rs 215.46 million (2011: Rs 194.39 million) on account of supply of hydrogen and nitrogen gases recognised as operating lease arrangements in terms of IFRIC 4.

26.2 Salaries, wages and benefits include Rs 10.11 million (2011: Rs 9.73 million) and Rs 25.03 million (2011: Rs 22.27 million) in respect of defined benefit and defined contribution plans respectively.

27. DISTRIBUTION AND SELLING EXPENSES

	2012	2011
Outward freight and handling charges	**69,065**	134,985
Salaries and benefits - note 27.1	**44,252**	39,660
Lease rentals / Ijarah arrangements	**2,043**	2,133
Repairs and maintenance	**4,378**	6,970
Travelling expenses	**5,573**	6,170
Postage and telephone	**1,304**	1,155
Advertising and sales promotion	**527**	1,252
Other expenses	**5,377**	4,883
	132,519	197,208

27.1 Salaries and benefits include Rs 1.49 million (2011: Rs 1.29 million) and Rs 3.63 million (2011: Rs 2.99 million) in respect of defined benefit plans and defined contribution plans respectively.

28. ADMINISTRATIVE EXPENSES

	2012	2011
Salaries and benefits - note 28.1	**143,300**	154,781
Legal, professional and consultancy charges	**15,880**	20,794
Lease rentals / Ijarah arrangements	**5,555**	8,218
Travelling expenses	**16,085**	22,931
Repairs and maintenance	**18,577**	17,108
Expenses on information technology	**10,539**	17,931
Security expenses	**13,980**	12,702
Rent, rates and taxes	**25,754**	9,619
Publication and subscriptions	**4,324**	4,235
Postage and telephone	**5,335**	5,973
Printing and stationary	**6,499**	6,938
Other expenses	**38,831**	49,233
	304,659	330,463

28.1 Salaries and benefits include Rs 9.74 million (2011: Rs 7.70 million) and Rs 7.43 million (2011: Rs 8.09 million) in respect of defined benefit plans and defined contribution plans respectively.

notes to and forming part of the consolidated financial statements

for the year ended 31 december 2012

Amounts in Rs '000

		2012	2011
29.	**OTHER OPERATING EXPENSES**		
	Auditors' remuneration - note 29.1	**4,482**	5,000
	Donations - note 29.2	**8,953**	11,561
	Loss on retirement of property, plant and equipment	**3,640**	2,915
	Provision for obsolete stores and spares	**4,771**	9,552
	Workers' profit participation fund - note 20.2	**23,529**	334,196
	Workers' welfare fund	**-**	139,268
	Others	**1,125**	-
		46,500	502,492
29.1	**Auditors' remuneration**		
	Audit fee	**2,200**	1,900
	Taxation	**361**	1,709
	Limited reviews, audit of consolidated financial statements, certain funds for staff retirement benefits, group reporting package and various certifications	**1,690**	1,025
	Out of pocket expenses	**231**	366
		4,482	5,000

29.2 Donations include payments in respect of the following:

	Community services	**3,178**	6,588
	Education	**3,780**	-

29.2.1 None of the directors or their spouse had any interest in the donee.

30.	**OTHER OPERATING INCOME**		
	Scrap sales	**22,280**	21,126
	Recoveries against provision made in prior year for sales tax refundable	**29,825**	207
	Liabilities no longer payable written back	**16,700**	-
	Others	**1,810**	1,550
		70,615	22,883
31.	**FINANCE INCOME**		
	Interest on bank deposits	**291,241**	688,450
	Gain on the disposal of financial assets - investment	**-**	97,250
		291,241	785,700

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

	2012	2011
32. FINANCE COST		
Interest / mark-up on:		
- Workers' profit participation fund - note 20.2	**3,433**	3,132
- Finance lease - note 32.1	**34,385**	81,449
- Long term loans from parent company	**31,307**	49,323
Discounting charges on trade debts	**7,552**	6,844
Exchange loss - net	**59,142**	66,303
Bank charges	**10,235**	25,386
	146,054	232,437

32.1 This includes contingent rent of Rs 23.14 million (2011: Rs 19.44 million) recognised as an expense during the year which is determined by the movement in UK Consumer Price Index.

33. TAXATION

	2012	2011
Current - for the year	**274,421**	2,258,039
- for prior year	**32,327**	6,810
	306,748	2,264,849
Deferred	**(369,219)**	(233,834)
	(62,471)	2,031,015

33.1 The tax charge for the year ended 31 December 2012 is based on the minimum turnover tax as reduced by the movement in the deferred tax account.

33.2 Reconciliation of income tax expense for the year

	2012	2011
(Loss) / profit before taxation	**(61,676)**	6,208,546
Applicable tax rate	**35%**	35%
Tax calculated at the applicable tax rate	**(21,587)**	2,172,991
Tax effect of :		
- Income chargeable to tax under FTR basis	**6,506**	(129,115)
- Tax credits	**(16,852)**	(80,077)
- Flood surcharge	**-**	93,437
- Prior year tax charge	**32,327**	6,810
- Gain in relation to money market fund	**-**	(34,037)
- Effect of exempt income	**(64,579)**	-
- Others	**1,714**	1,006
	(62,471)	2,031,015

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

	2012	2011
34. CASH GENERATED FROM OPERATIONS		
(Loss) / profit before taxation	**(61,676)**	6,208,546
Adjustments for non cash charges and other items:		
Depreciation and amortisation	**1,503,707**	1,316,740
Loss on retirement of property, plant and equipment	**3,640**	2,915
Provision for staff retirement benefit scheme - unfunded	**6,966**	6,115
Finance costs	**86,912**	166,134
Unrealised exchange loss on current maturity of long-term loan and current portion of liability against assets subject to finance lease	**100,572**	121,897
Mark-up accrued on bank deposits	**(291,241)**	(688,450)
Provision for infrastructure cess	**200,518**	327,792
Gain on the disposal of financial assets - investment	**-**	(97,250)
	1,611,074	1,155,893
	1,549,398	7,364,439
Effect on cashflows due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(37,990)**	(200,514)
Stock-in-trade	**228,127**	(2,013,801)
Trade debts	**(157,116)**	(205,428)
Loans and advances	**7,807**	(8,407)
Trade deposits and short-term prepayments	**66,994**	(89,552)
Other receivables and tax refunds	**(234,778)**	(109,489)
	(126,956)	(2,627,191)
Increase / (decrease) in trade and other payables	**74,442**	(16,607)
Cash generated from operations	**1,496,884**	4,720,641

35. EARNINGS PER SHARE - basic and diluted

	2012	2011
Profit for the year after tax	**795**	4,177,531
	Number of shares	
Weighted average ordinary shares in issue during the year	**1,514,207,208**	1,514,207,208
	Rupees	
Earnings per share	**0.0005**	2.76

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

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

36. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Chief Executive		Executive Directors		Executives	
	2012	2011	**2012**	2011	**2012**	2011
Managerial remuneration	**14,552**	12,709	**11,322**	11,292	**169,777**	160,659
Retirement benefits	**7,150**	5,059	**-**	-	**48,305**	45,460
Group insurance	**64**	47	**-**	15	**997**	1,121
Rent and house maintenance	**455**	627	**3,380**	3,139	**55,676**	48,810
Utilities	**-**	-	**-**	-	**11,974**	10,754
Medical expenses	**168**	45	**225**	59	**9,868**	9,666
	22,389	18,487	**14,927**	14,505	**296,597**	276,470
Number of persons	**1**	1	**2**	2	**119**	121

36.1 In addition to the above amount charged in the financial statements for remuneration and fee to the non-executive directors, were Rs 0.6 million (2011: Rs 0.6 million) and Rs 0.075 million (2011: Rs 0.060 million) respectively.

36.2 An amount of Rs 57.04 million (2011: Rs 84.36 million) on account of variable pay has been recognised in the financial statements. This amount is payable in 2013 after verification of target achievements.

Out of variable pay recognised for 2011, following payments were made:

	Paid in 2012 relating to 2011	Paid in 2011 relating to 2010
Chief Executive	**5,722**	6,879
Executives	**68,237**	59,936
Other employees	**7,713**	7,609
	81,672	74,424

36.3 The Chief Executive, Executive Directors and certain Executives are provided with free use of Group maintained cars in accordance with their entitlements.

Amounts in Rs '000

37. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of Transactions	2012	2011
Parent company	Repayment of loan	**1,878,950**	1,740,500
	Payment of interest on loan	**23,696**	46,191
	Purchase of goods	**343,986**	-
	Purchase of services	**4,071**	-
	Amount payable	**346,486**	-
Associates	Purchase of services	**33**	-
Key management personnel	Salaries and other short term benefits	**71,457**	86,631
	Post employment benefit	**13,142**	11,479
Others	Payment to staff retirement benefit funds	**57,369**	52,105

Status of related party receivables has been disclosed in relevant notes. Related party payables and receivables are settled in the ordinary course of business.

38. CAPACITY AND PRODUCTION / GENERATION

	Annual name plate capacity	Actual production / generation 2012	Actual production / generation 2011
Pure Terephthalic Acid - in metric tonnes - note 38.1	**506,750**	**480,941**	501,368
Electricity - in thousands of Kw - note 38.2	**193,939**	**101,708**	-

38.1 The current production is based on 95% Plant availability. This was mainly due to a 11 days outage caused by a sudden shutdown at a supplier's manufacturing facility in October.

38.2 The new Cogeneration Power Project with an annual capacity of 421,356 thousands Kw started Commercial production from 17 July 2012. The figure for name plate capacity has been reflected propotionately from the date of commencement of commercial production. Actual generation of electricity is as per the requirement of Parent company.

39. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

39.1 Risk management framework

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

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

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

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

Financial assets and liabilities by category and their respective maturities

	Interest bearing			Non-Interest bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
Financial Assets							
Loans and receivables							
Loans and advances	-	-	-	32,796	46,957	79,753	79,753
Deposits	-	24,272	24,272	51,952	16,252	68,204	92,476
Trade debts	-	-	-	3,300,360	-	3,300,360	3,300,360
Mark-up accrued on bank deposits	-	-	-	186	-	186	186
Other receivables	-	-	-	107,414	-	107,414	107,414
Cash and bank balances	826,800	-	826,800	53,190	-	53,190	879,990
31 December 2012	**826,800**	**24,272**	**851,072**	**3,545,898**	**63,209**	**3,609,107**	**4,460,179**
31 December 2011	4,291,194	24,272	4,315,466	3,626,056	63,089	3,689,145	8,004,611
Financial liabilities							
At amortised cost							
Trade & other payables	-	-	-	7,733,447	-	7,733,447	7,733,447
Finance lease liabilities	42,659	-	42,659	-	-	-	42,659
Interest accrued	-	-	-	147,685	-	147,685	147,685
31 December 2012	**42,659**	**-**	**42,659**	**7,881,132**	**-**	**7,881,132**	**7,923,791**
31 December 2011	1,996,488	38,039	2,034,527	7,619,708	-	7,619,708	9,654,235
On balance sheet date gap							
31 December 2012	**784,141**	**24,272**	**808,413**	**(4,335,234)**	**63,209**	**(4,272,025)**	**(3,463,612)**
31 December 2011	2,294,706	(13,767)	2,280,939	(3,993,652)	63,089	(3,930,563)	(1,649,624)

OFF BALANCE SHEET ITEMS

Letter of credits / guarantees	**946,995**
Operating lease liability	**2,964,480**
31 December 2011	5,938,276

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

39.2 Credit risk

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

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To reduce exposure to credit risk, substantially all the sales are made against letters of credit. Approximately 28 percent (2011: 29 percent) of the Group's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

The Board has established a credit policy under which each new customer is analysed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available. More than 85 percent of the Group's customers have been transacting with the Group for over four years, and losses have occurred infrequently.

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

	2012	2011
Financial assets		
Loans and advances	**98,267**	112,391
Deposits	**92,476**	46,325
Trade debts	**3,300,360**	3,143,244
Mark-up accrued on bank deposits	**186**	12,831
Other receivables	**107,414**	209,420
Bank balances	**871,244**	4,491,625
	4,469,947	8,015,836
Secured	**3,300,360**	3,143,244
Unsecured	**1,169,587**	4,872,592
	4,469,947	8,015,836
Not past due	**4,469,947**	8,015,836

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

Domestic	**3,300,360**	2,153,981
Other regions	**-**	989,263
	3,300,360	3,143,244

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

Amounts in Rs '000

39.3 Liquidity risk

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

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

	31 December 2012					
	Carrying amount	**Contractual cash flows**	**Less than one year**	**1-2 years**	**2-3 years**	**3-5 years**
Financial Liabilities						
Finance lease liabilities	42,659	43,687	43,687	-	-	-
Trade and other payables	7,733,447	7,733,447	7,733,447	-	-	-
Interest accrued	147,685	147,685	147,685	-	-	-
Off balance sheet						
Operating lease liabilities	-	2,964,480	-	1,197,875	582,837	1,183,768
	7,923,791	**10,889,299**	**7,924,819**	**1,197,875**	**582,837**	**1,183,768**

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

The Group manages liquidity risk by maintaining sufficient cash in bank accounts. At 31 December 2012, the Group had financial assets of Rs 4.47 billion (2011: Rs 8.02 billion), which include Rs 0.87 billion (2011: Rs 4.49 billion) of cash placed in bank accounts.

