LOTTE PPTA
ANNUAL REPORT 2009

A NEW IDENTITY
A NEW BEGINNING

Lotte Pakistan PTA Ltd

Formerly Pakistan PTA Limited

A NEW IDENTITY A NEW BEGINNING

Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited)

Lotte Pakistan PTA Limited is a world-class supplier of Purified Terephthalic Acid (PTA), an essential raw material for Pakistan's textile and PET packaging industries.

LOTTE completed its acquisition of the majority shareholding in Pakistan PTA Limited (PPTA) in September 2009. Subsequently, the name of the Company was changed to Lotte Pakistan PTA Limited.

VISION, MISSION & OVERALL STRATEGIC OBJECTIVES

THE SPIRIT TO MAKE A DIFFERENCE

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.

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COMPANY INFORMATION

Board of Directors

Nak Yong Lee	Chairman - Non-executive
M Asif Saad	Chief Executive
Neon Jung Kim	Executive
Oh Hun Im	Executive
Mohammad Qasim Khan	Non-executive
Byung Yun Lim	Non-executive
Aliya Yusuf	Non-executive
Tajammal Hussain Bokharee	Non-executive

Audit Committee

Tajammal Hussain Bokharee	Chairman
Neon Jung Kim	Member
Aliya Yusuf	Member

Senior Remuneration Sub Committee

Nak Yong Lee	Chairman
Neon Jung Kim	Member
Byung Yun Lim	Member
Oh Hun Im	Member

Shares Sub Committee

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

Chief Financial Officer and Company Secretary

Ali Aamir

Executive Management Team

M Asif Saad	Chief Executive
Ali Aamir	Chief Financial Officer & Company Secretary
Qamar Haris Manzoor	General Manager Manufacturing
Mohammad Wasim	General Manager Projects
Humair Ijaz	Commercial Manager
Waheed U Khan	Corporate Human Resource Manager
Adnan W Samdani	Corporate Strategy Manager

Bankers

Askari Bank Limited
Citibank NA
Deutsche Bank AG
HSBC Bank Middle East 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

KPMG Taseer Hadi & Co.,
Chartered Accountants

Legal Advisor

Djaleh Akber
148, 18th East Street, Phase 1, DHA, Karachi

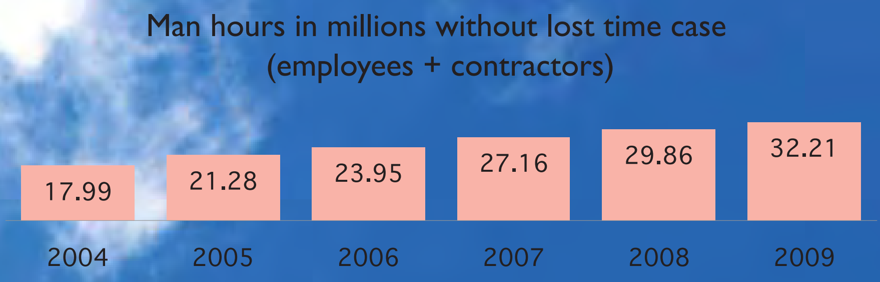
Registered Office

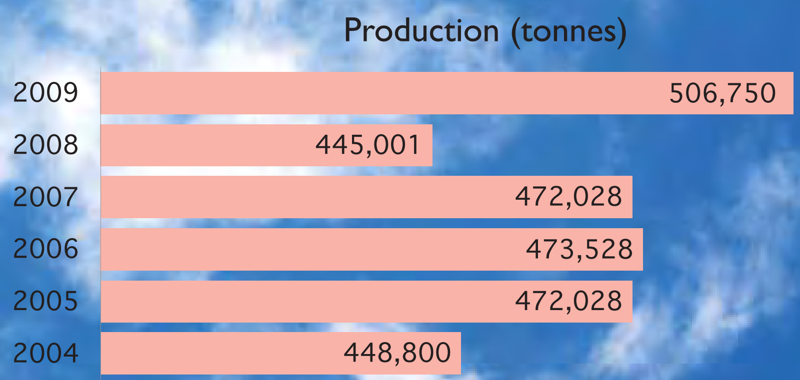
EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi

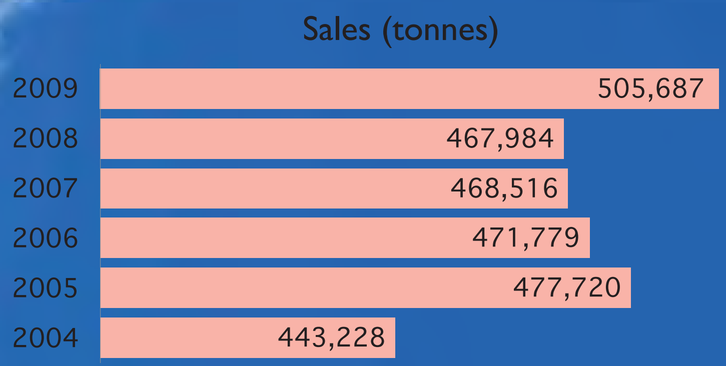
Shares Registrar

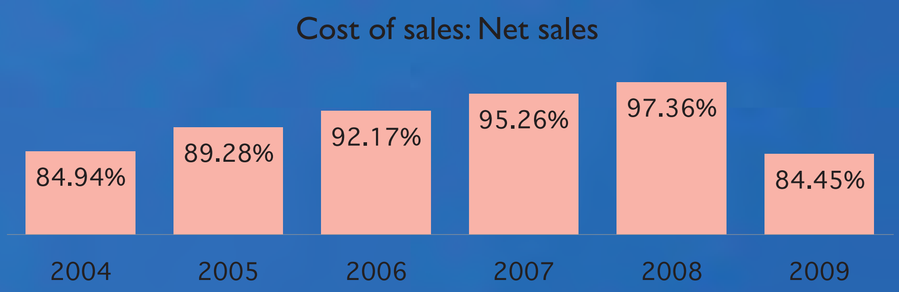
Famco Associates (Pvt) Limited
State Life Building No. 1 - A, 1st Floor,
I.I. Chundrigar Road, Karachi

2009 HIGHLIGHTS









- No injury to Company employees, supervised or other contractors
- To date highest production of 506,750 tonnes in a year
- To date highest sales of 505,687 tonnes in a year
- Export of 39,160 tonnes (2008: Nil)
- Net sales and gross profit up by 15 % and 577 % respectively
- Profit after tax at Rs 3.4 billion and earnings per share at Rs 2.23 crosses the Rs 3.0 billion and Rs 2.00 per share mark for the first time

BOARD MEMBER PROFILES

Chief Executive - M Asif Saad
A LUMS MBA graduate, Mr Saad joined ICI as a management trainee in 1988. In 2002, Mr Saad joined the Company as a Commercial Manager and since then has been associated with the company's sales and procurement functions. He has also been responsible for product stewardship and long-term strategy development for the Company.

Director - Oh Hun Im
Mr Im has been working with KP Chemical Corporation in Korea since 1992. He completed his B.A.D in Chemical Engineering from Yeungnam University, Korea in 2002 and has been involved in various functions like Technical, New Projects & Plant Management and Planning.

Chairman - Nak Yong Lee
Chairman Lotte Pakistan PTA Limited and Managing Director of KP Chemical, subsidiary of Lotte. Mr Lee has been working with KP Chemical Corporation, based in South Korea, since 2001. He completed his B.A.D in Economics from Korea University in 1997 and has been involved in various fields like Production, Support, Plant Engineering and Purchasing.

Director - Neon Jung Kim
Mr Kim has been working with KP Chemical Corporation in Korea since 1991 after graduation (B.A.D in Economics) from Pusan National University in Korea.

Director - Tajammul H Bokhare

Mr Bokhare is the Head of Corporate Banking, North Lahore of National Bank of Pakistan. Mr Bukhare, A graduate from University of Punjab in Pakistan is registered with National Association of Securities Dealers and New York Stock Exchange. His illustrious career involves services at the Standard Chartered Bank for 25 years and Merill Lynch, Dubai for 3 years. Mr Bukharee's directorships also include Escort Investment Bank, Siemens Engineering Limited and Pak Electron Limited.

Director - Mohammad Qasim Khan

Mr Khan is currently Business Unit President for PepsiCo based in Hong Kong. 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. Qasim has an MBA Marketing from the US.

Director - Byung Yun Lim

Mr Lim is also Director Vision Team, International & New Business Division for Lotte Group. He started his career with Honam Petrochemical in 1989 and became Director Planning, KP Chemical in 2008. Mr Lim holds a Ph. D in Chemical Engineering from KAIST (Korea Advanced Institute of Science and Technology).

Director - Aliya Yusuf

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 and in the energy, pharmaceutical, communication and real estate development sector.

CHIEF EXECUTIVE'S MESSAGE
TO THE STAKEHOLDERS

I am pleased to write these lines at one of the most exciting and challenging times for the Company. It is indeed satisfying to note that in 2009 the Company produced its best ever financial results despite the gloom of the global economic situation.

With favourable trading conditions in the international PTA market, strong domestic demand and the management's sharp focus on overall costs, 2009 was a year in which all previous performances were beaten. Therefore, all benchmarks for production, sales, margins and fixed costs came out better than previous years and compared even to our own internal forecasts.

But this is not all that happened in 2009. It was also a year in which the Company embarked on a new identity with the change of its majority shareholders. The Company began the year as Pakistan PTA Limited and exited it as Lotte Pakistan PTA Limited – a significant change which required careful and sensible management. I am happy to note that the entire process was managed extremely well by the management team and was widely admired by all stakeholders. It is also satisfying to note that all management and non-management staff transited smoothly to the new owners.

The Company's new owner, KP Chemical Corporation is a subsidiary of Lotte Group from South Korea, which is a conglomerate with sales in excess of US$ 40 billion per annum and diverse interests in retail, hotel and tourism, petrochemicals, construction and many other sectors. The Lotte PPTA team is proud to have attracted this group to Pakistan and is keen to see them invest further in the country. The new owner has already announced capital projects worth $ 45 million to improve the cost base of the PTA business.

As we move into 2010, the main challenges for the Company will be maintaining our margins despite the impending energy cost increase as well as the expected hike in raw material pricing, finding the right avenues for future growth and delivering the capital projects to realise expected gains. The PTA tariff issue, as always, will remain an important area to be discussed and agreed with the Government of Pakistan.

I would like to end by taking the opportunity to thank all stakeholders – customers, suppliers, contractors, and business partners of any kind who have worked with Lotte PPTA during the year. Lastly my sincere gratitude to Lotte PPTA employees, who have worked diligently, stayed focused and remained passionate about the Company. We need to continue working hard to keep the momentum gained over the last year and make sure we attain long-term profitability despite the significant challenges ahead. It is one of the finest management teams in the country which has hopefully begun a new success story in 2009.

EXECUTIVE
MANAGEMENT TEAM

From left to right - Waheed U Khan, Qamar Haris Manzoor, Ali Aamir, Humair Ijaz, M Asif Saad, Adnan W Samdani and Mohammad Wasim.

Mohammad Asif Saad
Chief Executive

- Adnan W Samdani
  Corporate Strategy Manager
- Ali Aamir
  General Manager Finance & Company Secretary
- Humair Ijaz
  Commercial Manager
- Raja Waheed Ullah Khan
  Corporate Human Resource Manager
- Mohammad Wasim
  General Manager Projects
- Qamar Haris Manzoor
  General Manager Mannufacturing

BOARD & MANAGEMENT COMMITTEES WITH BRIEF TERMS OF REFERENCE

Audit committee
Terms of reference of the audit committee have been drawn up by the Board in compliance with the Listing 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. The committee controls and monitors the scope of the internal audit function, including powers and responsibilities forming part of its charter, apart from holding separate meetings with the Chief Financial Officer and internal and external auditors as required under the Listing Regulations to discuss and address issues of concern, if any.

The Chairman of the audit committee is an independent non-executive director, while its members comprise of one non-executive and one executive director. The Company Secretary acts as the secretary of the committee.

The committee met four times during 2009. Minutes of meetings are drawn up expeditiously and circulated for the information and consideration of the Board in the immediately succeeding Board meeting.

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.

Senior remuneration sub committee
The remuneration 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- executive and two executive directors. The corporate human resource manager acts as the secretary and the committee meets at least once a year.

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 six 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.

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
- Corporate identity
- Protecting intellectual property
- Internet use
- Business travel policy
- Prohibition on substance abuse

DIRECTORS' REPORT

Business overview

Year 2009 started on a cautious note, with most countries still embroiled in the financial crisis of the previous year. Macroeconomic indicators such as demand, employment and output remained depressed in most world economies. From a low of US$ 30 per barrel in December 2008, crude oil prices recovered steadily during the year to reach a high of US$ 80 per barrel in Q4 2009, primarily due to cut backs in crude oil production by OPEC and Russia and positive sentiment from various economic stimulus packages implemented in the United States of America and China.

The paraxylene (Px) market remained mostly firm throughout the year as low prices of crude oil during H1 2009 forced operating rates to be curtailed by refineries, making naphtha availability difficult. Heavy Px demand from the downstream sector during H2 2009 and delays in new plant start-ups in the Middle East created supply constraints, which kept prices firm. After touching a high of US$ 1200 per tonne CFR China in April 2009, the Px spot price closed the year at US$ 1,110 per tonne CFR China.

PTA demand in the region was determined to a large extent by the economic stimulus package implemented by the Government of China in 2009. This helped overall downstream industry demand to remain buoyant throughout the year. Furthermore, the delayed start-up in India of Mitsubishi's 800,000 tonnes per annum Haldia PTA plant created a shortage of the product in H2 2009 and Indian polyester manufacturers had to import PTA during the second half of the year. As a result of these factors, PTA demand and prices remained firm throughout the year, with the spot price peaking at US$ 990 per tonne CFR China in Q3 2009 and closing the year at US$ 899 per tonne CFR China.

The downstream sectors also benefited from the spending by governments in Asia. Despite its traditional export markets remaining depressed, the fiscal stimulus provided by the Chinese government for domestic consumption kept industry operating rates at about the same level as last year. During the year polyester staple fibre (PSF) ex-factory China price per tonne rose from a low in January of US$ 887 to US$ 1,261 in November, closing the year at US$ 1,202. Overall industry margins, however, were at lower levels than the previous year. The PET market in China was a mirror image of the fibre industry due to lack of growth in export markets for Asian producers such as the US and EU. The PET FOB China price per tonne rose from US$ 870 to a high of US$ 1,185 in August and closed the year at US$ 1,165.

In the domestic market the shutdown of the largest PSF manufacturer for the whole of 2009 allowed the other producers to operate at over 90% of their capacities. Downstream textile industry demand for PSF remained robust on the back of high cotton prices which, in turn, led to PSF prices rising from Rs 88/kg at the start of the year to Rs 124/kg by end December. As a result, PTA off-take in the PSF sector remained strong through most of the year. This was supplemented by domestic PET production which also remained strong in 2009 with the sole producer operating at nearly 100% of its capacity. PTA exports were undertaken as and when opportunities arose during the year.

Operations

Sales volume for the year at 505,687 tonnes was the highest ever achieved by the Company since its inception. This included 39,160 tonnes of PTA exports to China, India and Oman. Although the country's largest PSF producer remained completely shutdown during the year due to financial problems, overall domestic sales volume remained at the same level as last year mainly due to higher PTA off-take by the other PSF producers as well as the PET sector.

Production volume during the year recorded the best ever daily, monthly, quarterly and yearly levels. Moreover, plant availability and energy consumption also achieved the best ever levels to date. Production for the year at 506,750 tonnes was 127% of the nameplate capacity, 14% higher than 2008 and 7% higher compared to the previous non-overhaul year of 2006. This record production level was achieved despite several electricity outages and a 5 day shut down caused by a fire incident at a supplier's manufacturing facility in May 2009, resulting in non-availability of hydrogen and nitrogen gases.

Profit, finance & taxation

As a result of favourable trading conditions throughout the year, the Company recorded its highest ever profit before and after tax for any calendar year since start-up of operations. Net sales for the year were 14.7% higher than 2008 mainly due to highest ever sales volumes and higher average PTA price per tonne.

The cost of sales to net sales ratio improved from 97.4% in 2008 to 84.4% in 2009 mainly due to the PTA margin over Px being 49% higher than last year.

Distribution and selling expenses were higher than last year mainly due to outward freight and handling charges on account of exports to various countries, compared to there being no exports in 2008.

Other operating income was higher than last year mainly due to profit of Rs 261 million earned during the year on bank deposits and an insurance claim of Rs 178 million received on account of loss of profit related to a fire incident at a supplier's manufacturing facility.

Other operating expenses were Rs 425 million lower than last year mainly due to the reduction in exchange loss on account of the relative stability in the US$/Rs parity during 2009.

Financial charges were significantly lower than last year mainly due to strong cash flows from improved trading conditions and little or no utilization of financing facilities from banks.

Profit before taxation for the year was recorded at Rs 4,719 million compared to a loss before taxation of Rs 1,679 million in 2008. The effective rate of tax on the current year's profit is less than the statutory tax rate mainly due to the tax loss brought forward from 2008 for offset against taxable income for the current year.

Cash flow

The Company generated strong cash flows from operations and was able to meet its financial and capital expenditure requirements during the year. The current ratio as at 31 December 2009 stood at 1.66, compared to 0.91 in 2008, well above the 1.00 level required under the Prudential Regulations. Surplus cash, whenever available, was placed with various banks in short term call deposits.

Post balance sheet events

The Board has announced a final cash dividend of Rs. 0.50 per share for 2009 (2008: Nil), subject to the approval of the shareholders in the annual general meeting scheduled to be held on 25 March 2010.

Capital expenditure

The Company's capital expenditure programme for 2009 was aimed primarily at maintaining plant reliability, and improving asset availability. All capital projects planned for implementation in 2009 were successfully installed and commissioned.

The Board has approved a capital investment of US$ 40 million for the setting up of a 40 MW gas fired power co-generation plant at the Company's Port Qasim site in Karachi. Construction work on this project is expected to commence in early 2010. At present the machine vendor and the EPC contractor are being finalised and commissioning date is targeted for the end of 2011. In addition to ensuring uninterrupted electric power supply to the PTA plant, this project is also expected to generate savings in production cost.

Another project costing US$ 5 million, which was also sanctioned by the Board, entails the installation of a catalyst recovery unit to optimise the production process. This is expected to generate further savings in operating cost from 2011 onwards.

