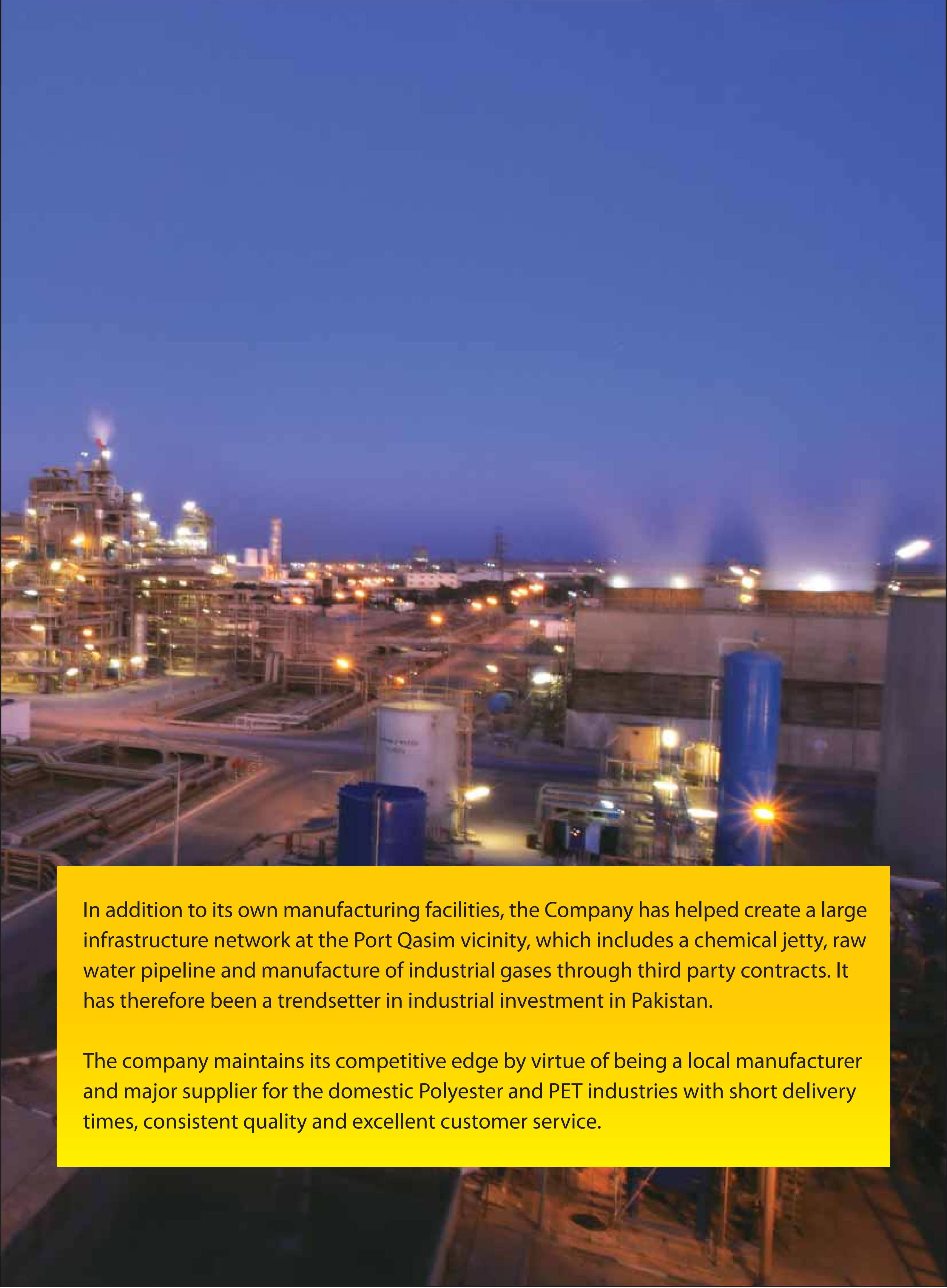
LOTTE PPTA

ANNUAL REPORT 2010

Lotte Pakistan PTA Ltd

about us

Lotte Pakistan PTA Ltd is a world-class supplier of purified terephthalic acid, an essential raw material for Pakistan's textile and PET packaging industries and forms the backbone of the polyester chain, including Polyester Staple Fibre, Filament Yarn and PET (bottle grade) resin. Lotte Pakistan PTA Ltd is the single largest foreign direct investment to date (US$ 490 million) in Pakistan's petrochemical industry.



In addition to its own manufacturing facilities, the Company has helped create a large infrastructure network at the Port Qasim vicinity, which includes a chemical jetty, raw water pipeline and manufacture of industrial gases through third party contracts. It has therefore been a trendsetter in industrial investment in Pakistan.

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

lotte ppta vision, mission & overall strategic objectives

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

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

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

contents

company information

Board of Directors

Soon Hyo Chung	Chairman–Non executive
M Asif Saad	Chief Executive
Soo Young Huh	Non-executive
Neon Jung Kim	Executive
Oh Hun Im	Executive
Mohammad Qasim Khan	Non-executive
Aliya Yusuf	Non-executive
Istaqbal Mehdi	Non-executive (appointed w.e.f 3 Jan 2011)
Tajammal Hussain Bokharee	Non-executive (resigned w.e.f 30 Dec 2010)

Audit Committee

Istaqbal Mehdi	Chairman (appointed w.e.f 3 Jan 2011)
Tajammal Hussain Bokharee	Chairman (resigned w.e.f 30 Dec 2010)
Neon Jung Kim	Member
Aliya Yusuf	Member

Senior Remuneration Sub Committee

Soon Hyo Chung	Chairman
Soo Young Huh	Member
Neon Jung Kim	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	General Manager Commercial
Waheed U Khan	Corporate Human Resource Manager
Adnan W Samdani	Corporate Strategy Manager

Bankers

Askari Bank Limited
Deutsche Bank AG
Habib Bank Limited
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

A.F. Ferguson & 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 - 74000

chief executive's message to the stakeholders

I had written last year that we hope to have begun a new success story but I could not have imagined what those words would translate into, in reality, during 2010. It has been a year of so many achievements that, as a management team, our first task must be to remain humble and credit good fortune which is helping the industry recover on a global scale. On our part, we have devoted ourselves to improving the quality of our business and the work we had started over the last few years is paying returns in all aspects. We achieved 35 million man-hours without Lost Time Case – which is a staggering achievement by any standard and puts us in a unique league of the world's best run plants. This has become our management mantra and helps in achieving so much more than only HSE milestones.

In our manufacturing operations we achieved the highest quarterly production level, continued to improve plant efficiencies and plant availability levels – all of which go to ensure we remain one of the most efficient PTA plants in the world. Our commercial success is attributed to winning and keeping long-term customers and partnering with our suppliers to optimise purchase and logistics' chains. We have become proficient in managing working capital and our finance team continually seeks opportunities to maximise benefits from the extra cash generation. Our projects function has delivered a sterling CRU capital project and continues to progress our co-generation power project at a remarkable pace. We have developed the new Lotte brand over the last 12 months and have partnered with the government as well as the social sector to engage in public service in Pakistan. Last but certainly not the least, we have transformed the culture and created a strong bond between our people and our organisation which manifests itself through a high level of commitment and passion displayed by all employees.

Favourable industry fundamentals in 2010 combined with these management efforts to help achieve the best financial results since commissioning of the PTA plant in 1998. Demand for PTA has outpaced supply increases globally over the last two years and this fact continues to be the major driver in our financial performance. Although the outlook for the near term is for this trend to continue, management thinking must keep the cyclical nature of this industry foremost in its minds. Our biggest disappointment in 2010 came from the government's inability to understand the dynamics of our industry which resulted in us being penalised through a completely unjustified reduction in the import duty on PTA. That decision was made in contradiction to investment fundamentals as well as international benchmarks and against our consistent pleading and engagement with Government of Pakistan.

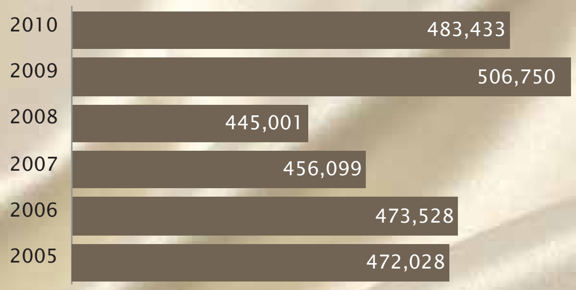
Despite this disappointment, we continue to look ahead and remain positive as we seek opportunities to improve our current business and explore new avenues for growth and diversification. The economic environment in Pakistan is difficult at this time and therefore our approach will be cautious but optimistic, as our belief in our country's good future stays intact.

I take the opportunity to express my gratitude to all stakeholders – employees, customers, suppliers, contractors, business partners and shareholders for their support throughout the year. Markets are always in a flux – but it is our reaction to new conditions as well as preparedness for the unexpected which influences the outcomes. We will continue on the same path as we have been for the last few years and hope that our efforts are able to sustain your trust and faith.

Sincerely yours'

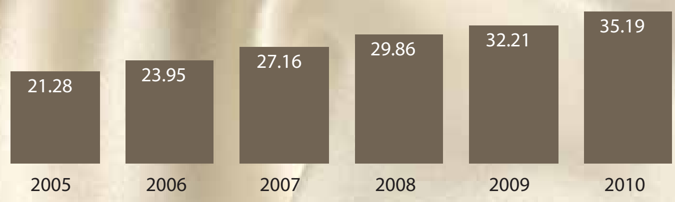
2010 highlights

Production (tonnes)

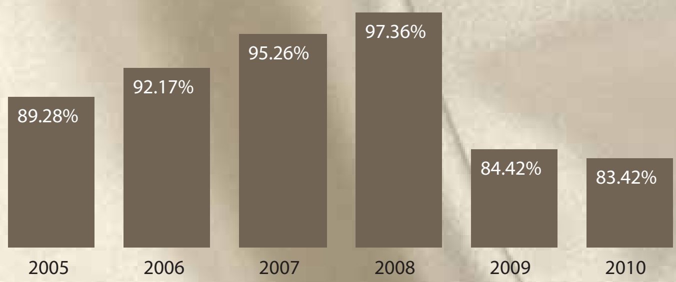


Sales (tonnes)

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



Cost of Sales to Revenue (%)



- Achieved 35 million man-hours without LTC (Loss Time Case)
- To date highest production of 483,433 tonnes in an overhaul year
- Revenue and gross profit up by 12% and 19% respectively
- Successfully commissioned the Catalyst Recovery Unit
- Construction work on the Co-Generation Power Project commenced during Q1 2010
- Spent Rs 35 million towards Corporate Social Responsibility activity

board member profiles

Soon Hyo Chung
Chairman

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

M Asif Saad
Chief Executive

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. Mr Saad was associated with ICI Pakistan for almost 15 years in diverse businesses including Paints, Chemicals, and Polyester Fibre. He has also been responsible for product stewardship and long-term strategy development for the Company. He was appointed Chief Executive of the Company in 2008.

Soo Young Huh
Director

Mr Soo Young Huh is the CEO of KP Chemical Corporation in Korea. He started his illustrious career in Honam Petrochemical in 1976. In 1993, he was appointed Director of the R&D Institute, Honam Petrochemical and later went on to become the Executive Director of Honam Petrochemical in 2005. He was appointed CEO of Lotte Daesan Petrochemical in 2007.

Mohammad Qasim Khan
Director

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

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

Aliya Yusuf
Director

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

Istaqbal Mehdi
Director

Mr Mehdi is the Chairman/CEO of Al-Aman Holding (Private) Limited and holds Directorship in Fauji Fertilizer Company Limited.
Mr Mehdi did his Masters in economics from Government College Lahore, after which he completed M.Phil in Financial Economics from University of Leeds, (UK). Later he studied Public Enterprise Policy in Developing Countries from Harvard University, Cambridge, Massachusetts (USA).
Major positions held by him over 30 years are as follows:

- Managing Director & CEO of Pakistan Kuwait Investment Company (Private) Limited.
- President & CEO of Zarai Taraqiati Bank of Pakistan.
- Chairman & CEO of Agricultural Development Bank of Pakistan.
- Chairman & CEO of National Investment Trust Limited.
- Managing Director & CEO of Investment Corporation of Pakistan.
- CEO of Expert Advisory Cell.
- Consultant to World Bank and Asian Development Bank.
- Research Assistant in USAID.
- Member/Secretary of Prime Minister's Committee for economic policy in Pakistan.
- President of the Assembly, International Centre for Public Enterprise.

Neon Jung Kim
Director

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.

Oh Hun Im
Director

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 1992 and has been involved in various functions like Technical, New Projects & Plant Management and Planning.

board & management committees

with brief terms of reference

Audit Committee

L-R: Neon Jung Kim, Aliya Yusuf & Istaqbal Mehdi

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 2010. Minutes of meetings are drawn up expeditiously and circulated for the information and consideration of the Board in the immediately succeeding Board meeting.

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.

L-R: Neon Jung Kim, Soo Young Huh, Soon Hyo Chung & Oh Hun Im

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.

L-R: Neon Jung Kim, Oh Hun Im & Mohammad Qasim Khan

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.

L-R: Waheed U Khan, Humair Ijaz, Ali Aamir, M Asif Saad, Qamar Haris Manzoor, Mohammad Wasim & Adnan W Samdani

directors' report

The Directors are pleased to present their report together with the audited financial statements of the Company for the year ended 31 December 2010.

Business Overview

The year started on an optimistic note in Asia with China leading the way of economic revival and continuing to post strong growth rates on the back of a supportive monetary policy. The financial woes of Euro zone, however, continued to cast a shadow on the overall global economic recovery. As a result, crude oil (WTI) traded at an average price of US$ 80 per barrel during the year with a low of US$ 68 per barrel in May 2010 and a high of US$ 91 per barrel in December 2010.

Paraxylene (Px) spot prices reflected a similar trend with the market continuing to remain well supplied and enabling spot cargoes to be secured with relative ease. Moreover, new plants in Kuwait and China operated at full capacities and most end users remained comfortably covered with contract volumes. Margins over Naphtha declined over the year and led producers to cut operating rates. However, with Px manufacturers in Kuwait, Iran and Oman declaring force majeure for various reasons in the latter part of Q4 2010, spot prices rose to a high of US$ 1,402 per tonne CFR China in December 2010, averaging US$ 1,063 per tonne CFR China during the year with a low of US$ 833 per tonne CFR China in July.

As a result, PTA demand and spot prices also remained buoyant during the year due to higher operating rates in the polyester sector and incremental polymerisation capacities coming on-stream in China and India. Mitsubishi's new 800,000 tonnes per annum Haldia plant in India continued to struggle in stabilising its operations and Indian Oil Company shut its PTA plant in the second half of the year, which did not restart on time. Consequently, Indian PTA users were forced to pay a premium over regional prices throughout the year. Another reason for PTA prices remaining high was the imposition by the Chinese Government of antidumping duties on Korean and Thai PTA manufacturers earlier in the year, provisionally at 4% and 15% respectively which were later reduced to 3.9% and 11.93%. Consequently, Taiwanese PTA commanded a premium of US$ 15 to US$ 20 per tonne over other suppliers in the region. PTA spot prices averaged US$ 960 per tonne CFR China during the year with a high of US$ 1,215 per tonne CFR China in December and a low of US$ 810 per tonne CFR China in June.