39.4 Market risk

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

39.4.1 Currency risk

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

notes to and forming part of the consolidated financial statements
for the year ended 31 december 2012

Amounts in Rs '000

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

	2012			2011		
	GBP	**Euro**	**US$**	GBP	Euro	US$
	-------	-------	------- Equivalent Rs '000 -------	-------	-------	-------
Financial asset						
Trade receivables	-	-	-	-	-	989,263
Financial liabilities						
Loan from parent company	-	-	-	-	-	(1,801,150)
Trade payables	**(6,809)**	**(6,098)**	**(5,165,621)**	(2,061)	(1,030,641)	(3,497,350)
Liability against assets subject to finance lease	**(42,659)**	-	-	(233,377)	-	-
	(49,468)	**(6,098)**	**(5,165,621)**	(235,438)	(1,030,641)	(5,298,500)
Operating lease liability (off balance sheet)	**(44,492)**	-	**(2,864,446)**	(276,637)	-	(775,057)

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at 31 December	
	2012	2011	**2012**	2011
	Rupees		Rupees	
US Dollar	**93.5**	86.5	**97.3**	90.1
Great Britain Pound Sterling	**149.5**	139.5	**157.1**	138.8

Sensitivity analysis

Every 1% increase or decrease in exchange rate, with all other variables held constant, will decrease or increase (loss) / profit before tax for the year by Rs 52.09 million (2011: Rs 40.83 million).

39.4.2 Interest rate risk

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

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying amount	
	2012	2011
Fixed rate instruments		
Financial assets	**851,072**	4,316,045
Variable rate instruments		
Financial liabilities	**42,659**	2,034,527

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through the profit and loss account. Therefore a change in interest rates at the reporting date would not affect materially profit or loss for the year.

Sensitivity analysis for variable rate instruments

If LIBOR had been 10% higher / lower with all other variables held constant, the impact on the profit after tax for the year would not have been material.

39.4.3 Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the fund issuing that financial instruments, or its management company.

40. CAPITAL RISK MANAGEMENT

The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal structure to reduce the cost of capital. The Group has no debt as at 31 December 2012.

41. GENERAL

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

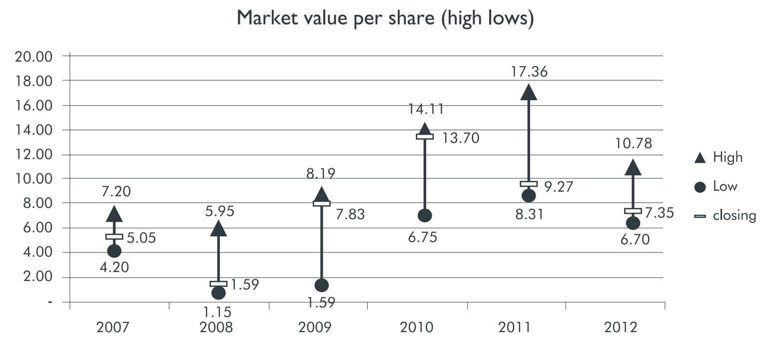
42. DATE OF AUTHORISATION

These financial statements were authorised for issue in the Board of Directors meeting held on 25 January 2013.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

stakeholders information



Ownership / Shareholder's Value
On 31 December 2012 there were 20,029 members on the record of the Company's ordinary shares. Market capitalization of the Company's stock as at 31 December 2012 was recorded at Rs 11.13 billion (2011: Rs 14.04 billion) with the price per share fluctuating from a high of Rs 10.78 to a low of Rs 6.70 and closing the year at Rs 7.35. Trading volumes for the Company's shares remained consistently high during the year.

Closely held shares (i.e. those held by the sponsors, investment companies, financial institutions, foreign investors and other corporate bodies) amounted to 84.11% of the total share capital including 75.01% held by the foreign shareholders.

FINANCIAL CALENDAR

Results	
Year ended 31 December 2011	announced on 27 January 2012
First quarter ended 31 March 2012	announced on 25 April 2012
Second quarter and half year ended 30 June 2012	announced on 28 August 2012
Third quarter and Nine months ended 30 September 2012	announced on 23 October 2012
Year ended 31 December 2012	announced on 28 January 2013
Final Cash Dividend (2011)	
Announced on	27 January 2012
Entitlement date	27 March 2012
Statutory limits up-to which payable	26 April 2012
Paid on	20 April 2012
Annual report issued on	2 March 2013
15th Annual general meeting held on	26 March 2013
Tentative dates of financial results to be announced on	
First quarter ended 31 March 2013	25 April 2013
Second quarter and half year ended 30 June 2013	23 August 2013
Third quarter and Nine months ended 30 September 2013	24 October 2013
Year ended 31 December 2013	February 2014

Investor Relation Contact
Mr. Waseem Ahmed Siddiqui (Assistant Manager Shares)
Email: waseem.siddiqui@lotte-ppta.com
UAN: +92(0)21 111568782 Fax: +92(0)21 34169126

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

Famco Associates (Pvt) Limited
State Life Building No. 1-A, 1st Floor,
I.I. Chundrigar Road, Karachi - 74000

pattern of shareholding as at 31 december 2012

Size of Holding		No. of Shareholders	No. of Shares held
From	To		
1	100	2,958	104,152
101	500	4,704	1,372,210
501	1,000	2,901	2,436,167
1,001	5,000	5,150	14,453,754
5,001	10,000	1,610	13,050,481
10,001	15,000	610	8,010,277
15,001	20,000	424	7,969,033
20,001	25,000	248	5,851,668
25,001	30,000	219	6,275,246
30,001	35,000	100	3,345,150
35,001	40,000	109	4,231,008
40,001	45,000	48	2,078,939
45,001	50,000	172	8,538,440
50,001	55,000	44	2,325,856
55,001	60,000	51	2,996,454
60,001	65,000	28	1,771,186
65,001	70,000	36	2,484,851
70,001	75,000	39	2,885,087
75,001	80,000	30	2,377,046
80,001	85,000	16	1,339,810
85,001	90,000	17	1,505,952
90,001	95,000	12	1,117,300
95,001	100,000	86	8,593,285
100,001	105,000	14	1,431,499
105,001	110,000	9	980,483
110,001	115,000	14	1,590,981
115,001	120,000	12	1,429,711
120,001	125,000	7	864,645
125,001	130,000	10	1,285,157
130,001	135,000	7	931,590
135,001	140,000	10	1,396,500
140,001	145,000	4	576,100
145,001	150,000	22	3,289,100
150,001	155,000	3	461,800
155,001	160,000	5	798,500
160,001	165,000	6	983,060
165,001	170,000	4	678,861
170,001	175,000	8	1,393,118
175,001	180,000	4	717,000
180,001	185,000	5	918,674
185,001	190,000	6	1,133,000
190,001	195,000	2	389,476
195,001	200,000	36	7,197,294
200,001	205,000	5	1,010,216
205,001	210,000	8	1,665,936
210,001	215,000	2	426,184

pattern of shareholding as at 31 december 2012

Size of Holding		No. of Shareholders	No. of Shares held
From	To		
215,001	220,000	1	215,500
220,001	225,000	7	1,566,037
225,001	230,000	3	690,000
230,001	235,000	3	700,010
235,001	240,000	1	240,000
240,001	245,000	3	727,000
245,001	250,000	7	1,750,000
250,001	255,000	3	755,519
255,001	260,000	3	776,421
260,001	265,000	1	265,000
265,001	270,000	1	265,498
270,001	275,000	2	549,500
275,001	280,000	1	276,000
285,001	290,000	4	1,150,987
290,001	295,000	4	1,174,807
295,001	300,000	18	5,400,000
310,001	315,000	3	938,948
315,001	320,000	1	319,780
320,001	325,000	4	1,298,000
325,001	330,000	1	330,000
330,001	335,000	1	331,303
335,001	340,000	1	337,750
340,001	345,000	1	344,506
345,001	350,000	1	350,000
360,001	365,000	1	362,500
365,001	370,000	2	738,500
375,001	380,000	2	752,350
395,001	400,000	3	1,200,000
405,001	410,000	2	818,570
410,001	415,000	1	415,000
415,001	420,000	1	416,716
420,001	425,000	2	850,000
425,001	430,000	2	854,348
430,001	435,000	1	435,000
445,001	450,000	1	450,000
450,001	455,000	1	455,000
465,001	470,000	1	470,000
475,001	480,000	1	475,100
480,001	485,000	1	485,000
490,001	495,000	1	490,565
495,001	500,000	12	6,000,000
510,001	515,000	1	512,000
515,001	520,000	2	1,039,904
520,001	525,000	1	522,500
525,001	530,000	1	530,000
535,001	540,000	1	540,000

pattern of shareholding
as at 31 december 2012

Size of Holding		No. of Shareholders	No. of Shares held
From	To		
540,001	545,000	1	541,000
545,001	550,000	1	550,000
555,001	560,000	2	1,120,000
560,001	565,000	1	562,500
595,001	600,000	5	3,000,000
600,001	605,000	1	601,958
615,001	620,000	1	617,000
620,001	625,000	1	625,000
630,001	635,000	1	630,481
645,001	650,000	2	1,300,000
650,001	655,000	1	654,998
660,001	665,000	1	664,000
670,001	675,000	1	671,000
680,001	685,000	1	685,000
685,001	690,000	1	688,000
745,001	750,000	1	750,000
750,001	755,000	2	1,503,090
770,001	775,000	1	775,000
830,001	835,000	1	832,000
835,001	840,000	1	840,000
845,001	850,000	1	850,000
850,001	855,000	1	850,375
855,001	860,000	1	856,891
875,001	880,000	1	877,400
885,001	890,000	1	890,000
895,001	900,000	1	900,000
975,001	980,000	1	978,000
995,001	1,000,000	10	9,999,116
1,035,001	1,040,000	1	1,040,000
1,040,001	1,045,000	1	1,044,500
1,055,001	1,060,000	1	1,058,203
1,080,001	1,085,000	1	1,084,000
1,095,001	1,100,000	2	2,197,500
1,120,001	1,125,000	1	1,120,500
1,145,001	1,150,000	1	1,150,000
1,170,001	1,175,000	1	1,171,500
1,175,001	1,180,000	1	1,176,500
1,195,001	1,200,000	3	3,600,000
1,205,001	1,210,000	1	1,206,602
1,255,001	1,260,000	1	1,259,000
1,295,001	1,300,000	1	1,300,000
1,300,001	1,305,000	1	1,303,500
1,345,001	1,350,000	1	1,350,000
1,350,001	1,355,000	1	1,355,000
1,355,001	1,360,000	1	1,359,050
1,380,001	1,385,000	1	1,382,200

pattern of shareholding as at 31 december 2012

Size of Holding		No. of Shareholders	No. of Shares held
From	To		
1,395,001	1,400,000	1	1,400,000
1,405,001	1,410,000	1	1,407,000
1,510,001	1,515,000	1	1,514,893
1,545,001	1,550,000	1	1,548,000
1,565,001	1,570,000	1	1,568,729
1,605,001	1,610,000	1	1,610,000
1,700,001	1,705,000	1	1,703,854
1,760,001	1,765,000	1	1,765,000
1,780,001	1,785,000	1	1,780,151
1,940,001	1,945,000	1	1,940,768
1,995,001	2,000,000	4	8,000,000
2,020,001	2,025,000	1	2,024,000
2,075,001	2,080,000	1	2,079,500
2,290,001	2,295,000	1	2,290,501
2,535,001	2,540,000	1	2,537,685
2,995,001	3,000,000	1	3,000,000
3,250,001	3,255,000	1	3,254,778
3,740,001	3,745,000	2	7,483,475
4,220,001	4,225,000	1	4,223,657
4,295,001	4,300,000	1	4,300,000
4,495,001	4,500,000	1	4,500,000
5,680,001	5,685,000	1	5,684,901
6,985,001	6,990,000	1	6,985,500
7,620,001	7,625,000	1	7,621,500
7,770,001	7,775,000	1	7,770,526
16,350,001	16,355,000	1	16,351,072
19,000,001	19,005,000	1	19,003,000
19,795,001	19,800,000	1	19,799,893
1,135,860,001	1,135,865,000	1	1,135,860,105
	TOTAL	**20,029**	**1,514,207,208**