Contribution towards the economy

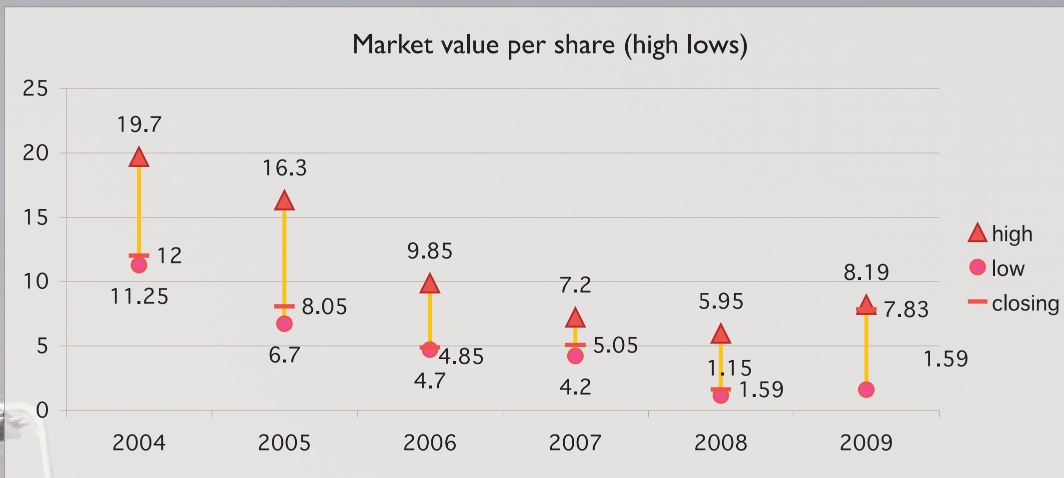
The Company paid Rs 477.2 million during the year to the national exchequer. Contribution to the economy as per value added statement amounts to Rs 1,912.5 million.

Shareholders' value

Market capitalization of the Company's stock as at 31 December 2009 was recorded at Rs 11.86 billion (2008: Rs 2.41 billion), with the price per share fluctuating from a high of Rs 8.19 to a low of Rs 1.59 and closing the year at Rs 7.83. Trading volumes for the Company's shares remained consistently high during the latter part of the year.

There were 21,208 holders of the Company's equity stock at the close of 2009. Closely held shares (i.e. those held by the sponsors, investment companies, financial institutions, foreign investors and other corporate bodies) amounted to 83.3% of the total share capital, including 75.01% held by foreign shareholders.

The detailed pattern of shareholding, as required under the Listing Regulations, has been appended to the Annual Report.

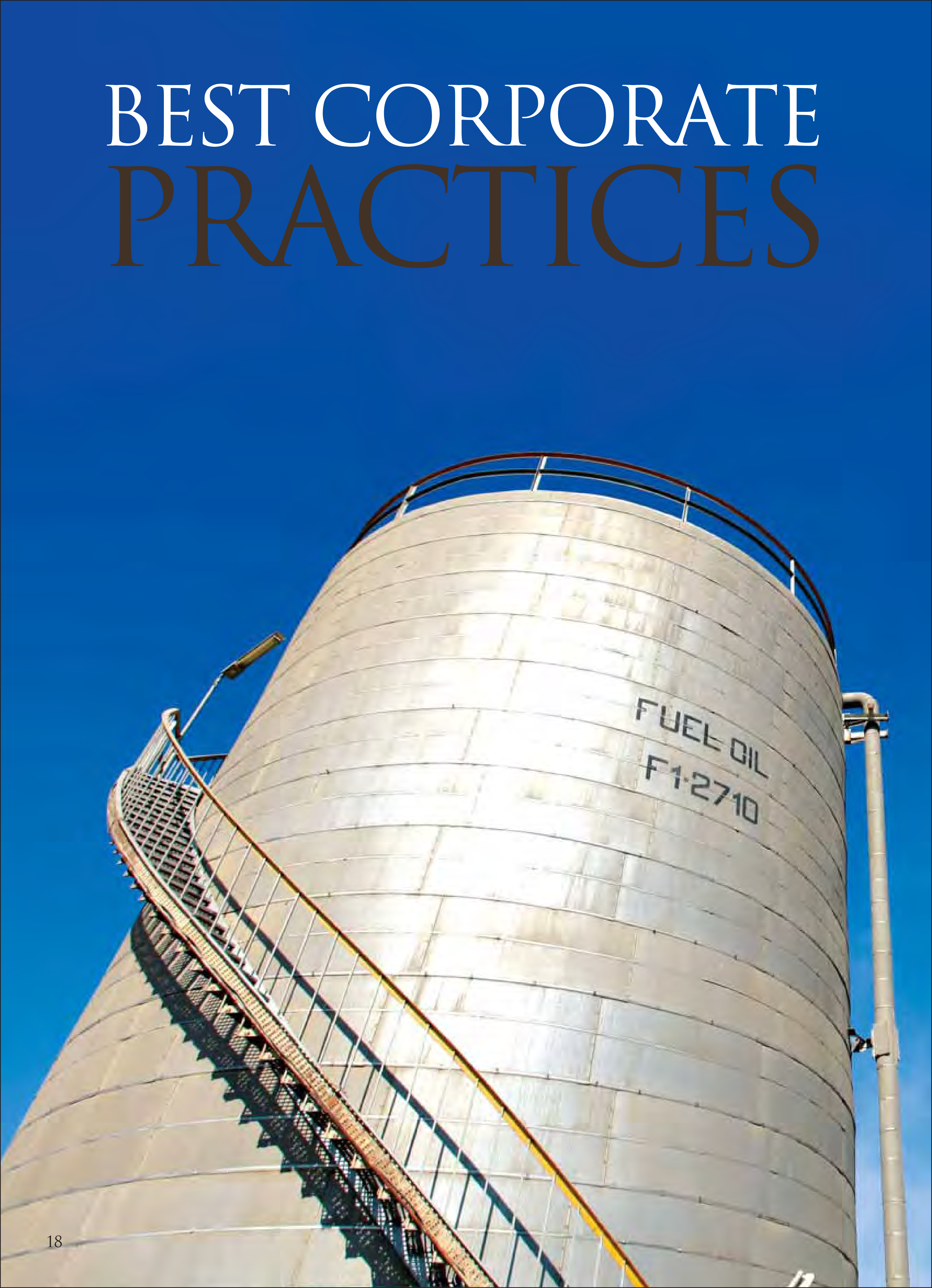


FUTURE OUTLOOK

The year 2009 has brought a welcome change to the PTA industry in the global market and this coincided with a number of decisions taken by the Company's management to produce an outstanding performance for the year. The favourable factors driving demand in the global market primarily emanated from the economic stimulus provided by various governments – especially China. It remains to be seen whether those governments continue such strategies in 2010 or decide to curtail the support given to various sectors. The polyester chain was also a beneficiary of the shortage of cotton which drove up demand for man-made fibres in 2009. This will be another important aspect going forward both in the regional as well as the key domestic markets for the Company. On the other hand, increased availability of Px closer to Pakistan augurs well for more competitive buying of the Company's main raw material in the coming years.

The Government of Pakistan has initiated a review of the tariff structure currently applicable in the polyester chain. The Company wishes to reiterate its position stated in earlier reports that the PTA industry is highly capital intensive and continuation of the existing tariff structure (customs duty on PTA at 7.5%, Px at 0% and Acetic Acid at 0%) is critical for its long term sustainability and development and also to mitigate the high infrastructure and other costs of doing business in Pakistan. In the event the existing tariff structure is changed to the detriment of the PTA industry, not only will existing operations be adversely impacted but it would also discourage capacity enhancement being considered by the Company's new majority shareholder.

BEST CORPORATE PRACTICES



Financial statements

Periodic financial statements of the Company were 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 Karachi Stock Exchange. After consideration and approval, the Board authorized the signing of financial statements for issuance and circulation. The half-yearly and annual financial statements were initialled 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 being circulated for consideration and approval by the shareholders, within two months from the end of the financial year. These statements have also been 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.

Governance & corporate culture

The activities of the Board were in line with 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.

No director is either a member of any stock exchange in Pakistan or engaged in the business of stock brokerage. Moreover, no director was involved in the external audit of the Company and none had any relationship with the Company's external auditors during the preceding two years. Remuneration and benefits of the Board, including the Chief Executive and other directors, are disclosed in note 34 to the financial statements, as determined under provisions of the articles of association of the Company.

Structure and the term of board of directors

The structure of the Board reflects an optimum combination of executive and non-executive directors. The Board comprises eight directors including the Chairman, Chief Executive, two executive and four non-executive directors. Interests of the minority shareholders, general public and government are represented by one independent non-executive director.

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 the election.

Training of directors

Foreign resident directors, including new incoming 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.

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 responsible 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 utilization of the Company's resources and effective implementation of internal controls.

SAFETY, HEALTH & ENVIRONMENT

The Company continues to uphold the highest safety standards, substantiated by an excellent safety record spread over 11 years without a Lost Time Case (LTC). All safety incidents and unsafe acts are reviewed with reference to behaviour, equipment and system deficiencies and actions required to address them are monitored at the executive level.

Given the Company's unwavering commitment towards safety, health and environment, an unblemished record of 32.21 million hours without LTC by employees and contractors, was achieved since the start-up of business operations up to 31 December 2009.

Emergency response team

The Company has organized a highly trained and professional emergency response team, well equipped to handle major emergencies like fire and toxic releases. Their expertise was demonstrated recently in two separate offsite fire incidents in the Port Qasim area when the team not only took control of the situation but was also able to minimise material damage to the affected premises.

SH&E Challenge 2010 and resource conservation

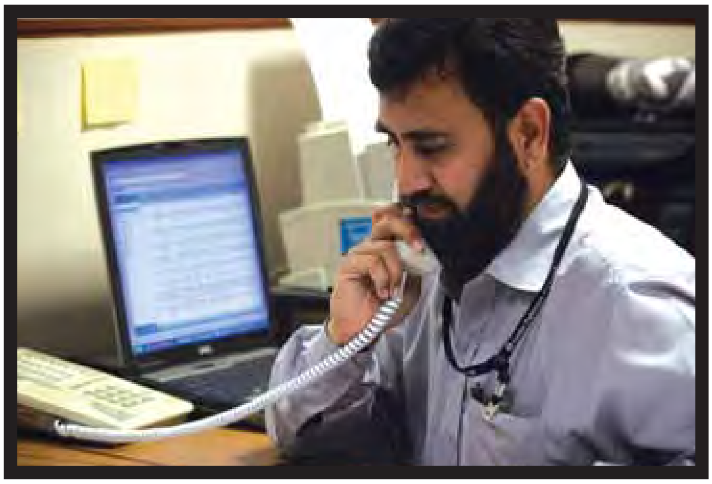
The Company understands growth and sustainability as "meeting the needs of the present without compromising the ability of future generations to meet their own needs."

Protecting the environment and preserving natural resources has always remained our top priority. Under the SH&E challenge program, annual targets are set, several projects are identified and actions are taken to conserve water, energy and reduce green house gas emissions and procedural wastes. Through these development projects over the years the Company has been able to maximize plant utilization and reduce unit consumption of energy.

Water conservation has also remained a focus area for the Company. To reduce fresh water consumption, treated effluent from the plant was processed for on site horticulture utilization during the year. In 2009, the company joined the Karachi Water Partnership, which is an organisation that promotes water conservation in households, industries, etc. Under this umbrella, Lotte PPTA plans to spread the message of conservation to the wider community.

HUMAN RESOURCES

A strong foundation of well established HR practices exists in the Company, with focus on enhancement of employees' management capability and providing growth and development opportunities to all, contributing to the Company's competitive advantage.



Our employees

Stability and sustainability were maintained in the organization throughout 2009. Permanent staff strength at the end of the year stood at 225 as compared to 217 in the previous year.

The new wage settlement agreement 2009-2010 was signed with Pakistan PTA Workers' Union in the first quarter of the year. Union/management relations continue to be cordial and industrial peace prevailed during the year under review.

Training activities

The Company is strongly committed towards investing in all employees, updating their skill set and providing them an opportunity to grow. In 2009, a state-of-the-art technical training centre was established at the plant site where a number of training events have been held for new and existing staff members.

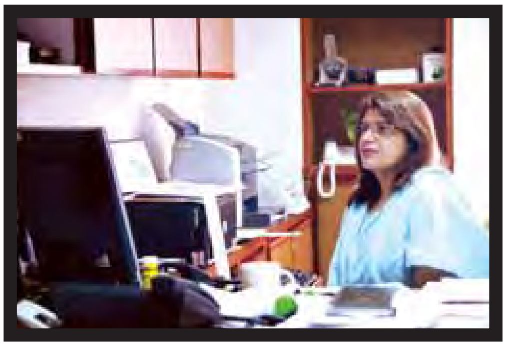
New hires

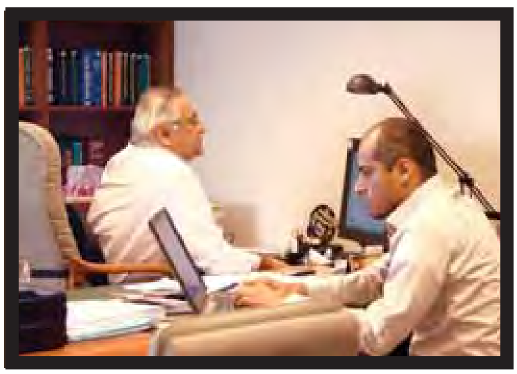
Road shows were undertaken to induct trainee engineers fully supported by in-house training facilities. Under this scheme, training assignments are given to fresh graduates from various technical and management universities and assessed on an in-house developed grid. The company is highly regarded as a premier training ground for young engineering graduates and it also has a regular internship program where students from leading universities are given four to six weeks on the job training during summer and winter breaks of educational institutions.

Education – the key to success

Permanent employees of the Company are provided opportunities to enhance their academic qualifications. At Lotte PPTA, staff can opt for an Executive MBA or take up evening MBA programs. Financial assistance in the form of tuition fee reimbursements is also available for selected employees as per Company policy.



CORPORATE SOCIAL RESPONSIBILITY

Lotte PPTA is dedicated to maintaining a high standard of corporate social responsibility. In pursuit of building and developing our community, the Company has undertaken various projects, some of which are:

EDUCATION

• Realizing the need and importance of education in our country, a local school was adopted in the vicinity of Ghagger Phatak. The Company has helped build the school infrastructure while also providing underprivileged children at the school with books, uniforms and everyday stationery.

• To diversify the scope and involvement in community welfare, the Company sponsored an entire classroom at Deaf Reach-School and training center for the deaf. The funds provided by the Company were utilized in educating the physically challenged and also for organizing extra-curricular activities.

HEALTHCARE

• Lotte Pakistan PTA has made substantial contribution to the healthcare sector. Some organizations which were presented with monetary support are as follows:

Agha Khan Hospital and Medical College Foundation
Cardiovascular Foundation
Memon Health and Educational Foundation
National Institute of Cardiovascular Diseases
Shaukat Khanum Memorial Cancer Hospital

• A blood donation camp was set up at plant premises in collaboration with Fatmid Foundation. The staff of the Company volunteered in great numbers to contribute to this noble cause.

ENVIRONMENT

• In pursuit of excellence in sustainable development, Lotte Pakistan PTA team carried out a 'beach cleaning' activity. The staff took time out from their busy schedules and collectively cleaned the sea view beach, showing their concern and care for the environment.

• The Company also launched a tree plantation project as a response to a bio-diversity survey conducted by World Wildlife Federation (WWF). Around 300 trees were planted in the vicinity of the plant site that previously lacked any such plantation. Furthermore, the Company in collaboration with WWF organizes a survey every third year to ensure the environment around the plant site remains unchanged.

SOCIAL WELFARE

• In keeping with its tradition of helping people in need, the staff of the Company voluntarily donated a portion of their salary to the Edhi Foundation to help the Internally Displaced Persons in the country. This amount was matched by an equivalent contribution by the Company. Our parent company, Lotte also donated US$ 100,000 to the Prime Minister's IDP Fund.