With the Chinese government deciding to curb inflationary trends by restricting credit flows in the market and by regulating supply of electricity in the summer months, the Chinese downstream sectors, including Polyester Staple Fibre (PSF) and PET, remained under pressure during the early part of the year. However, with global cotton prices climbing steadily to reach an all time high of US$ 3.45 per kilogram, mainly due to a reduced cotton crop in most major cotton growing countries, demand for PSF remained robust during most of the year. As a result, PSF's sales to output ratio which was at a low level of 50% in the early part of the year, increased to 200% by the year end due to the shortage and high price of cotton in the international market. PSF prices averaged US$ 1.60 per kg in 2010, with a high of US$ 2.07 per kg in December 2010 and a low of US$ 1.32 per kg in September 2010.

The European Union (EU) imposed a combination of 'anti-dumping and countervailing duties' on exports of PET from Iran, Pakistan and United Arab Emirates. Pakistan's provisional rate of duty was originally determined at Euros 84 per tonne but was subsequently revised down to Euros 44 per tonne. PET spot prices averaged US$ 1,230 per tonne FOB Korea in 2010, with a high of US$ 1,315 per tonne FOB Korea in December 2010 and a low of US$ 1,143 per tonne FOB Korea in August 2010.

In the domestic market, PSF manufacturers, other than Dewan Salman Fibres Limited which remained shut due to continuing financial problems, operated at full rates and were able to pass through the high feedstock costs. The floods which ravaged the country during August and September, caused extensive damage to the cotton crop and, coupled with the record high prices in the international market, the local price crossed the highest ever level of Rs 10,000 per maund or Rs 300 per kilogram during H2 2010 which, in turn, resulted in the highest ever differential of Rs 130 per kilogram between the prices of cotton and PSF.

Operations

Sales and production volumes for the year at 483,394 tonnes and 483,433 tonnes were marginally lower than last year mainly because of the planned plant overhaul in December. The Company minimised sales to the international market, with exports at 18,678 tonnes as compared to 39,160 tonnes last year, which improved the domestic / export sales mix to 96% from 92% in 2009. Exports included sales to customers in China, India and Oman.

Production volume during the year recorded the best quarterly level ever achieved and the best annual output in any overhaul year. The Board is pleased to report that the planned plant overhaul was successfully completed in 14 days during the month of December, after a 24 month gap from the previous one in November 2008, both time factors being unprecedented in the operations of similar plants anywhere in the world.

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. Despite lower import tariff on PTA during H2 2010 (3.0% compared to 7.5% in H2 2009), revenue for the year was 12% higher than 2009 mainly due to higher average PTA price per tonne.

The cost of sales to revenue ratio improved from 84% in 2009 to 83% in 2010, despite being an overhaul year, mainly due to the PTA margin over Px being 20% higher than last year.

Distribution and selling expenses were lower than last year mainly due to lower exports, thus resulting in lower outward freight. Administration expenses were higher than last year due to overall impact of a high inflation rate and resultant increase in payroll and other costs.

Finance income for the year was Rs 622 million higher than last year mainly due to strong cash flows generated from favourable trading conditions and consequent placement of higher levels of surplus funds in time deposits with banks. Finance costs were Rs 525 million lower than last year mainly due to the reduction in exchange loss on account of the relative stability in the US$/Rs parity during 2010, strong cash flows from improved trading conditions, little or no utilisation of financing facilities from banks and partial prepayment of US$ 23 million of the foreign currency loan from the parent company.

Profit before taxation for the year was recorded at Rs 6,712 million compared to Rs 4,719 million in 2009. The Company re-evaluated its position on accounting for deferred tax liability arising from the depreciation for tax purposes being significantly lower than the depreciation charged in the financial statements, related to the time of the Company's demerger from ICI Pakistan Limited. As a result of the re-evaluation, the deferred tax liability has been recognised in the Company's financial statements by re-stating the earliest reported period's accumulated loss in the statement of changes in equity for the year ended 31 December 2010.

Cash Flow

The Company generated strong cash flows from operations during the year and surplus funds, whenever available, were either placed with various banks in short-term call deposits or invested in AAA rated money market funds. Furthermore, in order to reduce the Company's debt burden and more particularly its exposure to the US$ /Rs exchange rate volatility, a prepayment of US$ 23 million out of the aggregate parent company loan of US$ 63 million was made in December 2010.

Capital Expenditure

As part of the Company's strategy to enhance plant rate incrementally through economic capital additions, maintaining plant reliability and improving asset availability, various minor and major projects, including catalyst recovery unit and co-generation power plant, were either successfully installed and commissioned during the year or are on track to meet the planned start up timelines.

Catalyst Recovery Unit (CRU) Project

Efficiency enhancement project of CRU was sanctioned by the Board in early 2009 with a planned commissioning date of October 2010. The Board is pleased to report that the project was not only completed on time and within the sanctioned budget of US$ 4.3 million, but has generated cost savings practically from the first day of its commissioning.

Co-Generation Power Project

The US$ 50 million co-generation power project to produce 40 megawatts of electricity was approved by the Board in April 2010. It entails setting up of a gas fired plant at the Company's Port Qasim site with a state of the art LM 6000 gas turbine manufactured by General Electric (GE). This power plant represents the largest single capital investment project by the Company since initial set up of the PTA plant and, in addition to ensuring uninterrupted supply of electricity it would also generate substantial savings in production cost.

Work on the project has commenced in earnest with orders being placed for the gas turbine, natural gas booster compressors and the heat recovery steam generator. A consultant has also been appointed to carry out the detailed engineering design and the project is on target to be commissioned early next year.

Post Balance Sheet Events

The Board has announced a final cash dividend of Rs 0.50 per share for 2010 (2009: Rs 0.50 per share), subject to the approval of the shareholders in the annual general meeting scheduled to be held on 24 March 2011.

Contribution towards the Economy

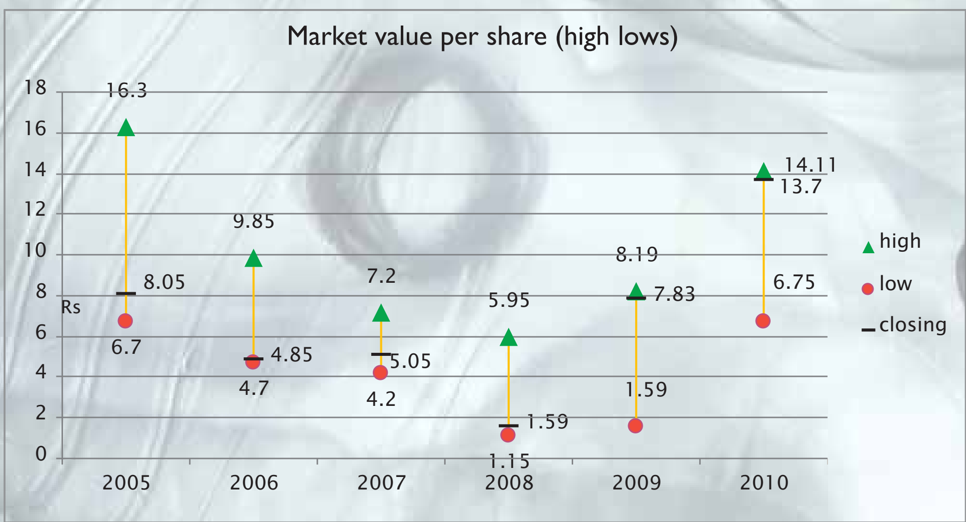
The Company paid Rs 2,801 million during the year to the national exchequer. Contribution to the economy as per value added statement amounts to Rs 2,971 million.

shareholders' value

Market capitalisation of the Company's stock as at 31 December 2010 was recorded at Rs 20.74 billion (2009: Rs 11.86 billion), with the price per share fluctuating from a high of Rs 14.11 to a low of Rs 6.75 and closing the year at Rs 13.70. Trading volumes for the Company's shares remained consistently high during the year.

There were 20,336 holders of the Company's equity stock at the close of 2010. Closely held shares (i.e. those held by the sponsors, investment companies, financial institutions, foreign investors and other corporate bodies) amounted to 85.2% of the total share capital.

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



future outlook

The US economy has started to show increasing signs of improvement with the roll out of the government's "quantitative easing" policy. Furthermore, despite the tight monetary stance adopted by the Chinese Government, the growth trajectory in that country for 2011 is expected to remain fairly robust. These upbeat indicators bode well for the entire petrochemical chain and the downstream polyester sector which, coupled with the continuing shortage of cotton, is expected to maintain high operating rates during 2011.

The regional Px balance is expected to further improve with new plants in the Middle East, which had declared force majeure closures in Q4 2010, coming back on-stream during Q1 2011. Coupled with new polymerisation capacities coming online in China and India during 2011, PTA prices and margins are expected to remain healthy for the foreseeable future.

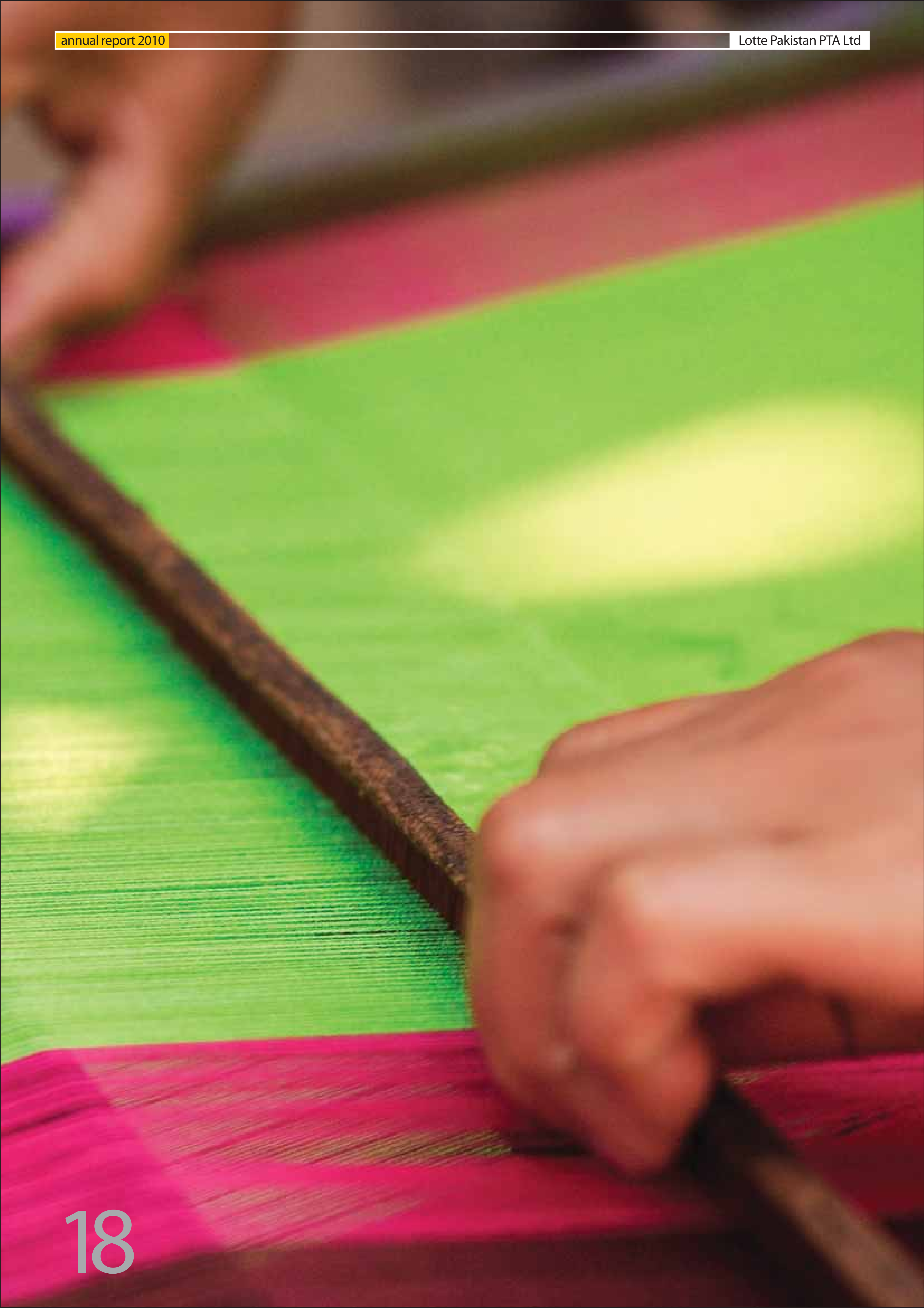
One of the largest PSF manufacturers in Pakistan has announced its capacity enhancement plans with the new plant expected to start production within the next two years. This would result in an increase in the domestic PTA requirement which, in turn, makes the case for expansion of domestic PTA production capacity more compelling. However, the Board of Directors would like to underscore the cyclical nature of the PTA industry and, despite the high margins and profitability of the Company at this point in time, it is likely to consider the huge capital outlay of over US$ 400 million required for plant expansion, if the GoP assures the Company of increasing and maintaining the import tariff on PTA at a level much higher than the current 3%. The Company's major shareholder would also like to point out that production of PTA in Pakistan is less competitive than other countries like China and India because of the much higher infrastructure costs for receipt, storage and handling of raw materials at the port and higher costs of electricity and supply of industrial gases etc. Due to lower costs and higher import tariff levels in China and India (6.5% and 5% respectively), PTA production in those countries remains more profitable than in Pakistan and allows them to take advantage of market opportunities by continuing to expand.

The GoP as well as the downstream polyester and textile sectors need to understand that dependence upon imported PTA, particularly in times of raw material shortage, can constrain production and exports of textile products. The current market situation is representative of this phenomenon where textile production in the country can suffer seriously should the domestic production and supply of PTA become restricted for any reason. There is therefore a need for the entire polyester sector to work together to optimise the supply chain in the country. Increased profitability of all sectors within the polyester and textile value chains continues to offer opportunities for growth and investment which should be seized for the collective long term benefit of all stakeholders in Pakistan.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

Date: 26 January 2011
Karachi



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 authorised 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' report 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.

None of the directors are either members of any stock exchanges in Pakistan or engaged in the business of stock brokerage. Moreover, they are not involved in external audit and have had no relationship with the Company's external auditors during the preceding two years. Remuneration and benefits of the Board, including the Chief Executive and other directors, are disclosed in note 39 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.

During the year three members of the Board, including the Chief Executive, attended the Director Educational Programme of Board Development Series, conducted by Pakistan Institute of Corporate Governance.

Role and Responsibilities of the Chairman and Chief Executive
There is a clear segregation of roles between the Chairman of the Board and the Chief Executive 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 utilisation of the Company's resources and effective implementation of internal controls.

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


LOTTE

a landmark achievement

35 million man-hours without LTC

"This milestone could not have been achieved without the commitment and meticulous adherence to stringent health & safety procedures that are part of the belief system at Lotte PPTA."

Qamar Haris Manzoor, General Manager Manufacturing

health, safety & environment

The Company is a caring and responsible organisation which is strongly committed to upholding the highest standard in Health, Safety and Environment (HS&E) in its operations.

In pursuing these high standards, the Company benchmarks its performance with the best in the world and strives to surpass all regulatory requirements in Pakistan. It is due to this stern implementation of these HS&E policies, the Company has now achieved a milestone of twelve consecutive years without a Lost Time Case (LTC). As of 31 December 2010 the Company reached a landmark of 9.31 million man-hours without LTC to its employees and 25.87 million man-hours without LTC to contractors, which cumulates to the immaculate record of over 35 million hours. This is a significant milestone for our operations and easily surpasses local and international achievements by most other companies in this respect.