pattern of shareholding as at 31 december 2012

Shareholders category	No. of Shareholders	No. of Shares held
Associated Companies, Undertakings and Related Parties		
KP Chemical Corporation	1	1,135,860,105
NIT and ICP (name wise detail)		
National Bank of Pakistan, Trustee Department NI(U)T Fund	1	16,351,072
Directors, CEO and their spouse and minor children (name wise detail)		
Soon Hyo Chung	1	1
M Asif Saad	1	396
Changgyou Kim	1	1
Jung Neon Kim	1	1
Oh Hun Im	1	1
Mohammad Qasim Khan	1	1
Aliya Yusuf	1	1
Manzoor Ahmed	1	1
Executives	1	300
Mutual Funds		
CDC - Trustee AKD Aggressive Income Fund - MT	1	20,000
CDC - Trustee AKD Index Tracker Fund	1	87,452
CDC - Trustee Alfalah GHP Alpha Fund	1	314,500
CDC - Trustee Alfalah GHP Value Fund	1	500,000
CDC - Trustee Faysal Asset Allocation Fund	1	500,000
CDC - Trustee Faysal Balance Growth Fund	1	200,000
CDC - Trustee HBL - Stock Fund	1	562,500
CDC - Trustee KASB Asset Allocation Fund	1	126,500
CDC - Trustee KSE Meezan Index Fund	1	287,833
CDC - Trustee MCB Dynamic Stock Fund	1	1,040,000
CDC - Trustee NIT-Equity Market Opportunity Fund	1	4,223,657
CDC - Trustee Pak Strategic Alloc Fund	1	125,000
CDC - Trustee Pakistan Capital Market Fund	1	125,000
CDC - Trustee Pakistan Stock Market Fund	1	1,355,000
CDC - Trustee HBL Islamic Stock Fund	1	654,998
CDC - Trustee NAFA Savings Plus Fund - MT	1	671,000
CDC - Trustee Pakistan Premier Fund	1	625,000
Confidence Mutual Fund Ltd	1	30
Dominion Stock Fund Limited	1	750
First Capital Mutual Fund Limited	1	10,000
Golden Arrow Selected Stocks Fund	1	30
Growth Mutual Fund Limited	1	75
MC FSL - Trustee Askari Islamic Asset Allocation Fund	1	194,476
MCBFSL - Trustee Namco Balance Fund - MT	1	512,000
MCBFSL - Trustee Namco Income Fund - MT	1	34,500
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	1	1,000,000
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	1	1,000,000
Safeway Mutual Fund Limited	1	1,050
Security Stock Fund Limited	1	150
Public Sector Companies and Corporations	5	2,271,329
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	50	45,967,820
Others	225	59,028,225
Individuals	19,709	240,556,453
TOTAL	20,029	1,514,207,208
Shareholders holding 10% or more voting interest		
KP Chemical Corporation	1	1,135,860,105

pattern of shareholding
as at 31 december 2012

S.No	Shareholders Category	No. of Shareholders	No. of Shares	Percentage %
1	Associated Companies, Undertakings and Related Parties	1	1,135,860,105	75.01
2	NIT and ICP	1	16,351,072	1.08
3	Directors, CEO and their Spouses	8	403	0.00
4	Executives	1	300	0.00
5	Public Sector Companies and Corporations	5	2,271,329	0.15
6	Mutual Funds	29	14,171,501	0.94
7	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	50	45,967,820	3.04
8	Others	225	59,028,225	3.90
9	Individuals	19,709	240,556,453	15.88
	TOTAL	**20,029**	**1,514,207,208**	**100.00**

notice of meeting

Notice is hereby given that the Fifteenth Annual General Meeting of Lotte Pakistan PTA Limited will be held on Tuesday, 26 March 2013 at 11:00 a.m. at the Institute of Chartered Accountants of Pakistan (ICAP) auditorium, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Company's Financial Statements together with the Directors'and Auditors' Reports for the year ended 31 December 2012.

2. To appoint the Auditors of the Company and to fix their remuneration.

SPECIAL BUSINESS

3. To consider and, if thought fit, to approve a change in the name of the Company to Lotte Chemical Pakistan Limited, and for this purpose to pass the following resolutions as Special Resolutions:

A statement as required by section 160(1)(b) of the Companies Ordinance 1984 in respect of the special business to be considered at the Annual General Meeting is annexed.

RESOLVED as and by way of Special Resolution THAT subject to the approval of the Registrar of Companies the name of the Company be changed from Lotte Pakistan PTA Limited to Lotte Chemical Pakistan Limited and that all necessary procedures and approvals prescribed by law be complied with and secured with a view to making the change of name complete and effective.

FURTHER RESOLVED as and by way of Special Resolution THAT upon the change of name being approved by the Registrar of Companies, the Memorandum and Articles of Association of the Company be altered by substituting for the name Lotte Pakistan PTA Limited the name Lotte Chemical Pakistan Limited wherever appearing in the said Memorandum and Articles of Association.

By Order of the Board

28 February 2013
Karachi

Adnan W Samdani
Company Secretary

Notes:

1. The Register of Members and the Share Transfer Books of the Company will be closed from Wednesday, 20 March 2013 to Tuesday, 26 March 2013 (both days inclusive). Transfers received in order at the office of our Shares Registrar, Famco Associates (Pvt) Ltd, State Life Building 1-A, 1st Floor, I.I. Chundrigar Road, Karachi-74000, by the close of business on March 19, 2013 for the purpose of the Annual General Meeting.

2. Only those persons whose names appear in the Register of Members of the Company as at 26 March 2013 are entitled to attend and participate in and vote at the Annual General Meeting.

3. A member of the Company entitled to attend and vote may appoint another member as his / her proxy to attend and vote instead of him / her. Proxies must be received at the Registered Office of the Company not less than 48 hours before the time of the holding of the Meeting. Further copies of the instrument of proxy may be obtained from the registered Office of the Company during normal office hours. Proxy Form may also be downloaded from the Company's Website: www.lotte-ppta.com

4. Members are requested to notify immediately changes, if any, in their registered address to our Shares Registrar, Famco Associates (Pvt) Ltd.

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

A. For Attending the Meeting:

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulation, shall authenticate his / her identity by showing his / her original Computerised National Identity Card (CNIC) or original passport at the time of attending the Meeting.

ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies:

i) In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv) The proxy shall produce his / her original CNIC or original passport at the time of the meeting.

v) In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy to the Company.

statement under section 160 (1)(b) of the companies ordinance, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on Tuesday, 26 March 2013.

Change of Company Name

Consequent upon the change of our parent company identity / name from KP Chemical Corporation to Lotte Chemical Corporation as a result of a recent merger between the two LOTTE Petrochemical companies in Korea, Honam Petrochemical and KP Chemical Corporation, and in order to more closely reflect the Company's relationship with the LOTTE Group and to benefit therefrom, the Board of Directors proposes that the name of the Company be changed to Lotte Chemical Pakistan Limited. There will be no change in the entity or operations of the Company by this change of corporate name. The texts of the Special Resolutions required for this purpose are set out in the notice convening the Annual General Meeting.

LOTTE PAKISTAN PTA LTD

Admission Slip

The Fifteenth Annual General Meeting of Lotte Pakistan PTA Limited will be held on Tuesday, 26 March 2013 at 11:00 a.m. at the Institute of Chartered Accountants of Pakistan (ICAP) auditorium, Chartered Accountants Avenue, Clifton Karachi.

Kindly bring this slip duly signed by you for attending the Meeting.

Company Secretary

Name ____

Shareholder No. ____________________ Signature ______________________________

Note:

i) The signature of the shareholder must tally with the specimen signature on the Company's record.

ii) Shareholders are requested to hand over duly completed admission slips at the counter before entering the Meeting premises.

CDC Account Holders / Proxies / Corporate Entities:

a) The CDC Account Holder / Proxies shall authenticate his / her identity by showing his / her original Computerised National Identity Card (CNIC) or original passport at the time of attending the Meeting.

b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting (unless it has been provided earlier).

This Admission Slip is Not Transferable

LOTTE PAKISTAN PTA LTD

Dividend Mandate

Dear Shareholder,

Dividend Mandate: (Optional)*
Lotte Pakistan PTA Limited wishes to inform its Shareholders that under the Law (Section 250 of the Companies Ordinance, 1984) they are entitled (if they so opt) to receive their cash dividend directly in their designated bank accounts instead of receiving it through dividend warrants. This will not only be convenient but will also save considerable time as funds will be credited directly into the bank account.

Shareholders either desiring to exercise this option or wanting to update the Bank Mandate information already provided should submit the following information to Lotte Pakistan PTA Limited's Share Registrar at the address noted herein:

S.No	Shareholder/Member Detail	
1	Shareholder Name	
2	Father's/ Husband's Name	
3	Folio Number	
4	Name of Bank and Branch	
5	Title of Bank Account	
6	Bank Account Number	
7	Cell Number	
8	Telephone Number (if any)	
9	CNIC Number (attach copy)	
10	NTN (in case of corporate entity, attach copy)	
11	Passport No. (in case of foreign shareholder)	

Signature of Member/Shareholder

Please note that this dividend mandate is **OPTIONAL** and **NOT COMPULSORY**, in case you do not wish your dividend to be directly credited into your bank account then the same shall be paid to you through the dividend warrants.

CNIC Submission (Mandatory):
Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants, you are therefore requested to submit a copy of your valid CNIC. In case of non-receipt of the copy of valid CNIC, **Lotte Pakistan PTA Limited (the Company)** would be unable to comply with SRO 831(1)/2012 dated 5 July 2012 of SECP and therefore may be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholders in future.

Lotte Pakistan PTA Limited's Share Registrar
M/s Famco Associates (Pvt.) Ltd., State Life Building No. 1-A, 1st Floor, I.I Chundrigar Road, Karachi- 74000 Tel: +92(21) 32425467, 32420755
Fax: +92(21) 32426597, 32426752

***Note:** **The Shareholders who hold shares in Central Depository Company are requested to submit the duly filled in Dividend Mandate Form to their Participants/Investor Account Services.**

Yours faithfully,
Company Secretary
Lotte Pakistan PTA Limited

Form of Proxy
15th Annual General Meeting

I / We ____

of ____

being member(s) of Lotte Pakistan PTA Limited holding ____________

ordinary shares hereby appoint ____________________

of ____________ or failing him / her ____________

of ____________ who is / are also member (s) of Lotte Pakistan PTA Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Fifteenth Annual General Meeting of the Company to be held on 26 March 2013 and at any adjournment thereof.

As witness my / our hand / seal this ________ day of ____________ 2013

Signed by the said ____________________________

in the presence of 1. ____________________

____

2. ____________________

____

Folio / CDC Account No.

Signature on Revenue Stamp of Appropriate Value

This signature should agree with the specimen registered with the Company.

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company at EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he / she himself / herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoint more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

In addition to the above the following requirements have to be met:

i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iii) The proxy shall produce his / her original CNIC or original passport at the time of the Meeting.

iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary
Lotte Pakistan PTA Ltd.
EZ/1/P-4,
Eastern Industrial Zone,
Port Qasim,
Karachi

Sustainability

introduction

Business is an enterprise to benefit people. This desire to unlock human promise is deeply embedded in our organizations DNA. It has guided our company throughout our history and it continues to focus and inspire us in today's challenging times.

Health, Safety, Environment and Security (HSE'S) is the primary component of our business core values and our commitment to inculcate this value amongst all our stakeholders- particularly in our employees and our own contractors. We are pleased to report that during the year 2012, we completed **40 million man - hours** without an LTC (Lost Time Case) for our and contract employees and this achievement came about due to the successful implementation of HSE policies, procedures, training and above all, the commitment of all company employees and contractors towards safety at all levels since commencement of plant operations in 1998. This desire and belief to continuously improve "what we do" has placed us amongst the leaders in the global petrochemical industry retaining the highest standards in Health, Safety and Environmental Performance in all its operations and maintaining exceptional safety records.

In 2012, the company also undertook an exercise to map its comprehensive Responsible Care Management System (RCMS) to align with International OHSAS-18001 Safety Management System and ISO-14001 Environmental Management System. We are pleased to report that the company is now **OHSAS-18001** and **ISO-14001** certified.

We continuously strive to minimize our impact on climate change as well as unburdening of natural resources through operational excellence, innovative plant optimizations as well as capital investments.

In 2012, the company made significant contributions towards reducing carbon emission by commissioning the **Cogeneration power plant.** The Cogeneration project is the single largest project in the history of the company since its base plant construction and commissioning in 1998. This project was conceived to fulfill the requirements of PTA operations and since it's commissioning, the operational philosophy has been modulated resulting in improved energy efficiency. The cogeneration technology was adopted keeping in view efficient operations whereby the steam required for the PTA process is generated through a heat recovery boiler using gas turbine exhaust gases thus resulting in shutting of one of the boilers used to generate steam for the PTA process.

2012 has been a difficult year for the PTA industry worldwide. While majority of the PTA plants reduced their operations in line with market dynamics, our company continued to fulfill its contractual commitment with customers by making sure that our plant operates flat out through the year. This philosophy of developing and sustaining long term relationships with our customers has been a hallmark of our operations. Being the only PTA producer in the country, feeding into the country's export oriented sectors (Polyester & Textiles), it is of paramount importance for us to ensure that PTA is made available to our customer base. The PTA operation thus forms the backbone for a part of Pakistan's exports and the availability of domestic PTA results in foreign exchange savings to the country of over US$ 100 million per annum.

Since the commencement of PTA operations in Pakistan, significant gains have been made in various areas which includes downstream capacity enhancements, major infrastructure development in Port Qasim area directly creating employment opportunities for more than 10,000 people, We take great pride in not only being a large tax payer to the national economy but also being an agent for creating a sustained environment in moving our society forward.

The inspiration, dedication and commitment of our employees, partners and customers, combined with our strategy, gives us tremendous confidence in our abilities to effectively operate and innovate to deliver greater value to our customers, our stake holders and local communities.

Sustainability is all about building a strong future for the planet, its institution and its people. There is no standing still. We draw inspiration from our journey thus far and we pledge to cultivate a better future for today's and tomorrow's Pakistan.

chief executive's message on sustainability

People, planet, profit. The words are just a starting point. There's work to be done on every front. Actions bring our aspirations to life and make them matter.

A truly sustainable business is a business that will be here for the enduring future. Our vision on Sustainability is underpinned by several challenging objectives concerning the financial, environmental, and health and safety performance of our business, all of which we continuously monitor and report on both internally and externally.