Furthermore, the Company has provided financial support to the following organizations over the year:

Al-Mustafa Trust
Behbud Association
St. Anthony's Chruch, Karachi
National Council for the Rehabilitation
Young Mazdyasnian Zoroastrian Association
Port Qasim Association of Trade and Industry

THE DIVERSITY OF OUR SOCIAL RESPONSIBILITY IS A TRUE REFLECTION OF OUR COMMITMENT AND DEDICATION TO HELP BUILD OUR NATION.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

• **The directors are pleased to confirm that:**

- 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 to the financial statements in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgments.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and departures therefrom, 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 historical data is given on page 31 of the Annual Report.**

The value of investments made by the staff retirement funds as per their respective audited financial statements for the year ended 31 December 2008, is as follows:

	Value (Rs 000)
Pakistan PTA Management Staff Provident Fund	74,026
Pakistan PTA Management Staff Pension Fund	18,583
Pakistan PTA Management Staff Gratuity Fund	61,188
Pakistan PTA Management Staff Defined Contribution Superannuation Fund	71,186
Pakistan PTA Non-Management Staff Provident Fund	3,562
Pakistan PTA Non-Management Staff Gratuity Fund	2,241

A total of five meetings of the Board were held during the year, the details of which, together with attendance by each director, are as follows:

Date of Board of Directors Meetings 2009	18 feb	28 Apr	27 Aug	25 Sep	26 Oct
Mr Nak Yong Lee **				✓	✓
Mr M Asif Saad	✓	✓	✓	✓	✓
Mr Neon Jung Kim **				✓	✓
Mr Oh Hun Im **				✓	✓
Mr Mohammad Qasim Khan **				✓	✓
Mr Byung Yun Lim **				X	X
Ms Aliya Yusuf **				✓	✓
Mr Tajammal H Bokharee	✓	✓	X	✓	✓
Mr Waqar A Malik *	✓	✓	✓		
Mr James R Rees *	✓	✓	X		
Mr Bart Kaster *	X	✓	X		
Mr Rafiq Akhund *	✓	✓	✓		
Mr Khalid Rafi *	✓	✓	X		
Mr Ali A Aga *	✓	✓	✓		

* Resigned w.e.f. 17 September 2009 ** Appointed w.e.f. 17 September 2009

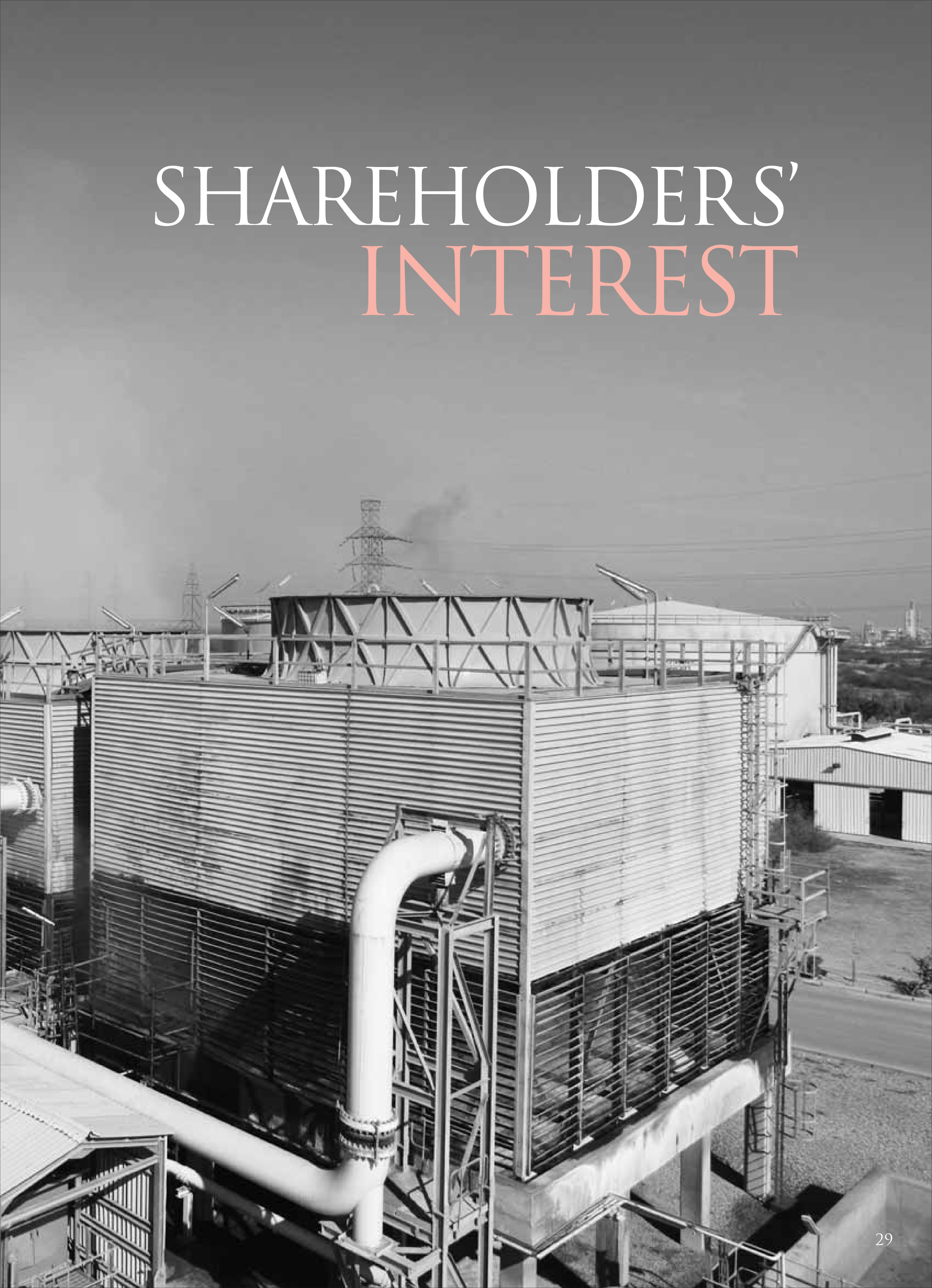
- The pattern of shareholdings in the Company as at 31 December 2009, is given on page 83 of the Annual Report. KP Chemical Corporation holds 75.01% shares, while the balance 24.99% shares are held by individuals and domestic and foreign institutions.

- The Directors, Chief Executive and Chief Financial Officer & Company Secretary 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 Nak Yong Lee, Mr Neon Jung Kim, Mr Mohammad Qasim Khan, Mr Oh Hun Im, Mr Byung Yun Lim and Ms Aliya Yusuf.

Auditors

The present auditors KPMG Taseer Hadi & Co. retire and offer themselves for re-appointment.

SHAREHOLDERS' INTEREST

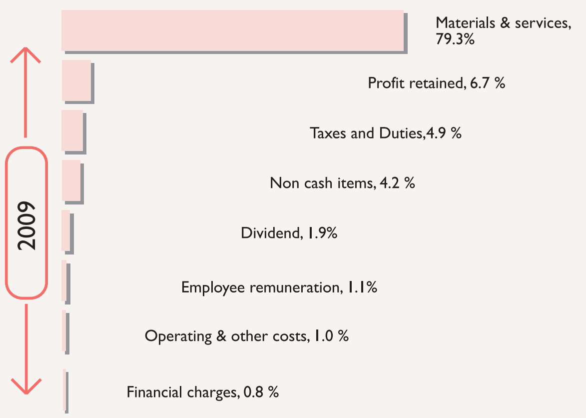


OUR VALUE ADDITION & ITS DISTRIBUTION

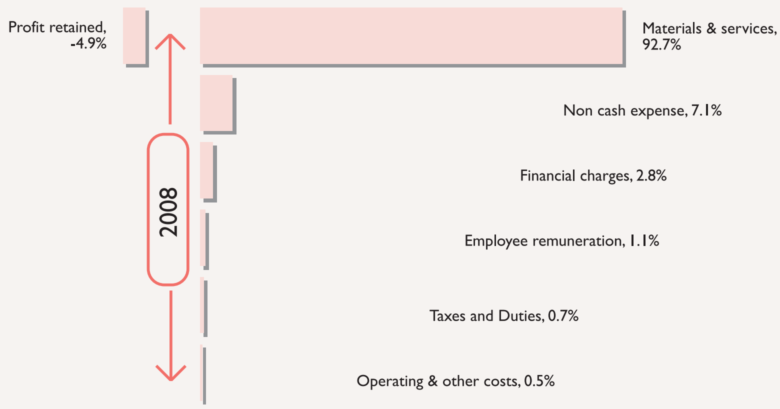
STATEMENT OF VALUE ADDED

	2009 Rs 000	%	2008 Rs 000	%
Gross revenue	38,552,257	98.8	35,975,240	99.6
Other income	478,838	1.2	153,776	0.4
Total value added	39,031,095	100.0	36,129,016	100.0
Value Distribution				
Materials and services	30,953,319	79.3	33,475,086	92.7
Employee remuneration and benefits	437,647	1.1	392,042	1.1
Government taxation and duties, as:				
Company taxation	1,335,970		81,775	
Infrastructure cess and other duties	226,800		176,800	
Worker's funds	349,761		-	
	1,912,531	4.9	258,575	0.7
Non cash expenses				
Depreciation	1,205,888		1,193,726	
Net exchange loss	447,372		1,374,967	
	1,653,260	4.2	2,568,693	7.1
Operating and other costs	382,263	1.0	165,957	0.5
Donations	1,472	0.0	1,631	0.0
Financial charges	307,330	0.8	1,027,497	2.8
Dividends	757,104	1.9	-	-
Profit / (loss) retained	2,626,169	6.7	(1,760,465)	(4.9)
Total	39,031,095	100.0	36,129,016	100.0

Distribution of Value added FY09



Distribution of Value added FY08



SIX YEARS AT A GLANCE

		2009	2008	2007	2006	2005	2004
PROFIT & LOSS SUMMARY							
Net sales	Rs. 000	37,773,532	32,936,220	28,467,346	28,561,939	25,951,929	22,001,975
Cost of sales	Rs 000	31,898,113	32,067,881	27,117,299	26,325,613	23,171,139	18,688,921
Gross profit	Rs 000	5,875,419	868,339	1,350,047	2,236,326	2,780,790	3,313,054
Distribution & selling	Rs 000	121,252	56,422	16,588	215,572	183,083	90,423
Administration expenses	Rs 000	215,709	201,069	160,907	180,002	173,145	214,211
Other expenses	Rs 000	990,723	1,415,817	108,887	289,431	161,400	789,881
Other income	Rs 000	478,838	153,776	169,015	84,175	299,427	48,812
Operating profit / (loss)	Rs 000	5,026,573	(651,193)	1,232,680	1,635,496	2,562,589	2,267,351
Financial charges	Rs 000	307,330	1,027,497	1,033,269	1,270,819	1,096,436	864,970
Profit/ (loss) before taxation	Rs 000	4,719,243	(1,678,690)	199,411	364,677	1,466,153	1,402,381
Provision for taxation	Rs 000	1,335,970	81,775	258,477	485,030	381,228	44,543
Profit/ (loss) after taxation	Rs 000	3,383,273	(1,760,465)	(59,066)	(120,353)	1,084,925	1,357,838
EBITDA	Rs 000	6,232,461	542,533	2,408,220	3,007,511	4,211,311	3,868,121
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	(7,694,009)	(11,077,282)	(9,316,817)	(9,257,751)	(8,948,198)	(9,756,765)
Long term loans	Rs 000	5,322,397	4,996,687	3,879,697	686,114	2,024,022	3,351,867
Current liabilities	Rs 000	5,750,627	5,666,835	7,103,252	10,805,441	9,337,734	10,646,129
Property, plant & equipment	Rs 000	9,335,514	9,952,791	10,745,850	11,704,801	12,757,340	13,842,955
Current assets	Rs 000	9,543,763	5,149,368	6,393,459	5,990,016	5,034,563	5,206,411
CASH FLOW SUMMARY							
Operating activities	Rs 000	7,051,345	542,405	1,170,553	1,644,021	2,367,060	2,450,956
Investing activities	Rs 000	(277,436)	(272,730)	(227,221)	(343,848)	(300,096)	(443,744)
Financing activities	Rs 000	(97,791)	(777,349)	(1,427,291)	(1,578,698)	(1,359,794)	(2,593,082)
Cash and cash equivalents at year end	Rs 000	5,437,940	(1,238,178)	(730,504)	(246,545)	31,980	(675,190)
KEY RATIOS							
Gross profit ratio	%	15.55	2.64	4.74	7.83	10.72	15.06
EBITDA margin to sales	%	16.50	1.65	8.46	10.53	16.23	17.58
Net profit margin	%	8.96	-5.35	-0.21	-0.42	4.18	6.17
ROE	%	45.41	-43.29	-1.01	-2.04	17.51	25.20
ROCE	%	25.78	-18.60	-0.58	-1.69	12.45	15.54
Inventory turnover	times	25.33	17.87	8.97	8.05	6.75	5.99
Inventory turnover in days	days	14.41	20.42	40.70	45.33	54.08	60.91
Debtor turnover	times	26.14	16.85	15.71	29.70	40.42	87.90
Average collection period	days	13.96	21.66	23.23	12.29	9.03	4.15
Creditors turnover	times	7.19	6.95	5.31	6.05	6.16	6.36
Payable turnover in days	days	50.77	52.52	68.80	60.28	59.25	57.39
Operating cycle	days	-22.40	-10.44	-4.87	-2.66	3.86	7.67
Total asset turnover	times	2.21	2.02	1.62	1.59	1.39	1.12
Fixed asset turnover	times	3.92	3.18	2.54	2.34	1.95	1.52
Current ratio	times	1.66	0.91	0.90	0.55	0.54	0.49
Quick ratio	times	1.37	0.59	0.49	0.16	0.18	0.06
Interest cover	times	16.36	-0.63	1.19	1.29	2.34	2.62
Debt equity ratio	times	1.54	2.72	1.97	2.04	1.91	2.60
SHARES & EARNINGS							
Price earnings ratio	times	3.50	-1.37	-129.46	-61.02	11.24	13.38
EPS	Rs	2.23	-1.16	-0.04	-0.08	0.72	0.90
Cash dividend per share	Rs	0.50	-	-	-	0.50	-
Dividend yield ratio	%	6.39	-	-	-	6.21	-
Dividend payout ratio	%	22.38	-	-	-	69.78	-
Dividend cover ratio	times	4.47	-	-	-	1.43	-
Breakup value per share (w/o surplus on revaluation of property, plant and equipment)	Rs	4.92	2.69	3.85	3.89	4.09	3.56
Breakup value per share (including surplus on revaluation of property, plant and equipment)	Rs	4.98	2.74	3.85	3.89	4.09	3.56
Market value per share - 31 December	Rs	7.83	1.59	5.05	4.85	8.05	12.00
Market value per share - High	Rs	8.19	5.95	7.20	9.85	16.3	19.70
Market value per share - Low	Rs	1.59	1.15	4.20	4.70	6.70	11.25
Market capitalization	Rs 000	11,856,242	2,407,589	7,646,746	7,343,905	12,189,367	18,170,486

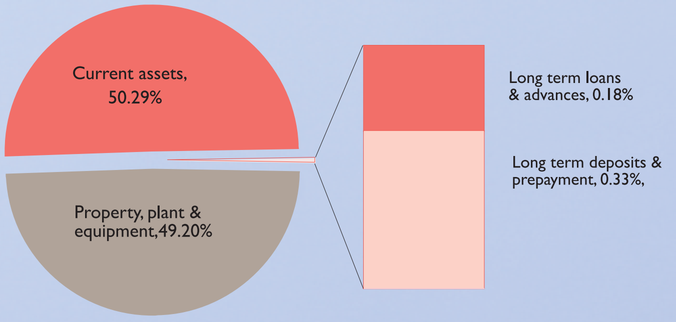
VERTICAL ANALYSIS

	2009		2008		2007		2006		2005		2004	
	(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	80%	15,142,072	99%	15,142,072	87%	15,142,072	85%	15,142,072	84%	15,142,072	78%
Capital reserves	2,345	0%	2,345	0%	2,345	0%	2,345	0%	2,345	0%	2,345	0%
Accumulated loss	(7,694,009)	-41%	(11,077,282)	-73%	(9,316,817)	-54%	(9,257,751)	-52%	(8,948,198)	-50%	(9,756,765)	-50%
Total Equity	7,450,408	39%	4,067,135	27%	5,827,600	34%	5,886,666	33%	6,196,219	34%	5,387,652	28%
Surplus on revaluation of property, plant and equipment	85,992	0%	85,992	1%	-	0%	-	0%	-	0%	-	0%
NON CURRENT LIABILITIES												
Long term loans	5,322,397	28%	4,996,687	33%	3,879,697	22%	686,114	4%	2,024,022	11%	3,351,867	17%
Liability against assets subject to finance lease	351,796	2%	400,188	3%	499,344	3%	533,767	3%	491,965	3%	-	0%
Deferred tax liability	5,141	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred liability	9,999	0%	6,073	0%	4,938	0%	3,836	0%	2,906	0%	2,071	0%
	5,689,333	30%	5,402,948	35%	4,383,979	25%	1,223,717	7%	2,518,893	14%	3,353,938	17%
CURRENT LIABILITIES												
Trade and other payables	4,972,671	26%	3,901,133	26%	5,326,922	31%	4,895,839	27%	3,800,007	21%	3,722,376	19%
Interest and mark – up accrued	137,175	1%	425,079	3%	205,641	1%	274,458	2%	224,495	1%	1,010,572	5%
Unclaimed dividend	2,374	0%	2,384	0%	2,422	0%	3,063	0%	-	0%	-	0%
Taxation payable	519,114	3%	-	0%	-	0%	56,047	0%	147,882	1%	-	0%
Short term financing	-	0%	1,254,624	8%	804,690	5%	4,148,823	23%	3,780,645	21%	4,572,434	24%
Current portion of:												
long term financing	-	0%	-	0%	692,382	4%	1,372,228	8%	1,349,348	7%	1,340,747	7%
liability against assets subject to finance lease	119,293	1%	83,615	1%	71,195	0%	54,983	0%	35,357	0%	-	0%
	5,750,627	30%	5,666,835	37%	7,103,252	41%	10,805,441	60%	9,337,734	52%	10,646,129	55%
TOTAL EQUITY AND LIABILITIES	18,976,360	100%	15,222,910	100%	17,314,831	100%	17,915,824	100%	18,052,846	100%	19,387,719	100%
NON CURRENT ASSETS												
Property, plant & equipment	9,335,514	49%	9,952,791	65%	10,745,850	62%	11,704,801	65%	12,757,340	71%	13,842,955	71%
Long term loans & advances	34,497	0%	44,723	0%	38,431	0%	30,581	0%	27,508	0%	22,885	0%
Long term deposits & prepayments	62,586	0%	41,721	0%	40,624	0%	40,662	0%	74,221	0%	108,377	1%
Deferred tax asset-net		0%	34,307	0%	96,467	1%	149,764	1%	159,214	1%	207,091	1%
	9,432,597	50%	10,073,542	66%	10,921,372	63%	11,925,808	67%	13,018,283	72%	14,181,308	73%
CURRENT ASSETS												
Stores and spares	400,715	2%	548,868	4%	584,917	3%	528,687	3%	539,847	3%	574,291	3%
Stock in trade	1,273,922	7%	1,244,313	8%	2,344,637	14%	3,703,077	21%	2,835,633	16%	4,030,551	21%
Deposits and short term prepayments	49,150	0%	74,891	0%	166,240	1%	170,171	1%	242,550	1%	154,169	1%
Taxation recoverable		0%	345,429	2%	8,003	0%	-	0%	-	0%	120,822	1%
Trade debts	1,800,772	9%	1,089,614	7%	2,818,667	16%	804,809	4%	1,118,691	6%	165,270	1%
Loans and advances	26,233	0%	27,020	0%	37,769	0%	29,605	0%	30,505	0%	40,682	0%
Other receivables	555,031	3%	1,802,787	12%	359,040	2%	695,964	4%	235,184	1%	99,006	1%
Cash and bank balances	5,437,940	29%	16,446	0%	74,186	0%	57,703	0%	32,153	0%	21,620	0%
	9,543,763	50%	5,149,368	34%	6,393,459	37%	5,990,016	33%	5,034,563	28%	5,206,411	27%
TOTAL ASSETS	18,976,360	100%	15,222,910	100%	17,314,831	100%	17,915,824	100%	18,052,846	100%	19,387,719	100%
PROFIT AND LOSS ACCOUNT												
Turnover	38,552,257	102%	35,975,240	109%	31,103,684	109%	30,815,350	108%	28,424,844	110%	26,953,240	123%
Price settlement and discounts	778,725	2%	3,039,020	9%	2,636,338	9%	2,253,411	8%	2,472,915	10%	4,951,265	23%
Net sales	37,773,532	100%	32,936,220	100%	28,467,346	100%	28,561,939	100%	25,951,929	100%	22,001,975	100%
Cost of sales	31,898,113	84%	32,067,881	97%	27,117,299	95%	26,325,613	92%	23,171,139	89%	18,688,921	85%
Gross profit	5,875,419	16%	868,339	3%	1,350,047	5%	2,236,326	8%	2,780,790	11%	3,313,054	15%
Distribution and selling expense	121,252	0%	56,422	0%	16,588	0%	215,572	1%	183,083	1%	90,423	0%
Administration expense	215,709	1%	201,069	1%	160,907	1%	180,002	1%	173,145	1%	214,211	1%
Other operating expenses	990,723	3%	1,415,817	4%	108,887	0%	289,431	1%	161,400	1%	789,881	4%
Other operating income	478,838	1%	153,776	0%	169,015	1%	84,175	0%	299,427	1%	48,812	0%
Operating profit / (loss)	5,026,573	13%	(651,193)	-2%	1,232,680	4%	1,635,496	6%	2,562,589	10%	2,267,351	10%
Financial charges	307,330	1%	1,027,497	3%	1,033,269	4%	1,270,819	4%	1,096,436	4%	864,970	4%
Profit / (loss) before taxation	4,719,243	12%	(1,678,690)	-5%	199,411	1%	364,677	1%	1,466,153	6%	1,402,381	6%
Taxation	1,335,970	4%	81,775	0%	258,477	1%	485,030	2%	381,228	1%	44,543	0%
Profit / (loss) after taxation	3,383,273	9%	(1,760,465)	-5%	(59,066)	0%	(120,353)	0%	1,084,925	4%	1,357,838	6%