The Company believes that it is a fair investment with an extremely attractive payback in terms of keeping all communities we operate in. It is therefore one of the most important management tools we deploy in achieving excellence in all aspects of our business.

human resources

The Company firmly believes that its employees are its primary asset and has remained focused on providing the most supportive and conducive environment to all employees, through strong HR practices, thus enabling our people to become the Company's major competitive advantage.

Internal policies of open communication and consultation at every level have created an environment of sharing ideas and instant conflict resolution. Stability and sustainability were maintained in the organisation throughout 2010 with permanent staff strength at the end of the year at 227 compared to 225 in the previous year. It is a matter of pride for our organisation to have retained almost 100% of the talent we have developed over the last few years.

Recruitment

Lotte Pakistan PTA Limited carries a history of encouraging talented, creative and hardworking individuals to be a part of its exemplary team. The Company is also proud to have one of the best learning platforms and offers development opportunities to its new joiners, where both on the job and classroom training sessions are conducted with detailed timelines in order to develop individuals into future leaders.

During the year, the Company continued its systematic and proactive recruitment strategy through its screening processes of comprehensive testing and interviewing system for hiring fresh candidates for its Trainee Engineer programme. This is fast becoming a most sought after position for young engineering graduates in Pakistan.

Training and Development

The Company is strongly focused on its employees' skills development and has been investing in its team to develop competencies to cater to emerging technological and managerial challenges. Comprehensive TNA (Training Needs Analysis) exercise and its compliance are the fundamental part of its Training and Development process.

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 programmes. Financial assistance in the form of tuition fee reimbursements is also available for selected employees as per Company policy.

corporate social responsibility

As a socially responsible corporate citizen, Lotte PPTA has committed itself to the uplift of local communities and society. We have identified Health and Education as the foremost need of our people and strive to improve these areas by supporting and partnering with charitable organisations.

Natural Disaster: Relief and Rehabilitation

- For the 2010 floods in Pakistan, Lotte PPTA donated Rs 10 million to the Prime Minister's Flood Relief Fund. KP Chemical Corporation, the majority shareholder of Lotte PPTA and a subsidiary of LOTTE Group in Korea, also donated Rs 10 million to the Prime Minister's Flood Relief Fund, as part of its own contribution towards flood relief efforts

- In addition to corporate donations, all employees of Lotte PPTA contributed one day's salary to this noble cause. These funds were channelled through two humanitarian organisations - Aitemad Pakistan and Indus Resource Centre. Lotte PPTA's fellow employees at KP Chemical, Korea also voluntarily contributed Rs 1.1 million to alleviate the plight of the affected population

- Lotte PPTA continued its support for the flood victims by importing food items from Lotte Confectionery, Vietnam. The same will be distributed through Provincial Disaster Management Authority (PDMA) and UNICEF during Q1 2011 to the flood affectees

Education

In an attempt to contribute towards the national agenda of reducing poverty through improvement in literacy rate, Lotte PPTA joined hands with key stakeholders.

- Lotte PPTA made a donation of US$ 100,000 to National Commission for Human Development (NCHD) during the visit of Mr. Dong Bin Shin, Vice Chairman LOTTE Group

- Lotte PPTA also joined hands with TCF (The Citizens Foundation) to sponsor a primary school located at Yousaf Goth (Gadap Town) Karachi. The school will provide education to 160 students free of cost

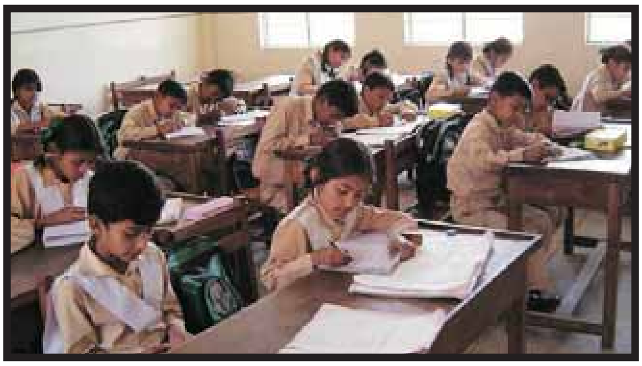
- Furthermore donations were also made to FESF (Family Education Services Foundation), a school for training and facility for the deaf

Health

Lotte PPTA supported various charitable organisations with a view to provide free medical facilities for the underprivileged.

- Lotte PPTA sponsored 2 days of free Kidney dialysis at Sindh Institute of Urology and Transplantation
- Donation was made to Marie Adelaide Leprosy Centre to procure an ultrasound machine
- Donation was also made to Memon Medical Institute Hospital
- Further donations were made to Aga Khan University Hospital and Zubaida Medical Centre

In the coming years, Lotte PPTA expects to continue to play an important role in supporting communities in education, health, environment and development of sports. We will follow our majority shareholders' vision of being a company which identifies public service as one of its core values.



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 judgements
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and departures there from, if any, have been adequately disclosed
- The system of internal control is sound in design and has been effectively implemented and monitored
- There are no significant doubts on the Company's ability to continue as a going concern
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations
- Key historical data is given in Shareholders' Interest section of the Annual Report

The value of investments of the staff retirement funds as per their respective audited financial statements for the year ended 31 December 2009, is as follows:

	Value (Rs 000)
Pakistan PTA Management Staff Provident Fund	107,315
Pakistan PTA Management Staff Pension Fund	27,300
Pakistan PTA Management Staff Gratuity Fund	79,086
Pakistan PTA Management Staff Defined Contribution Superannuation Fund	96,666
Pakistan PTA Non-Management Staff Provident Fund	2,468
Pakistan PTA Non-Management Staff Gratuity Fund	1,957

A total of four 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 – 2010	28 Jan	22 Apr	25 Aug	26 Oct
Mr Nak Yong Lee *	✓			
Mr Soon Hyo Chung **		✓	✓	✓
Mr M Asif Saad	✓	✓	✓	✓
Mr Soo Young Huh **		✓		
Mr Neon Jung Kim	✓	✓	✓	✓
Mr Oh Hun Im	✓	✓	✓	✓
Mr Mohammad Qasim Khan	✓		✓	
Mr Byung Yun Lim *				
Ms Aliya Yusuf	✓	✓	✓	✓
Mr Tajammal H Bokharee *			✓	✓
Mr Istaqbal Mehdi **				

* Mr Nak Yong Lee and Mr Byung Yun Lim resigned w.e.f. 5 April 2010 and Mr Tajammal H. Bokharee resigned w.e.f 30 December 2010.

** Mr Soon Hyo Chung and Mr Soo Young Huh appointed w.e.f. 5 April 2010 and Mr Istaqbal Mehdi appointed, w.e.f. 3 Jan 2011 on the Board.

- The pattern of shareholding in the Company as at 31 December 2010, is given on page 80 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 Soon Hyo Chung and Mr Soo Young Huh.

Auditors

The present auditors A.F. Ferguson & Co. retire and offer themselves for re-appointment.

lotte

With a strong belief in contributing to the nation and society through commerce, LOTTE officially entered the food business when it founded Lotte Confectionery 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 SAMKANG
LOTTERIA
T.G.I. FRIDAY'S DIVISION
ANGEL-IN-US DIVISION
KRISPY KREME DOUGHNUTS
LOTTE FRESH DELICA
LOTTE BOULANGERIE
LOTTE PHARMACEUTICAL
WELLGA
LOTTE MERCHANDISING
SERVICE CENTER (LOTTE LHP)
GUYLIAN
BIBICA
KOLSON PAKISTAN

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
LOTTE ENTERTAINMENT
LOTTE.COM
LOTTE HOME SHOPPING
KOREA SEVEN
FRL KOREA
TIMES CHINA
MAKRO CHINA
MAKRO INDONESIA

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
LOTTE CHEMICAL UK
MALAYSIA TITAN

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

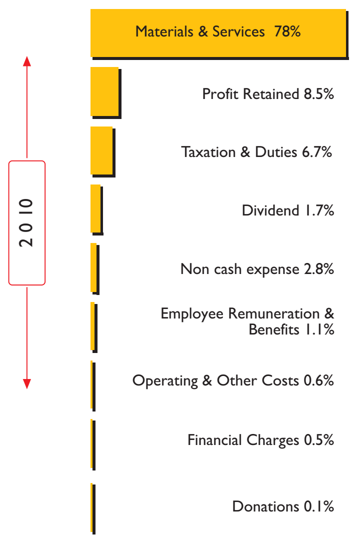
shareholders' interest

our value addition & its distribution

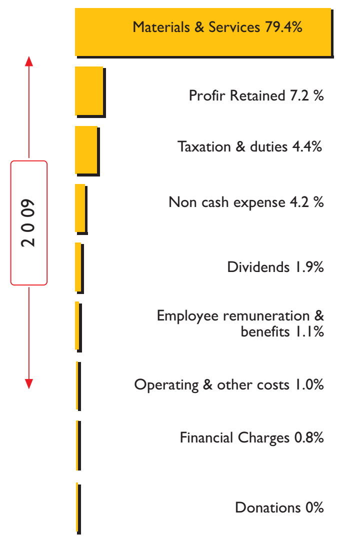
STATEMENT OF VALUE ADDED

	2010 Rs 000	%	2009 Rs 000	%
Gross revenue	43,473,680	98.0	38,629,965	98.8
Other income	892,998	2.0	457,446	1.2
Total value added	44,366,678	100.0	39,087,411	100.0
Value Distribution				
Materials and services	34,619,900	78.0	31,024,209	79.4
Employee remuneration and benefits	477,743	1.1	415,097	1.1
Government taxation and duties, as:				
Company taxation	2,183,733		1,145,537	
Excise duty and infrastructure cess	268,856		225,508	
Worker's funds	518,482		349,761	
	2,971,071	6.7	1,720,806	4.4
Non cash expenses				
Depreciation	1,243,902		1,205,888	
Net exchange loss	9,087		447,372	
	1,252,989	2.8	1,653,260	4.2
Operating and other costs	261,560	0.6	391,531	1.0
Donations	35,509	0.1	1,472	0.0
Finance costs	220,138	0.5	307,330	0.8
Dividends	757,104	1.7	757,104	1.9
Profit retained	3,770,664	8.5	2,816,602	7.2
Total	44,366,678	100.0	39,087,411	100.0

Distribution of Value added FY10



Distribution of Value added FY09



six years at a glance

		2010	2009	2008	2007	2006	2005
PROFIT & LOSS SUMMARY							
Revenue	Rs 000	42,401,588	37,851,240	32,936,220	28,467,346	28,561,939	25,951,929
Cost of sales	Rs 000	35,369,663	31,954,429	32,067,881	27,117,299	26,325,613	23,171,139
Gross profit	Rs 000	7,031,925	5,896,811	868,339	1,350,047	2,236,326	2,780,790
Distribution & selling expenses	Rs 000	109,983	121,252	56,422	16,588	215,572	183,083
Administration expenses	Rs 000	268,291	215,709	201,069	160,907	180,002	173,145
Other operating expenses	Rs 000	605,923	543,351	40,850	38,371	59,761	118,508
Other operating income	Rs 000	10,532	196,646	153,776	169,015	84,175	299,427
Operating profit	Rs 000	6,058,260	5,213,145	723,774	1,303,196	1,865,166	2,605,481
Finance income	Rs 000	882,466	260,800	-	-	-	-
Finance costs	Rs 000	229,225	754,702	2,402,464	1,103,785	1,500,489	1,139,328
Profit/ (loss) before taxation	Rs 000	6,711,501	4,719,243	(1,678,690)	199,411	364,677	1,466,153
Taxation	Rs 000	2,183,733	1,145,537	(108,658)	68,044	238,587	51,891
Profit/ (loss) after taxation	Rs 000	4,527,768	3,573,706	(1,570,032)	131,367	126,090	1,414,262
EBITDA	Rs 000	8,184,628	6,679,833	1,917,500	2,478,736	3,237,181	4,254,203
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	(5,542,027)	(9,312,691)	(12,886,397)	(11,316,365)	(11,447,732)	(11,384,622)
Long term loans	Rs 000	3,437,500	5,322,397	4,996,687	3,879,697	686,114	2,024,022
Current liabilities	Rs 000	8,054,478	5,750,627	5,666,835	7,103,252	10,805,441	9,337,734
Fixed assets	Rs 000	8,890,314	9,335,514	9,952,791	10,745,850	11,704,801	12,757,340
Current assets	Rs 000	13,896,908	9,543,763	5,149,368	6,393,459	5,990,016	5,034,563
CASH FLOW SUMMARY							
Operating activities	Rs 000	5,630,598	7,051,345	542,405	1,170,553	1,644,021	2,367,060
Investing activities	Rs 000	(1,305,449)	(277,436)	(272,730)	(227,221)	(343,848)	(300,096)
Financing activities	Rs 000	(2,852,781)	(97,791)	(777,349)	(1,427,291)	(1,578,698)	(1,359,794)
Cash and cash equivalents at year end	Rs 000	6,910,308	5,437,940	(1,238,178)	(730,504)	(246,545)	31,980
KEY RATIOS							
Gross profit ratio	%	16.58	15.58	2.64	4.74	7.83	10.72
EBITDA margin to sales	%	19.30	17.65	5.82	8.71	11.33	16.39
Net profit margin	%	10.68	9.44	(4.77)	0.46	0.44	5.45
ROE	%	47.15	61.28	(69.53)	3.43	3.41	37.62
ROCE	%	34.16	31.06	(20.51)	1.60	2.56	22.54
Inventory turnover	times	18.00	25.38	17.87	8.97	8.05	6.75
Inventory turnover in days	days	20.27	14.38	20.42	40.70	45.33	54.08
Debtors turnover	times	17.90	26.19	16.85	15.71	29.70	40.42
Average collection period	days	20.40	13.94	21.66	23.23	12.29	9.03
Creditors turnover	times	10.50	12.21	9.57	6.88	7.81	7.92
Payable turnover in days	days	34.76	29.89	38.14	53.06	46.75	46.09
Operating cycle	days	5.91	(1.57)	3.94	10.87	10.87	17.02
Total asset turnover	times	2.03	2.22	2.03	1.63	1.60	1.40
Fixed asset turnover	times	4.65	3.92	3.18	2.54	2.34	1.95
Current ratio	times	1.73	1.66	0.91	0.90	0.55	0.54
Quick ratio	times	1.33	1.37	0.59	0.49	0.16	0.18
Interest cover	times	26.43	6.91	0.30	1.18	1.24	2.29
Debt equity ratio	times	1.38	1.97	3.39	2.14	1.33	1.67
SHARES & EARNINGS							
Price earnings ratio	times	4.58	3.32	(1.53)	58.21	58.24	8.62
EPS	Rs	2.99	2.36	(1.04)	0.09	0.08	0.93
Cash dividend per share	Rs	0.50	0.50	-	-	-	0.50
Dividend yield ratio	%	3.65	6.39	-	-	-	6.21
Dividend payout ratio	%	16.72	21.19	-	-	-	53.53
Dividend cover ratio	times	5.98	4.72	-	-	-	1.87
Breakup value per share (w/o surplus on revaluation of fixed assets)	Rs	6.34	3.85	1.49	2.53	2.44	2.48
Breakup value per share (including surplus on revaluation of fixed assets)	Rs	6.40	3.91	1.55	2.53	2.44	2.48
Market value per share - 31 December	Rs	13.70	7.83	1.59	5.05	4.85	8.05
Market value per share – High	Rs	14.11	8.19	5.95	7.20	9.85	16.30
Market value per share – Low	Rs	6.75	1.59	1.15	4.20	4.70	6.70
Market capitalization	Rs 000	20,744,639	11,856,242	2,407,589	7,646,746	7,343,905	12,189,367