The biggest key in facilitating its implementation is recognizing that sustainability is the root to long-term profitability. It is imperative to acknowledge that not only are the world's resources limited, but that by continuing with current unsustainable actions, the opportunities for future generations become increasingly limited. As the science and business case continues to evolve, this year, we took a detailed look at our commitment to Health and Safety, Environment and Security and together with our suppliers, customers, and stakeholders, we endeavored to maintain the highest standards to safeguard our environment to protect and improve the health and safety of our employees and communities. It is with this mindset that LOTTE PPTA embarked on several Sustainability initiatives to improve the company's performance.

Our structured, integrated approach and a willingness to consider tradeoffs with respect to ROI duration and measurement were all essential to realizing value through sustainability and managing future risks. In 2012, LOTTE PPTA undertook an extensive exercise to map our comprehensive Responsible Care Management System (RCMS) to align with the International OHSAS-18001 Safety Management System and ISO-14001 and earned its internationally recognized certification – a milestone accomplishment by any given standard. Our un-paralleled performance of over 40 Million Man Hours without Lost Time Injury is a validation of the effectiveness of our operational controls.

These giant steps indicate our commitment to taking responsibility for the longer term economic, social and environmental implications of our decisions, and the mutual collaboration of our stakeholders across the polymer value chain has ensured LOTTE PPTA and its stakeholder's advantageous consequences of our collaborative actions.

We've made a choice. We've moved quickly to seize the opportunities of a future sustainable economy and have made enormous investments that have enabled us to mitigate risk. Our business principles have manifested themselves in a manner where we are held accountable for ethical conduct and sustainability performance. Our initiatives, we believe, are the cornerstones of sustainability and through our progressive efforts; we will continue to leverage our resources to ensure a better future for our Company and our society.

I am pleased to share our second annual sustainability report with our Stakeholders and the public.

M. Asif Saad

our approach to reporting

It's about being transparent, sharing insights and working together for the benefit of all to meet the aspirations of this country and, in the process, inspire others.

This report provides information on our Environmental Performance, Health, Safety and Social Responsibility (EHS&SR), Human Resource Programs, and Economic Contribution for the period 2011-2012.

Reporting Standards
At LOTTE Pakistan PTA Limited, we report our sustainability performance based on the Global Reporting Initiative (GRI) G3 guidelines. Our report is also based on the Institute of Chartered Accountants (ICAP) guidelines for sustainability reporting guidelines and conforms to International Standard for Assurance, ISAE 3000.

The GRI Content Index included near the end of this report summarizes the completeness of our reporting. Detail is provided according to GRI G3 indicators, which are cross referenced ICAP's guidelines.

Boundary Setting
The principle facilities and assets operated by the Company during calendar year 2012 are included in this report. Data presented in this report refer to gross figures from operated facilities according to the GRI framework, and third-party activities where the Company has overall responsibility as specified in contractual arrangements.

Quantitative environment, health and safety data are reported on a normalized basis to facilitate year-over-year comparisons. Some of the environmental data is presented in the format provided by Sindh Environmental Protection Agency's (SEPA) Self Monitoring and Reporting Tool (SMART) to which LOTTE Pakistan PTA Ltd voluntarily subscribes.

Internal Quality Assurance
Documentation and information systems are in place to ensure consistent and reliable data collection and aggregation from all of our functions. We conduct corporate and business level Quality Assurance/Quality Control (QA/QC) reviews and validation to evaluate the accuracy and reliability of facility specific and aggregated data.

Restatements and Additions
There are no restatements from any of the previous Corporate Sustainability Reports of the Company. Some of the initiatives on the social investments of the Company have recurring operations and each year similar kind of activities are duplicated with different group of stakeholders. Similarly, some of the initiatives of the Company are specifically focused on certain stakeholders and new interventions were designed in the reporting period. In all such cases, the current report does include some of the recurring topics without restatement of the CSR performance.

Verification
United Registrar of Systems, Pakistan (URS) conducted representative site visits, reviewed source data and our internal data collection and aggregation system, conducted interviews to ensure the reliability and accuracy of this report. A URS assurance statement has been included at the end of this report. URS also provided an opinion on the GRI Application Level.

Report Availability
Printed copies of our sustainability report are distributed to our employees and external stakeholders and are available upon request. The report is also posted on the Company website at www.lotte-ppta.com.

Contact Us
For more information about our operations, or to obtain copies of our Environment, Health and Safety Policy, Corporate Social Responsibility Policy and our Human Rights Policy, visit www.lotte-ppta.com.

For questions, comments and suggestions about this report, or to request a print copy,

e-mail:

zain.talpur@lotte-ppta.com

or send direct inquiries to:

EZ/1/P-4, Eastern Industrial Zone, Port Qasim,
P.O. Box 723, Karachi 74200
UAN: +92 (0) 21 111-782-111
FAX: +92 (0) 21 3472-6004
URL: www.lotte-ppta.com

how we operate - sustainability strategy

Our commitment to operating in a responsible and sustainable manner sits at the heart of the Lotte PPTA's business strategy.

Commitment to leadership in sustainability is one of our core corporate values. Maintaining a balance between economic success, protection of the environment and social responsibility has been fundamental to our corporate culture for decades.

As sustainability leaders, we aim to pioneer new solutions for sustainable development while continuing to shape our business responsibly and increase our economic success. This ambition encompasses all of our company's activities – along the entire value chain.

In order to successfully establish our strategy and reach our goals, both of these dimensions must be ever-present in the minds and day-today actions of all our employees and is mirrored in our business processes.

From our Vision and Values, we have formulated globally binding behavioral rules which are specified in a series of codes and standards. These apply to all employees in all business areas and cultures in which we operate.

The greatest contribution we make to the economies in which we operate is to run successful businesses that create jobs, pay taxes and stimulate local enterprise while making efficient use of limited resources.

safety & health

Our long-term objective of "zero accidents" remains unchanged, because every occupational accident is one too many. Our performance of 40 Million Man hours without LTI is a testament to our commitment.

Occupational safety has the highest priority at the Company. We strive to continuously improve occupational health and safety measures to ensure a safe work environment for our employees.

Health, Safety, Environment & Security (HSE&S) is the primary component of our business core values and our commitment to inculcate this value amongst our employees and contractors. In order to achieve world class standards, the business has developed its HSE&S management system following internationally recognized system guidelines in addition to local legislative requirements. Currently, we are pleased to herald that LOTTE is amongst the leaders in the petrochemical industry retaining the highest standards in Health, Safety and Environmental performance in all its operations and also maintains exceptional safety records. Till reporting date of 27 October 2012, we have completed 40 million man-hrs without an LTC (Lost Time Case) for own and contract employees. This achievement came about due to the successful implementation of HSE policies, procedures, training and above all, the commitment of all Company employees towards safety at all levels.

The continued success of our system and its implementation is indicative of the management team's dedication alongside the support and commitment of team members who ardently work at levels ensuring safe system of work performance. The strong focus of Management on Health, Safety and Environment defines our standards and success criteria for the future. Capacity building workshops and demonstrations have been consistently conducted to teach all staff on how to carry out all tasks in a safe manner, value of accurate and swift use of a First Aid Kit for emergencies and then next steps to receiving medical care if required. Additionally, health of employees is of prime importance to the company and Health and Hygiene monitoring plans are prepared at the beginning of the year where 100% compliance for medical examinations is being achieved. Field monitoring is given continuous focus to ensure that the work place does not contribute to Occupational Illness of employees.

Accident Prevention

Occupational safety has the highest priority at the Company. We strive to continuously improve occupational health and safety measures to ensure a safe work environment for our employees.

Our long-term objective of "zero accidents" remains unchanged, because we believe that every occupational accident is one too many.

We have prioritized key risks, strengthening control of contractors working on our sites, and extend our safety program beyond our manufacturing sites into our sales and distribution networks. We continue to build awareness of safety and the standards to be achieved through audits and on the job coaching. Training programs are held throughout the year in order to enable us to share best practice and help develop a safety culture.

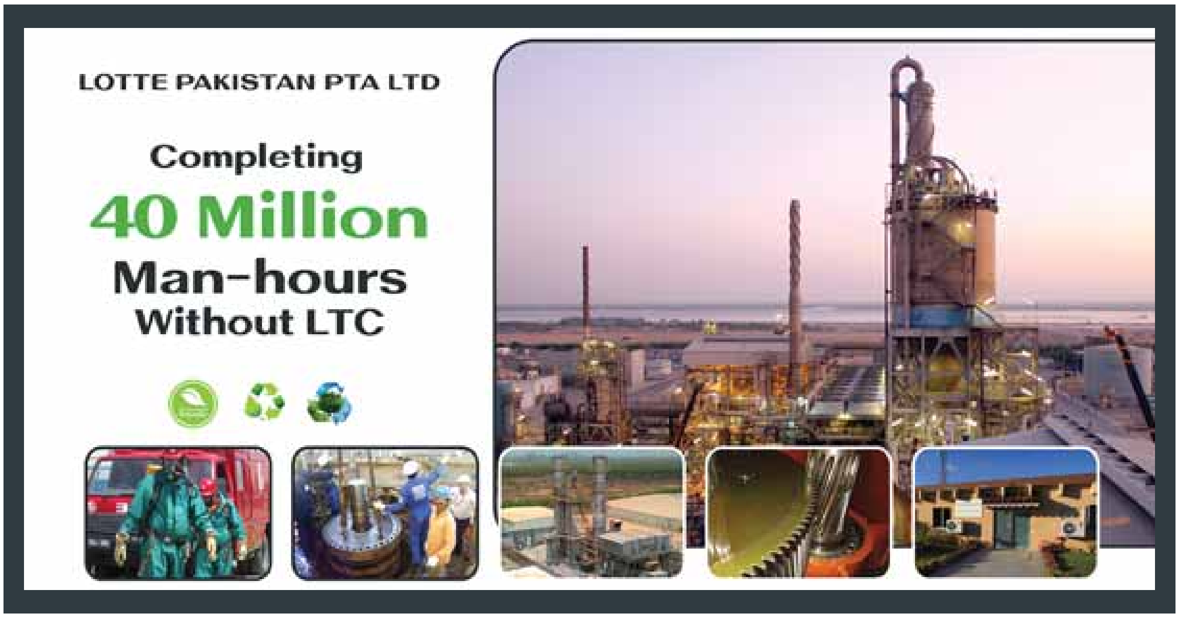
Our Lost Time Injury (LTI) performance of over 40 Million Man Hours without incident is a remarkable achievement. This performance is a confirmation of the effectiveness of our Responsible Care Management System and our teams' commitment towards Safety.

Process Safety

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

To do so, we engage in risk management on a daily basis from design and construction through start-up and operation, to maintenance and training. We measure performance, conduct audits, investigate accidents and improve conditions and behaviors. It's an ongoing process that requires highly skilled people and continuous monitoring and testing of equipment and management systems. Assessing risks and finding ways to reduce them is our first responsibility to our employees and our communities.

The Company maintains a process safety programs based on the principle that our facility is safe if it designed according to sound engineering practices and built, operated and maintained properly. Our comprehensive process safety program includes the following layers of protection:



- **Management of change:**
  A documented process utilized at each chemical handling site that is used to evaluate any potential hazards associated with process-related changes

- **Root cause analysis:**
  A structured approach to incident investigation that allows us to extract lessons from incidents and prevent future incidents

- **Chemical safety testing:**
  A laboratory analysis of chemicals before their use to identify any potentially hazardous properties

- **Engineering standards:**
  Use of currently recognized and accepted good engineering practices in the design and construction of facilities and equipment, following both global and local standards

- **Management leadership and commitment:**
  There is a committee responsible for process safety whose mission is to help ensure the systematic evaluation and control of hazards associated with reactive, flammable and toxic materials at the site

- **Leading indicators:**
  Data collected to ensure safety management systems are consistently updated so that they are effective

Focus on behavior-based safety training
To avoid occupational accidents, we give high priority to special training programs designed to raise awareness among all employees, especially in production but also in administration. Training sessions are therefore regularly held at all levels across our plant.

Successful implementation of our sustainability strategy and our SHE standards hinges on leadership behavior at the local level. This is why we place particular emphasis on training site managers to detect hazards early and avoid accidents.

The program content ranges from risk assessment and warehousing procedures to emergency management and management systems. We also conduct training sessions for the staff of contractors working at our sites.

Management Systems
To achieve our goal, we insist on strict compliance with our Safety, Health and Environment Standards. Implementation of these standards is regularly monitored by independent auditors from our internal HSE department.

In 2012, the Company undertook an exercise to map their comprehensive Responsible Care Management System (RCMS) to align with the International OHSAS-18001 Safety Management System and ISO-14001 Environment Management System. The Company is now OHSAS-18001 & ISO-14001 certified.

Occupational Health & Safety Management
OHSAS 18001 system allows the Company regular updates and benchmarking to Industry Best Practices. The OHSAS 18001 Occupational Health and Safety management system reduces the risk of harm to our employees and other personnel and reduces overall liability.

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

- **Incident prevention**
  Work-related incidents are prevented through several layers of protection, including safe design, safe work practices, safe behaviors and the use of appropriate engineering, operating and administrative controls.

- **Management Leadership And Accountability**
  Management establishes clear safety expectations and goals, provides resources, establishes processes and monitors overall progress.

- **Employee involvement**
  Each employee is committed to working safely and to protecting the safety of others. Employees participate fully in all elements of the safety program.

- **Regulatory compliance**
  Complying with applicable laws and regulations is an integral part of Eastman's safety program.