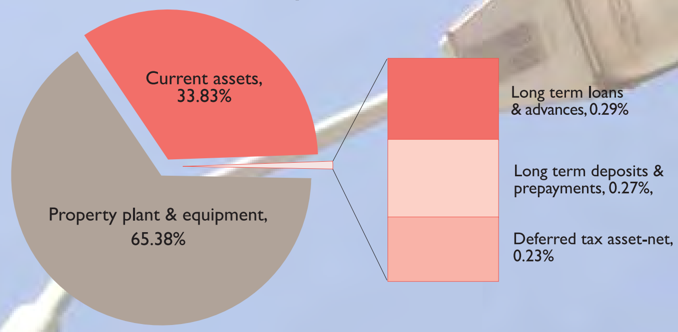
HORIZONTAL ANALYSIS

	2009 (Rs '000)	%	2008 (Rs '000)	%	2007 (Rs '000)	%	2006 (Rs '000)	%	2005 (Rs '000)	%	2004 (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	(7,694,009)	79%	(11,077,282)	114%	(9,316,817)	95%	(9,257,751)	95%	(8,948,198)	92%	(9,756,765)	100%
Surplus on revaluation of property, plant and equipment	85,992		85,992		-		-		-		-	
NON CURRENT LIABILITIES												
Long term loans	5,322,397	159%	4,996,687	149%	3,879,697	116%	686,114	20%	2,024,022	60%	3,351,867	100%
Liability against assets subject to finance lease	351,796		400,188		499,344		533,767		491,965		-	
Deferred tax liability	5,141		-		-		-		-		-	
Deferred liability	9,999	483%	6,073	293%	4,938	238%	3,836	185%	2,906	140%	2,071	100%
CURRENT LIABILITIES												
Trade and other payables	4,972,671	134%	3,901,133	105%	5,326,922	143%	4,895,839	132%	3,800,007	102%	3,722,376	100%
Interest and mark – up accrued	137,175	14%	425,079	42%	205,641	20%	274,458	27%	224,495	22%	1,010,572	100%
Unclaimed dividend	2,374		2,384		2,422		3,063		-		-	
Taxation payable	519,114		-		-		56,047		147,882		-	
Short term borrowings	-	0%	1,254,624	27%	804,690	18%	4,148,823	91%	3,780,645	83%	4,572,434	100%
Current portion of:												
Long term financing	-	0%	-	0%	692,382	52%	1,372,228	102%	1,349,348	101%	1,340,747	100%
Liability against assets subject to finance lease	119,293		83,615		71,195		54,983		35,357		-	
TOTAL EQUITY AND LIABILITIES	18,976,360	98%	15,222,910	79%	17,314,831	89%	17,915,824	92%	18,052,846	93%	19,387,719	100%
NON CURRENT ASSETS												
Property, plant & equipment	9,335,514	67%	9,952,791	72%	10,745,850	78%	11,704,801	85%	12,757,340	92%	13,842,955	100%
Long term loans & advances	34,497	151%	44,723	195%	38,431	168%	30,581	134%	27,508	120%	22,885	100%
Long term deposits & prepayments	62,586	58%	41,721	38%	40,624	37%	40,662	38%	74,221	68%	108,377	100%
Deferred tax asset-net	-	0%	34,307	17%	96,467	47%	149,764	72%	159,214	77%	207,091	100%
CURRENT ASSETS												
Stores and spares	400,715	70%	548,868	96%	584,917	102%	528,687	92%	539,847	94%	574,291	100%
Stock in trade	1,273,922	32%	1,244,313	31%	2,344,637	58%	3,703,077	92%	2,835,633	70%	4,030,551	100%
Deposits and prepayments	49,150	32%	74,891	49%	166,240	108%	170,171	110%	242,550	157%	154,169	100%
Taxation recoverable	-	0%	345,429	286%	8,003	7%	-	0%	-	0%	120,822	100%
Trade debts	1,800,772	1090%	1,089,614	659%	2,818,667	1705%	804,809	487%	1,118,691	677%	165,270	100%
Loans and advances	26,233	64%	27,020	66%	37,769	93%	29,605	73%	30,505	75%	40,682	100%
Other receivables	555,031	561%	1,802,787	1821%	359,040	363%	695,964	703%	235,184	238%	99,006	100%
Cash and bank balances	5,437,940	25152%	16,446	76%	74,186	343%	57,703	267%	32,153	149%	21,620	100%
TOTAL ASSETS	18,976,360	98%	15,222,910	79%	17,314,831	89%	17,915,824	92%	18,052,846	93%	19,387,719	100%
PROFIT AND LOSS ACCOUNT												
Net sales	37,773,532	172%	32,936,220	150%	28,467,346	129%	28,561,939	130%	25,951,929	118%	22,001,975	100%
Cost of sales	31,898,113	171%	32,067,881	172%	27,117,299	145%	26,325,613	141%	23,171,139	124%	18,688,921	100%
Gross profit	5,875,419	177%	868,339	26%	1,350,047	41%	2,236,326	68%	2,780,790	84%	3,313,054	100%
Distribution and selling expense	121,252	134%	56,422	62%	16,588	18%	215,572	238%	183,083	202%	90,423	100%
Administration expense	215,709	101%	201,069	94%	160,907	75%	180,002	84%	173,145	81%	214,211	100%
Other operating expenses	990,723	125%	1,415,817	179%	108,887	14%	289,431	37%	161,400	20%	789,881	100%
Other operating income	478,838	981%	153,776	315%	169,015	346%	84,175	172%	299,427	613%	48,812	100%
Operating profit / (loss)	5,026,573	222%	(651,193)	-29%	1,232,680	54%	1,635,496	72%	2,562,589	113%	2,267,351	100%
Financial charges	307,330	36%	1,027,497	119%	1,033,269	119%	1,270,819	147%	1,096,436	127%	864,970	100%
Profit / (loss) before taxation	4,719,243	337%	(1,678,690)	-120%	199,411	14%	364,677	26%	1,466,153	105%	1,402,381	100%
Taxation	1,335,970	2999%	81,775	184%	258,477	580%	485,030	1089%	381,228	856%	44,543	100%
Profit / (loss) after taxation	3,383,273	249%	(1,760,465)	-130%	(59,066)	-4%	(120,353)	-9%	1,084,925	80%	1,357,838	100%

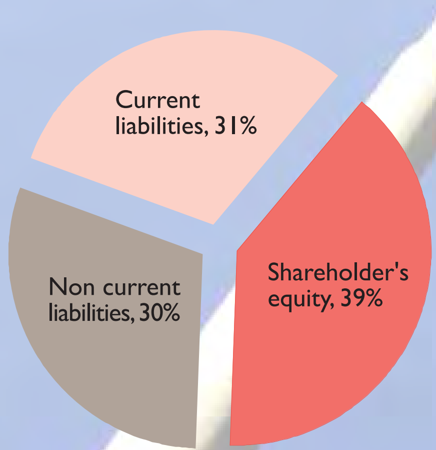
Balance sheet composition 2009



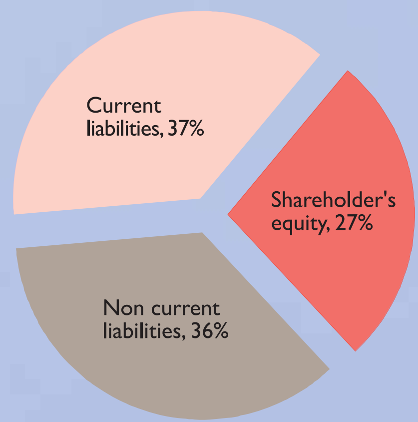
Balance sheet composition 2008



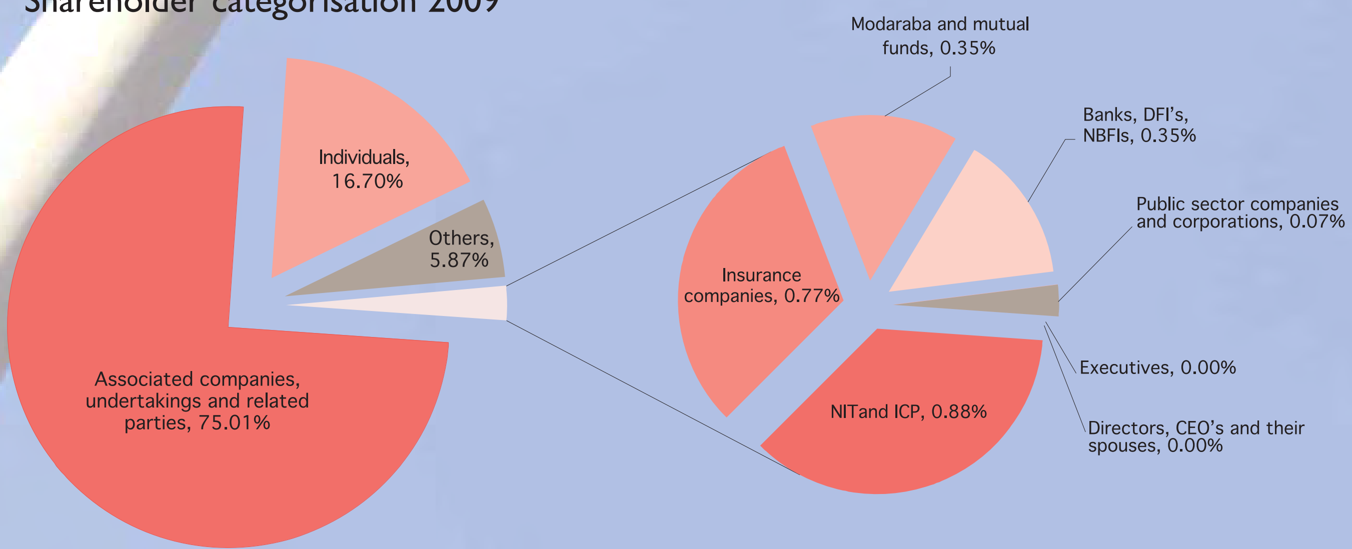
Balance sheet composition 2009

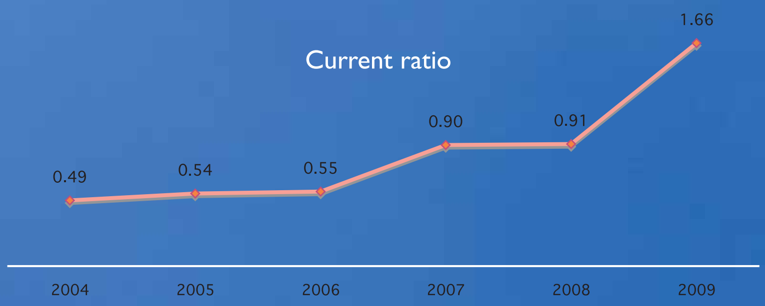


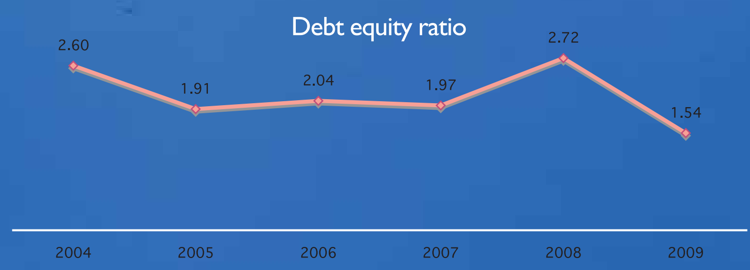
Balance sheet composition 2008

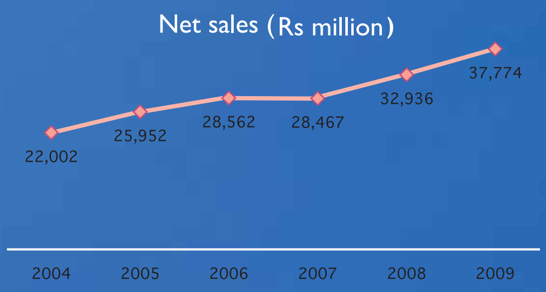


Shareholder categorisation 2009

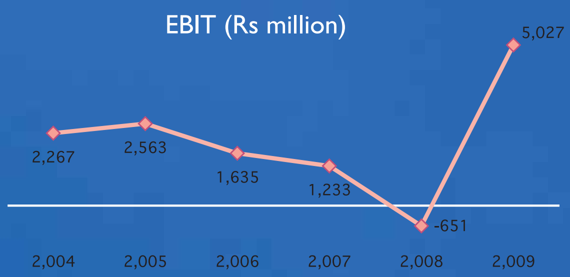


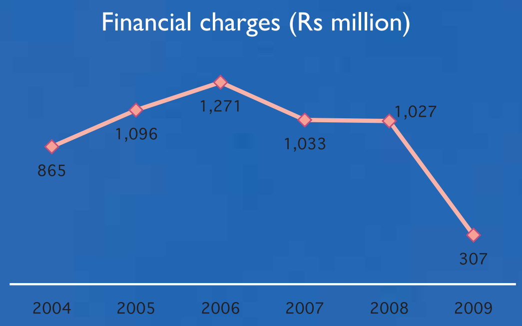

Current ratio
0.49
0.54
0.55
0.90
0.91
1.66
2004
2005
2006
2007
2008
2009

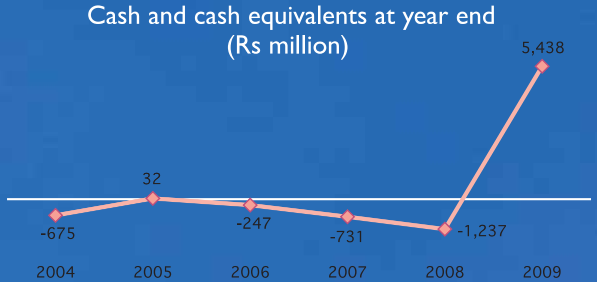

Debt equity ratio
2.60
1.91
2.04
1.97
2.72
1.54
2004
2005
2006
2007
2008
2009

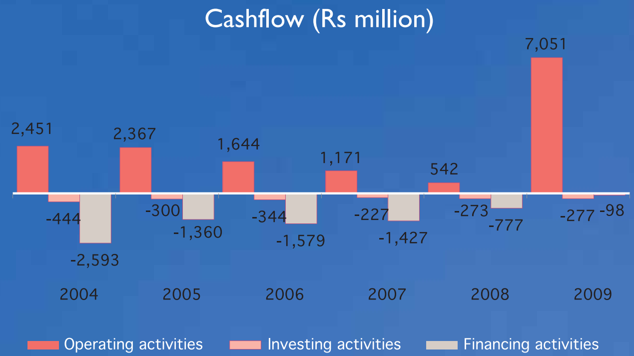

Net sales (Rs million)
22,002
25,952
28,562
28,467
32,936
37,774
2004
2005
2006
2007
2008
2009


Gross profit ratio
15%
11%
8%
5%
3%
16%
2004
2005
2006
2007
2008
2009


EBIT (Rs million)
2,267
2,563
1,635
1,233
-651
5,027
2,004
2,005
2,006
2,007
2,008
2,009

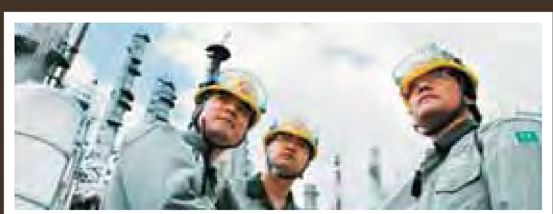

Financial charges (Rs million)
865
1,096
1,271
1,033
1,027
307
2004
2005
2006
2007
2008
2009


Cash and cash equivalents at year end
(Rs million)
-675
32
-247
-731
-1,237
5,438
2004
2005
2006
2007
2008
2009


Cashflow (Rs million)
2,451
-444
-2,593
2,367
-300
-1,360
1,644
-344
-1,579
1,171
-227
-1,427
542
-273
-777
7,051
-277
-98
2004
2005
2006
2007
2008
2009
Operating activities
Investing activities
Financing activities

ABOUT LOTTE

With a strong belief in contributing to the nation and society through commerce, Lotte officially entered the food business when in founded Lotte Confectionary in 1967. Throughout the following decade, Lotte continued to expand its food business. Then after establishing some of the nation's top hotels and department stores, it became a leader in the domestic retail and tourism industries as well. Lotte has since extended its reach into key industries such as construction and petrochemical. Lotte has made bold investments in the global marketplace in the 1990s, laying the groundwork for it to become a competitive global corporation. In the past decade, it has been able to grow into one of Korea's largest conglomerate, as it has embraced a variety of industries such as food, retail, tourism, petrochemical, construction, manufacturing, finance and service.