vertical analysis

	2010		2009		2008		2007		2006		2005	
	(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	66%	15,142,072	80%	15,142,072	100%	15,142,072	88%	15,142,072	85%	15,142,072	85%
Capital reserves	2,345	0%	2,345	0%	2,345	0%	2,345	0%	2,345	0%	2,345	0%
Accumulated loss	(5,542,027)	-24%	(9,312,691)	-49%	(12,886,397)	-85%	(11,316,365)	-66%	(11,447,732)	-64%	(11,384,622)	-64%
Total Equity	9,602,390	42%	5,831,726	31%	2,258,020	15%	3,828,052	22%	3,696,685	21%	3,759,795	21%
Surplus on revaluation of fixed assets	85,992	0%	85,992	0%	85,992	1%	-	0%	-	0%	-	0%
NON CURRENT LIABILITIES												
Long term loans	3,437,500	15%	5,322,397	28%	4,996,687	33%	3,879,697	23%	686,114	4%	2,024,022	11%
Liability against assets subject to finance lease	214,445	1%	351,796	2%	400,188	3%	499,344	3%	533,767	3%	491,965	3%
Deferred tax liability	1,486,476	6%	1,623,823	9%	1,774,808	12%	1,903,081	11%	2,040,217	11%	2,277,210	13%
Retirement benefit obligation	14,749	0%	9,999	0%	6,073	0%	4,938	0%	3,836	0%	2,906	0%
	5,153,170	23%	7,308,015	39%	7,177,756	47%	6,287,060	37%	3,263,934	18%	4,796,103	27%
CURRENT LIABILITIES												
Trade and other payables	7,652,365	33%	4,975,045	26%	3,903,517	26%	5,329,344	31%	4,898,902	28%	3,800,007	21%
Accrued interest / mark-up on loans	136,942	1%	137,175	1%	425,079	3%	205,641	1%	274,458	2%	224,495	1%
Taxation - provision less payments	118,594	1%	519,114	3%	-	0%	-	0%	56,047	0%	147,882	1%
Short term financing	-	0%	-	0%	1,254,624	8%	804,690	5%	4,148,823	23%	3,780,645	21%
Current portion of:												
long term loans	-	0%	-	0%	-	0%	692,382	4%	1,372,228	8%	1,349,348	8%
liability against assets subject to finance lease	146,577	1%	119,293	1%	83,615	1%	71,195	0%	54,983	0%	35,357	0%
	8,054,478	35%	5,750,627	30%	5,666,835	37%	7,103,252	41%	10,805,441	61%	9,337,734	52%
TOTAL EQUITY AND LIABILITIES	22,896,030	100%	18,976,360	100%	15,188,603	100%	17,218,364	100%	17,766,060	100%	17,893,632	100%
NON CURRENT ASSETS												
Fixed assets	8,890,314	39%	9,335,514	49%	9,952,791	66%	10,745,850	62%	11,704,801	66%	12,757,340	71%
Long term loans & advances	38,660	0%	34,497	0%	44,723	0%	38,431	0%	30,581	0%	27,508	0%
Long term deposits & prepayments	70,148	0%	62,586	0%	41,721	0%	40,624	0%	40,662	0%	74,221	0%
	8,999,122	39%	9,432,597	50%	10,039,235	66%	10,824,905	63%	11,776,044	66%	12,859,069	72%
CURRENT ASSETS												
Stores and spares	494,231	2%	400,715	2%	548,868	4%	584,917	3%	528,687	3%	539,847	3%
Stock in trade	2,655,203	12%	1,273,922	7%	1,244,313	8%	2,344,637	14%	3,703,077	21%	2,835,633	16%
Deposits and short term prepayments	69,846	0%	49,150	0%	74,891	0%	166,240	1%	170,171	1%	242,550	1%
Taxation recoverable	-	0%	-	0%	-	0%	8,003	0%	-	0%	-	0%
Trade debts	2,937,816	13%	1,800,772	9%	1,089,614	7%	2,818,667	16%	804,809	5%	1,118,691	6%
Loans and advances	32,196	0%	26,233	0%	27,020	0%	37,769	0%	29,605	0%	30,505	0%
Accrued profit on bank deposits	43,861	0%	27,876	0%	-	0%	-	0%	-	0%	-	0%
Other receivables	67,007	0%	139,216	1%	1,802,787	12%	96,523	1%	491,794	3%	105,535	1%
Financial assets - investment	364,644	2%	-	0%	-	0%	-	0%	-	0%	-	0%
Tax refunds due from government	321,796	1%	387,939	2%	345,429	2%	262,517	2%	204,170	1%	129,649	1%
Cash and bank balances	6,910,308	30%	5,437,940	29%	16,446	0%	74,186	0%	57,703	0%	32,153	0%
	13,896,908	61%	9,543,763	50%	5,149,368	34%	6,393,459	37%	5,990,016	34%	5,034,563	28%
TOTAL ASSETS	22,896,030	100%	18,976,360	100%	15,188,603	100%	17,218,364	100%	17,766,060	100%	17,893,632	100%
PROFIT AND LOSS ACCOUNT												
Turnover	43,473,680	103%	38,629,965	102%	35,975,240	109%	31,103,684	109%	30,815,350	108%	28,424,844	110%
Price settlement and discounts	1,072,092	3%	778,725	2%	3,039,020	9%	2,636,338	9%	2,253,411	8%	2,472,915	10%
Revenue	42,401,588	100%	37,851,240	100%	32,936,220	100%	28,467,346	100%	28,561,939	100%	25,951,929	100%
Cost of sales	35,369,663	83%	31,954,429	84%	32,067,881	97%	27,117,299	95%	26,325,613	92%	23,171,139	89%
Gross profit	7,031,925	17%	5,896,811	16%	868,339	3%	1,350,047	5%	2,236,326	8%	2,780,790	11%
Distribution and selling expenses	109,983	0%	121,252	0%	56,422	0%	16,588	0%	215,572	1%	183,083	1%
Administration expenses	268,291	1%	215,709	1%	201,069	1%	160,907	1%	180,002	1%	173,145	1%
Other operating expenses	605,923	1%	543,351	1%	40,850	0%	38,371	0%	59,761	0%	118,508	0%
Other operating income	10,532	0%	196,646	1%	153,776	0%	169,015	1%	84,175	0%	299,427	1%
Operating profit	6,058,260	14%	5,213,145	14%	723,774	2%	1,303,196	5%	1,865,166	7%	2,605,481	10%
Finance income	882,466	2%	260,800	1%	-	0%	-	0%	-	0%	-	0%
Finance costs	229,225	1%	754,702	2%	2,402,464	7%	1,103,785	4%	1,500,489	5%	1,139,328	4%
Profit / (loss) before taxation	6,711,501	16%	4,719,243	12%	(1,678,690)	-5%	199,411	1%	364,677	1%	1,466,153	6%
Taxation	2,183,733	5%	1,145,537	3%	(108,658)	0%	68,044	0%	238,587	1%	51,891	0%
Profit / (loss) after taxation	4,527,768	11%	3,573,706	9%	(1,570,032)	-5%	131,367	0%	126,090	0%	1,414,262	5%

horizontal analysis

	2010 (Rs ' 000)	%	2009 (Rs ' 000)	%	2008 (Rs ' 000)	%	2007 (Rs ' 000)	%	2006 (Rs ' 000)	%	2005 (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	(5,542,027)	49%	(9,312,691)	82%	(12,886,397)	113%	(11,316,365)	99%	(11,447,732)	101%	(11,384,622)	100%
Surplus on revaluation of fixed assets	85,992		85,992		85,992		-		-		-	
NON CURRENT LIABILITIES												
Long term loans	3,437,500	170%	5,322,397	263%	4,996,687	247%	3,879,697	192%	686,114	34%	2,024,022	100%
Liability against assets subject to finance lease	214,445	44%	351,796	72%	400,188	81%	499,344	101%	533,767	108%	491,965	100%
Deferred tax liability	1,486,476	65%	1,623,823	71%	1,774,808	78%	1,903,081	84%	2,040,217	90%	2,277,210	100%
Retirement benefit obligation	14,749	508%	9,999	344%	6,073	209%	4,938	170%	3,836	132%	2,906	100%
CURRENT LIABILITIES												
Trade and other payables	7,652,365	201%	4,975,045	131%	3,903,517	103%	5,329,344	140%	4,898,902	129%	3,800,007	100%
Accrued interest / mark-up on loans	136,942	61%	137,175	61%	425,079	189%	205,641	92%	274,458	122%	224,495	100%
Taxation - provision less payments	118,594	80%	519,114	351%	-	0%	-	0%	56,047	38%	147,882	100%
Short term borrowings	-	0%	-	0%	1,254,624	33%	804,690	21%	4,148,823	110%	3,780,645	100%
Current portion of:												
Long term loans	-	0%	-	0%	-	0%	692,382	51%	1,372,228	102%	1,349,348	100%
Liability against assets subject to finance lease	146,577	415%	119,293	337%	83,615	236%	71,195	201%	54,983	156%	35,357	100%
TOTAL EQUITY AND LIABILITIES	22,896,030	128%	18,976,360	106%	15,188,603	85%	17,218,364	96%	17,766,060	99%	17,893,632	100%
NON CURRENT ASSETS												
Fixed assets	8,890,314	70%	9,335,514	73%	9,952,791	78%	10,745,850	84%	11,704,801	92%	12,757,340	100%
Long term loans & advances	38,660	141%	34,497	125%	44,723	163%	38,431	140%	30,581	111%	27,508	100%
Long term deposits & prepayments	70,148	95%	62,586	84%	41,721	56%	40,624	55%	40,662	55%	74,221	100%
CURRENT ASSETS												
Stores and spares	494,231	92%	400,715	74%	548,868	102%	584,917	108%	528,687	98%	539,847	100%
Stock in trade	2,655,203	94%	1,273,922	45%	1,244,313	44%	2,344,637	83%	3,703,077	131%	2,835,633	100%
Deposits and prepayments	69,846	29%	49,150	20%	74,891	31%	166,240	69%	170,171	70%	242,550	100%
Taxation recoverable	-		-		-		8,003		-		-	
Trade debts	2,937,816	263%	1,800,772	161%	1,089,614	97%	2,818,667	252%	804,809	72%	1,118,691	100%
Loans and advances	32,196	106%	26,233	86%	27,020	89%	37,769	124%	29,605	97%	30,505	100%
Accrued profit on bank deposits	43,861		27,876		-		-		-		-	
Other receivables	67,007	63%	139,216	132%	1,802,787	1708%	96,523	91%	491,794	466%	105,535	100%
Financial assets - investment	364,644		-		-		-		-		-	
Tax refunds due from government	321,796	248%	387,939	299%	345,429	266%	262,517	202%	204,170	157%	129,649	100%
Cash and bank balances	6,910,308	21492%	5,437,940	16913%	16,446	51%	74,186	231%	57,703	179%	32,153	100%
TOTAL ASSETS	22,896,030	128%	18,976,360	106%	15,188,603	85%	17,218,364	96%	17,766,060	99%	17,893,632	100%
PROFIT AND LOSS ACCOUNT												
Revenue	42,401,588	163%	37,851,240	146%	32,936,220	127%	28,467,346	110%	28,561,939	110%	25,951,929	100%
Cost of sales	35,369,663	153%	31,954,429	138%	32,067,881	138%	27,117,299	117%	26,325,613	114%	23,171,139	100%
Gross profit	7,031,925	253%	5,896,811	212%	868,339	31%	1,350,047	49%	2,236,326	80%	2,780,790	100%
Distribution and selling expense	109,983	60%	121,252	66%	56,422	31%	16,588	9%	215,572	118%	183,083	100%
Administration expense	268,291	155%	215,709	125%	201,069	116%	160,907	93%	180,002	104%	173,145	100%
Other operating expenses	605,923	511%	543,351	458%	40,850	34%	38,371	32%	59,761	50%	118,508	100%
Other operating income	10,532	4%	196,646	66%	153,776	51%	169,015	56%	84,175	28%	299,427	100%
Operating profit	6,058,260	233%	5,213,145	200%	723,774	28%	1,303,196	50%	1,865,166	72%	2,605,481	100%
Finance income	882,466		260,800		-		-		-		-	
Finance costs	229,225	20%	754,702	66%	2,402,464	211%	1,103,785	97%	1,500,489	132%	1,139,328	100%
Profit / (loss) before taxation	6,711,501	458%	4,719,243	322%	(1,678,690)	-114%	199,411	14%	364,677	25%	1,466,153	100%
Taxation	2,183,733	4208%	1,145,537	2208%	(108,658)	-209%	68,044	131%	238,587	460%	51,891	100%
Profit / (loss) after taxation	4,527,768	320%	3,573,706	253%	(1,570,032)	-111%	131,367	9%	126,090	9%	1,414,262	100%

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 for the year ended December 31, 2010 prepared by the Board of Directors of Lotte Pakistan PTA Limited to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange, Lahore Stock Exchange and the Islamabad Stock Exchange where the Company is listed.

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

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

Further, sub-regulation (xiii a) of the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges require the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement 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 December 31, 2010.

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

Date: 26 January 2011
Karachi

Statement of Compliance with the Code of Corporate Governance
For the year ended 31 December 2010

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of 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 a 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. Three casual vacancies occurred in the Board on 5 April 2010 and on 30 December 2010, which were filled up by new Directors on 5 April 2010 and on 3 Jan 2011, respectively.