- **Inclusive scope**
  Prevention of workplace incidents, injuries and illnesses for employees, contractors, visitors, suppliers and customers is our safety objective. Providing the skills and attitude to work safely off the job is our expanded goal.

- **Safety education**
  Each employee is provided with the knowledge and skills necessary to work safely.

- **Hazard control**
  Exposures to potential hazards in the workplace are identified, assessed, controlled and monitored.

- **Assessment**
  Assessment and benchmarking against the world's safety leaders drives continual improvement through the adoption of best practices.

- **Emergency preparedness**
  Emergency response plans and capabilities are maintained to manage emergencies related to Lotte PPTA's facilities and operations.

Environmental Management
Being an ISO 14001 certified organization, the Company believes in '3Rs' of Environment, i.e. Reduce, Recycle and Reuse as long-term economic sustainability depends on ecological sustainability.

Being a responsible and an ethical company, the Company has an enormous investment of over US$ 44 million in its plants & equipment to comply with national environmental standards. It has installed state of the art High Pressure Catalytic Converter and Deep Shaft technologies to treat gaseous and liquid emissions respectively.

In addition to above investments, the company has made great strides in lowering environmental burdens by reducing green house and acid gases through plant modification as well as process optimization. On the solid waste front, organic waste produced in the effluent treatment plant is being used in cement plants as partial fuel replacement.

As part of its objective to be an active contributor to the sustainability of natural resources, the company developed an energy and water conservation plan in 2011 and has reduced specific energy and water consumption by 33% & 20% respectively compared to the base year of 2000.

The Company commits to demonstrate best practices in environment and therefore tries to provide a better environment to the available fauna and flora in the surroundings to improve and maintain a better environment at the plant site.

In 2008, the Company embarked on a tree plantation plan within the site with an aim to improve upon the flora and fauna of the area. Consequent to the recommendations of the WWF survey of plant site, native trees were planted around the premises and in the vicinity to further improve upon the biodiversity. It also decided to carry out the required plantation on 3 kilometer long portion of median strip of dual carriageway passing through the Eastern Industrial Zone and more than three hundred saplings were planted. Approximately 600 to 800 native trees were planted within and outside the premises, which not only provide nesting grounds/habitat to local population of birds but also enhance the greenery of the area.

The management of the Company is keen to maintain the fauna and flora diversity in the area and have initiated efforts like hanging nest boxes to attract birds, maintaining plants within factory for bird refuge.

2012 HSE HIGHLIGHTS

Successfully qualified for OHSAS 18001-2007 & ISO-14001 Certifications

Completed 40 Million Man-hours without LTC of all Company employees & contractors teams.

Awarded 9th Environmental Excellence Award & Certificate from NFEH.

Awarded 2nd Fire & Safety Excellence Award & Certificate from NFEH & Fire Protection Association of Pakistan.

Completed 10 Million Man-hours of Lotte PPTA Employees without LTC.

100% compliance on external audit of radioactive sources conducted by Pakistan Nuclear Regulatory Authority (PNRA).

Site development initiative.

Organized contractor HSE improvement training week

our planet - energy & the environment

For us, running this business in a sustainable way is more than a task, it is more an attitude towards life. This fundamental principle guides our decisions, and is manifested by all our employees.

Helping preserve the future of our planet is the essential part of our sustainability vision. We are striving continuously to minimize our impact on climate change as well as unburdening of natural resources through operational excellence, innovative plant optimizations as well as capital investments. During the year, we have made significant contributions towards reducing carbon emission by commissioning our Co-Generation power plant.

Energy

The Company's energy policy has balanced the need for affordable energy supplies with the need to reduce the amount of energy needed to make our products. Our integrated manufacturing process results in highly efficient operations, allowing waste heat from one chemical process to be used for heat within a different chemical process.

Compared to other facilities that lack comprehensive integration of processes and energy systems, the Company's integrated production process provides:

- Greater opportunity to beneficially use materials
- Better use of thermal energy that would otherwise be discharged into the environment
- Significantly smaller emissions across the supply chain

We are working to expand the limits of innovation while developing new manufacturing processes that further reduce energy intensity and ensure our energy-related emissions are as clean as possible.

In response to the crippling energy crises in Pakistan, the Company has commissioned a fully captive power unit to meet its own needs. The Lotte PPTA Co-generation is the single largest project in the history of PPTA since its base plant construction and commissioning in 1998. Keeping in view sustainability, our aim was to manage key components of the Design Integration, Planning, Procurement, Contracts, and Commissioning & Operations by LOTTE PPTA's project team, who worked tirelessly to deliver the project in a timely manner and under budget.

Post power plant commissioning, we have a modulated operational philosophy that has resulted in improving our energy efficiency since our plant is energy intensive. In order to optimize this area, we sought a resolution at the root of the problem through investments made in Co-Generation Power Plant. This has resulted in the reduction in carbon footprint by 10% over last year and thus the company continues to contribute in conservation of natural resources.

Use of Fresh Water

Due to changing global climates, Pakistan is a country that has been identified as one that should anticipate water scarcity in the years to come, and thus it is imperative that the use of water should be minimized and water recycling initiatives are implemented throughout. We continuously monitor our water intake and control its optimum use. Along with this we continuously seek opportunities to reduce our specific water consumption. Optimization of water consumption is being achieved through modern process optimization by recycling part of waste water within the plant process as well as using for horticulture and landscaping of our plant, and thus substantially minimizing fresh water intake.

Our water management practices are based on two principles: efficient usage and pollution prevention.

The industrial processes we have in place help minimize our water usage by treating it to meet specific purposes within the manufacturing cycle and recycling water whenever possible. Our water efficiency best practices help reduce:

- Cost of water and wastewater treatment
- Capital equipment costs
- Handling and use of potentially hazardous chemicals
- Carbon footprint — by reducing energy consumption associated with water treatment and distribution
- Our wastewater treatment plants at our manufacturing facilities are designed and operated to meet or exceed environmental standards and to protect the health of our employees, our communities and the local ecosystems in which we operate.

Biodiversity
The Company has systems and procedures in place for conservation of biodiversity. Resources have been earmarked to ensure that third party surveys are conducted to evaluate how our operations affect flora and fauna in the area. Deep shaft technology is utilized to treat waste water meeting regulatory requirements. Small scale initiatives have been taken to establish organic farming by utilizing reject water of our Reverse Osmosis Plant. Additionally, the Company has also planted exotic and native plants, along with hanging bird houses for bird refuge, to contribute to the health of our ecosystem.

Waste Management
All waste, be it gaseous, liquid or solid are controlled and monitored as per our site procedures which are reported both internally and to local authorities as per legal requirements. Organic waste, a non hazardous waste is provided to other industries (cement) as a fuel substitute, positively affecting their carbon footprint. Clinical waste is incinerated in line with legal environmental standards.

Emissions and Discharges
Our operational strategy, post power generation project, has resulted in reduction of thousands of tons of carbon as well as NOx and SOx, resulting in a substantial reduction of greenhouse gases. Capital project carried out by investing US$4.3 Million has helped in shutting down a unit that used furnace oil as fuel and a further investment of US$50 Million in Co-Gen power project has resulted in shutdown of diesel generators and boilers. Regarding discharges, our effluent quality consistently meets NEQS limits and is a tremendous reflection of our dedication and commitment to ensuring the environment benefits from our actions.

Regulatory Compliance and Reporting
All our liquid and gaseous emissions are reported to local authorities both through SMART (software developed by Pakistani environmental authority) as well as through non-digital correspondence. Since plant commissioning in 1998, the Company has complied with and will continue to comply with regulatory requirements not only on environmental matters but in all other areas of our operations.

Environmental Expenditure
The Company has invested almost US$ 44 Million in putting up assets which meet environmental regulations. Additionally, the Company continues to invest significant amount of money on the operation of these assets. As a result, these investments have the capacity to ultimately pay for themselves in the long-term while imparting tremendous benefits to both the company and equally as important, our environment.

HSE inputs for Environmental / Social Data

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Fatalaties												
Total number	0	0	0	0	0	0	0	0	0	0	0	0
Employees	0	0	0	0	0	0	0	0	0	0	0	0
Contractors (K)	0	0	0	0	0	0	0	0	0	0	0	0
Fatal accident rate (FAR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Injuries												
Total recordable case frequency (TRCF)	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00
Injuries per 2 million working hours (employees and contractors)	0	0	0	0	0	0	0	0	0	0	0	0
Lost time case frequency (LTCF)	0	0	0	0	0	0	0	0	0	0	0	0
Lost time cases per 2 million working hours (employees and contractors)	0	0	0	0	0	0	0	0	0	0	0	0

human development

We support the continuous development of a winning culture through our human resources management policies.

We aim to attract, develop and retain high-calibre people with the skills, attributes and drive to help the Company achieve its strategic objectives, both now and in the future. We seek to treat all our employees and contractors fairly and with respect and to provide a safe working environment.

Our employees are compensated with a fair wage and comprehensive benefits, and have access to development opportunities both within their role and towards career progression.

Work Force Demographics

Management	Permanent	195
Non-Management	Permanent	34

Recognising and rewarding performance
We recognise and reward strong performance. Every year, each the Company employee sets stretching individual objectives in conjunction with their manager. These goals are linked to company objectives ensuring that everyone is contributing to, and has clear accountability for, the delivery of business strategy.

Bonus payments and salary increases are linked to performance against individual goals and are calculated against a combination of individual achievement and overall company performance.

Diversity and Equal Opportunity
Diversity of gender, ethnicity, skill, thought, experience, style and language are all important elements of our people strategy and are key drivers for our success. The Company being a global business believes that our success depends on fostering a culture where globally diverse and often remotely located people behave in a manner that models our values and drives superior performance.

A variety of measures, including strategic workforce planning as well as program and policy development, are being used to address the issues of diversity and equal opportunity. One way in which we support diversity in our culture is through our commitment to local employment.

Women currently represent an average of 10 percent of our workforce in City office whereas representation of women at our plant is much lower. The cause for the nominal proportion of the women workforce seen in the aforementioned worker breakdown is due to the very nature of the petrochemical industry and distance of our plant from the main city.

One of our priorities of the Company in recruitment process is to create equal opportunities for everyone. In line with this priority, it is the fundamental principle of our candidate selection and recruitment process to hire creative, multi-directional and participative people, who can rapidly adapt themselves to change, retain a global perspective and who continuously improve themselves and those around them based on the principle of equality of opportunity and without discrimination.

Talent Localization
The Company cultivates constructive and mutually beneficial relationships with our employees, customers, suppliers and communities. Our vision is to be the preferred supplier and employer in Pakistan as well as in the markets where we operate.

Our talent management effort integrates a variety of components to develop a workforce of local, readily available talent within Pakistan. We are working to employ the right people to deliver the services and operational excellence our customers require, when and where they need them, as well as to build and strengthen local talent pools.

From numerous applicants, the Company hired approximately 9 people in 2012.Workforce development starts with cutting-edge training and competency development. In 2012, a total of 1356.16 hours of instructor-led and online training was given to employees.

In 2012, 100 percent of our workforce was localized. All regular, full-time, and non unionized Company employees actively track their progress against career and performance objectives through the annual performance management process. This process aligns employees' work to support Company strategies. In 2012, 100 percent of eligible participating employees received their annual performance reviews.

Ongoing leadership development ensures that Company has talented people ready to step into key positions. Through a structured process, we provide management and leadership development for the company's current and potential leaders.

Apprenticeship Program
As part of the Company's efforts to develop the local talent from the grass root level and nurture a talent pool that can cater to the future HR needs of the company, The Company manages a

structured apprenticeship program in line with the GoP rules and regulations. Our apprenticeship program starts with a ten week orientation program at technical training center which provides basic training to the apprentices in different areas and functions of the plant. Apprentices are also trained in general topics on specific equipment that are available for commercial use by Technical Training Center (TTC). Training topics include a wide variety of subjects from technical side of the plant along with a detailed understanding of processes related to occupational health & safety.

Overall duration of apprenticeship program is 24 months upon completion of which a majority of apprentices are offered a permanent job in the Company at relevant levels contingent upon the opportunities available. In 2012, 6.81 percent of apprentices were absorbed within the company.

Graduate Trainee Engineers Program

The Company attracts fresh graduates and those just starting out their professional career from a wide range of academic and professional disciplines. We provide talented individuals with a framework through which they can acquire knowledge and experience to become future business and industry leaders. The company is proud to have one of best training and development platforms in Pakistan for engineers.

The Company initiated a recruitment drive in April 2012 to attract fresh engineers from various universities including Ghulam Ishaq Khan Institute of Engineering Sciences and Technology (GIKI), University of Engineering and Technology Lahore, Punjab University, NED University, Dawood College of Engineering & Technology, and Lahore University of Management Sciences. Approximately 800 engineers from various disciplines were tested as per the Company requirements. After a rigorous process of evaluation and selection, the Company offered Trainee Engineers job to successful applicants.

The Company provides its trainees with an opportunity to network with our leaders and decision makers. This valuable work experience allows our trainees to learn how to master their respective fields by giving them the opportunity to shadow more experienced members of our workforce.

Over the years we have developed a structured framework for internal progression, which is supported by defined competencies for each position and career level. Furthermore, our personnel development plans ensure that appropriate support, training and coaching is provided in order to succeed at all levels of engineering and commercial functions.

A number of our trainees have gone on to hold key positions in other Pakistani and overseas companies.