LOTTE

FOODS
LOTTE CONFECTIONERY
LOTTE CHILSUNG BEVERAGE
LOTTE LIQUOR BG
LOTTE ASAHI LIQUOR
LOTTE SAMKANG
LOTTERIA
T.G.I. FRIDAY'S DIVISION
ANGEL-IN-US DIVISION
KRISPY KREME DOUGHNUTS
LOTTE HAM
LOTTE FRESH DELICA
LOTTE BOULANGERIE
LOTTE PHARMACEUTICAL
WELLGA
LOTTE MERCHANDISING
SERVICE CENTER (LOTTE LHP)

TOURISM
LOTTE HOTEL
BUSAN LOTTE HOTEL
LOTTE CITY HOTEL
LOTTE DUTY FREE
LOTTE WORLD
LOTTE MOOLSAN
CHARLOTTE THEATER
LOTTE JEJU RESORT
LOTTE BUYEO RESORT
LOTTE JTB
LOTTE SKYHILL C.C

RETAIL
LOTTE DEPARTMENT STORE
LOTTE MART
LOTTE SUPER
LOTTE CINEMA Æ
LOTTE ENTERTAINMENT
LOTTE.COM
LOTTE HOME SHOPPING
KOREA SEVEN
FRL KOREA

FINANCE
LOTTE CARD
LOTTE INSURANCE
LOTTE CAPITAL

PETROCHEMICAL CONSTRUCTION MANUFACTURING
HONAM PETROCHEMICAL
KP CHEMICAL & KP CHEMTECH
DAESAN MMA
LOTTE ENGINEERING & CONSTRUCTION
LOTTE E&C CM DIVISION
CANON KOREA BUSINESS SOLUTIONS
KOREA FUJIFILM
LOTTE ALUMINIUM
LOTTE ENGINEERING & MACHINERY MFG.
LOTTE PAKISTAN PTA LIMITED

SERVICE
R&D
SUPPORT
LOTTE DATA
COMMUNICATION COMPANY
LOTTE INTERNATIONAL
DAEHONG COMMUNICATIONS
LOTTE ASSET DEVELOPMENT
LOTTE LOGISTICS
KI BANK
LOTTE R&D CENTER
LOTTE ECONOMIC
RESEARCH INSTITUTE
LOTTE ACADEMY
LOTTE SCHOLARSHIP FOUNDATION
LOTTE WELFARE FOUNDATION
LOTTE GIANTS

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

ASIA TOP10 GLOBAL GROUP

FINANCIAL STATEMENTS

Review report to the members on statement of compliance with best practices of code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Lotte Pakistan PTA Limited** (formerly Pakistan PTA Limited) to comply with the listing regulations of the respective 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 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 control covers all controls and the effectiveness of such internal controls.

Further sub-regulation (xiii) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular no. KSE/N-269 dated January 19, 2009 requires 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 of Compliance 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 2009.

KPMG Taseer Hadi & Co.

Date: January 28, 2010
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

Statement of compliance with the code of corporate governance
For the year ended 31 December 2009

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the stock exchanges 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 non-executive directors and independent directors representing minority interests on its Board of Directors. At present, the Board includes five non-executive and three executive Directors.

2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

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 banking company, a DFI or an NBFI. None of the Directors is a member of a stock exchanges on which the Company's shares are listed.

4. Pursuant to the acquisition of 75.01% of shares of the Company by KP Chemical Corporation six casual vacancies occurred in the Board on 17 September 2009, which were filled on the same date by six nominee directors (including the Chairman) of KP Chemical Corporation.

5. The Board of Directors of the Company had adopted a Code of Conduct on 23 October 2008, which, after review by the Company's new Board, will be circulated to all employees of the Company.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company at its meeting held on 25 February 2003, which are circulated to the employees of the Company every year. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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, have been taken by the Board.

8. All the meetings of the Board were presided over by the Chairman 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. 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.

10. No new appointments have been made during the year for Chief Financial Officer, Company Secretary and Head of Internal Audit.

11. The Directors' report for the year ended 31 December 2009 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.

Statement of compliance with the code of corporate governance
For the year ended 31 December 2009

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.

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, two of whom are non-executive Directors. The chairman of the Committee is an independent non-executive Director. The Board has also formed a Senior Remuneration Committee comprising two executive and two non-executive Directors and a Shares Sub-Committee, comprising one non-executive and two executive Directors.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of quarterly, half yearly and full year 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 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.

18. 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 code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. 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.

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

21. We confirm that all other material principles contained in the Code have been complied with.

Nak Yong Lee
Chairman

M Asif Saad
Chief Executive

Date: January 28, 2010
Karachi

Auditors' Report to the Members

We have audited the annexed balance sheet of **Lotte Pakistan PTA Limited** (formerly Pakistan PTA Limited) as at 31 December 2009 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 account 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 account and are further in accordance with accounting policies consistently applied except for the change as described in note 3.3 to the financial statements with which we concur;

   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 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

KPMG Taseer Hadi & Co.

Date: January 28, 2010
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

Balance Sheet
as at 31 December 2009

Amounts in Rs '000

	Note	2009	2008
Share capital and reserves			
Authorised capital 2,000,000,000 (2008: 2,000,000,000) ordinary shares of Rs 10 each		**20,000,000**	20,000,000
Issued, subscribed and paid-up capital	4	**15,142,072**	15,142,072
Capital reserves	5	**2,345**	2,345
Accumulated loss		**(7,694,009)**	(11,077,282)
Total equity		**7,450,408**	4,067,135
Surplus on revaluation of property, plant and equipment	6	**85,992**	85,992
Non-current liabilities			
Long-term loans	7	**5,322,397**	4,996,687
Liability against assets subject to finance lease	8	**351,796**	400,188
Deferred tax liability	17	**5,141**	-
Deferred liability	9	**9,999**	6,073
Total non-current liabilities		**5,689,333**	5,402,948
Current liabilities			
Trade and other payables	10	**4,972,671**	3,901,133
Accrued interest / mark-up on loans	11	**137,175**	425,079
Taxation payable		**519,114**	-
Unclaimed dividend		**2,374**	2,384
Short-term financing	12	**-**	1,254,624
Current portion of liability against assets subject to finance lease	8	**119,293**	83,615
Total current liabilities		**5,750,627**	5,666,835
Contingencies and commitments	13		
Total equity and liabilities		**18,976,360**	15,222,910

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

Balance Sheet
as at 31 December 2009

Amounts in Rs '000

	Note	2009	2008
Non-current assets			
Property, plant and equipment	14	**9,335,514**	9,952,791
Long-term loans and advances	15	**34,497**	44,723
Long-term deposits and prepayments	16	**62,586**	41,721
Deferred tax asset	17	**-**	34,307
Total non-current assets		**9,432,597**	10,073,542
Current assets			
Stores and spares	18	**400,715**	548,868
Stock-in-trade	19	**1,273,922**	1,244,313
Deposits and short-term prepayments	20	**49,150**	74,891
Taxation recoverable		**-**	345,429
Trade debts	21	**1,800,772**	1,089,614
Loans and advances	22	**26,233**	27,020
Other receivables	23	**555,031**	1,802,787
Cash and bank balances	24	**5,437,940**	16,446
Total current assets		**9,543,763**	5,149,368
Total assets		**18,976,360**	15,222,910

Nak Yong Lee
Chairman

M Asif Saad
Chief Executive

Profit and Loss Account
For the year ended 31 December 2009

Amounts in Rs '000

	Note	2009	2008
Turnover	25	**38,552,257**	35,975,240
Price settlements and discounts		**(778,725)**	(3,039,020)
Net sales		**37,773,532**	32,936,220
Cost of sales	26	**(31,898,113)**	(32,067,881)
Gross profit		**5,875,419**	868,339
Distribution and selling expenses	27	**(121,252)**	(56,422)
Administration expenses	28	**(215,709)**	(201,069)
Other operating income	29	**478,838**	153,776
Other operating expenses	30	**(990,723)**	(1,415,817)
		(848,846)	(1,519,532)
		5,026,573	(651,193)
Financial charges	31	**(307,330)**	(1,027,497)
Profit / (loss) before taxation		**4,719,243**	(1,678,690)
Taxation	32	**(1,335,970)**	(81,775)
Profit / (loss) after taxation		**3,383,273**	(1,760,465)
		Rupees	
Earnings / (loss) per share - basic and diluted	33	**2.23**	(1.16)

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

Nak Yong Lee
Chairman

M Asif Saad
Chief Executive

Statement of Comprehensive Income
For the year ended 31 December 2009

	Amounts in Rs '000	
	2009	2008
Profit / (loss) after taxation	**3,383,273**	(1,760,465)
Other comprehensive income	-	-
Total comprehensive income	**3,383,273**	(1,760,465)

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

Nak Yong Lee
Chairman

M Asif Saad
Chief Executive

Cash Flow Statement
For the year ended 31 December 2009

Amounts in Rs '000

	2009	2008
Cash flows from operating activities		
Profit / (loss) before taxation	**4,719,243**	(1,678,690)
Adjustments for:		
Depreciation	**1,205,888**	1,193,726
Loss on sale / retirement of property, plant and equipment	**5,835**	4,358
Provision for staff retirement benefit scheme - unfunded	**4,000**	1,221
Financial charges	**307,330**	1,027,497
Unrealised exchange loss (net)	**410,777**	1,091,292
Profit on bank deposits	**(260,800)**	-
	6,392,273	1,639,404
Movement in:		
Working capital	**1,464,074**	97,988
Long-term loans and advances	**10,226**	(6,292)
Long-term deposits and prepayments	**(20,865)**	(1,097)
	1,453,435	90,599
Cash generated from operations	**7,845,708**	1,730,003
Payments for:		
Financial charges	**(595,234)**	(784,168)
Staff retirement benefit scheme - unfunded	**(74)**	(86)
Taxation	**(431,979)**	(403,344)
	(1,027,287)	(1,187,598)
Profit received from bank deposits	**232,924**	-
Net cash generated from operating activities	**7,051,345**	542,405
Cash flows from investing activities		
Payments for capital expenditure	**(277,436)**	(280,088)
Proceeds from sale of property, plant and equipment	**-**	7,358
Net cash used in investing activities	**(277,436)**	(272,730)
Net cash flows before financing activities	**6,773,909**	269,675

Cash Flow Statement
For the year ended 31 December 2009

Amounts in Rs '000

	2009	2008
Net cash flows before financing activities	**6,773,909**	269,675
Cash flows from financing activities		
Long-term loan repayment	**-**	(695,389)
Payments for liability against assets subject to finance lease	**(97,781)**	(81,922)
Dividend paid	**(10)**	(38)
Net cash used in financing activities	**(97,791)**	(777,349)
Net increase / (decrease) in cash and cash equivalents	**6,676,118**	(507,674)
Cash and cash equivalents at 1 January	**(1,238,178)**	(730,504)
Cash and cash equivalents at 31 December	**5,437,940**	(1,238,178)

Movement in working capital

	2009	2008
(Increase) / decrease in current assets:		
Stores and spares	**64,112**	36,049
Stock-in-trade	**(29,609)**	1,100,324
Trade debts	**(711,158)**	1,729,053
Loans and advances	**787**	10,749
Deposits and short-term prepayments	**25,741**	91,349
Other receivables	**1,275,632**	(1,443,747)
	625,505	1,523,777
Increase / (decrease) in trade and other payables	**838,569**	(1,425,789)
	1,464,074	97,988

Cash and cash equivalents

	2009	2008
Cash and cash equivalents include:		
Cash and bank balances - note 24	**5,437,940**	16,446
Running finance - note 12	-	(1,254,624)
	5,437,940	(1,238,178)

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

Nak Yong Lee
Chairman

M Asif Saad
Chief Executive

Statement of Changes in Equity
For the year ended 31 December 2009

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total equity
Balance as at 1 January 2008	15,142,072	2,345	(9,316,817)	5,827,600
Loss for the year ended 31 December 2008	-	-	(1,760,465)	(1,760,465)
Balance as at 31 December 2008	15,142,072	2,345	(11,077,282)	4,067,135
Profit for the year ended 31 December 2009	-	-	3,383,273	3,383,273
Balance as at 31 December 2009	**15,142,072**	**2,345**	**(7,694,009)**	**7,450,408**

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

Nak Yong Lee
Chairman

M Asif Saad
Chief Executive

1. STATUS AND NATURE OF BUSINESS

Lotte Pakistan PTA Limited, formerly Pakistan PTA Limited, ("the Company") is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The Company 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.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of 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 shall prevail.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

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

3.2 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 39.

3.3 Changes in accounting policies

Starting 1 January 2009, the Company has changed its accounting policies in the following areas:

The Company has applied "Revised IAS 1 Presentation of Financial Statements (2007)" which became effective from 1 January 2009. This standard required the Company to present in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in statement of comprehensive income.

The Company has also applied "IFRS 7 Financial Instruments: Disclosures" from 1 January 2009. As a result, additional disclosures have been made relating to financial instruments.

The Company applied "Islamic Financial Accounting Standard 2 - Ijarah" from 1 January 2009. As the Ijarah contracts have already been treated as operating leases, this does not impact the reported results.

Comparative information has been re-presented so that it is in conformity with the revised / new standards. Since the changes in accounting policies only affect presentation of financial statements, there is no impact on earnings per share.

3.4 Staff retirement benefits

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.

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.

3.5 Dividend

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

3.6 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.

Current

Provision for current taxation is based on taxable income at the rates enacted or substantively enacted at the balance sheet date after taking into account available tax credits and rebates, if any.

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.

3.7 Property, plant and equipment and depreciation

Operating property, plant and equipment, except for motor vehicles and furniture and equipment, are stated at revalued amounts less accumulated depreciation and impairment losses (if any). Motor vehicles and furniture and equipment are stated at cost less accumulated depreciation. Cost of certain items of operating property, plant and equipment comprises historical cost, exchange differences referred to in note 3.11 and the cost of borrowings during the construction period in respect of loans taken for the PTA 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.

Surplus on revaluation, after considering deficit in other categories, is credited to surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value.

Depreciation charge is based on the straight-line method whereby the cost or revalued amount 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 revalued amount 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.

3.8 Stores and spares

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

3.9 Stock-in-trade

Stock-in-trade is valued at the lower of weighted average cost and net realisable value. 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.

3.10 Trade debts and other receivables

Trade debts are recognised initially at fair value plus directly attributable cost (if any) and subsequently measured at amortised cost less provision for impairment, if any.

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

3.11 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.

3.12 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.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, short term fixed deposits 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.

3.14 Impairment

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.

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.

3.15 Provisions

A provision is recognised in the balance sheet 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 can be made of the amount of obligation. Provisions are measured at the present value of the expected expenditures, discounted at a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the obligation.

3.16 Financial liabilities

All financial liabilities are initially recognised at fair value plus directly attributable cost (if any) and subsequently measured at amortised cost.

3.17 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.

3.18 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 fulfillment 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.

Amounts in Rs '000

3.19 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 or loss using the effective interest method. Foreign currency gains and losses are reported on a net basis.

3.20 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.

3.21 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.

3.22 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.

4. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2009	2008
504,735,636 (2008: 504,735,636) Ordinary shares of Rs 10 each fully paid-up issued pursuant to the Scheme for consideration other than cash - note 4.1	**5,047,356**	5,047,356
1,009,471,572 (2008: 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

4.1 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.

4.2 KP Chemical Corporation, which is a subsidiary of the South Korean conglomerate Lotte, held 1,135,860,105 (2008: 1,135,806,239 held by ICI Omicron B.V.) ordinary shares of Rs 10 each at 31 December 2009. KP Chemical Corporation completed its acquisition of 75.01% of the total issued and outstanding shares of the Company from ICI Omicron B.V. and other shareholders on 17 September 2009.

Amounts in Rs '000

		2009	2008

5. CAPITAL RESERVES

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

6. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2009	2008
Balance as at 1 January	**85,992**	-
Revaluation surplus	-	132,295
Deferred tax liability recognised on surplus	-	(46,303)
	-	85,992
Balance as at 31 December - note 6.1	**85,992**	85,992

6.1 Revaluation surplus

	2009	2008
Surplus on leasehold land	**196,440**	196,440
Surplus on buildings on leasehold land	**326,211**	326,211
Deficit on plant and machinery	**(390,356)**	(390,356)
Deferred tax liability recognised on surplus	**(46,303)**	(46,303)
	85,992	85,992

6.2 The deficit recognized on revaluation of plant and machinery was higher than the incremental depreciation recognized.

7. LONG-TERM LOANS - unsecured

Lender	**Installments payable**	**Interest rate**	**Repayment period**	**2009**	2008
Loan from associated company - note 7.1					
KP Chemical Corporation USD 63 million (31 December 2008: USD 63 million from Mortar Investments International Limited)	full payment on maturity	1% per annum above 6 months LIBOR	2012	**5,322,397**	4,996,687
				5,322,397	4,996,687

7.1 Pursuant to the acquisition of the majority shareholding of the Company by KP Chemical Corporation on 17 September 2009, the loan agreements between Mortar Investments International Limited and the Company have been novated to KP Chemical Corporation with effect from that date.

Amounts in Rs '000

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

	Discount rate %	31 December 2009 Minimum lease payments	31 December 2009 Financial charges for future periods	31 December 2009 Principal outstanding	31 December 2008 Minimum lease payments	31 December 2008 Financial charges for future periods	31 December 2008 Principal outstanding
Not later than one year		**204,089**	**84,796**	**119,293**	170,122	86,507	83,615
Later than one year and not later than five years	**18. 9 - 20. 3**	**443,660**	**91,864**	**351,796**	538,470	138,282	400,188
		647,749	**176,660**	**471,089**	708,592	224,789	483,803

8.1 These represent take or pay contracts executed in previous years for the receipt and storage of paraxlyene (Contract 1), supply of hydrogen and nitrogen gases (Contract 2) and supply of CMB catalyst (Contract 3) recognised as finance lease in terms of IFRIC - 4 Determining Whether an Arrangement Contains a Lease.