5. The Board of Directors of the Company had adopted a Code of Conduct on 23 October 2008, which 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. 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 Karachi 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 2010 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

13. The Directors, Chief Executive and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

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 Sub 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.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

Date: 26 January 2011
Karachi

Auditors' Report to the Members

We have audited the annexed balance sheet of Lotte Pakistan PTA Limited as at December 31, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2010 and of the profit, its cash flows and changes in equity for the year then ended; and

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

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

Date: 26 January 2011
Karachi

Balance Sheet
As at 31 December 2010

Amounts in Rs '000

	Note	2010	(Re-stated) 2009	(Re-stated) 2008
Assets				
Non-current assets				
Fixed assets	5	**8,890,314**	9,335,514	9,952,791
Long-term loans and advances	6	**38,660**	34,497	44,723
Long-term deposits and prepayments	7	**70,148**	62,586	41,721
		8,999,122	9,432,597	10,039,235
Current assets				
Stores and spares	8	**494,231**	400,715	548,868
Stock-in-trade	9	**2,655,203**	1,273,922	1,244,313
Trade debts	10	**2,937,816**	1,800,772	1,089,614
Loans and advances	11	**32,196**	26,233	27,020
Deposits and short-term prepayments	12	**69,846**	49,150	74,891
Accrued profit on bank deposits		**43,861**	27,876	-
Other receivables	13	**67,007**	139,216	1,802,787
Financial assets - investment	14	**364,644**	-	-
Tax refunds due from government	15	**321,796**	387,939	345,429
Cash and bank balances	16	**6,910,308**	5,437,940	16,446
		13,896,908	9,543,763	5,149,368
Total assets		**22,896,030**	18,976,360	15,188,603

Amounts in Rs '000

	Note	2010	(Re-stated) 2009	(Re-stated) 2008
Equity				
Share capital and reserves				
Share capital	17	**15,142,072**	15,142,072	15,142,072
Capital reserves	18	**2,345**	2,345	2,345
Accumulated losses		**(5,542,027)**	(9,312,691)	(12,886,397)
		9,602,390	5,831,726	2,258,020
Surplus on revaluation of fixed assets	19	**85,992**	85,992	85,992
Liabilities				
Non-current liabilities				
Long-term loans	20	**3,437,500**	5,322,397	4,996,687
Liability against assets subject to finance lease	21	**214,445**	351,796	400,188
Deferred tax liability	22	**1,486,476**	1,623,823	1,774,808
Retirement benefit obligation	23	**14,749**	9,999	6,073
		5,153,170	7,308,015	7,177,756
Current liabilities				
Trade and other payables	24	**7,652,365**	4,975,045	3,903,517
Accrued interest / mark-up on loans	25	**136,942**	137,175	425,079
Short-term financing	26	-	-	1,254,624
Current portion of liability against assets subject to finance lease	21	**146,577**	119,293	83,615
Taxation - provision less payments		**118,594**	519,114	-
		8,054,478	5,750,627	5,666,835
Contingencies and commitments	27			
Total equity and liabilities		**22,896,030**	18,976,360	15,188,603

The annexed notes 1 to 47 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

Ali Aamir
Chief Financial Officer

Profit and Loss Account
For the year ended 31 December 2010

Amounts in Rs '000

	Note	2010	(Re-stated) 2009
Revenue	28	**42,401,588**	37,851,240
Cost of sales	29	**(35,369,663)**	(31,954,429)
Gross profit		**7,031,925**	5,896,811
Distribution and selling expenses	30	**(109,983)**	(121,252)
Administrative expenses	31	**(268,291)**	(215,709)
Other operating expenses	32	**(605,923)**	(543,351)
Other operating income	33	**10,532**	196,646
Operating profit		**6,058,260**	5,213,145
Finance income	34	**882,466**	260,800
Finance costs	35	**(229,225)**	(754,702)
Profit before taxation		**6,711,501**	4,719,243
Taxation	36	**(2,183,733)**	(1,145,537)
Profit after taxation		**4,527,768**	3,573,706
Earnings per share - basic and diluted (in Rupees)	38	**2.99**	2.36

The annexed notes 1 to 47 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

Ali Aamir
Chief Financial Officer

Statement of Comprehensive Income
For the year ended 31 December 2010

Amounts in Rs '000

	Note	2010	(Re-stated) 2009
Profit after taxation		**4,527,768**	3,573,706
Other comprehensive income		-	-
Total comprehensive income		**4,527,768**	3,573,706

The annexed notes 1 to 47 form an integral part of these financial statements.

Soon Hyo Chung	**M Asif Saad**	**Ali Aamir**
Chairman	Chief Executive	Chief Financial Officer

Cash Flow Statement
For the year ended 31 December 2010

Amounts in Rs '000

	Note	2010	2009
Cash flows from operating activities			
Cash generated from operations	37	**7,713,666**	7,856,347
Long-term loans and advances - net		**(4,163)**	10,226
Long-term deposits and prepayments - net		**(7,562)**	(20,865)
Finance costs paid		**(201,511)**	(595,234)
Payments to staff retirement benefit scheme - unfunded		**(69)**	(74)
Taxes paid		**(2,721,600)**	(431,979)
Profit received from bank deposits		**851,837**	232,924
Net cash generated from operating activities		**5,630,598**	7,051,345
Cash flows from investing activities			
Payments for capital expenditure		**(955,449)**	(277,436)
Investment in financial assets		**(350,000)**	-
Net cash used in investing activities		**(1,305,449)**	(277,436)
Cash flows from financing activities			
Payments for liability against assets subject to finance lease		**(122,658)**	(97,781)
Repayment of long term loan		**(1,978,460)**	-
Dividends paid		**(751,663)**	(10)
Net cash used in financing activities		**(2,852,781)**	(97,791)
Net increase in cash and cash equivalents		**1,472,368**	6,676,118
Cash and cash equivalents at the beginning of the year		**5,437,940**	(1,238,178)
Cash and cash equivalents at the end of the year		**6,910,308**	5,437,940

The annexed notes 1 to 47 form an integral part of these financial statements.

Soon Hyo Chung	**M Asif Saad**	**Ali Aamir**
Chairman	Chief Executive	Chief Financial Officer

Statement of Changes in Equity
For the year ended 31 December 2010

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total equity
Balance as at 1 January 2009 - as previously reported	15,142,072	2,345	(11,077,282)	4,067,135
Effect of re-statement as referred in note - 4	-	-	(1,809,115)	(1,809,115)
Balance as at 1 January 2009 - as re-stated	15,142,072	2,345	(12,886,397)	2,258,020
Total comprehensive income for the year ended 31 December 2009	-	-	3,573,706	3,573,706
Balance as at 31 December 2009	**15,142,072**	**2,345**	**(9,312,691)**	**5,831,726**
Balance as at 1 January 2010 - as previously reported	15,142,072	2,345	(7,694,009)	7,450,408
Effect of re-statement as referred in note - 4	-	-	(1,618,682)	(1,618,682)
Balance as at 1 January 2010 - as re-stated	15,142,072	2,345	(9,312,691)	5,831,726
Total comprehensive income for the year ended 31 December 2010	-	-	4,527,768	4,527,768
Final cash dividend for the year ended 31 December 2009 @ Rs 0.5 per share	-	-	(757,104)	(757,104)
Balance as at 31 December 2010	**15,142,072**	**2,345**	**(5,542,027)**	**9,602,390**

The annexed notes 1 to 47 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

Ali Aamir
Chief Financial Officer

Notes to the Financial Statements
For the year ended 31 December 2010

1. **STATUS AND NATURE OF BUSINESS**

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

The Company is a subsidiary of KP Chemical Corporation - Korea and its ultimate parent company is South Korean conglomerate Lotte.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise 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 (the Ordinance) have been followed.

2.1.2 Changes in accounting standards, interpretations and pronouncements

Certain standards, amendments and new interpretations to existing approved accounting standards are applicable from the current year. However as these did not affect the financial statements, these have not been detailed here. Certain standards, amendments and new interpretations to existing approved accounting standards have been published that are mandatory for future years. However, these are not expected to affect the financial statements of the Company.

2.2 Overall valuation policy

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.

2.3 Fixed assets

2.3.1 Property, plant and equipment and depreciation

Operating property, plant and equipment, except for motor vehicles, furniture and equipment and plant and machinery held under finance lease, 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 2.2 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 arising 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.

2.3.2 Intangible assets and amortisation

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

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

2.4 Stores and spares

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

2.5 Stock-in-trade

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

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

2.6 Trade debts and other receivables

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

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

2.7 Financial assets - at fair value through profit and loss

These are initially measured at fair value. Any gains and losses on derecognition of investment are taken to income.

2.8 Cash and cash equivalents

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

2.9 Impairment

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.

2.10 Trade and other payables

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

2.11 Provisions

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

2.12 Offsetting

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

2.13 Lease payments

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

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

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

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

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

2.14 Staff retirement benefits

2.14.1 Defined benefit plans

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

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

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

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

2.14.2 Defined contribution plans

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

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

2.15 Dividend

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

2.16 Taxation

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

2.16.1 Current

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

2.16.2 Deferred

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

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

2.17 Foreign currency transactions

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

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

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

2.18 Revenue recognition

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

2.19 Finance income and finance costs

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

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

2.20 Borrowings and their cost

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

2.21 Earnings per share

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

2.22 Functional and presentation currency

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

3. USE OF ESTIMATES AND JUDGEMENTS

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

3.1 Income taxes

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

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

In 2008 while issuing the rectification order for the Tax Year 2003, the Taxation Officer had erroneously disallowed the loss brought forward of Rs 2.6 billion for which a rectification application and corresponding appeal was filed with the Additional Commissioner of Income Tax and CIT (Appeals) respectively.

3.2 Defined benefit plans

The Company has adopted certain actuarial assumptions as disclosed in note 23 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.

3.3 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 Pure Terepthalic Acid (PTA) / Paraxylene margin and PTA import tariffs. The Company continues to expect 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.

3.4 Price settlements and discounts

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. An estimate change of 1% in price settlement and discount would result in the change of profit before tax by Rs 10.72 million.

Amounts in Rs '000

4. RE-STATEMENT

During the year, the Company reviewed its position regarding the recognition of a deferred tax liability on the initial difference between the carrying value and the tax base of property, plant and equipment and concluded that in the light of the requirements of International Accounting Standard 12 - 'Income Taxes', such difference is a taxable temporary difference on which deferred tax liability is required to be accounted for. This liability was not previously recognised as a taxable temporary difference and instead was being accounted for as tax expense over the life of related assets. Accordingly, the Company has re-stated the financial statements retrospectively in accordance with International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors' by adjusting the opening balance of deferred tax liability and accumulated loss for the earliest prior period presented.

Effects of the re-statement are as follows:

	As at 31 December 2008			As at 31 December 2009		
	As previously reported	As re-stated	Re-statement	As previously reported	As re-stated	Re-statement
Effect on balance sheet						
Deferred tax asset / (liability)	34,307	(1,774,808)	(1,809,115)	(5,141)	(1,623,823)	(1,618,682)
Accumulated loss	11,077,282	12,886,397	1,809,115	7,694,009	9,312,691	1,618,682
Decrease in equity			1,809,115			1,618,682

	For the year ended 31 December 2009		
Effect on profit and loss account	As previously reported	As re-stated	Re-statement Increase / (decrease)
Taxation	1,335,970	1,145,537	(190,433)
Increase in profit after taxation			190,433
Effect on earnings per share		Amount in rupees	
Earnings per share - basic and diluted	2.23	2.36	0.13

There was no cash flow impact as a result of the re-statement.

5. FIXED ASSETS

	2010	2009
Property, plant and equipment		
Operating assets - note 5.1	**8,313,263**	9,141,947
Capital work in progress - note 5.4	**576,645**	192,706
	8,889,908	9,334,653
Intangible assets - note 5.6	**406**	861
	8,890,314	9,335,514

Amounts in Rs '000

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

	Leasehold land (note - 5.2)	Buildings on leasehold land (note - 5.2)	Plant and machinery Owned (note - 5.2)	Plant and machinery Held under finance lease	Motor vehicles	Furniture and equipment	TOTAL
Net carrying value basis Year ended 31 December 2010							
Opening net book value (NBV)	331,091	504,641	8,178,647	83,504	7,462	36,602	9,141,947
Additions (at cost)	-	657	536,959	-	12,357	21,522	571,495
Disposals (at NBV)	-	-	(9,511)	-	-	(17)	(9,528)
Transfer (at NBV)	-	-	553	-	-	(553)	-
Depreciation charge	(8,599)	(52,950)	(1,139,676)	(26,370)	(3,695)	(12,142)	(1,243,432)
Adjustment - note 5.1.1	-	-	(147,219)	-	-	-	(147,219)
Closing net book value (NBV)	**322,492**	**452,348**	**7,419,753**	**57,134**	**16,124**	**45,412**	**8,313,263**
Gross carrying value basis At 31 December 2010							
Cost or revaluation	429,942	1,609,955	23,713,591	395,543	66,457	193,335	26,408,823
Accumulated depreciation	(107,450)	(1,157,607)	(16,293,838)	(338,409)	(50,333)	(147,923)	(18,095,560)
Net book value (NBV)	**322,492**	**452,348**	**7,419,753**	**57,134**	**16,124**	**45,412**	**8,313,263**
Net carrying value basis Year ended 31 December 2009							
Opening net book value (NBV)	339,694	563,363	8,760,726	109,873	220	37,458	9,811,334
Additions (at cost)	-	7,291	516,987	-	7,874	9,760	541,912
Disposals (at NBV)	-	-	(5,835)	-	-	-	(5,835)
Depreciation charge	(8,603)	(66,013)	(1,093,231)	(26,369)	(632)	(10,616)	(1,205,464)
Closing net book value (NBV)	331,091	504,641	8,178,647	83,504	7,462	36,602	9,141,947
Gross carrying value basis At 31 December 2009							
Cost or revaluation	429,942	1,609,298	23,350,604	395,543	54,100	186,931	26,026,418
Accumulated depreciation	(98,851)	(1,104,657)	(15,171,957)	(312,039)	(46,638)	(150,329)	(16,884,471)
Net book value (NBV)	331,091	504,641	8,178,647	83,504	7,462	36,602	9,141,947
Depreciation rate % per annum	2	5	5 - 6.67	6.67	25	10-33	

5.1.1 This relates to finalisation of provisional technology license fee accrued in prior year payable to Invista Performance Technologies.

5.2 The valuation of leasehold land and buildings on leasehold land was assessed as of 31 December 2010 by an independent valuer Joseph Lobo (Pvt.) Limited, on the basis of market value of leasehold land in the Industrial Area of Port Qasim with similar usage conditions and estimated gross replacement cost of buildings on leasehold land.

As at 31 December 2008 a desktop appraisal of the plant and machinery was carried out by SHM Smith Hodgkinson - UK (SHM), on the basis of depreciated replacement cost. This has been reviewed by SHM in December 2010 and considered valid for these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2010

Amounts in Rs '000

5.3 Had there been no revaluation, the net book value of specific classes of operating property, plant and equipment would have amounted to:

	2010	2009
Leasehold land	**68,406**	70,280
Buildings on leasehold land	**244,393**	281,992
Plant and machinery	**6,058,324**	6,990,374
	6,371,123	7,342,646

5.4 Capital work-in-progress

Civil works and buildings	**1,159**	23
Plant and machinery - note 5.4.1	**214,079**	64,889
Miscellaneous equipments	**1,473**	-
Advances to suppliers - note 5.4.2	**359,934**	127,794
	576,645	192,706

5.4.1 This includes plant and machinery acquired in relation to the co-generation power plant project to be set-up in 2011, amounting to Rs 57.76 million (2009: Rs Nil) and Process Air Compressor (PAC) Motor, amounting to Rs 107.69 million (2009: Rs 2.35 million).

5.4.2 This includes advances paid to GE Packaged Power Inc. in relation to co-generation power plant project amounting to Rs 359.27 million (2009: Rs Nil).

5.5 Capital work-in-progress - movement

Opening balance	**192,706**	140,564
Capital expenditure	**955,449**	263,001
Transferred to operating property, plant and equipment	**(571,510)**	(210,859)
Closing balance	**576,645**	192,706

5.6 INTANGIBLE ASSETS

5.6.1 Net carrying value basis

Opening net book value	**861**	893
Additions during the year	**15**	392
Amortisation charge	**(470)**	(424)
Closing net book value	**406**	861

5.6.2 Gross carrying value basis

Cost	**211,881**	211,866
Accumulated amortisation	**(211,475)**	(211,005)
Net book value	**406**	861

Amounts in Rs '000

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

	2010				
Description	**Cost**	**Accumulated depreciation**	**Net book value**	**Sales proceeds**	**Particulars of buyers / others**
Plant and machinery	27,168	17,690	9,478	-	Obsolete items - scrapped

6. LONG TERM LOANS AND ADVANCES - considered good

	2010				2009
	Motor car	**House building assistance**	**Others**	**Total**	Total
Due from executives - note 6.1	**23,604**	**14,563**	**144**	**38,311**	31,270
Less: Receivable within one year - note 11	**(4,813)**	**(8,663)**	**(124)**	**(13,600)**	(13,022)
	18,791	**5,900**	**20**	**24,711**	18,248
Due from employees			**18,389**	**18,389**	20,845
Less: Receivable within one year - note 11			**(4,440)**	**(4,440)**	(4,596)
			13,949	**13,949**	16,249
			13,969	**38,660**	34,497

6.1 Reconciliation of carrying amount of loans to executives

	2010			2009		
	Key management personnel	**Executives**	**Total**	Key management personnel	Executives	Total
Balance at 1 January	**3,832**	**27,438**	**31,270**	6,400	28,501	34,901
Disbursements	**-**	**23,686**	**23,686**	-	29,929	29,929
Repayments	**(1,821)**	**(14,824)**	**(16,645)**	(2,568)	(30,992)	(33,560)
Balance at 31 December	**2,011**	**36,300**	**38,311**	3,832	27,438	31,270

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

6.3 The maximum aggregate amount of loans and advances due from Executives at the end of any month during the year was Rs 57.59 million (2009: Rs 45.36 million).