The Career Portal

The Company has improved its recruitment system by leveraging the opportunities available in this age of technology. In April 2012, the Company launched a web based resume system called "The Career Portal". With this system in place, all vacancies are announced through this page and only electronic resumes are entertained. The system saves cost and time through a one-click technique of resume filtering and screening as per set criteria. The HR department as the custodian of this system can generate various statistics and reports of job applications, conduct analysis and respond to queries of the applicants. Additionally, this portal gives line managers an access to resumes thus increasing their participation in the recruitment process.

Internships

The Company regularly offers internship opportunities to students from major universities from both technical and business management programs. Our internship program provides aspiring future leaders an opportunity to learn the corporate culture and business practices while working alongside the highly professional and supportive staff of the Company. In 2012, ten internships were provided based on the selection criteria stipulated by HR department. Interns are provided with a basic orientation and later moved to a particular function based on their preferences and educational requirements.

- Learning Movie Show
- Employee quiz competition
- Book displays

The events were organized at various locations of the Company ensuring participation from employees from all functions.

Learning & Development

We consider all our employees to be skilled and allow them to exploit career opportunities by preparing individual development facilities and by establishing a participative working environment where they can demonstrate and develop their potential. Our systems operate as a guide or an advisor in every step that our personnel take in their careers.

When describing our training and development targets, we aim to create an employee profile which shall provide the organizational structure pertaining to the requirements of our company, that is, its values, its mission, its vision, its strategic plan and strategies.

The individual development needs of our employees are identified within the framework of our performance evaluation systems. During the performance evaluation period, the required areas of development are determined by comparing existing qualifications/competencies of employees to the targeted qualifications/competencies, which, in turn, provide input for the training requirement analysis.

Our employees who participate in training outside the company organize information sharing training sessions with the goal of enhancing interactivity amongst employees and sharing to become a part of the corporate culture, as well as having the training become commonplace within the company.

Learning Extravaganza
While learning and development is part of everyday lives of people working for the Company, a coordinated effort was needed to consolidate the learning environment and to provide a common platform for the learners and learning facilitators. Against this backdrop, the Company presented a month-long “Learning Extravaganza” to all its employees from November 16 – December 21, 2012 which included 29 learning events attended by over employees of all departments. The theme of learning extravaganza revolved around learning with spirit, engagement and foster self-development.

The learning extravaganza was well received by the employees who felt that the event not only helped them learn new concepts, it also provided them an opportunity to appreciate the knowledge sharing using unconventional fun-learning methodologies. The events included;

- Learning Ideas Sharing through Donut Sessions
- Structured training sessions using internal and external facilitators.
- Learning Movie Show
- Employee quiz competition
- Book displays

The events were organized at various locations of the Company ensuring participation from employees from all functions.

Donut Sessions
We understand that collecting employee feedback though a survey, at times, can be too inflexible and is always uni-directional without any potential for dialogue. The Company organized four interactive sessions to obtain first hand feedback from employees from various hierarchal levels. These sessions also provided an opportunity to discuss various issues pertaining to employee and process efficiencies and team together worked for identifying potential areas for improvement. HR department has taken the onus of stewarding implementation of employee suggestions.

Training
A number of training sessions were organized using renowned corporate trainers and the topics covered included sexual harassment, coaching skills, Maximizing Potential, Belief System, Franklin Covey’s Speed of Trust, The 8th Habit of Leadership, and creativity works.

The Company takes pride in developing a good resource of internal trainers who able to work with their fellow team members and are very able to share their knowledge effectively. During the extravaganza, a series of session were organized which were facilitated by trainers working within the Company. These sessions were well received by the employees who participated in these sessions. Some of the sessions include;

- "Yes I can"
  by Mr. Abdus Samad Hussain Siddiqui -
  Assistant Engineer Instrumentation

- "Customer Satisfaction"
  by Sohail Ahmed Memon -
  Manager Planning, Workshop & Reliability

- "Trade Finance"
  by Syed Mujtaba Ali Rizvi -
  Treasury Manager

- "Business Etiquettes and Grooming"
  by Mohammad Asif -
  Accounts Officer

- "Happy Life"
  by Syed Mohammad Ali -
  Assistant Manager Workshop

- "Six Thinking Hats"
  by Syed Arif Hussain -
  Systems Analyst

- "Non Verbal Communication & Body Language"
  by Mohammad Irfan -
  Sub Engineer Instrumentation - II

- "Success Mindset"
  by Mohammad Nadeem Bhatti -
  Assistant Engineer Instrumentation

- "Non-Management Leave System"
  by Rizwan Ahmed -
  Assistant Manager Industrial Relations

Learning Movie Show

Moving away from the conventional learning methodologies, The Company organized learning movie show which effectively amalgamated the development opportunities with entertainment. This was the first ever movie show in the company hence the arrangements were a pleasant surprise for the audience.

The movie "I am Abul Kalam" was selected through employee opinion from three suggested titles. It is art movie that depicts efforts of child who was impressed by the Personality of Indian President. The movie presented a very touching and thought provoking process of development of that Child who followed his vision of becoming the next "Abul Kalam". The event was thoroughly enjoyed by the participants who could realize the underlining learning messages such as "power of vision", "value of contribution", "performance as key driver for growth", "importance of motivation and dedication."

Local Faculty Development

In line with our strategy of talent localization, The Company invests significant time and energy in developing an in-house pool of trainers. The aspiring trainers from various levels and functions are selected and subjected to a rigorous Training-of-Trainers program using internal and external resources. This pool of internal trainers is successfully conducting various learning and development programs within the company which not only saves training costs, it also helps in improving a learning culture based on knowledge sharing.

Employee Engagement

The Company realizes that our employees, through their dedication and commitment to the company, drive our business results. We seek all voices and all views from our employees in regular engagement timeout sessions. The timeout sessions are conducted as a Focus Group Discussion moderated by senior management. We consider the outcome of these sessions when developing policies and programs designed to attract, engage and retain top-notch talent and to ultimately improve the Company's business performance.

Across many industries worldwide, developing and engaging the workforce has been demonstrated to significantly improve business performance and organizational sustainability. Parts of the company where employees are highly engaged, experience lower attrition, better safety performance, higher customer satisfaction and a higher percentage of jobs done right. The results of the timeout sessions, the action items raised and impact of the actions taken are distributed to all managers to encourage them to align, train, develop and challenge their workforces.

In addition to the formal timeout sessions, business and functional leaders meet with employees in person to present and discuss the new strategies and business objectives. The CEO holds quarterly meetings and these meetings provide a forum for updates on business performance and future plans.

Life@Lotte

The Company publishes a quarterly newsletter where important events are shared with employees and other stakeholders. This newsletter serves as a mean for open communication where any member of the team can contribute any news worthy item in line with the over-arching topics. Issues like HR development, social events, business performance, CSR interventions, HSE performance, and continual improvement initiatives taken by different functions/departments are some of the regular features in the newsletter.

Compensation & Benefits

The Company is committed to compensating employees fairly for the work they do and the contribution they make. We have a fair and transparent wage policy which is not affected by age, gender and criteria that encompasses other form of discrimination. The company recognizes differences in performance and provides rewards to employees who make a greater contribution or perform at higher levels.

The Company offers an array of benefits that varies by hierarchy for management, non-management and contractual staff.

In addition to monetary compensation and benefits, the Company offers a number of other fringe benefits to the employees including Hajj Balloting, Employees Wellness Programs, excellent working environment and work-life balance. There is an informal culture in the company that discourages people from late sittings thus compromising their family lives for the sake of work. The Company engages its employees in a number of wellness programs including compulsory periodic health checkups, availability of medical facilities at plant and HQ, and by organizing a series of sports and recreational activities.

Labour Relations, Freedom of Association & Collective Bargaining

The Company is committed to open, honest and productive relationships with our people. We believe that the precise nature of those relationships should be determined by relevant conditions, but always be consistent with our policies.

We prohibit the use of child labour or forced labour at all our operations. Where contractors are used, we work closely with contracting companies to encourage that employee relations governed by those companies are consistent with those of the Company and that they too comply with our values.

We recognise the right of our employees to freely associate and join trade unions. In 2012, around 12.63 per cent of our workforce was covered by collective bargaining agreements. We believe that successful relations with all our employees, unionised or non-unionised, must be built on values of mutual trust and respect.

The management of the Company maintains friendly relations with the CBA which is based on mutual respect and trust among both the parties. Regular participation of CBA representatives in relevant forums and reaching a negotiated CBA agreement are true indicators of our success in building a healthy and constructive relationship between management and workers.

The Company adheres to all the best practice of Labour relations in all its activities. These practices extend to:

- Fair and equal opportunity for all employees and potential employees, regardless of ethnicity, gender and age
- The provision of a good working environment for all staff, with adequate ventilation, lighting, and temperature control
- No forced labour in any form. Working hours in line with local legal requirements and ILO standard, whichever is higher and fully agreed between employer and employee
- Wages paid for regular working hours and overtime shall meet or exceed legal minimums and/or industry standards
- Occupational health and safety training is conducted on a regular basis
- All employees have the right of freedom of association and the right to collective bargaining

Our Company also sponsors staff employees every year to perform Hajj pilgrimage through a random draw. The idea of winning a trip to perform the pilgrimage has a tremendous constructive effect on workmen morale and contributes to a long-term employment satisfaction.

The Company places great emphasis on reward and recognition to help employees feel appreciated and motivated. Workers are awarded individually for outstanding efforts, as well as a team based awards based upon the achievement of their annual production targets.

There are also schemes for interest-free car loan facilities, scholarships and child schooling support extended to some of our staff members.

Transparency, Diversity and Ethics

The employees are also vested with certain responsibilities to maintain discipline in the workforce. These are listed in the code of conduct, and consist of:

- Media relations and disclosure
- Inside information
- Protecting intellectual property
- Internet use
- Business travel policy
- Prohibition on substance abuse

Great emphasis is given to the code of conduct for doing business. All kinds of unethical business practices in any form are strictly prohibited and there are monitoring methods to ensure that no employee is involved in any way. Bribery for any reason is not acceptable.

We have clear policies and processes relating to diversity and covering issues such as ethnicity and gender. Recognizing the benefits that a diverse workforce can offer, we encourage a culture that is respectful and tolerant of difference.

There are procedures in place to ensure transparency in doing business and free enterprise is promoted with compliance to competition laws and regulations. Strong ethical values are embedded in the employees in all they do and they are responsible for ensuring these values both at work and outside as corporate citizens.

economic contribution

There is no longer any doubt that business plays an integral role in delivering economic and social progress.

Our economic contribution includes direct employment, buying from local, regional and global suppliers, the distribution of our products, and contribution to the National exchequer via direct and indirect taxes.

In the year ended December 2012 the Company generated over Rupees 53 billion of economic value, of which the majority was distributed through the course of our business to our employees, shareholders and investors, suppliers and governments as well as to local communities through our Corporate Social Investment activities.

Economic Value Retained	**2012**
	Rupees '000
Revenues Revenue plus interest and dividend receipts, royalty income and proceeds of sales of assets	53,093,227
Operating Costs Cost of materials, services and facilities	52,663,873
Employee wages and benefits Cost of employees' salaries and benefits	561,531
Payments to providers of Capital All financial payments made to the providers of the Company's capital	1,902,646
Payments to Governments Tax paid, including remittance taxes and excise taxes	1,382,100
Community Investments Voluntary contributions and investment of funds in the broader community	8,953
Economic Value Retained	**109,612,330**

Transparent approach to taxation

We recognize there is a growing interest in the level of taxes paid by multinational companies. We aim to be transparent on this issue and to pay the right and correct amount of tax according to the laws of the country in which we operate.

In the year, total taxes borne and collected by the company amounted to Rupees 1.4 billion. This includes excise taxes, transactional taxes and taxes borne by employees. We consider this wider tax footprint to be an appropriate indication of the tax contribution from our operations.

The company's presence in Pakistan provides a major sources of employment and income and therefore tax revenues.

Sourcing

As a global business, we think carefully about where and how we buy our raw materials, as well as other products and services, to balance the commercial advantages associated with our scale with the benefits we attain from supporting the local communities in which we work.

Where it makes sense, we seek to source locally to maximise the economic benefit, as well as reduce import and distribution costs of raw materials. Moreover, by sourcing locally we can make a contribution to the health and economic development of Pakistan.

Understanding our role and responsibilities in our value chain

The reach and scale of our business means that we play a key role in the economic development of the Pakistani economy.

We are well aware of our influence with our suppliers and the importance of developing close and equitable relationships with them. We aim to pay a fair price for their products, materials or services and will often work with them to help improve their working practices and efficiency.

product stewardship

Like our overall safety processes, we go above and beyond to ensure we manufacture PTA that is safe for our employees to handle and for our customers to use.

Product innovations play an essential role if we are to decouple quality of life from resource consumption. This is why one of the strategic principles for implementing our sustainability strategy is: "our product stewardship". As a company we believe that the company should offer customers and consumers more value and better performance while maintaining a smaller ecological footprint.