9. DEFERRED LIABILITY

	2009	2008
Provision for pensioners' medical scheme - unfunded - note 9.1.6	**9,999**	6,073

9.1 Staff retirement benefits

9.1.1 Movement in the liability for defined benefit obligations

	2009 Funded Pension	2009 Funded Gratuity	2009 Funded Total	2009 Unfunded Medical	2008 Funded Pension	2008 Funded Gratuity	2008 Funded Total	2008 Unfunded Medical
Balances as at 1 January	**18,726**	**67,139**	**85,865**	**14,347**	54,754	65,720	120,474	6,380
Benefits paid by the plan	**-**	**(8,608)**	**(8,608)**	**(74)**	(43,928)	(18,338)	(62,266)	(86)
Current service costs	**1,157**	**7,180**	**8,337**	**1,199**	742	5,793	6,535	422
Interest cost	**2,996**	**10,056**	**13,052**	**2,290**	1,858	6,071	7,929	721
Change in mortality assumptions	**1,786**	**-**	**1,786**	**2,904**	-	-	-	
Transfers from non-mgmt to mgmt	**-**	**-**	**-**	**954**	(2,009)	-	(2,009)	2,576
Actuarial (gains) / losses recognised	**2,065**	**8,829**	**10,894**	**(1,291)**	7,309	7,893	15,202	4,334
Balance as at 31 December	**26,730**	**84,596**	**111,326**	**20,329**	18,726	67,139	85,865	14,347

9.1.2 Movement in plan assets

	2009 Funded Pension	2009 Funded Gratuity	2009 Funded Total	2009 Unfunded Medical	2008 Funded Pension	2008 Funded Gratuity	2008 Funded Total	2008 Unfunded Medical
Fair value of plan assets at 1 January	**18,726**	**64,705**	**83,431**	**-**	44,766	107,672	152,438	-
Contributions paid into the plan	**-**	**4,461**	**4,461**	**-**	28,005	3,873	31,878	-
Other contributions	**-**	**-**	**-**	**-**	-	168	168	-
Benefits paid by the plan	**-**	**(8,608)**	**(8,608)**	**-**	(43,928)	(18,338)	(62,266)	-
Expected return on plan assets	**2,785**	**9,098**	**11,883**	**-**	4,041	10,566	14,607	-
Actuarial (losses) / gains recognised	**6,906**	**11,651**	**18,557**	**-**	(14,158)	(39,236)	(53,394)	-
Fair value of plan assets at 31 December	**28,417**	**81,307**	**109,724**	**-**	18,726	64,705	83,431	-
9.1.3 Actual return on plan assets	**9,691**	**20,749**	**30,440**	**-**	(10,117)	(28,670)	(38,787)	-

Amounts in Rs '000

		2009				2008			
		Funded			Unfunded	Funded			Unfunded
		Pension	Gratuity	Total	Medical	Pension	Gratuity	Total	Medical
9.1.4	**Reconciliation**								
	Fair value of plan assets at 31 December - note 9.1.2	**28,417**	**81,307**	**109,724**	**-**	18,726	64,705	83,431	-
	Liability for defined benefit obligation at 31 December - note 9.1.1	**(26,730)**	**(84,596)**	**(111,326)**	**(20,329)**	(18,726)	(67,139)	(85,865)	(14,347)
	Surplus / (deficit)	**1,687**	**(3,289)**	**(1,602)**	**(20,329)**	-	(2,434)	(2,434)	(14,347)
	Unrecognised past service cost	**-**	**-**	**-**	**3,327**	-	-	-	2,576
	Unrecognised actuarial (gain) / loss	**4,129**	**28,299**	**32,428**	**7,003**	7,783	34,598	42,381	5,698
	Recognised (liability) / asset	**5,816**	**25,010**	**30,826**	**(9,999)**	7,783	32,164	39,947	(6,073)
9.1.5	**Expense recognised in profit and loss account**								
	Current service costs	**1,157**	**7,180**	**8,337**	**1,199**	742	5,793	6,535	422
	Interest on obligation	**2,996**	**10,056**	**13,052**	**2,290**	1,858	6,071	7,929	721
	Expected return on plan assets	**(2,785)**	**(9,098)**	**(11,883)**	**-**	(4,041)	(10,566)	(14,607)	-
	Past service cost	**-**	**-**	**-**	**203**	(2,009)	-	(2,009)	-
	Actuarial (gains) / losses recognised during the period	**599**	**3,477**	**4,076**	**308**	(381)	(840)	(1,221)	78
	Other contributions	**-**	**-**	**-**	**-**	-	(168)	(168)	-
	Expenses recognised in profit and loss account	**1,967**	**11,615**	**13,582**	**4,000**	(3,831)	290	(3,541)	1,221
9.1.6	**Recognised asset / (liability)**								
	Recognised asset / (liability) at 1 January	**7,783**	**32,164**	**39,947**	**(6,073)**	(24,053)	28,581	4,528	(4,938)
	Expenses recognised in profit and loss account	**(1,967)**	**(11,615)**	**(13,582)**	**(4,000)**	3,831	(290)	3,541	(1,221)
	Company contributions	**-**	**4,461**	**4,461**	**74**	28,005	3,873	31,878	86
	Recognised asset / (liability) as at 31 December	**5,816**	**25,010**	**30,826**	**(9,999)**	7,783	32,164	39,947	(6,073)
9.1.7	**Fund's investments**								
	Government bonds	**20,850**	**51,303**	**72,153**		17,314	45,734	63,048	
	Other bonds (TFCs)	**3,835**	**2,217**	**6,052**		3,468	2,092	5,560	
	Shares	**3,775**	**16,256**	**20,031**		1,593	5,660	7,253	
	Unit trusts (mutual funds)	**2,360**	**2,360**	**4,720**		1,406	1,745	3,151	
	Term deposits	**-**	**9,506**	**9,506**		-	7,681	7,681	
	Cash	**92**	**90**	**182**		40	1,793	1,833	
	Creditors	**(2,495)**	**(425)**	**(2,920)**		(5,095)	-	(5,095)	
	Total as at 31 December	**28,417**	**81,307**	**109,724**		18,726	64,705	83,431	
9.1.8	**Actuarial assumptions**								
	Discount rate at 31 December	**12.75%**	**12.75%**		**12.75%**	16.00%	16.00%		16.00%
	Expected return on plan assets	**12.75%**	**12.75%**			16.00%	16.00%		
	Future salary increases	**10.60%**	**10.60%**			13.79%	13.79%		
	Medical cost trend rate				**7.40%**				10.48%
	Future pension increases	**7.40%**				10.48%			

The Company's contribution to the pension and gratuity funds in 2010 is expected to amount to Rs 11.2 million. The Company amortises gains and losses over the expected remaining service of current plan members.

Amounts in Rs '000

9.1.9 These figures are based on the latest actuarial valuation carried out as at 31 December 2009.

9.1.10 Historical information

	2009	2008	2007	2006	2005
Present value of the defined benefit obligation as at 31 December	**131,655**	100,212	126,854	116,300	154,483
Fair value of plan assets	**109,724**	83,431	152,438	158,347	231,336
(Deficit) / surplus in the plan	**(21,931)**	(16,781)	25,584	42,047	76,853

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

9.3 The Company's contribution towards the provident fund for the year ended 31 December 2009 amounted to Rs 12.575 million (2008: Rs 10.719 million) and towards the defined contribution superannuation fund amounted to Rs 12.228 million (2008: Rs 9.753 million).

10. TRADE AND OTHER PAYABLES

	2009	2008
Trade creditors including bills payable	**2,865,123**	2,761,611
Accrued expenses	**1,605,347**	1,083,867
Contractors' earnest / retention money	**744**	1,813
Freight payable	**-**	6,510
Advances from customers	**44,134**	13,070
Provision for workers' profit participation fund - note 10.1	**253,450**	-
Provision for workers' welfare fund	**96,311**	-
Others	**107,562**	34,262
	4,972,671	3,901,133

10.1 Reconciliation of provision for workers' profit participation fund

	2009	2008
Balance as at 1 January	**-**	11,118
Allocation for the year - note 30	**253,450**	-
Interest on funds utilised at 15.07% (2008: 12.55%) per annum - note 31	**-**	217
Amount paid to the fund	**-**	(11,335)
Balance as at 31 December	**253,450**	-

11. ACCRUED INTEREST / MARK-UP ON LOANS

	2009	2008
Short-term finance	**-**	40,877
Long-term loan - note 11.1	**137,175**	384,202
	137,175	425,079

11.1 This represents interest payable on half-yearly basis on loans from KP Chemical Corporation.

Amounts in Rs '000

	2009	2008
12. SHORT-TERM FINANCING		
Running finance under mark-up arrangements	**-**	1,254,624

12.1 The facilities for running finance available from various banks as at 31 December 2009 amounted to Rs 1,715 million (2008: Rs 1,695 million). 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 stocks and book debts of the Company.

12.2 Foreign currency import finance facilities available from various banks as at 31 December 2009 amounted to USD 20 million (2008: USD 20 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. The total amount utilised under these facilities as at 31 December 2009 amounted to USD Nil (31 December 2008: Nil).

12.3 Foreign currency export finance facility available from a local bank as at 31 December 2009 amounted to USD 5.0 million (2008: USD 5.0 million) at interest rates to be negotiated at the time of booking. This facility is secured by joint pari-passu hypothecation charge over all the present and future stocks and book debts of the Company. The amount utilised under this facility as at 31 December 2009 amounted to USD Nil (2008: USD Nil).

13. CONTINGENCIES AND COMMITMENTS

13.1 Commitments in respect of capital expenditure as at 31 December 2009 - Rs 48.443 million (2008: Rs 65.073 million).

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

Year	2009	2008
2009	**-**	14,040
2010	**14,236**	12,968
2011	**13,563**	10,515
2012	**10,838**	5,307
2013	**4,358**	-
	42,995	42,830

Amounts in Rs '000

13.3 Commitments for rentals under operating lease agreements with certain suppliers referred to in note 8.1, in respect of goods and services as at 31 December are as follows:

Year	2009	2008
2009	-	1,017,719
2010	1,114,832	1,042,025
2011	1,147,107	1,066,959
2012	1,023,364	946,556
2013	6,932	6,208
	3,292,235	4,079,467

13.3.1 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 the exchange rates applicable on the date of payment.

13.4 ICI Pakistan Limited has issued a guarantee in respect of operational obligations of the Company amounting to Rs 2,280 million (2008: Rs 2,370 million) against which the Company has issued a counter guarantee to ICI Pakistan Limited.

13.5 Outstanding guarantees and letters of credit issued on behalf of the Company amounting as at 31 December 2009 were Rs 1,057.494 million (2008: Rs 857.494 million) and Rs 2,151 million (2008: Rs 621.80 million), respectively.

13.6 The Income Tax Appellate Tribunal (ITAT) vide order no ITA.No.111/KB/2006 dated 20 April 2006 has set aside the Taxation Officer's assessment order for the assessment year 2002-2003 (income year ending 31 December 2001) whereby the assessing officer has been directed to re-examine the issue of allocation of cost of goods sold to exports 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 has used volume basis to determine the allocation of cost of goods sold to export sales. The Company has filed an appeal against the assessment. No provision has been made in these financial statements for the potential liability of Rs 799.459 million as the Company is still confident of a favourable outcome from the appeal process and considers that the allocation basis used by the Company is strictly in accordance with Rule 216 of Income Tax Rules, 1982.

14. PROPERTY, PLANT AND EQUIPMENT

		2009	2008
14.1	Net book value of operating property, plant and equipment - note 14.2	9,142,808	9,812,227
	Capital work in progress - note 14.6	192,706	140,564
		9,335,514	9,952,791

Amounts in Rs '000

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

2009

	Cost and revaluation at 1 January 2009	Additions & adjustments / (deletions)	Surplus / (deficit) on revaluation	Cost and revaluation at 31 December 2009	Accumulated depreciation at 1 January 2009	Charge for the year / (accumulated depreciation on deletions)	Surplus / (deficit) on revaluation	Accumulated depreciation at 31 December 2009	Book value at 31 December 2009	Depreciation rate %
Leasehold land - 14.3	**429,942**	**-**	**-**	**429,942**	**90,248**	**8,603**	**-**	**98,851**	**331,091**	**2**
Buildings on leasehold land - 14.3	**1,602,007**	**7,291**	**-**	**1,609,298**	**1,038,644**	**66,013**	**-**	**1,104,657**	**504,641**	**5**
Plant and machinery - 14.3	**22,853,301**	**516,987 (19,684)**	**-**	**23,350,604**	**14,092,575**	**1,093,231 (13,849)**	**-**	**15,171,957**	**8,178,647**	**5 - 6.67**
Motor vehicles	**46,226**	**7,874**	**-**	**54,100**	**46,006**	**632**	**-**	**46,638**	**7,462**	**25**
Furniture and equipment	**388,645**	**10,152**	**-**	**398,797**	**350,294**	**11,040**	**-**	**361,334**	**37,463**	**10-33**
Plant and machinery subject to finance lease	**395,543**	**-**	**-**	**395,543**	**285,670**	**26,369**	**-**	**312,039**	**83,504**	**6.67**
	25,715,664	**542,304 (19,684)**	**-**	**26,238,284**	**15,903,437**	**1,205,888 (13,849)**	**-**	**17,095,476**	**9,142,808**	

2008

	Cost and revaluation at 1 January 2008	Additions & adjustments / (deletions)	Surplus / (deficit) on revaluation	Cost and revaluation at 31 December 2008	Accumulated depreciation at 1 January 2008	Charge for the year / (accumulated depreciation on deletions)	Surplus / (deficit) on revaluation	Accumulated depreciation at 31 December 2008	Book value at 31 December 2008	Depreciation rate %
Leasehold land	181,313	-	248,629	429,942	34,433	3,626	52,189	90,248	339,694	2
Buildings on leasehold land	671,742	2,635	927,630	1,602,007	391,932	45,293	601,419	1,038,644	563,363	6.67
Plant and machinery	23,649,081	236,368 (13,862)	(1,018,286)	22,853,301	13,623,583	1,105,334 (8,412)	(627,930)	14,092,575	8,760,726	5 - 6.67
Motor vehicles	51,224	1,258 (6,256)	-	46,226	47,276	558 (1,828)	-	46,006	220	25
Furniture and equipment	394,052	9,863 (15,270)	-	388,645	351,180	12,546 (13,432)	-	350,294	38,351	10-33
Plant and machinery subject to finance lease	395,543	-	-	395,543	259,301	26,369	-	285,670	109,873	6.67
	25,342,955	250,124 (35,388)	1,176,259 (1,018,286)	25,715,664	14,707,705	1,193,726 (23,672)	653,608 (627,930)	15,903,437	9,812,227	

14.3 The revaluation of leasehold land and buildings on leasehold land was carried out as at 31 December 2008 by an independent valuer Joseph Lobo (Pvt.) Limited. The land value is the estimated market value of leasehold land in the Industrial Area of Port Qasim with similar usage conditions. Buildings on leasehold land have been valued at estimated gross replacement cost.

As at 31 December 2008 a desktop appraisal of the plant and machinery was carried out by SHM Smith Hodgkinson, UK, on the basis of depreciated replacement cost.

14.4 Additions to plant and machinery include engineering spares capitalised amounting to Rs 84.041 million (2008: Rs Nil).

Amounts in Rs '000

		2009	2008
14.5	Had there been no revaluation, the net book value of specific classes of operating property, plant and equipment would have amounted to:		
	Leasehold land	**70,280**	71,999
	Buildings on leasehold land	**281,992**	331,530
	Plant and machinery	**6,990,374**	7,402,944
		7,342,646	7,806,473
14.6	**Capital Work-in-Progress**		
	Civil works and buildings	**23**	-
	Plant and machinery	**64,889**	138,729
	Misc equipment	**-**	640
	Advances to suppliers	**127,794**	1,195
		192,706	140,564
14.6.1	**Capital Work-in-Progress - movement**		
	Opening balance	**140,564**	110,600
	Capital expenditure	**263,001**	280,088
	Transferred to property, plant and equipment	**(210,859)**	(250,124)
	Closing balance	**192,706**	140,564

14.7 The following operating property, plant and equipment were disposed of / retired during the year:

	2009				
	Cost	**Accumulated depreciation**	**Net book value**	**Sale proceeds**	**Particulars of buyers / others**
Plant and machinery	19,684	13,849	5,835	-	Obsolete items - scrapped
	19,684	**13,849**	**5,835**	**-**	

	2008				
	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers / others
Plant and machinery	13,862	8,412	5,450	-	Obsolete items - scrapped
Office equipment & furniture					
Sold by negotiation					
Generator	769	153	616	616	Mr. M. Afzal Jamil, Karachi
Obsolete desk computers & monitors	202	202	-	-	Donated to SOS village, Karachi
Obsolete desk computers & monitors	11,514	11,514	-	256	Mr. Saleh Muhammad Khan, Karachi
Furniture & fixtures	2,786	1,564	1,222	321	Mr. Mehoob Khan & Mr. Shoaib Uddin, Karachi
	15,271	13,433	1,838	1,193	
Motor vehicles					
Sold by auction					
Mercedes Benz E Class	4,944	1,751	3,193	4,100	Mr. Abdul Aziz , Karachi
Toyota Camry Automatic	1,258	52	1,206	1,360	Mr. Muhammad Akbar, Karachi
Toyota Corolla	54	25	29	705	Mr. Syed Riaz Ahmed, Karachi
	6,256	1,828	4,428	6,165	
	35,389	23,673	11,716	7,358	

Amounts in Rs '000

15. LONG TERM LOANS AND ADVANCES - considered good

	2009 Motor car	2009 House building assistance	2009 Others	2009 Total	2008 Total
Due from executives - note 15.1	**13,004**	**18,006**	**260**	**31,270**	34,901
Less: Receivable within one year - note 22	**(2,625)**	**(10,247)**	**(150)**	**(13,022)**	(11,239)
	10,379	**7,759**	**110**	**18,248**	23,662
Due from employees			**20,845**	**20,845**	25,502
Less: Receivable within one year - note 22			**(4,596)**	**(4,596)**	(4,441)
			16,249	**16,249**	21,061
			16,359	**34,497**	44,723
Outstanding for periods - less than three years				**15,503**	29,516
- three years and above				**18,994**	15,207
				34,497	44,723

15.1 Reconciliation of carrying amount of loans to executives

	2009 Key Management Personnel	2009 Executives	2009 Total	2008 Total
Balance at the beginning of the year	**6,400**	**28,501**	**34,901**	28,523
Disbursements	**-**	**29,929**	**29,929**	21,729
Repayments	**(2,568)**	**(30,992)**	**(33,560)**	(15,351)
Balance at the end of the year	**3,832**	**27,438**	**31,270**	34,901

15.2 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.

15.3 The maximum aggregate amount of loans and advances due from the Chief Executive, Directors and Executives at the end of any month during the year was Rs 0.423 million, Rs Nil and Rs 45.363 million (2008: Rs 1.438 million, Rs Nil and Rs 42.099 million) respectively.