Amounts in Rs '000

		2010	2009
7.	**LONG TERM DEPOSITS AND PREPAYMENTS**		
	Deposits - note 7.1	**40,424**	40,424
	Prepayments	**29,724**	22,162
		70,148	62,586

7.1 This includes Rs 14.42 million (2009: Rs 14.42 million) paid to Pakistan Steel Mills Corporation for emergency back-up supply of water and Rs 24.27 million (2009: Rs 24.27 million) paid to Karachi Electric Supply Corporation (KESC). The Company receives mark-up at the rate of 5% on deposit with KESC.

		2010	2009
8.	**STORES AND SPARES**		
	Stores	**25,280**	30,340
	Spares	**508,442**	371,798
		533,722	402,138
	Less: Provision for slow moving, obsolete, and rejected items - note 8.1	**(39,491)**	(1,423)
		494,231	400,715
8.1	**Provision for slow moving, obsolete and rejected items**		
	Provision at 1 January	**1,423**	23,553
	Charge for the year	**38,068**	92,055
		39,491	115,608
	Write-offs	-	(114,185)
	Provision at 31 December	**39,491**	1,423
9.	**STOCK-IN-TRADE**		
	Raw and packing materials [including in-transit Rs 1.2 billion (2009: Rs 101.3 million)]	**2,442,186**	1,108,875
	Finished goods	**213,017**	165,047
		2,655,203	1,273,922
10.	**TRADE DEBTS**		
	Considered good - secured	**2,937,816**	1,800,772

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

Amounts in Rs '000

	2010	2009
11. LOANS AND ADVANCES - considered good		
Loans due from:		
- Executives - note 6	**13,600**	13,022
- Employees - note 6	**4,440**	4,596
	18,040	17,618
Advances to:		
- Executives	**2,755**	1,712
- Employees	**888**	998
- Contractors and suppliers	**10,513**	5,905
	14,156	8,615
	32,196	26,233

11.1 The maximum aggregate amount of advances due from Executives at the end of any month during the year was Rs 6.89 million (2009: Rs 3.58 million).

12. DEPOSITS AND SHORT-TERM PREPAYMENTS

	2010	2009
Deposits	**1,222**	280
Margin on import letters of credit	**11,279**	12,821
Short-term prepayments	**57,345**	36,049
	69,846	49,150

13. OTHER RECEIVABLES

	2010	2009
Rebates receivable - note 13.1	**25,105**	91,499
Asset recognised in respect of staff retirement benefit funds - note 23.1	**24,178**	30,826
Insurance claims receivable	**17,477**	13,433
Others	**247**	3,458
	67,007	139,216

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

14. FINANCIAL ASSETS - AT FAIR VALUE THROUGH PROFIT AND LOSS

	2010	2009
Investment in units of money market fund	**364,644**	-

These have been valued by using published net asset value (NAV). As at 31 December 2010, the number of units held by the Company is 35,362,847.9225 units (2009: Nil).

		Amounts in Rs '000	
		2010	2009
15.	**TAX REFUNDS DUE FROM GOVERNMENT**		
	Sales tax refundable	**445,836**	511,979
	Provision for doubtful receivables	**(124,040)**	(124,040)
		321,796	387,939
16.	**CASH AND BANK BALANCES**		
	Short term fixed deposits - note 16.1	**6,882,500**	5,324,300
	With banks in current accounts	**18,086**	106,697
	Cash in hand	**9,722**	6,943
		6,910,308	5,437,940

16.1 At 31 December 2010, the profit rates on term deposits range from 10% to 13.30% (2009: 10.50% to 13.15%) per annum and have maturity of less than three months.

17. SHARE CAPITAL

17.1	Authorised capital 2,000,000,000 ordinary shares of Rs 10 each	**20,000,000**	20,000,000
17.2	504,735,636 ordinary shares of Rs 10 each fully paid-up issued pursuant to the Scheme for consideration other than cash - note 17.3	**5,047,356**	5,047,356
	1,009,471,572 ordinary shares of Rs 10 each fully paid-up in cash	**10,094,716**	10,094,716
		15,142,072	15,142,072

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

17.4 At 31 December 2010 and 2009, KP Chemical Corporation held 1,135,860,105 ordinary shares of Rs 10 each.

18. CAPITAL RESERVES

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

19. SURPLUS ON REVALUATION OF FIXED ASSETS

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

Amounts in Rs '000

20. LONG-TERM LOANS - unsecured

Lender	Installments payable	Interest rate	Repayment period	2010	2009
Loan from parent company					
KP Chemical Corporation USD 40 million (31 December 2009: USD 63 million)	full payment on maturity	1% p.a. above 6 months LIBOR	2012	**3,437,500**	5,322,397
				3,437,500	5,322,397

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

	Discount rate %	**31 December 2010**			31 December 2009		
		Minimum lease payments	**Financial charges for future periods**	**Principal outstanding**	Minimum lease payments	Financial charges for future periods	Principal outstanding
Not later than one year		**203,164**	**56,587**	**146,577**	204,089	84,796	119,293
Later than one year and not later than five years	18.9 - 20.3	**240,812**	**26,367**	**214,445**	443,660	91,864	351,796
		443,976	**82,954**	**361,022**	647,749	176,660	471,089

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

22. DEFERRED TAX LIABILITY

	2010	Re-stated 2009
Credit balance arising in respect of property, plant and equipment	**1,807,328**	1,967,035
(Debit) balance arising in respect of:		
- liability against assets subject to finance lease	**(120,039)**	(156,637)
- provisions for:		
- sales tax refundable	**(41,243)**	(41,243)
- staff retirement benefits	**(4,904)**	(3,325)
- slow moving, obsolete and rejected items	**(13,132)**	(473)
- unpaid liabilities	**(141,534)**	(141,534)
	1,486,476	1,623,823

Notes to the Financial Statements
For the year ended 31 December 2010

Amounts in Rs '000

23. RETIREMENT BENEFIT OBLIGATION

23.1 Staff retirement benefits

	2010				2009			
	Funded			Unfunded	Funded			Unfunded
	Pension	Gratuity	Total	Medical	Pension	Gratuity	Total	Medical
23.1.1 Movement in the liability for defined benefit obligations								
Balances as at 1 January	26,730	84,596	111,326	20,329	18,726	67,139	85,865	14,347
Benefits paid by the plan	-	(824)	(824)	(70)	-	(8,608)	(8,608)	(74)
Current service costs	1,512	8,601	10,113	1,600	1,157	7,180	8,337	1,199
Interest cost	3,408	10,735	14,143	2,588	2,996	10,056	13,052	2,290
Change in mortality assumptions	-	-	-	-	1,786	-	1,786	2,904
Transfers from non-mgmt to mgmt	-	-	-	-	-	-	-	954
Actuarial (gains) / losses recognised	6,496	4,948	11,444	663	2,065	8,829	10,894	(1,291)
Balance as at 31 December	38,146	108,056	146,202	25,110	26,730	84,596	111,326	20,329
23.1.2 Movement in plan assets								
Fair value of plan assets at 1 January	28,417	81,307	109,724	-	18,726	64,705	83,431	-
Contributions paid into the plan	-	5,458	5,458	70	-	4,461	4,461	-
Benefits paid by the plan	-	(824)	(824)	(70)	-	(8,608)	(8,608)	-
Expected return on plan assets	3,731	10,459	14,190	-	2,785	9,098	11,883	-
Actuarial (losses) / gains recognised	371	754	1,125	-	6,906	11,651	18,557	-
Fair value of plan assets at 31 December	32,519	97,154	129,673	-	28,417	81,307	109,724	-
23.1.3 Reconciliation								
Fair value of plan assets at 31 December - note 23.1.2	32,519	97,154	129,673	-	28,417	81,307	109,724	-
Liability for defined benefit obligation at 31 December - note 23.1.1	(38,146)	(108,056)	(146,202)	(25,110)	(26,730)	(84,596)	(111,326)	(20,329)
Surplus / (deficit)	(5,627)	(10,902)	(16,529)	(25,110)	1,687	(3,289)	(1,602)	(20,329)
Unrecognised past service cost	-	-	-	3,076	-	-	-	3,327
Unrecognised actuarial (gain) / loss	9,907	30,800	40,707	7,285	4,129	28,299	32,428	7,003
Recognised (liability) / asset	4,280	19,898	24,178	(14,749)	5,816	25,010	30,826	(9,999)
23.1.4 Expense recognised in profit and loss account								
Current service costs	1,512	8,601	10,113	1,600	1,157	7,180	8,337	1,199
Interest on obligation	3,408	10,735	14,143	2,588	2,996	10,056	13,052	2,290
Expected return on plan assets	(3,731)	(10,459)	(14,190)	-	(2,785)	(9,098)	(11,883)	-
Past service cost	-	-	-	251	-	-	-	203
Actuarial (gains) / losses recognised during the period	347	1,693	2,040	381	599	3,477	4,076	308
Expenses recognised in profit and loss account	1,536	10,570	12,106	4,820	1,967	11,615	13,582	4,000
23.1.5 Actual return on plan assets	4,102	11,393	15,495	-	9,691	20,749	30,440	-
23.1.6 Recognised asset / (liability)								
Recognised asset / (liability) at 1 January	5,816	25,010	30,826	(9,999)	7,783	32,164	39,947	(6,073)
Expenses recognised in profit and loss account	(1,536)	(10,570)	(12,106)	(4,820)	(1,967)	(11,615)	(13,582)	(4,000)
Company contributions	-	5,458	5,458	70	-	4,461	4,461	74
Recognised asset / (liability) as at 31 December	4,280	19,898	24,178	(14,749)	5,816	25,010	30,826	(9,999)
23.1.7 Fund's investments								
Government bonds	22,759	55,220	77,979		20,850	51,303	72,153	
Other bonds (TFCs)	3,802	4,822	8,624		3,835	2,217	6,052	
Shares	6,370	16,945	23,315		3,775	16,256	20,031	
Unit trusts (mutual funds)	-	-	-		2,360	2,360	4,720	
Term deposits	-	15,002	15,002		-	-	-	
Cash	183	5,165	5,348		92	9,596	9,688	
Creditors	(595)	-	(595)		(2,495)	(425)	(2,920)	
Total as at 31 December	32,519	97,154	129,673		28,417	81,307	109,724	
23.1.8 Actuarial assumptions								
Discount rate at 31 December	14.25%	14.25%		14.25%	12.75%	12.75%		12.75%
Expected return on plan assets	14.25%	14.25%			12.75%	12.75%		
Future salary increases	12.07%	12.07%			10.60%	10.60%		
Medical cost trend rate				8.81%				7.40%
Future pension increases	8.81%				7.40%			

Amounts in Rs '000

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

The Company's contribution to the pension and gratuity funds in 2011 is expected to amount to Rs 4 million.

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

23.1.9 Figures in this note are based on the latest actuarial valuation carried out as at 31 December 2010.

Historical information	**2010**	2009	2008	2007	2006
Present value of the defined benefit obligation as at 31 December	**133,166**	131,655	100,212	126,854	116,290
Fair value of plan assets	**97,154**	109,724	83,431	152,438	158,347
(Deficit) / surplus in the plan	**(36,012)**	(21,931)	(16,781)	25,584	42,057
Experience adjustments					
Gain / (loss) on obligations (as percentage of plan obligations)	**(7)%**	(9)%	(19)%	(10)%	6%
Gain / (loss) on plan assets (as percentage of plan assets)	**1%**	17%	(64)%	8%	(11)%

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

23.3 The Company's contribution towards the provident fund for the year ended 31 December 2010 amounted to Rs 14.85 million (2009: Rs 12.58 million) and towards the defined contribution superannuation fund amounted to Rs 14.57 million (2009: Rs 12.23 million).

Amounts in Rs '000

	2010	2009
24. TRADE AND OTHER PAYABLES		
Trade creditors including bills payable	**4,264,751**	2,472,330
Accrued expenses	**1,581,474**	1,159,055
Advances from customers	**69,399**	44,134
Unclaimed dividend	**7,815**	2,374
Provision for infrastructure cess - note 24.1	**1,207,226**	938,370
Workers' profit participation fund - note 24.2	**361,993**	253,450
Workers' welfare fund	**149,052**	96,311
Others	**10,655**	9,021
	7,652,365	4,975,045

24.1 The Company (along with a number of other companies and organisations) is challenging the levy of infrastructure cess on cost and freight value of goods entering the province of Sindh. A divisional bench of the High Court of Sindh at Karachi has held in favour of the constitutionality of the law imposing the infrastructure fee/cess and had granted a stay in the case on the basis of bank guarantees furnished by Lotte Pakistan PTA Limited as security.

The case was heard in August 2008 and decided by the High Court, whereby levy of the cess upto June 2006 was declared to be illegal while amounts charged after that date were decreed to be within the law.

Currently all parties to the case have been asked to maintain status quo pending hearing by the Supreme Court i.e. imported goods will continue to be cleared on the basis of bank guarantees (for the value of the infrastructure cess) issued in favour of the Customs department. Appeals were fixed before the Supreme Court on 11 February 2009 for regular hearing but were adjourned to a later date. The Court also reconfirmed the interim orders which will apply in all cases. As a matter of prudence, full amount of provision has been made in these financial statements in this respect.

	2010	2009
Balance as at 1 January	**938,370**	712,862
Charge for the year	**268,856**	225,508
Balance as at 31 December	**1,207,226**	938,370

24.2 Reconciliation of workers' profit participation fund

	2010	2009
Balance as at 1 January	**253,450**	-
Allocation for the year - note 32	**361,993**	253,450
Interest on funds utilised - note 35	**9,415**	-
Amount paid to the fund	**(262,865)**	-
Balance as at 31 December	**361,993**	253,450

25. ACCRUED INTEREST / MARK-UP ON LOANS

	2010	2009
Long-term loan - note 25.1	**136,942**	137,175

25.1 These represent interest payable on loans from KP Chemical Corporation.

Amounts in Rs '000

26. SHORT-TERM FINANCING

26.1 The facilities for running finance available from various banks as at 31 December 2010 amounted to Rs 1.23 billion (2009: Rs 1.72 billion). These facilities carry mark-up at rates ranging from 1 month KIBOR plus 1.50 percent per annum to 3 months KIBOR plus 1.75 percent per annum and are secured by joint pari-passu hypothecation charge over all the present and future stocks and book debts of the Company.

26.2 Foreign currency import finance facilities available from a local bank as at 31 December 2010 amounted to USD 7.5 million (2009: 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 stocks and book debts of the Company. Total facility was unutilised as at 31 December 2010 and 2009.

26.3 Foreign currency export finance facility available from a local bank as at 31 December 2010 amounted to USD 5.0 million (2009: 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. Total facility was unutilised as at 31 December 2010 and 2009.

27. CONTINGENCIES AND COMMITMENTS

27.1 Commitments in respect of capital expenditure as at 31 December 2010 amounts to Rs 3.07 billion (2009: Rs 48.44 million).