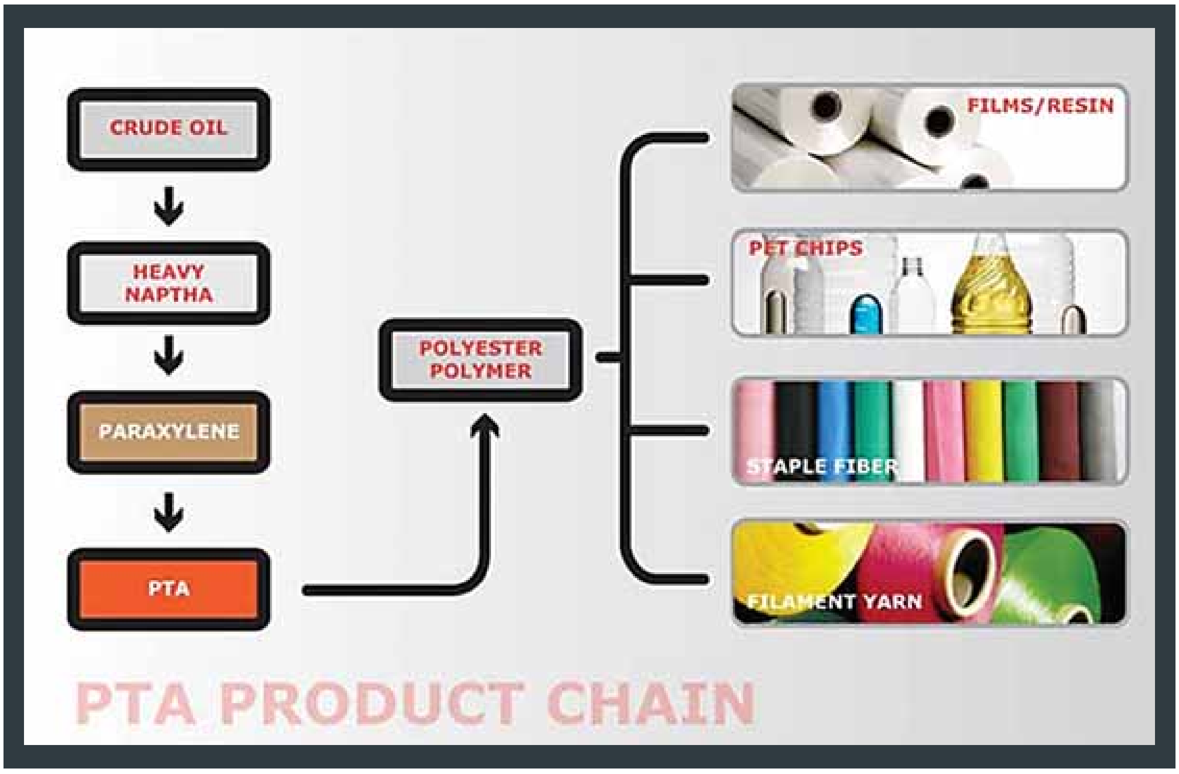
Marinating sustainable excellence of our product matters to all of us at the Company, as not only does it make good business sense, it's the right thing to do. Sustainably advantaged technologies not only drive the Company's financial growth but also bring considerable value to our customers. We collaborate closely with our customers to develop and deliver innovative solutions that help them create more sustainable end-use products and meet their own sustainability goals at all stages of their value chain.

Product Description

PTA is the key raw material for the manufacture of polyester fiber, resin, and film. PTA is used to produce Polyethylene Terephtalate (PET), which flows into the production of goods that we use in our everyday lives and enhances the quality of life around the world.

It can be found in plastic containers for beverages, food and electronics, apparel, home textiles, carpets and industrial fibre products, and audio and video recording tapes, photographic films and labels.

Lotte Pakistan PTA Ltd is a world-class supplier of purified terephthalic acid, our plant at Port Qasim, Karachi was built using ICI's state-of-the-art technology when it was commissioned in 1998. It produces Purified Terephthalic Acid (PTA), an essential raw material for Pakistan's textile and PET packaging industries and forms the backbone of the polyester chain, including Polyester Staple Fibre, Filament Yarn and PET (bottle grade) resin. The company maintains its competitive edge by virtue of being a local manufacturer and major supplier for the domestic Polyester and PET industries with short delivery times, consistent quality and excellent customer service.



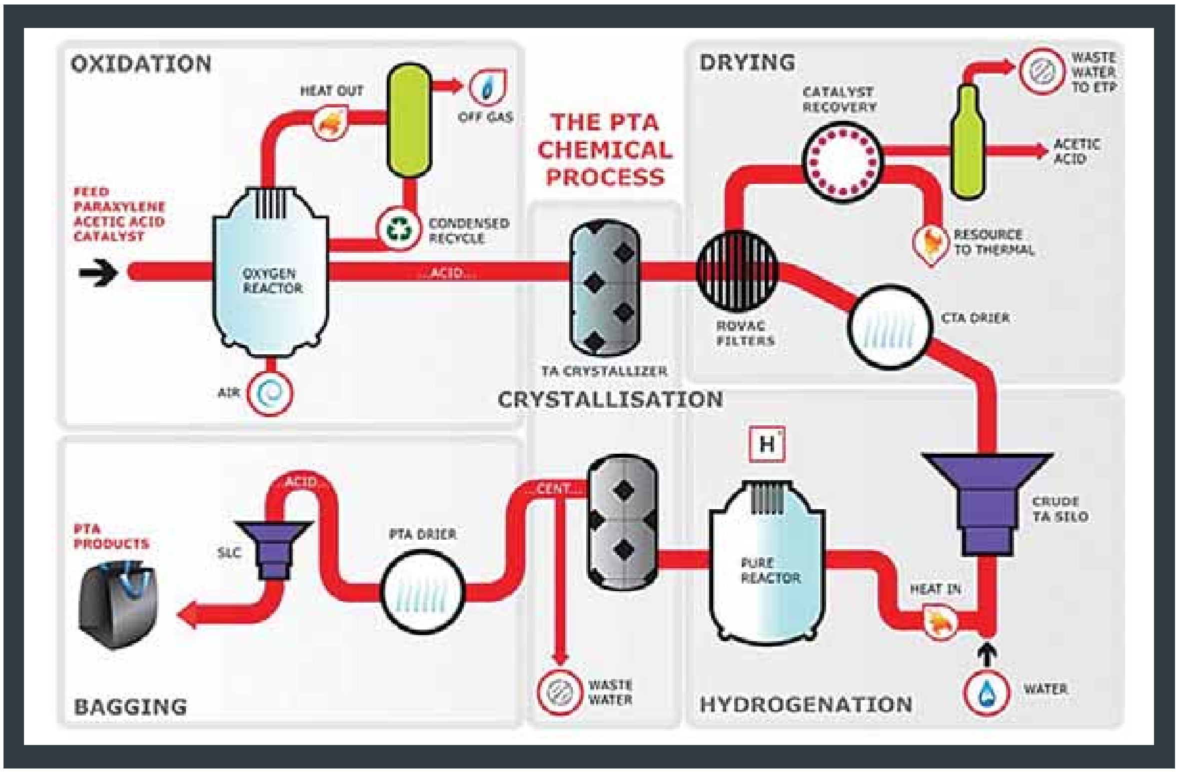
Process

Purified Terephthalic Acid (PTA) is made by the oxidation of Paraxylene, using Acetic Acid as a solvent. In the first stage, which is known as Oxidation, air is blown into a stirred reactor vessel containing a mixture of Paraxylene, Acetic Acid and a catalyst. Crude Terephthalic acid is formed, crystallised out and dried.

In the second stage known as purification, the crude TA is re-dissolved in hot water, co-products are removed by hydrogenation and Pure Terephthalic acid is again crystallised out and dried. This ensures that the 99.98% purity required for the manufacture of polyester products is achieved.

Various ancillary stages are required to ensure waste recovery and raw material efficiency and the process requires nitrogen, hydrogen, natural, large quantities of fresh water and significant electrical power.

Methyl Acetate is produced as a by-product, which is recycled to Oxidation reactor to minimize acetic acid losses. Liquid effluent from the process is biologically treated using a deep shaft technology, so that the final water being discharged fully conforms to the National Environmental Quality Standards (NEQS).



Product Safety

Our customers can be certain that our product is safe when used as intended. All raw materials and the finished PTA product are subjected to numerous assessments and tests to ensure a high level of safety during production, use and disposal. Our experts assess the composition of our materials and ingredients according to the latest scientific findings and concrete safety data. In addition to considering the basic hazard potential of a substance, our safety assessments focus especially on the actual concentration in the specific formulation and the conditions of use.

Markets Served

Right from its inception, the Company has always focused on meeting the PTA demand of Pakistan and have only exported PTA to other countries in case of reduced local demand. As a result of this approach, almost 95% of the PTA produced by the Company is being supplied to local customers. As the markets in Pakistan are growing, the Company is targeting to focus 100% on the local market in

2013. The Company takes pride in contributing to the national economy not only as a large tax payer but also as an agent to expand local downstream markets due to ready availability of raw material.

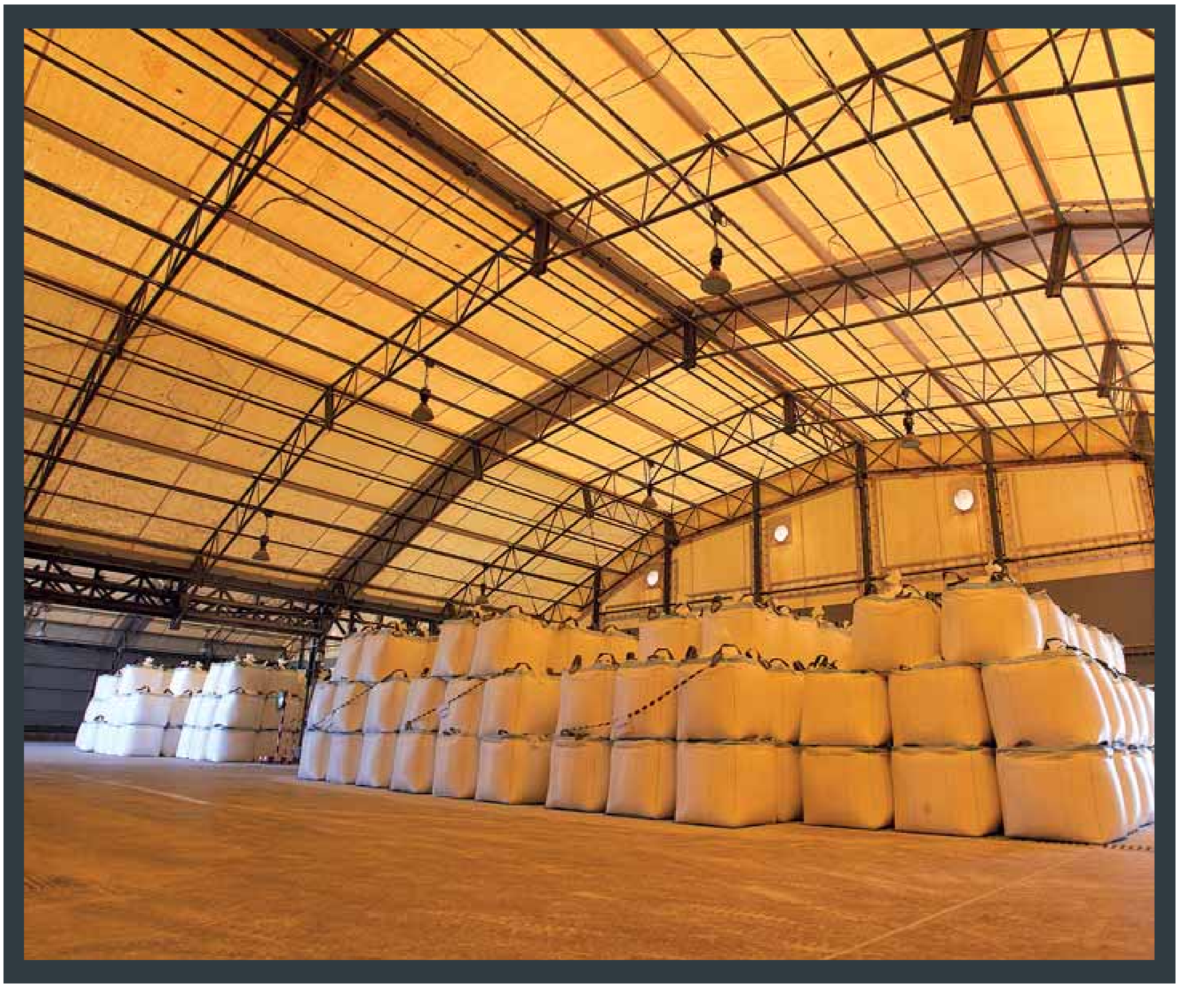
2012 has been a difficult year for PTA producers around the world with major challenges resulting from low margins. Despite difficult circumstances, The Company maintained its commitments with the customers by providing them agreed PTA quantities. Our efforts in this regards are reflective of the Company focus on developing long term relationships with our customers.

Customer Satisfaction and Complaint Management

The Company has personalized method of gauging customer satisfaction. The methodology is based on the fact that the Company works with a small customer base that all are large industries. Our approach to measuring customer satisfaction is highly customized to client's individual needs which we cater through personalized interactions at various levels.

The Company engages its customers through meetings and visits conducted at different levels. Periodic high level visits to customers are customers by the CEO and GM Commercial are conducted. Furthermore regular meetings at the operational level are conducted by the sales team. During these focused meetings, while discussing other matters, the Company staff makes a conscious attempt to discuss the overall satisfaction of the client with the Company products and customer services and any concerns identified are reported. Actions against any such concerns are stewarded at a very high level in the Company which includes follow up with customers on their concerns and their view on the actions taken.