Amounts in Rs '000

15.4 Outstanding loans to key management personnel

	2009		
Key management personnel	**Outstanding loan**	**Maturity date**	**Particulars of collateral security held**
Ali Aamir	**423**	Sep - 2010	Nil - as per terms of employment
Qamar H. Manzoor	**2,493**	April - 2011	Nil - as per terms of employment
Mohammad Wasim	**1,880**	May - 2012	Nil - as per terms of employment
	4,796		

	2008		
Key management personnel	Outstanding loan	Maturity date	Particulars of collateral security held
M Asif Saad	508	June - 2009	Nil - as per terms of employment
Ali Aamir	1,980	Sep - 2010	Nil - as per terms of employment
Qamar H. Manzoor	3,525	April - 2011	Nil - as per terms of employment
Raja Waheed Ullah Khan	387	July - 2009	Nil - as per terms of employment
	6,400		

16. LONG TERM DEPOSITS AND PREPAYMENTS

	2009	2008
Deposits - note 16.1	**40,424**	40,624
Prepayments	**22,162**	1,097
	62,586	41,721

16.1 This includes Rs 14.418 million (2008: Rs 14.418 million) paid to Pakistan Steel Mills Corporation for emergency back-up supply of water and Rs 24.272 million (2008: Rs 24.272 million) paid to Karachi Electric Supply Corporation (KESC). The Company receives mark-up at the rate of 5% on deposit with KESC.

17. DEFERRED TAX ASSET / (LIABILITY)

Debit / (credit) balance arising in respect of:

	2009	2008
Difference in accounting and tax base of operating property, plant and equipment since 1 October 2000	**(320,588)**	(253,745)
Finance lease asset	**128,872**	124,331
Provisions	**186,575**	163,721
Total (credit) / debit balance in respect of deferred taxation	**(5,141)**	34,307

Amounts in Rs '000

17.1 Deferred taxation - movement

	Balance 1 January 2008	Recognised in profit & loss account	Recognised in surplus on revaluation	Balance 31 December 2008	Recognised in profit & loss account	Balance 31 December 2009
Property, plant and equipment	(165,944)	(41,498)	(46,303)	(253,745)	(66,843)	(320,588)
Finance lease asset	144,403	(20,072)	-	124,331	4,541	128,872
Provisions	118,008	45,713	-	163,721	22,854	186,575
	96,467	**(15,857)**	**(46,303)**	**34,307**	**(39,448)**	**(5,141)**

18. STORES AND SPARES

	2009	2008
Stores	**30,340**	58,077
Spares	**371,798**	514,343
	402,138	572,420
Less: Provision for impairment (i.e. obsolete, slow moving and rejected items) - note 18.1	**(1,423)**	(23,552)
	400,715	548,868

18.1 Provision for impairment

Provision as at 1 January	**23,553**	3,404
Charge for the year	**92,055**	20,149
	115,608	23,553
Write-offs	**(114,185)**	-
Provision as at 31 December	**1,423**	23,553

19. STOCK-IN-TRADE

Raw and packing materials (including in-transit Rs 101.3 million (2008: Rs Nil)	**1,141,278**	1,189,050
Finished goods	**132,644**	55,263
	1,273,922	1,244,313

20. DEPOSITS AND SHORT - TERM PREPAYMENTS

Deposits	**280**	1,145
Margin on import letters of credit	**12,821**	10,571
Short-term prepayments	**36,049**	63,175
	49,150	74,891

21. TRADE DEBTS

Considered good - secured	**1,800,772**	1,089,614

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

Amounts in Rs '000

	2009	2008
22. LOANS AND ADVANCES - considered good		
Loans due from:		
- Executives - note 15	**13,022**	11,239
- Employees - note 15	**4,596**	4,441
	17,618	15,680
Advances to:		
- Executives	**1,712**	2,258
- Employees	**998**	1,180
- Contractors and suppliers	**5,905**	7,902
	8,615	11,340
	26,233	27,020

22.1 The maximum aggregate amount of advances due from the Chief Executive, Directors and Executives at the end of any month during the year was Rs Nil, Rs Nil and Rs 3.582 million (2008: Rs Nil, Rs Nil and Rs 2.841 million) respectively.

23. OTHER RECEIVABLES

	2009	2008
Tariff adjustment claim receivable from KESC - note 23.1	**-**	124,048
Sales tax refundable	**511,979**	388,544
Octroi refundable	**-**	1,947
Insurance claims receivable	**13,433**	9,474
Rebates receivable - note 23.2	**91,499**	1,390,959
Receivable from staff retirement benefit funds - note 9.1.4	**30,826**	39,947
Others	**31,334**	5,990
	679,071	1,960,909
Provisions - note 23.3	**(124,040)**	(158,122)
	555,031	1,802,787

23.1 The provision created in prior years (note 23.3) for a tariff adjustment claim receivable from KESC and octroi refundable have been written off as the likelihood of recovery is now considered to be remote.

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

23.3 This represents provision against sales tax refundable (2008: KESC Rs 124.048 million, sales tax refundable Rs 32.127 million and octroi refundable Rs 1.947 million).

24. CASH AND BANK BALANCES

	2009	2008
Short term fixed deposits	**5,324,300**	-
Current accounts	**106,697**	9,966
Cash in hand	**6,943**	6,480
	5,437,940	16,446

Amounts in Rs '000

	2009	2008

25. TURNOVER

Turnover includes export sales amounting to Rs 2,827 million (2008: Rs Nil).

26. COST OF SALES

	2009	2008
Raw and packing materials consumed:		
Opening stock	**1,189,050**	977,437
Purchases	**28,172,964**	27,384,664
Closing stock	**(1,141,278)**	(1,189,050)
	28,220,736	27,173,051
Salaries, wages and benefits - note 26.1	**290,831**	261,289
Stores and spares consumed	**101,021**	114,207
Rent, rates and taxes	**278**	62
Insurance	**119,477**	193,682
Oil, gas and electricity	**1,796,244**	1,410,945
Printing and stationery	**1,747**	1,703
Communications	**2,473**	3,167
Travelling expenses	**36,908**	39,169
Depreciation - note 14.2	**1,205,888**	1,193,726
Repairs and maintenance - note 26.2	**173,860**	335,904
General expenses	**26,031**	29,039
Cost of goods manufactured	**31,975,494**	30,755,944
Opening stock of finished goods	**55,263**	1,367,200
	32,030,757	32,123,144
Closing stock of finished goods	**(132,644)**	(55,263)
	31,898,113	32,067,881

26.1 Salaries, wages and benefits include Rs 27.034 million (2008: Rs 10.723 million) in respect of staff retirement benefits.

26.2 Repairs and maintenance includes Rs Nil (2008: Rs 158 million) in respect of overhaul of the plant.

27. DISTRIBUTION AND SELLING EXPENSES

	2009	2008
Salaries and benefits - note 27.1	**34,706**	29,258
Repairs and maintenance	**3,633**	11
Advertising and sales promotion expenses	**750**	501
Lighting, heating and cooling	**-**	95
Outward freight and handling charges	**67,823**	10,124
Travelling expenses	**4,001**	4,284
Postage and telephone	**1,024**	1,502
General expenses	**9,315**	10,647
	121,252	56,422

27.1 Salaries and benefits include Rs 2.977 million (2008: Rs 2.158 million) in respect of staff retirement benefits.

Amounts in Rs '000

		2009	2008
28.	**ADMINISTRATION EXPENSES**		
	Salaries and benefits - note 28.1	**112,110**	101,495
	Repairs and maintenance	**15,637**	13,642
	Advertising	**1,927**	5,673
	Rent, rates and taxes	**9,721**	12,812
	Lighting, heating and cooling	**-**	143
	Travelling expenses	**10,967**	11,215
	Postage and telephone	**5,062**	5,151
	Service charges - note 28.2	**4,636**	6,502
	General expenses	**55,649**	44,436
		215,709	201,069

28.1 Salaries and benefits include Rs 8.530 million (2008: Rs 5.421 million) in respect of staff retirement benefits.

28.2 This represents amounts charged by ICI Pakistan Limited on commercial basis for certain administrative services rendered by it to the Company under a Service Level Agreement. The agreement expired on 16 September 2009.

		2009	2008
29.	**OTHER OPERATING INCOME**		
	Insurance claim - note 29.1	**178,178**	99,749
	Scrap sales	**8,400**	3,791
	Profit on bank deposits	**260,800**	-
	Exchange gain on finance lease	**-**	28,705
	Others	**31,460**	21,531
		478,838	153,776

29.1 This represents an insurance claim received on account of loss of profit related to a fire incident at a supplier's manufacturing facility (2008: insurance claim received on account of loss of profit related to fire incident at a customer's manufacturing facility).

		2009	2008
30.	**OTHER OPERATING EXPENSES**		
	Auditors' remuneration - note 30.1	**2,315**	2,600
	Donations - note 30.2	**1,472**	1,631
	Exchange loss	**447,372**	1,374,967
	Loss on sale / retirement of operating property, plant and equipment	**5,835**	4,358
	Provision against sales tax refundable	**91,913**	10,133
	Provision against obsolete stores	**92,055**	22,128
	Workers' profit participation fund - note 10.1	**253,450**	-
	Workers' welfare fund	**96,311**	-
		990,723	1,415,817

Amounts in Rs '000

		2009	2008
30.1	**Auditors' remuneration**		
	Statutory and group audit fee	**1,700**	2,000
	Certifications including half year review	**450**	500
	Out of pocket expenses	**165**	100
		2,315	2,600

30.2 Recipients of donations do not include any donee in whom any director or his / her spouse had any interest. Donations include Rs 0.621 million (2008: Rs 0.162 million) paid for community services.

31. FINANCIAL CHARGES

	2009	2008
Interest / mark-up on:		
- Short-term financing	**9,885**	209,179
- Workers' profit participation fund - note 10.1	**-**	217
- Finance lease - note 31.1	**84,697**	139,737
- Long-term loans	**151,050**	266,258
Discounting charges on trade receivables	**50,111**	402,515
Others	**11,587**	9,591
	307,330	1,027,497

31.1 This includes contingent rent of Rs 19.526 million (2008: Rs 22.357 million) recognized as an expense during the year which is determined by the movement in UK Consumer Price Index.

32. TAXATION

	2009	2008
Current	**1,296,522**	-
Prior year	**-**	65,918
Deferred	**39,448**	15,857
	1,335,970	81,775

Amounts in Rs '000

	2009	2008
32.1 Reconciliation of income tax expense for the year		
Profit / (loss) before tax	**4,719,243**	(1,678,690)
Applicable tax rate	**35%**	35%
Tax calculated at the applicable tax rate	**1,651,735**	(587,542)
Tax effect of :		
- income chargeable to tax under FTR basis	**(62,192)**	-
- tax credit on sales to registered person	**(32,511)**	-
- deferred tax impact of initial difference between carrying value and tax base of property, plant & equipment - note 32.2	**190,433**	190,433
- prior year tax charge	**-**	65,918
- deferred tax recognized on prior year losses	**(403,082)**	-
- deferred tax not recognized on current year's loss	**-**	408,267
- others	**(8,413)**	4,699
	1,335,970	81,775

32.2 The unamortised deferred tax balance of the initial difference between carrying value and tax base of property, plant & equipment as at 31 December 2009 amounts to Rs 1,619 million (2008: Rs 1,809 million).

33. EARNINGS / (LOSS) PER SHARE - basic and diluted

	2009	2008
Profit / (loss) for the year	**3,383,273**	(1,760,465)
	Numbers of shares	
Weighted average ordinary shares in issue during the year	**1,514,207,208**	1,514,207,208
	Rupees	
Earnings / (loss) per share	**2.23**	(1.16)

Amounts in Rs '000

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for remuneration, including all benefits, to the Chief Executive / Chief Operating Officer, directors and executives of the Company were as follows:

	Chief Executive / Chief Operating Officer		Directors		Executives	
	2009	2008	**2009**	2008	**2009**	2008
Fee	**-**	-	-	83	**-**	-
Managerial remuneration	**9,226**	7,723	**1,094**	998	**112,505**	85,403
Retirement benefits	**1,088**	614	-	-	**27,219**	16,788
Group insurance	**38**	28	-	-	**629**	443
Rent and house maintenance	**161**	28	-	-	**34,278**	27,470
Utilities	**-**	-	-	-	**7,488**	6,040
Medical expenses	**44**	12	-	-	**4,896**	3,611
	10,557	8,405	**1,094**	1,081	**187,015**	139,755
Number of persons	**1**	1	**4**	4	**90**	69

34.1 In addition to this, an amount of Rs 55.377 million (2008 : Rs 47.25 million) on account of variable pay has been recognised in the financial statements. This amount is payable in 2010 after verification of target achievements. Further, a long term bonus of Rs 18.798 million (2008: Rs 15 million) also payable in 2010 to certain employees has been recognised in the financial statements.

Out of variable pay recognised for 2009 and 2008 following payments were made:

	Paid in 2009 relating to 2008	Paid in 2008 relating to 2007
Chief Executive / Chief Operating Officer	**2,731**	2,315
Executives	**28,744**	22,730
Other employees	**10,312**	15,222
	41,787	40,267

34.2 The Chief Executive / Chief Operating Officer and certain executives are provided with free use of Company maintained cars in accordance with their entitlements.

Amounts in Rs '000

35. TRANSACTIONS WITH RELATED PARTIES

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

	2009	2008
Associates		
Sale of goods, materials and services - note 35.1	**5,721,940**	7,558,332
Purchase of goods	**12,253**	19,489
Financial charges to group companies	**151,050**	265,921
Purchase of services	**16,281**	18,482
Receivable from associates as at 31 December	-	342,989
Payable to associates as at 31 December	**137,175**	557,774
Others		
Payment to staff retirement benefit funds	**38,562**	24,501
Receivable from staff retirement benefit funds as at 31 December	**30,826**	39,947

35.1 Sale of goods, materials and services comprises of sales to ICI Pakistan Limited upto 17 September 2009.

35.2 Transactions with key management personnel

Loans to key management personnel as at 31 December 2009 amounted to Rs 4.796 million (31 December 2008: Rs 6.400 million) and are included in "loans and advances". No interest is payable on these loans in accordance with their terms of employment.

Key management personnel received compensation in the form of remuneration and short-term benefits of Rs 46.292 million (2008: Rs 36.788 million), expenses on Company maintained cars of Rs 8.677 million (2008: Rs 5.709 million) and post-employment benefits of Rs 4.741 million (2008: Rs 2.959 million).

36. CAPACITY AND PRODUCTION - in metric tonnes

	2009	2008
Annual name plate capacity	**506,750**	473,528
Production	**506,750**	445,001

Amounts in Rs '000

37. FINANCIAL RISK MANAGEMENT

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

37.1 Risk management framework

The Board of Directors has overall responsibility for establishment and over sight of the Company's risk management framework. The executives 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.

37.2 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.

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. Revenue from 3 Groups (5 customers) represents approximately Rs 30,434.8 million (2008: 29,397.0 million) of the Company's total revenue. 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. Trade and other receivables represent rebates and other receivables from suppliers.

Amounts in Rs '000

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

	2009	2008
Financial assets		
Loans and advances	**80,725**	71,743
Deposits	**53,525**	52,340
Trade debts	**1,800,772**	1,089,614
Other receivables	**167,063**	1,446,370
Bank balances	**5,430,997**	9,966
	7,533,082	2,670,033
Secured	**1,800,772**	1,089,614
Unsecured	**5,732,310**	1,580,419
	7,533,082	2,670,033
Not past due	**7,533,082**	2,670,033
Past due	**-**	-
	7,533,082	2,670,033

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

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

Domestic	**1,213,088**	1,089,614
Other regions	**587,684**	-
	1,800,772	1,089,614

The sector wise analysis of trade receivables is given below:

Polyester staple fibre (PSF)	**1,800,772**	1,061,058
Polyethylene terephthalate (PET)	**-**	28,556
	1,800,772	1,089,614

Amounts in Rs '000

37.3 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 asset. 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.

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 2009					
	Carrying amount	**Contractual cash flows**	**Less than one year**	**1-2 years**	**2-3 years**	**3-5 years**
Financial Liabilities						
Long-term loans	5,322,397	5,772,397	(150,000)	(150,000)	(5,472,397)	-
Finance lease liabilities	471,089	634,389	(200,333)	(200,333)	(200,333)	(33,390)
Trade and other payables	4,953,750	4,953,750	(4,953,750)	-	-	-
Accrued mark-up on loans	137,175	137,175	(137,175)	-	-	-
Unclaimed dividend	2,374	2,374	(2,374)	-	-	-
Off balance sheet						
Operating lease liabilities	-	3,335,230	(1,129,068)	(1,160,670)	(1,034,202)	(11,290)
	10,886,785	14,835,315	(6,572,700)	(1,511,003)	(6,706,932)	(44,680)

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

	31 December 2008					
	Carrying amount	Contractual cash flows	Less than one year	1-2 years	2-3 years	3-5 years
Long-term loans	4,996,687	5,596,687	(150,000)	(150,000)	(150,000)	(5,146,687)
Finance lease liabilities	483,802	708,841	(170,122)	(170,122)	(170,122)	(198,475)
Trade and other payables	3,888,063	3,888,063	(3,888,063)	-	-	-
Accrued mark-up on loans	425,079	425,079	(425,079)	-	-	-
Unclaimed dividend	2,384	2,384	(2,384)	-	-	-
Short-term financing						
- Running finance	1,254,624	1,254,624	(1,254,624)	-	-	-
Off balance sheet						
Operating lease liabilities	-	4,122,297	(1,031,759)	(1,054,993)	(1,077,474)	(958,071)
	11,050,639	15,997,975	(6,922,031)	(1,375,115)	(1,397,596)	(6,303,233)

The Company manages liquidity risk by maintaining sufficient cash in bank accounts. At 31 December 2009, the Company had financial assets of Rs 7,540 million (2008: Rs 2,677 million), which include Rs 5,431 million (2008: Rs Nil) of cash placed in bank accounts, maturities of which are synchronized with payment dates of creditors, other liabilities and future investments.

Amounts in Rs '000

37.4 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.

37.4.1 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 sales, purchases and borrowings that are in a currency other than Pakistan Rupees.

The Company's currency risk arising on sales is reduced through a natural hedge resulting from the pricing mechanism of PTA whereby monthly provisional prices in Pakistan Rupees are based on equivalent international US dollar prices and settlements with customers are made at amounts determined by applying the actual weighted average US dollar exchange rate. To hedge against its currency risk arising on purchase transactions, the Company may enter into forward exchange contracts for purchase transactions, when considered appropriate, and also subject to availability in the local market.