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

Year	2010	2009
2010	-	14,236
2011	**15,357**	13,563
2012	**13,392**	10,838
2013	**7,356**	4,358
2014	**2,046**	-
	38,151	42,995

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

2010	-	1,114,832
2011	**1,165,019**	1,147,107
2012	**1,040,016**	1,023,364
2013	**7,241**	6,932
	2,212,276	3,292,235

27.3.1 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.

Amounts in Rs '000

27.4 ICI Pakistan Limited has issued a guarantee in respect of operational obligations of the Company amounting to Rs 2.19 billion (2009: Rs 2.28 billion) against which the Company has issued a counter guarantee to ICI Pakistan Limited.

27.5 Outstanding guarantees and letters of credit issued on behalf of the Company as at 31 December 2010 were Rs 1.26 billion (2009: Rs 1.06 billion) and Rs 5.43 billion (2009: Rs 2.15 billion), respectively.

27.6 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 837.07 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.

28. REVENUE

	2010			2009		
	Manufactured goods	**Trading goods**	**Total**	Manufactured goods	Trading goods	Total
Local sales	**41,825,338**	**176,752**	**42,002,090**	35,725,059	77,708	35,802,767
Export sales	**1,471,590**	**-**	**1,471,590**	2,827,198	-	2,827,198
	43,296,928	**176,752**	**43,473,680**	38,552,257	77,708	38,629,965
Less: Price settlements and discounts	**(1,072,092)**	**-**	**(1,072,092)**	(778,725)	-	(778,725)
	42,224,836	**176,752**	**42,401,588**	37,773,532	77,708	37,851,240

28.1 Three of the Company's customers contributed towards 74.95% (2009: 70.64%) of the revenue during the year, amounting to Rs 31.78 billion (2009: Rs 26.74 billion), and each customer individually exceeds 10% of the revenue.

Amounts in Rs '000

	2010	2009
29. COST OF SALES		
Raw and packing materials consumed:		
Opening stock	**1,108,875**	1,189,050
Purchases - note 29.1	**32,331,859**	28,140,561
Closing stock	**(2,442,186)**	(1,108,875)
	30,998,548	28,220,736
Salaries, wages and benefits - note 29.2	**309,097**	277,549
Stores and spares consumed	**103,817**	101,021
Lease rentals / ijarah arrangements	**8,934**	13,282
Insurance	**97,991**	119,477
Oil, gas and electricity	**2,074,595**	1,796,244
Travelling expenses	**44,932**	36,908
Depreciation and amortisation	**1,243,902**	1,205,888
Repairs and maintenance - note 29.3	**361,337**	173,860
Other expenses	**39,373**	30,529
Cost of goods manufactured	**35,282,526**	31,975,494
Opening stock of manufactured goods	**132,644**	55,263
	35,415,170	32,030,757
Closing stock of manufactured goods	**(176,291)**	(132,644)
	35,238,879	31,898,113
Trading goods		
Opening stock	**32,403**	-
Purchases	**135,107**	88,719
Closing stock	**(36,726)**	(32,403)
	130,784	56,316
	35,369,663	31,954,429

29.1 This includes Rs 1.01 billion (2009: Rs 954.43 million) in relation to contracts for receipt and storage of paraxylene and Rs 177.25 million (2009: Rs 165.37 million) on account of supply of hydrogen and nitrogen gases recognised as operating lease arrangements in terms of IFRIC 4.

29.2 Salaries, wages and benefits include Rs 8.57 million (2009: Rs 10.93 million) and Rs 19.35 million (2009: Rs 16.11 million) in respect of defined benefit plans and contributory provident fund respectively.

29.3 Repairs and maintenance includes Rs 165 million (2009: Rs Nil) in respect of planned plant overhaul.

Amounts in Rs '000

		2010	2009
30.	**DISTRIBUTION AND SELLING EXPENSES**		
	Outward freight and handling charges	**54,700**	67,823
	Salaries and benefits - note 30.1	**33,218**	32,662
	Lease rentals / ijarah arrangements	**2,125**	2,044
	Repairs and maintenance	**8,943**	3,633
	Travelling expenses	**4,450**	4,001
	Postage and telephone	**1,200**	1,024
	Advertising and sales promotion	**1,174**	750
	Other expenses	**4,173**	9,315
		109,983	121,252

30.1 Salaries and benefits include Rs 3.74 million (2009: Rs 2.26 million) and Rs 7.56 million (2009: Rs 6.28 million) in respect of defined benefit plans and contributory provident fund respectively.

		2010	2009
31.	**ADMINISTRATION EXPENSES**		
	Salaries and benefits - note 31.1	**135,428**	104,886
	Legal, professional and consultancy charges	**21,527**	12,474
	Lease rentals / ijarah arrangements	**7,396**	7,224
	Travelling expenses	**16,459**	10,967
	Repairs and maintenance	**14,833**	15,637
	Expenses on information technology	**11,577**	11,280
	Security expenses	**10,682**	9,849
	Rent, rates and taxes	**10,022**	9,721
	Publication and subscriptions	**6,536**	590
	Postage and telephone	**4,919**	5,062
	Printing and stationery	**3,787**	2,709
	Service charges	-	4,636
	Other expenses	**25,125**	20,674
		268,291	215,709

31.1 Salaries and benefits include Rs 580 thousand (2009: Rs 570 thousand) and Rs 2.51 million (2009: Rs 2.41 million) in respect of defined benefit plans and contributory provident fund respectively.

		2010	2009
32.	**OTHER OPERATING EXPENSES**		
	Auditors' remuneration - note 32.1	**4,336**	2,315
	Donations - note 32.2	**35,509**	1,472
	Loss on retirement of operating property, plant and equipment	**9,528**	5,835
	Provision against sales tax refundable	**-**	91,913
	Provision for obsolete stores and spares	**38,068**	92,055
	Workers' profit participation fund - note 24.2	**361,993**	253,450
	Workers' welfare fund	**156,489**	96,311
		605,923	543,351

Amounts in Rs '000

		2010	2009
32.1	**Auditors' remuneration**		
	Audit fee	**1,700**	1,700
	Half year review including certifications	**450**	450
	Out of pocket expenses	**366**	165
	Taxation	**1,820**	-
		4,336	2,315
32.2	Donations include payments in respect of the following:		
	Community services	**19,447**	621
	Goods procured from an associated company for flood relief	**9,826**	-
	Pakistan Human Development Fund, Prime Minister's Secretariat, Block D, Level 2, Islamabad - Note 32.2.1	**538**	-

32.2.1 The Chief Executive is a Director on the Board of this institution.

		2010	2009
33.	**OTHER OPERATING INCOME**		
	Insurance claim	**-**	178,178
	Scrap sales	**5,968**	8,400
	Others	**4,564**	10,068
		10,532	196,646
34.	**FINANCE INCOME**		
	Profit on bank deposits	**867,822**	260,800
	Increase in fair value of financial assets - investments	**14,644**	-
		882,466	260,800
35.	**FINANCE COSTS**		
	Interest / mark-up on:		
	- Short-term financing	**35**	9,885
	- Workers' profit participation fund - note 24.2	**9,415**	-
	- Finance lease - note 35.1	**102,654**	84,697
	- Long term loans from parent company	**86,082**	151,050
	Discounting charges on trade debts	**7,551**	50,111
	Exchange loss - net	**9,087**	447,372
	Bank charges	**14,401**	11,587
		229,225	754,702

35.1 This includes contingent rent of Rs 21.07 million (2009: Rs 19.53 million) recognised as an expense during the year which is determined by the movement in UK Consumer Price Index.

		2010	2009
36.	**TAXATION**		
	Current - for the year	**2,344,659**	1,296,522
	- for prior year	**(23,579)**	-
		2,321,080	1,296,522
	Deferred	**(137,347)**	(150,985)
		2,183,733	1,145,537

Notes to the Financial Statements
For the year ended 31 December 2010

Amounts in Rs '000

		2010	(Re-stated) 2009
36.1	**Reconciliation of income tax expense for the year**		
	Profit before taxation	**6,711,501**	4,719,243
	Applicable tax rate	**35%**	35%
	Tax calculated at the applicable tax rate	**2,349,025**	1,651,735
	Tax effect of :		
	- income chargeable to tax under FTR basis	**(37,166)**	(62,192)
	- tax credits	**(107,603)**	(32,511)
	- prior year tax charge	**(23,579)**	-
	- deferred tax recognised on prior year losses	**-**	(403,082)
	- gain in relation to money market fund	**(5,125)**	-
	- others	**8,181**	(8,413)
		2,183,733	1,145,537
37.	**CASH GENERATED FROM OPERATIONS**		
	Profit before taxation	**6,711,501**	4,719,243
	Adjustments for non cash charges and other items:		
	Depreciation and amortisation	**1,243,902**	1,205,888
	Loss on retirement of property, plant and equipment	**9,528**	5,835
	Provision for staff retirement benefit scheme - unfunded	**4,820**	4,000
	Finance costs	**220,138**	307,330
	Exchange loss - net	**87,293**	410,777
	Profit on bank deposits	**(867,822)**	(260,800)
	Provision for infrastructure cess	**268,856**	225,508
	Increase in fair value of held for trading investment	**(14,644)**	-
		952,071	1,898,538
		7,663,572	6,617,781
	Effect on cashflows due to working capital changes		
	(Increase) / decrease in current assets		
	Stores and spares	**(93,516)**	64,112
	Stock-in-trade	**(1,381,281)**	(29,609)
	Trade debts	**(1,137,044)**	(711,158)
	Loans and advances	**(5,963)**	787
	Deposits and short-term prepayments	**(20,696)**	25,741
	Other receivables	**138,352**	1,275,632
		(2,500,148)	625,505
	Increase in trade and other payables	**2,550,242**	613,061
	Cash generated from operations	**7,713,666**	7,856,347

Amounts in Rs '000

	2010	(Re-stated) 2009
38. EARNINGS PER SHARE - basic and diluted		
Profit for the year after tax	**4,527,768**	3,573,706
	Number of shares	
Weighted average ordinary shares in issue during the year	**1,514,207,208**	1,514,207,208
	Rupees	
Earnings per share	**2.99**	2.36

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

39. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives	
	2010	2009	**2010**	2009	**2010**	2009
Fee	-	-	**98**	-	-	-
Managerial remuneration	**11,006**	9,226	**8,686**	1,094	**135,486**	112,505
Retirement benefits	**1,672**	1,088	-	-	**39,943**	27,219
Group insurance	**43**	38	**13**	-	**801**	629
Rent and house maintenance	**607**	161	**3,315**	-	**44,251**	34,278
Utilities	-	-	**188**	-	**9,313**	7,488
Medical expenses	**118**	44	**60**	-	**7,911**	4,896
	13,446	10,557	**12,360**	1,094	**237,705**	187,015
Number of persons	**1**	1	**4**	4	**114**	90

39.1 In addition to this, an amount of Rs 56.26 million (2009: Rs 55.38 million) on account of variable pay has been recognised in the financial statements. This amount is payable in 2011 after verification of target achievements.

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

	Paid in 2010 relating to 2009 and 2008	Paid in 2009 relating to 2008
Chief Executive	**12,032**	2,731
Executives	**78,482**	28,744
Other employees	**5,716**	10,312
	96,230	41,787

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

Notes to the Financial Statements
For the year ended 31 December 2010

Amounts in Rs '000

40. TRANSACTIONS WITH RELATED PARTIES

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

Relationship	Nature of transaction	**2010**	2009
Parent company	Repayment of loan	**1,978,460**	-
	Repayment of interest on loan	**86,082**	151,050
Associates	Purchase of goods	**161**	12,253
	Purchase of services	**5,017**	16,281
Key management personnel	Salaries and other short term benefits	**71,108**	54,969
	Post employment benefit	**7,322**	4,741
Others	Payment to staff retirement benefit funds	**41,891**	38,562

Status of related party payables and receivables has been disclosed in relevant notes.

41. CAPACITY AND PRODUCTION - in metric tonnes

	2010	2009
Annual name plate capacity	**506,750**	506,750
Production	**483,433**	506,750

Lower production in the current year is primarily due to planned shutdown of the plant for overhaul.

42. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

Amounts in Rs '000

42.1 Risk management framework

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

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

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

Financial assets and liabilities by category and their respective maturities

	Interest bearing			Non-interest bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
Financial assets							
At fair value through profit and loss							
Investments (Money market funds)	-	-	-	364,644	-	364,644	364,644
Loans and receivables							
Loans and advances	-	-	-	32,196	38,660	70,856	70,856
Deposits	-	24,272	24,272	12,501	16,152	28,653	52,925
Trade debts	-	-	-	2,937,816	-	2,937,816	2,937,816
Accured profit on bank deposits	-	-	-	43,861	-	43,861	43,861
Other receivables	-	-	-	67,007	-	67,007	67,007
Cash and bank balances	6,882,500	-	6,882,500	27,808	-	27,808	6,910,308
31 December 2010	6,882,500	24,272	6,906,772	3,485,833	54,812	3,540,645	10,447,417
31 December 2009	5,324,300	24.272	5,348,572	2,120,838	50,649	2,171,487	7,520,059
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	7,652,365	-	7,652,365	7,652,365
Long term loan	-	3,437,500	3,437,500	-	-	-	3,437,500
Finance lease liabilities	146,577	214,445	361,022	-	-	-	361,022
Accrued interest	136,942	-	136,942	-	-	-	136,942
31 December 2010	283,519	3,651,945	3,935,464	7,652,365	-	7,652,365	11,587,829
31 December 2009	256,468	5,674,193	5,930,661	4,975,045	-	4,975,045	10,905,706
On balance sheet date gap							
31 December 2010	6,598,981	(3,627,673)	2,971,308	(4,166,532)	54,812	(4,111,720)	(1,140,412)
31 December 2009	5,067,832	(5,649,921)	(582,089)	(2,854,207)	50,649	(2,803,558)	(3,385,647)
OFF BALANCE SHEET ITEMS							
Letter of credits / guarantees							7,692,210
Operating lease liability							2,250,427
31 December 2009							8,823,720

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

Amounts in Rs '000

42.2 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. Approximately 27 percent (2009: 26 percent) of the Company's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

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

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

	2010	2009
Financial assets		
Investments	**364,644**	-
Loans and advances	**95,418**	80,725
Deposits	**52,925**	53,525
Trade debts	**2,937,816**	1,800,772
Accrued profit on bank deposits	**43,861**	27,876
Other receivables	**67,007**	139,216
Bank balances	**6,900,586**	5,430,997
	10,462,257	7,533,111
Secured	**2,937,816**	1,800,772
Unsecured	**7,524,441**	5,732,339
	10,462,257	7,533,111
Not past due	**10,462,257**	7,533,111

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

	2010	2009
Domestic	**2,830,208**	1,213,088
Other regions	**107,608**	587,684
	2,937,816	1,800,772

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

Amounts in Rs '000

42.3 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 2010					
	Carrying amount	**Contractual cash flows**	**Less than one year**	**1-2 years**	**2-3 years**	**3-5 years**
Financial Liabilities						
Long-term loans	3,437,500	3,437,500	-	3,437,500	-	-
Finance lease liabilities	361,022	443,975	203,164	203,164	37,647	-
Trade and other payables	7,652,365	7,652,365	7,652,365	-	-	-
Accrued mark-up on loans	136,942	136,942	136,942	-	-	-
Off balance sheet						
Operating lease liabilities	-	2,250,427	1,180,376	1,053,408	14,597	2,046
	11,587,829	13,921,209	9,172,847	4,694,072	52,244	2,046

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

The Company manages liquidity risk by maintaining sufficient cash in bank accounts. At 31 December 2010, the Company had financial assets of Rs 10.45 billion (2009: Rs 7.52 billion), which include Rs 6.90 billion (2009: Rs 5.43 billion) of cash placed in bank accounts.