In addition to satisfaction measurement, The Company has a structured mechanism of handling customer complaints with defined KPIs for the complaint handling process



community development

Social responsibility has always been integral to our corporate image. We draw on a wide range of resources from within the company to promote a dialogue between Lotte PPTA and society at large. Our employees are also becoming more involved in our CSR activities.

The Company prides itself on the emphasis it places on helping in the betterment of communities, with a strong focus on today's children being tomorrow's leaders. The Company employee volunteerism has always been strongly supported as a way to give back to communities and create a more sustainable future.

Youth Engagement

Some of the highlights include the LOTTE sponsored football teams at the KUFF Centers where approximately 175 children, with an average of 12 years of age, are provided free football training in six KUFF centers spread across underprivileged areas of Karachi. Through the popularity of football, this sponsorship provides opportunities for Pakistan's youth and brings about positive social change in underprivileged communities. The underprivileged are granted access to opportunities they previously could only have dreamed of. One marker of the success of this partnership is the recent membership of two talented and underprivileged youth now representing Pakistan as players on Pakistan's national football team – a life changing prospect.

Vocational Training

The Company continued its long-standing partnership with the Family Education Services (FES) Deaf Reach Schools and Training Centre's to help advance the much needed academic and vocational skills training for deaf children and young adults. This facility also focuses on educating families, parents and entire communities on the needs of the deaf through an educational model which helps deaf to integrate within society as at par citizens of the community.

Philanthropy

Making contributions to the communities in which we operate is part of being a good neighbor. Our communities are essential to our success, and we take our social responsibility very seriously. We strive to strengthen the ties between industry and community. We foster and promote a favorable environment for business growth by supporting education, economic development and related community needs. As a result, the Company supports organizations and programs that help to promote our efforts of enhancing the quality of life where men and women live and work.

In addition, the Company supports organizations in which the Company employees are active, or provide services that directly benefit employees and their families and organizations which substantially strengthen the community.

With an emphasis on future leaders, the Company continued its support for the second consecutive year by sponsoring the Family Education Services 2012 Children's Benefit Concert. This concert was arranged by FESF for approximately 5000 underprivileged and special needs children who are true fans of some of Pakistan's most renowned musicians.

In addition to donations to respected non-profit institutions such as SIUT and many other well esteemed medical services facilities, the Company has contributed substantial merit and need based full and partial scholarships to internationally recognized higher education institutions such as LUMS and NED. The Company continues its efforts in cultivating future leaders by also recruiting from many of the institutions it supports as a part of its community development initiatives.

Keeping in view the annual traditions of our society, the Company holds an annual Hajj ballot for staff members. the Company staff members who are selected via this ballot have 90% of their Hajj expenses covered by the company.

WWF ECO Internship -2012

Go Green

The Company took on a staff engagement program "Go Green" this year. Employees of the company participated in a vegetable planting activity on and around the plant facilities. Waste water from the Reverse Osmosis system, which was otherwise flushed into the drain, has been diverted for this project. The aim of the Go Green initiative is to provide organic fruits and vegetables to the staff of the Company at no cost, whereby creating value from otherwise an un-utilised resource of the company. The first phase involved plantation of various everyday chemicals, this phase will be followed by the plantation of fruits such as coconut, papaya, guava, chiku and lemon. This initiative has helped promote a healthy lifestyle for the the Company staff.

It's about being transparent, sharing insights and working together for the benefit of all to meet the aspirations of this country and, in the process, inspire others.

Lotte PPTA has commissioned United Registrar of Systems to provide an expert view on the quality of reporting and the progress made during the year.

Scope of Assurance
Our engagement was designed to provide the readers of The Report with limited assurance on whether the information in The Report is in all material respects fairly presented in accordance with the reporting criteria described below.

Basis of Assurance
URS conducted this engagement in accordance with the URS Global Sustainability Assurance Standard and the GRI G3 guidelines. The URS Standard requires, amongst others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to understand the information in The Report, identify and collect the related assurance information and that they comply with ethical including independence requirements.

Assurance Methodology
The verification was conducted via meetings, telephone discussions and e-mail correspondence with Lotte PPTA staff responsible for collating and reporting the data on which the report was based. Both quantitative and qualitative data were substantiated through examination of relevant files and documents supplied by the report's authors at these meetings. Qualitative information based on Lotte PPTA newsletters have been checked for consistency only. Visits to the site, projects and other stakeholders did not form part of the assurance scope.

Our opinion
Completeness
We have reviewed both qualitative and quantitative information and data and found the presentation in the report to be accurate and complete. The presentation of the data reflects current business practices and performance within Lotte PPTA. Any limitations regarding presented information are explained.

Materiality and Responsiveness
Lotte PPTA has many effective engagement processes for communicating with its stakeholders and it is apparent that some feedback on sustainability issues is gained through these. However, we feel that sustainability reporting could be more structured and robust.

Climate change issues are receiving increased media attention and greater public focus. Lotte PPTA Stakeholders may expect to see sophisticated and comprehensive reporting of climate change issues from the company and its suppliers in future.

Conclusion
Based on our audit procedures we conclude that;
- the reporting criteria has been applied consistently,
- the reported information has, in all material respects, been presented completely, accurately and adequately, in accordance with best practice.

Ali Khan

Ali Khan
CEO
URS Pakistan

February 15, 2013

GRI Index

STANDARD DISCLOSURES PART I: Profile Disclosures

1. Strategy and Analysis

Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	Explanation
1.1	Statement from the most senior decision-maker of the organization.	Yes	CEO's Vision of Sustainbaility	
1.2	Description of key impacts, risks, and opportunities.	Yes	Director's Report	

1. Strategy and Analysis

Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	Explanation
2.1	Name of the organization.	Yes	Cover	
2.2	Primary brands, products, and/or services.	Yes	About Us	
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Yes	Corporate Governance & Complaince, Company Information	
2.4	Location of organization's headquarters.	Yes	Company Information	
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Yes	Company Information	Lotte PPTA has its manufacturing base in Karachi, Pakistan. Majority of its products are consumed within Pakistan. However, a small percnetage is exported to ME & Far East region.
2.6	Nature of ownership and legal form.	Yes	Corporate Governance & Complaince, Company Information	
2.7	Markets served (including geographic breakdown, sectors servedl, and types of customers/beneficiaries).	Yes	Markets Served	
2.8	Scale of the reporting organization.	Yes	Work Force Demographics, Highlights	
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Yes	Director's Report	
2.10	Awards received in the reporting period.	Yes	Awards & Recognition	

3. Report Parameters

Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	Explanation
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	Yes	2012	
3.2	Date of most recent previous report (if any).	Yes	2011	LPPTA publishes Annual Reports every year, however, this is the first year where a specific section is being included on Corporate Sustainability and it is being benchmarked against GRI G3.1
3.4	Contact point for questions regarding the report or its contents.	Yes	Our Approach to Reporting	
3.5	Process for defining report content.	Yes	Report Scope and Boundary	
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	Yes	Our Approach to Reporting	

G3.1 content index

Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	Explanation
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	Yes	Our Approach to Reporting	
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Yes	Our Approach to Reporting	
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Yes	Our Approach to Reporting	
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Yes	Our Approach to Reporting	
3.12	Table identifying the location of the Standard Disclosures in the report.	Yes	This Table	
3.13	Policy and current practice with regard to seeking external assurance for the report.	Yes	Our Approach to Reporting	Assruance performed by United Registrar of Systems. See Assurance Statement on Page 24.

4. Governance, Commitments, and Engagement

Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	Explanation
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Yes	Company Information, Corporate Governance & Compliance	
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Yes	Statement of Compliance	Chairman of the Board of Governers is a Non-Executive Director.
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	Yes	Statement of Compliance	
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Yes	Corporate Governance & Compliance	CEOs Communication Sessions are used for first hand employee feedback.
4.14	List of stakeholder groups engaged by the organization.	Yes	No Formal Stakeholder Engagement Program implemented, however, informal interaction takes place that feeds into our sustainability startegy.	
4.15	Basis for identification and selection of stakeholders with whom to engage.	Yes	No Formal Stakeholder Engagement Program implemented, however, informal interaction takes place that feeds into our sustainability startegy.	

STANDARD DISCLOSURES PART III: Performance Indicators

Economic

Performance Indicator	Description	Reported	Cross-reference/ Direct answer	Explanation
Economic performance				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Yes	Company Finacial Statements, Economic Contribution	
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Yes	NO financial implications noted during the year of reporting due to climate change.	
EC3	Coverage of the organization's defined benefit plan obligations.	Yes	Our Value Addition and Its Distribution	
EC4	Significant financial assistance received from government.	Yes		No Financial Assitance received form the Governments during the reporting period.

Environmental

Performance Indicator	Description	Reported	Cross-reference/ Direct answer	Explanation
Material				
EN1	Materials used by weight or volume.	Yes	Planet (Materials)	
EN2	Percentage of materials used that are recycled input materials.	Yes	Methyl Acetate= ~8 % CMB= ~ 0.012%	3.5 te/hr MA is recycled to feed mix drum from MA column. 70 % of CMB is recovered after installation of Catalyst recovery unit.
Energy				
EN3	Direct energy consumption by primary energy source.	Yes	Planet (Materials)	
EN5	Energy saved due to conservation and efficiency improvements.	Yes	~25.9%	Saving is achieved in last ten years through two five years sustainability challenge programmes. Installation of ETP absorption chiller, caustic jockey pump, HP Nitrogen vessel, VSDs at certain derives and new PAC discharge line with larger dia are key projects completed for energy saving. Key project commissioned last year was own Gas turbine which replaced grid energy with energy from own source. This is effecient energy source as there are no line losses.
Water				
EN10	Percentage and total volume of water recycled and reused.	Yes	25% of total water in at site.	Process demin water is recycled with in Purification plant process. In addition some water being used from Reverse Osmasis reject as sand filter back wash and horticulture purpose.

G3.1 content index

Biodiversity

EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Yes	No protected areas and areas of high biodiversity value	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Yes	No protected areas and areas of high biodiversity value	

Emissions, effluents and waste

EN16	Total direct and indirect greenhouse gas emissions by weight.	Yes	0.5651 tes/te PTA. 7% reduction from previous year.	"Reduction is achieved on account of following major changes: Shut down of one boiler as steam is being used from heat recovery steam generator of gas turbine_ natural gas reduction. Shut down of on site Diesel generator which is replaced by on site power production from Gas turbine. Shut down of fuel oil furnace as it is replaced by new technology unit to recover metals from plant purge."
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Yes	~ 36% reduction in lst 10 years.	"Reduction is achieved on account of following major changes: Shut down of one boiler as steam is being used from heat recovery steam generator of gas turbine_ natural gas reduction. Shut down of on site Diesel generator which is replaced by on site power production from Gas turbine. Shut down of fuel oil furnace as it is replaced by new technology unit to recover metals from plant purge."
EN20	NOx, SOx, and other significant air emissions by type and weight.	Yes	NOx=1.91E-04 tes/te PTA	Nox reduced by 70% in one year due to shut down of diesel generator on site.
EN23	Total number and volume of significant spills.	Yes	NIL	
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Yes	Quarterly reported to HSE. Avg weight in a year around 1 to 2Kg	Medical wastes collected and sent to City District Government Karachi (CDGK) incineration plant at Mewasahah Site,.

Overall

EN30	Total environmental protection expenditures and investments by type.	Yes	Spent US$ 44 Million as capital investment	

Social: Labor Practices and Decent Work

Performance Indicator	Description	Reported	Cross-reference/ Direct answer	Explanation
Employment				
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	Yes	Talent Localization	
Labor/management relations				
LA4	Percentage of employees covered by collective bargaining agreements.	Yes	Labour Relatoins, Freedom of Association & Collective Bargaining	
Occupational health and safety				
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	Yes	Health & Safety	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Partial	Training	
Training and education				
LA10	Average hours of training per year per employee by gender, and by employee category.	Partial	Training	
Equal remuneration for women and men				
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	Yes	Compensation & Benefits	No differentiation in salary and remuneration based on Gender.

Social: Human Rights

Performance Indicator	Description	Reported	Cross-reference/ Direct answer	Explanation
Non-discrimination				
HR4	Total number of incidents of discrimination and corrective actions taken.	Yes	None Reported	No Incident Reported
Indigenous rights				
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Yes	None Reported	
Remediation				
HR11	"Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms."	Yes	None Reported	None

Social: Society

Performance Indicator	Description	Reported	Cross-reference/ Direct answer	Explanation
Corruption				
SO4	Actions taken in response to incidents of corruption.	Yes	No incident of corruption reported. The company has a formal speakup program to identify any such instances.	
Compliance				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	Yes	None	

G3.1 content index

Social: Product Responsibility

Performance Indicator	Description	Reported	Cross-reference/ Direct answer	Explanation
Customer Privacy				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Yes	No complaints regarding breaches of customer privacy and/or losses of data	
Compliance				
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Yes	None	

LOTTE PAKISTAN PTA LTD

Registered Office
EZ/1/P-4, Eastern Industrial Zone, Port Qasim,
P.O. Box 723, Karachi 74200
UAN: +92 (0) 21 111-782-111
FAX: +92 (0) 21 3472-6004
URL: www.lotte-ppta.com

City Office
Al-Tijarah Centre, 8th 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 PABX: +92(0)21 34169101-4

Printed by YAQEEN UAN: 111-927-336

Designed & Produced by Bond Advertising