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

	2009		2008	
	GBP	**US$**	GBP	US$
	------------------------ **Equivalent Rs '000** -----------------			
Financial asset				
Trade receivables	**-**	**587,684**	-	-
Financial liabilities				
Loans from associated Company	**-**	**(5,322,397)**	-	(4,996,687)
Trade payables	**-**	**(2,146,893)**	-	(1,505,738)
Liability against assets subject to finance lease	**(471,089)**	**-**	(483,803)	-
Operating lease liability (off balance sheet)	**(573,810)**	**(2,268,728)**	(720,745)	(2,904,780)
Statement of financial position exposure	**(1,044,899)**	**(9,150,334)**	(1,204,548)	(9,407,205)

Significant exchange rates applied during the year were as follows:

	Average rate for the year		**Spot rate as at 31 December**	
	2009	2008	**2009**	2008
	Rupees		Rupees	
USD 1	**82**	71	**84**	79
GBP 1	**129**	131	**136**	115

Sensitivity analysis

Every 1% increase or decrease in exchange rate, with all other variables held constant, will increase or decrease profit after tax for the year by Rs. 49 million (2008: Rs 38 million).

Amounts in Rs '000

37.4.2 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.

The Company has long term interest bearing loans from an associated company whose fair value or future cash flows will fluctuate because of changes in LIBOR rates.

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

	Carrying amount	
	2009	2008
Fixed rate instruments		
Financial assets	**5,348,572**	24,272
Financial liabilities	-	-
	5,348,572	24,272
Variable rate instruments		
Financial assets	-	-
Financial liabilities	**5,793,486**	6,735,114
	5,793,486	6,735,114

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. Therefore a change in interest rates at the reporting date would not affect profit or loss.

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.

37.4.3 Fair values

The fair values of financial assets and liabilities, approximate their carrying value as these are mostly variable rate instruments or are for short term.

38. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its business.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

39. ACCOUNTING ESTIMATES AND JUDGMENTS

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.

In 2007 the tax department re-opened the income tax assessment for the assessment year 2001-2002 on the ground that demerger of PTA business from ICI Pakistan Limited was effective from the completion date i.e. August 6, 2001, resulting in a reduction in the Company's tax benefit of Rs 417 million against the loss carried forward on earlier assessed losses of Rs 1,192.916 million. This order was challenged by the Company in the High Court which up held the Company's contention that the department did not have the right to re-open the finalized assessment. The appeal filed by the department against the High Court's order was dismissed by the Supreme Court.

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. An appeal was also filed before the CIT (Appeals).

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 was filed with the Additional Commissioner of Income Tax.

Defined benefit plans

The Company has adopted certain actuarial assumptions as disclosed in note 9 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets, based on actuarial advice. Any changes in the assumptions in future years would affect the amount of unrecognised gains and losses in those years.

Operating property, plant and equipment

The estimates for revalued amounts of different classes of operating property, plant and equipment, are based on the valuation performed by external professional valuers and recommendations of technical teams of the Company. The said recommendations also include estimates in respect of residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. A major component for estimation of future cash flow projections to determine possible impairment of assets is the PTA import tariff. The Company expects that an adequate tariff regime will be available for future years. Any significant change in the estimates in future years would affect the carrying amounts of the respective items of operating property, plant and equipment with a corresponding affect on the depreciation charge and estimation on impairment.

Discounts and price settlements

Determination of final PTA prices charged to customers is based on settlements in the international market. There is a time lag between the provisional prices invoiced to customers and final settlement of PTA prices in the international market. Any difference between the provisional and final prices received may affect the carrying value of the price settlement provision at the reporting date.

40. INITIAL APPLICATION OF A STANDARD OR AN INTERPRETATION

Standard or an Interpretation not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements other than increase in disclosures in certain cases:

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by- transaction basis. The application of this standard is not likely to have an effect on the Company`s financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial statements.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company`s operations.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009 clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Company`s financial statements.

IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company`s financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company`s 2010 financial statements. These amendments are unlikely to have an impact on the Company`s financial statements.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity`s own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Company`s financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Company`s financial statements.

IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after 1 January 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company`s financial statements.

Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after 1 July 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary' s assets and liabilities as held for sale if criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Company`s financial statements.

41. Dividend

The Board of Directors in its meeting held on 28 January 2010 has proposed a final cash dividend of Rs 0.50 per share (2008: Nil) in respect of year ended 31 December 2009. The financial statements for the year ended 31 December 2009 do not include the effect of proposed dividend amounting to Rs 757.104 million which will be accounted for in the financial statements for the year ending 31 December 2010, after approval by the members in the Annual General Meeting to be held on 25 March 2010.

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 28 January 2010.

Nak Yong Lee
Chairman

M Asif Saad
Chief Executive

Pattern of Shareholding
As at 31 December 2009

Size of Holding		No. of	No. of
From	To	Shareholders	Shares Held
1	100	2,780	101,329
101	500	4,837	1,401,244
501	1000	3,108	2,622,577
1001	5000	5,687	16,046,204
5001	10000	1,759	14,381,709
10001	15000	707	9,184,920
15001	20000	446	8,286,010
20001	25000	329	7,756,492
25001	30000	229	6,473,049
30001	35000	115	3,824,766
35001	40000	132	5,104,441
40001	45000	67	2,898,884
45001	50000	195	9,653,378
50001	55000	63	3,357,670
55001	60000	46	2,719,588
60001	65000	26	1,637,838
65001	70000	34	2,353,423
70001	75000	38	2,818,698
75001	80000	27	2,128,456
80001	85000	17	1,425,047
85001	90000	16	1,421,104
90001	95000	16	1,501,623
95001	100000	117	11,677,988
100001	105000	17	1,742,234
105001	110000	9	975,600
110001	115000	5	568,599
115001	120000	14	1,657,611
120001	125000	10	1,241,200
125001	130000	11	1,417,633
130001	135000	8	1,071,310
135001	140000	5	695,903
140001	145000	6	855,750
145001	150000	28	4,183,361
150001	155000	2	306,000
155001	160000	10	1,581,937
160001	165000	5	817,281
165001	170000	6	1,009,330
170001	175000	4	696,507
175001	180000	3	534,700
180001	185000	1	182,500
185001	190000	3	565,500
190001	195000	3	581,900
195001	200000	26	5,192,800
200001	205000	6	1,210,504
205001	210000	7	1,460,240

Pattern of Shareholding
As at 31 December 2009

Size of Holding		No. of	No. of
From	To	Shareholders	Shares Held
210001	215000	1	212,672
215001	220000	6	1,312,550
220001	225000	2	446,400
225001	230000	2	453,500
230001	235000	4	938,650
235001	240000	1	240,000
240001	245000	5	1,214,400
245001	250000	10	2,500,000
250001	255000	7	1,767,519
255001	260000	3	776,190
260001	265000	2	523,700
265001	270000	1	267,599
270001	275000	1	275,000
275001	280000	2	557,500
285001	290000	4	1,149,900
290001	295000	6	1,755,610
295001	300000	10	2,999,943
300001	305000	1	305,000
305001	310000	2	613,510
310001	315000	1	312,000
315001	320000	3	958,856
320001	325000	2	650,000
325001	330000	1	330,000
345001	350000	7	2,441,400
360001	365000	1	364,500
365001	370000	1	367,000
395001	400000	9	3,598,000
400001	405000	3	1,204,971
405001	410000	1	410,000
410001	415000	2	827,000
420001	425000	3	1,270,499
425001	430000	3	1,287,599
435001	440000	1	436,300
440001	445000	2	885,500
445001	450000	3	1,350,000
455001	460000	1	457,000
460001	465000	2	924,000
475001	480000	2	956,250
485001	490000	1	488,000
490001	495000	2	984,065
495001	500000	11	5,499,084
500001	505000	1	501,000
515001	520000	3	1,550,040
520001	525000	1	522,500
530001	535000	1	532,540

Pattern of Shareholding
As at 31 December 2009

Size of Holding		No. of	No. of
From	To	Shareholders	Shares Held
535001	540000	1	536,500
540001	545000	2	1,089,000
545001	550000	2	1,096,000
550001	555000	1	553,887
555001	560000	1	556,137
575001	580000	1	575,746
590001	595000	1	594,000
595001	600000	2	1,200,000
600001	605000	1	604,300
605001	610000	1	606,090
610001	615000	1	613,400
620001	625000	4	2,495,822
645001	650000	2	1,299,825
650001	655000	2	1,305,253
655001	660000	1	657,274
670001	675000	1	674,000
675001	680000	1	678,645
695001	700000	2	1,400,000
700001	705000	2	1,407,990
705001	710000	1	707,000
735001	740000	1	740,000
755001	760000	1	757,500
765001	770000	1	770,000
780001	785000	1	784,500
785001	790000	1	788,400
790001	795000	1	791,000
800001	805000	1	801,500
830001	835000	1	831,605
845001	850000	1	850,000
860001	865000	1	862,000
905001	910000	1	908,000
935001	940000	1	937,300
940001	945000	1	942,000
980001	985000	1	981,780
995001	1000000	7	6,997,000
1055001	1060000	1	1,058,203
1145001	1150000	1	1,150,000
1195001	1200000	2	2,395,375
1295001	1300000	1	1,296,600
1310001	1315000	1	1,312,000
1345001	1350000	1	1,350,000
1395001	1400000	1	1,400,000
1425001	1430000	1	1,426,324
1495001	1500000	2	3,000,000
1505001	1510000	1	1,507,500

Pattern of Shareholding
As at 31 December 2009

Size of Holding		No. of	No. of
From	To	Shareholders	Shares Held
1595001	1600000	1	1,600,000
1655001	1660000	1	1,655,525
1695001	1700000	1	1,700,000
1790001	1795000	1	1,790,844
1795001	1800000	1	1,800,000
2000001	2005000	1	2,000,500
2195001	2200000	1	2,200,000
2310001	2315000	1	2,310,334
2375001	2380000	1	2,376,797
2395001	2400000	1	2,400,000
2490001	2495000	1	2,494,999
2495001	2500000	3	7,500,000
2695001	2700000	1	2,696,500
3180001	3185000	1	3,181,000
3895001	3900000	1	3,899,551
4475001	4480000	1	4,478,000
4995001	5000000	2	10,000,000
6200001	6205000	1	6,204,887
6560001	6565000	1	6,564,730
6820001	6825000	1	6,822,380
9195001	9200000	1	9,200,000
17165001	17170000	1	17,165,253
30325001	30330000	1	30,327,628
1135805001	1135810000	1	1,135,806,239
TOTAL		**21,208**	**1,514,207,208**

Shareholders Category	No. of Shareholders	No. of Shares Held	Percentage
1 Associated Companies, Undertakings and Related Parties	2	1,135,860,105	75.01
2 NIT and ICP	4	13,391,746	0.88
3 Directors, CEO and their Spouses and minor children	8	403	0.00
4 Executives	5	52,863	0.00
5 Public Sector Companies and Corporations	4	1,064,727	0.07
6 Banks, Development Finance Institutions, Non-Banking Finance Institutions	31	5,343,455	0.35
7 Insurance Companies	16	11,586,580	0.77
8 Modaraba and Mutual Funds	22	5,245,716	0.35
9 Others	242	88,829,641	5.87
10 Individuals	20,874	252,831,972	16.70
TOTAL	**21,208**	**1,514,207,208**	**100.00**

Pattern of Shareholding
As at 31 December 2009

Shareholders Category	No. of Shareholders	No. of Shares held
Associated Companies, Undertakings and Related Parties:		
KP Chemical Corporation	2	1,135,860,105
NIT and ICP (name wise detail)		
National Bank of Pakistan,Trustee Deptt.	2	13,387,110
M/s. Investment Corporation of Pakistan	2	4,636
Directors, CEO and their spouses and minor children (name wise detail)		
Nak Yong Lee	1	1
Mohammad Asif Saad	1	396
Neon Jung Kim	1	1
Oh Hun Im	1	1
Mohammad Qasim Khan	1	1
Byung Yun Lim	1	1
Aliya Yusuf	1	1
Tajammal Hussain Bokharee	1	1
Executives	5	52,863
Public Sector Companies and Corporations	4	1,064,727
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	69	22,175,751
Others	242	88,829,641
Individuals	20,874	252,831,972
TOTAL	21,208	1,514,207,208
Shareholders holding 10% or more voting interest		
KP Chemical Corporation	2	1,135,860,105

Notice of Meeting

Notice is hereby given that the Twelfth Annual General Meeting of Lotte Pakistan PTA Limited (formerly Pakistan PTA Limited) will be held on Thursday, 25 March 2010 at 11:00 a.m. at EZ/1/P-4 Eastern Industrial Zone, Port Qasim, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Balance Sheet and Profit & Loss Account together with the Directors' and Auditors' Reports for the year ended 31 December 2009.

2. To declare in respect of the year ended 31 December 2009 a dividend as recommended by the Directors of the Company of Rs 0.50 per ordinary share of Rs 10 each of the Company, that is, a dividend of 5% on the nominal value of the shares of the Company, to be paid to those members whose names are entered in the Register of Members as at 19 March 2010.

3. To appoint Auditors and to fix their remuneration. The present auditors KPMG Taseer Hadi & Co. retire at the conclusion of the Annual General Meeting.

SPECIAL BUSINESS

4. To consider and if thought fit to amend the Articles of Association of the Company relating to the need for Directors representing the interests of Members holding shares of nominal value of Rs. 125,000 to have shares appropriated to them and for this purpose to pass the following resolution as a Special Resolution:

   RESOLVED as and by way of Special Resolution THAT the Articles of Association of the Company be altered:

   (i) By deleting Article 73 and substituting it with the following new Article 73, namely:

   The qualification of an elected Director, in addition to his being a Member, where required, shall be his holding shares of the nominal value of Rs. 125,000 at least in his own name, but a Director representing the interests of a Member or Members holding shares of the nominal value of Rs. 125,000 at least shall require no such share qualification. A Director shall not be qualified as representing the interests of a Member or Members holding shares of the requisite value unless he is appointed as such representative by the Member or Members concerned by notice in writing addressed to the Company. A Director shall acquire his share qualification within two (2) months from the effective date of his appointment.

   (ii) By inserting after the existing Article 88, the following new Article 88-A, namely:

   88-A. Subject to any rules framed under or any regulations or directives issued pursuant to the Ordinance, Directors or Members of a committee may take part in a meeting of the Directors or a committee by using any communication equipment which allows everybody participating in the meeting to speak to and hear each other. Taking part in this way will count as being present at the meeting. Meetings will be treated as taking place where the largest group of the participants are or, if there is no such group, where the Chairman of the meeting is present.

5. To consider and if thought fit to authorise the holding of their offices of profit by two Directors of the Company.

Note: 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 meeting and containing a draft of the resolution to be passed in respect thereof as required by Section 164(1) of the Companies Ordinance 1984 is being sent to the members, along with a copy of this notice.

By Order of the Board

Ali Aamir
Company Secretary

28 January 2010
Karachi

Notes:

1. The Register of Members and the Share Transfer Books of the Company will be closed from Friday, 19 March 2010 to Thursday, 25 March 2010 (both days inclusive) for the purpose of the Annual General Meeting.

2. Entitlement to dividend and to attend the 12th Annual General Meeting as a Member will be according to the Members Register as at 19 March 2010.

3. Only those persons whose names appear in the Register of Members of the Company as at 25 March 2010 are entitled to attend and participate in and vote at the Annual General Meeting.

4. 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.

5. Members are requested to notify immediately changes, if any, in their registered address.

6. CDC Account Holders will further have to follow the undermentioned guidelines as laid down in Circular 1 dated January 26, 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 Thursday, 25th March 2010 at 11:00 a.m. at EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi.

Change in the Articles of Association

The Board of Directors of the Company have proposed two amendments to the Articles of Association. The first is a substitution of a new Article 73 for the existing Article 73 relating to share qualification. The second relates to incorporating the requisite provision to permit the attendance at Board meetings by Directors through audio and video links. For this purpose the Directors have recommended that the resolution set forth at Agenda item A be proposed and passed as a Special Resolution.

The Directors of the Company are not directly or indirectly interested in this business except to the extent that they may be able to attend the meetings of the Board of Directors of the Company through audio and video links.

Holding of office of profit by the Directors

The approval of the Members of the Company will be sought for the holding of their offices of profit by Mr. Neon Jung Kim and Mr. Oh Hun Im, Directors of the Company in accordance with their respective terms and conditions of service. For this purpose, it is proposed that the following resolution be passed as an ordinary resolution, namely:

RESOLVED THAT approval be and is hereby granted to Mr. Neon Jung Kim and Mr. Oh Hun Im, each a Director of the Company, who are in full time employment with the Company, for holding their respective offices of profit as executives of the Company and the payment of remuneration to them for their respective periods of service in accordance with their respective contracts of service and the applicable service rules of the Company (including without limitation salary, bonuses, incentives, perquisites, allowances and retirement benefits).

FURTHER RESOLVED THAT in the event of either of the aforesaid offices of profit falling vacant, the approval hereby given shall be equally applicable to any other person appointed to fill such vacancy.

The Directors of the Company are not directly or indirectly interested in this business except for the two Directors whose holding of office of profit is sought to be approved.

Admission Slip

The Twelfth Annual General Meeting of Lotte Pakistan PTA Ltd (formerly Pakistan PTA Limited) will be held on Thursday, 25 March 2010 at 11:00 a.m. at EZ/1/P-4, Easern Industrial Zone, Port Qasim, Karachi.

Company`s transport will wait at the corner of Karachi Stock Exchange Road, between 8:45 a.m. and 9:15 a.m. on the date of the Meeting. Shareholders desirous of attending the Meeting may avail this facility.

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

Form of Proxy
12th Annual General Meeting

I / We ____

of ____

being member(s) of Lotte Pakistan PTA Ltd. (formerly Pakistan PTA Limited) holding ____________________

ordinary shares hereby appoint ____

of ____________________ or failing him / her ____________________

of ____________________ who is / are also member (s) of Lotte Pakistan PTA Ltd. (formerly 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 Twelfth Annual General Meeting of the Company to be held on 25 March 2010 and at any adjournment thereof.

As witness my / our hand / seal this ____________ day of ____________ 2010

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) alongwith 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.

Lotte Pakistan PTA Ltd
Formerly Pakistan PTA Limited

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