42.4 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.

Notes to the Financial Statements
For the year ended 31 December 2010

Amounts in Rs '000

42.4.1 Currency risk

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

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

	2010		2009	
	GBP	**US$**	GBP	US$
	Equivalent Rupees '000			
Financial asset				
Trade receivables	-	**107,608**	-	587,684
Financial liabilities				
Loans from associated company	**-**	**(3,437,500)**	-	(5,322,397)
Trade payables	**-**	**(4,147,410)**	-	(2,146,893)
Liability against assets subject to finance lease	**(361,022)**	**-**	(471,089)	-
	(361,022)	**(7,477,302)**	(471,089)	(6,881,606)
Operating lease liability (off balance sheet)	**(393,495)**	**(1,492,656)**	(573,810)	(2,268,728)

Significant exchange rates applied during the year were as follows:

	Average rate for the year		**Spot rate as at 31 December**	
	2010	2009	**2010**	2009
	Rupees		**Rupees**	
US Dollar	**85.3**	81.9	**86.0**	84.5
Great Britain Pound Sterling	**132.4**	129.4	**134.2**	136.3

Sensitivity analysis

Every 1% increase or decrease in exchange rate, with all other variables held constant, will decrease or increase profit after tax for the year by Rs 54.58 million (2009: Rs 49 million).

Amounts in Rs '000

42.4.2 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	
	2010	2009
Fixed rate instruments		
Financial assets	**6,906,772**	5,348,572
Financial liabilities	-	-
	6,906,772	5,348,572
Variable rate instruments		
Financial assets	-	-
Financial liabilities	**3,798,522**	5,793,486
	3,798,522	5,793,486

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 materially 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.

42.4.3 Price risk

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

The Company does not believe to have been materially exposed to price risk as its investment is in Government Securities Liquid Fund.

43. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order provide returns for shareholders and benefit for other stakeholders and to maintain an optimal structure to reduce the cost of capital.

The gearing ratio as at 31 December 2010 and 2009 are as follows:

	2010	2009
Debt	**3,651,945**	5,674,193
Equity	**9,602,390**	5,831,726
Total equity and debt	**13,254,335**	11,505,919
Gearing ratio	**28%**	49%

Amounts in Rs '000

44. CORRESPONDING FIGURES

Corresponding figures have been reclassified / rearranged for the purpose of comparison and better presentation.

Reclassification from component	Reclassification to component	Rupees '000
Property, plant and equipment (NBV)	Intangible assets	861
Other receivables	Tax refunds due from government	387,939
Unclaimed dividend	Trade and other payables	2,374
Trade and other payables	Trade and other payables	
- Trade creditors	- Accrued expenses	459,615
- Accrued expenses	- Trade creditors	66,822
- Accrued expenses	- Provision for infrastructure cess	938,370
- Others	- Accrued expenses	99,285
-Contractors' earnest/retention money	- Others	744
Other receivables	Accrued profit on bank deposits	27,876
Cost of sales	Cost of sales	
- Salaries, wages and benefits	- Lease rentals / Ijarah arrangements	3,382
- Rent, rates and taxes	- Other expenses	278
- Printing and stationery	- Other expenses	1,747
- Postage and telephone	- Other expenses	2,473
Distribution and selling expenses	Distribution and selling expenses	
- Salaries, wages and benefits	- Lease rentals / Ijarah arrangements	2,044
Administration expenses	Administration expenses	
- Salaries, wages and benefits	- Lease rentals / Ijarah arrangements	7,224
Administration expenses	Administration expenses	
- General expenses	- Printing and stationery	2,709
	- Expenses on Information technology	11,280
	- Security expenses	9,849
	- Legal, professional and consultancy charges	12,474
	- Publication and subscriptions	590
Other operating expenses	Finance costs	
- Exchange loss	- Exchange loss	447,372
Finance costs	Finance costs	
- Others	- Bank charges	11,587
Other operating income	Net sales - trading goods	77,708
	Purchases - trading goods	88,719
	Closing stock - trading goods	32,403

Similarly, the balances appearing on the face of the balance sheet in respect of year 2008 have also been reclassified / rearranged accordingly for the purpose of comparison.

45. GENERAL

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

46. DIVIDEND

The Board of Directors in its meeting held on 26 January 2011 has proposed a final cash dividend of Rs 0.50 per share (2009: Rs 0.5 per share) in respect of year ended 31 December 2010. The financial statements for the year ended 31 December 2010 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 2011, after approval by the members in the Annual General Meeting.

47. DATE OF AUTHORISATION

These financial statements were authorised for issue in the Board of Directors meeting held on 26 January 2011.

Soon Hyo Chung	**M Asif Saad**	**Ali Aamir**
Chairman	Chief Executive	Chief Financial Officer

Pattern of Shareholding
As at 31 December 2010

Size of Holding		No. of	No. of
From	To	Shareholders	Shares Held
1	100	2,903	106,662
101	500	4,856	1,417,125
501	1,000	2,975	2,493,030
1,001	5,000	5,279	14,648,758
5,001	10,000	1,544	12,503,995
10,001	15,000	622	8,127,066
15,001	20,000	368	6,848,452
20,001	25,000	295	7,000,456
25,001	30,000	213	6,061,230
30,001	35,000	109	3,652,487
35,001	40,000	120	4,662,551
40,001	45,000	55	2,387,482
45,001	50,000	157	7,784,875
50,001	55,000	57	3,019,778
55,001	60,000	46	2,716,458
60,001	65,000	26	1,645,829
65,001	70,000	36	2,479,281
70,001	75,000	37	2,761,064
75,001	80,000	24	1,876,856
80,001	85,000	18	1,508,195
85,001	90,000	8	703,829
90,001	95,000	16	1,499,516
95,001	100,000	102	10,179,708
100,001	105,000	15	1,543,973
105,001	110,000	13	1,417,772
110,001	115,000	8	911,597
115,001	120,000	10	1,191,603
120,001	125,000	18	2,241,000
125,001	130,000	7	903,489
130,001	135,000	10	1,343,291
135,001	140,000	11	1,528,630
140,001	145,000	9	1,289,683
145,001	150,000	26	3,886,803
150,001	155,000	5	771,575
155,001	160,000	6	949,877
160,001	165,000	4	659,450
165,001	170,000	5	842,525

Size of Holding		No. of	No. of
From	To	Shareholders	Shares Held
170,001	175,000	5	871,874
175,001	180,000	6	1,075,700
180,001	185,000	2	365,500
185,001	190,000	7	1,320,900
190,001	195,000	2	390,000
195,001	200,000	36	7,198,550
200,001	205,000	7	1,422,802
205,001	210,000	5	1,044,397
210,001	215,000	5	1,066,080
215,001	220,000	1	215,500
220,001	225,000	6	1,341,562
225,001	230,000	2	452,817
230,001	235,000	1	235,000
235,001	240,000	5	1,190,144
240,001	245,000	5	1,214,438
245,001	250,000	11	2,750,000
250,001	255,000	4	1,012,582
255,001	260,000	5	1,293,402
260,001	265,000	1	262,000
265,001	270,000	3	805,499
270,001	275,000	1	275,000
275,001	280,000	3	834,450
285,001	290,000	5	1,438,261
290,001	295,000	1	292,500
295,001	300,000	22	6,600,000
305,001	310,000	2	615,850
310,001	315,000	2	628,400
315,001	320,000	3	956,357
320,001	325,000	3	968,282
325,001	330,000	1	326,000
330,001	335,000	1	331,500
335,001	340,000	3	1,019,300
340,001	345,000	2	690,000
345,001	350,000	9	3,142,664
350,001	355,000	2	710,000
360,001	365,000	1	365,000
365,001	370,000	1	370,000

Pattern of Shareholding
As at 31 December 2010

Size of Holding		No. of	No. of
From	To	Shareholders	Shares Held
375,001	380,000	2	757,500
385,001	390,000	2	779,500
395,001	400,000	11	4,400,000
400,001	405,000	3	1,208,189
410,001	415,000	2	825,325
415,001	420,000	2	837,254
420,001	425,000	1	422,750
445,001	450,000	1	450,000
450,001	455,000	1	454,678
455,001	460,000	1	458,000
485,001	490,000	1	490,000
490,001	495,000	2	984,065
495,001	500,000	9	4,500,000
500,001	505,000	2	1,006,000
515,001	520,000	2	1,035,299
520,001	525,000	2	1,042,510
530,001	535,000	1	534,000
540,001	545,000	1	541,000
545,001	550,000	1	550,000
565,001	570,000	1	570,000
570,001	575,000	2	1,150,000
590,001	595,000	1	594,125
595,001	600,000	5	3,000,000
605,001	610,000	1	606,000
620,001	625,000	3	1,871,385
645,001	650,000	1	650,000
665,001	670,000	1	665,984
670,001	675,000	1	675,000
680,001	685,000	1	684,000
695,001	700,000	2	1,400,000
700,001	705,000	1	700,240
715,001	720,000	1	719,000
725,001	730,000	1	725,356
735,001	740,000	1	738,998
745,001	750,000	1	750,000
750,001	755,000	1	754,771
765,001	770,000	1	768,743

Size of Holding		No. of	No. of
From	To	Shareholders	Shares Held
795,001	800,000	2	1,600,000
800,001	805,000	1	801,500
810,001	815,000	1	810,500
815,001	820,000	1	815,500
825,001	830,000	1	829,000
840,001	845,000	1	845,000
870,001	875,000	1	875,000
890,001	895,000	1	894,500
895,001	900,000	4	3,599,795
960,001	965,000	1	961,471
975,001	980,000	1	978,530
990,001	995,000	1	995,000
995,001	1,000,000	5	5,000,000
1,000,001	1,005,000	1	1,000,102
1,020,001	1,025,000	1	1,020,437
1,055,001	1,060,000	1	1,058,203
1,095,001	1,100,000	1	1,100,000
1,105,001	1,110,000	1	1,107,200
1,120,001	1,125,000	1	1,124,000
1,125,001	1,130,000	1	1,130,000
1,150,001	1,155,000	1	1,151,714
1,160,001	1,165,000	1	1,165,000
1,195,001	1,200,000	1	1,200,000
1,220,001	1,225,000	2	2,449,802
1,255,001	1,260,000	1	1,260,000
1,295,001	1,300,000	2	2,600,000
1,335,001	1,340,000	1	1,340,000
1,365,001	1,370,000	1	1,369,926
1,395,001	1,400,000	1	1,400,000
1,415,001	1,420,000	1	1,417,358
1,460,001	1,465,000	1	1,465,000
1,515,001	1,520,000	2	3,039,600
1,640,001	1,645,000	1	1,644,500
1,740,001	1,745,000	1	1,744,000
1,845,001	1,850,000	1	1,850,000

Pattern of Shareholding
As at 31 December 2010

Size of Holding		No. of	No. of
From	To	Shareholders	Shares Held
1,940,001	1,945,000	1	1,942,842
1,995,001	2,000,000	1	2,000,000
2,005,001	2,010,000	1	2,007,500
2,095,001	2,100,000	1	2,100,000
2,340,001	2,345,000	1	2,342,000
2,695,001	2,700,000	1	2,700,000
2,700,001	2,705,000	1	2,703,130
2,995,001	3,000,000	1	3,000,000
3,065,001	3,070,000	1	3,065,500
3,595,001	3,600,000	1	3,600,000
4,205,001	4,210,000	1	4,205,200
4,475,001	4,480,000	1	4,478,000
5,495,001	5,500,000	1	5,500,000
5,630,001	5,635,000	1	5,630,979
5,680,001	5,685,000	2	11,365,901
6,430,001	6,435,000	1	6,435,000
7,310,001	7,315,000	1	7,314,730
7,770,001	7,775,000	1	7,770,526
10,965,001	10,970,000	1	10,970,000
12,295,001	12,300,000	1	12,300,000
16,315,001	16,320,000	1	16,315,223
1,135,860,001	1,135,865,000	1	1,135,860,105
	TOTAL	**20,336**	**1,514,207,208**

Shareholders Category	No. of Shareholders	No. of Shares Held	Percentage
1 Associated Companies, Undertakings and Related Parties	1	1,135,860,105	75.01
2 NIT and ICP	1	7,314,730	0.48
3 Directors, CEO and Their Spouses	8	403	0.00
4 Executives	4	61,863	0.00
5 Public Sector Companies and Corporations	5	2,289,529	0.15
6 Banks, Development Finance Institutions, Non-Banking Finance Institutions	36	23,084,904	1.52
7 Insurance Companies	17	24,620,007	1.63
8 Modaraba and Mutual Funds	41	17,949,243	1.19
9 Others	276	78,364,716	5.18
10 Individuals	19,947	224,661,708	14.84
TOTAL	**20,336**	**1,514,207,208**	**100.00**

Shareholders Category	No. of Shareholders	No. of Shares held
Associated Companies, Undertakings and Related Parties:		
KP Chemical Corporation	1	1,135,860,105
NIT and ICP (name wise detail)		
National Bank of Pakistan,Trustee Department NI(U)T Fund	1	7,314,730
Directors, CEO and their spouse and minor children (name wise detail)		
Soon Hyo Chung	1	1
M Asif Saad	1	396
Soo Young Huh	1	1
Neon Jung Kim	1	1
Oh Hun Im	1	1
Mohammad Qasim Khan	1	1
Aliya Yusuf	1	1
Tajammal Hussain Bokharee	1	1
Executives	4	61,863
Public Sector Companies and Corporations	5	2,289,529
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	94	65,654,154
Others	276	78,364,716
Individuals	19,947	224,661,708
TOTAL	20,336	1,514,207,208
Shareholders holding 10% or more voting interest		
KP Chemical Corporation	1	1,135,860,105

Notice of Meeting

Notice is hereby given that the Thirteenth Annual General Meeting of Lotte Pakistan PTA Limited will be held on Thursday, 24 March 2011 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 2010.

2. To declare in respect of the year ended 31 December 2010 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 18 March 2011.

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

By Order of the Board

26 January 2011
Karachi

Ali Aamir
Company Secretary

Notes:

1. The Register of Members and the Share Transfer Books of the Company will be closed from Friday, 18 March 2011 to Thursday, 24 March 2011 (both days inclusive) for the purpose of the Annual General Meeting.

2. Entitlement to dividend and to attend the 13th Annual General Meeting as a Member will be according to the Members Register as at 18 March 2011.

3. Only those persons whose names appear in the Register of Members of the Company as at 24 March 2011 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 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

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

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

B. For Appointing Proxies:

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

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

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

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

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

Admission Slip

The Thirteenth Annual General Meeting of Lotte Pakistan PTA Limited will be held on Thursday, 24 March 2011 at 11:00 a.m. at EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi.

Company's transport will wait at the corner of Karachi Stock Exchange Road, between 8:30 a.m. and 9:00 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
13th Annual General Meeting

I / We ______________________________

of ______________________________

being member(s) of Lotte Pakistan PTA Ltd holding ______________________________

ordinary shares hereby appoint ______________________________

of ______________________ or failing him / her ______________________

of ______________________ who is / are also member (s) of Lotte Pakistan PTA Ltd as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Thirteen Annual General Meeting of the Company to be held on 24 March 2011 and at any adjournment thereof.

As witness my / our hand / seal this ______________ day of ______________ 2011

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
EZ/1-P-4, Eastern Industrial Zone, Port Qasim, P.O. Box No. 723, Karachi 74200
UAN#: + 92 (0) 21 111-782-111 FAX: + 92 (0) 21 3472-6041 URL: www.lotte-ppta.com