LOTTE PAKISTAN PTA LTD

Annual Report 2011

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.

vision, mission & overall strategic objectives

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

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

about LOTTE

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

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

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

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

FESF Students

company information

Board of Directors

Soon Hyo Chung	Chairman–Non executive
M Asif Saad	Chief Executive
Soo Young Huh	Non-executive
Jung Neon Kim	Executive
Oh Hun Im	Executive
Mohammad Qasim Khan	Non-executive
Aliya Yusuf	Non-executive
Istaqbal Mehdi	Non-executive

Audit Committee

Istaqbal Mehdi	Chairman
Jung Neon Kim	Member
Aliya Yusuf	Member

Senior Remuneration Sub Committee

Soon Hyo Chung	Chairman
Soo Young Huh	Member
Jung Neon Kim	Member
Oh Hun Im	Member

Shares Sub Committee

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

Chief Financial Officer and Company Secretary

Ali Aamir	(resigned w.e.f. 29 January 2012)
Adnan W Samdani	(appointed as C.F.O. and Company Secretary w.e.f. 30 January 2012)

Executive Management Team

M Asif Saad	Chief Executive
Ali Aamir	Chief Financial Officer and Company Secretary (resigned w.e.f. 29 January 2012)
Adnan W Samdani	Chief Financial Officer and 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

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

Internal Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

External Auditors
A.F. Ferguson & Co.,
Chartered Accountants

Legal Advisor
Fehem Ahson Hashmi (appointed w.e.f. 6 Nov 2011)
Djaleh Akber (resigned w.e.f. 6 Nov 2011)
148, 18th East Street,
Phase 1, DHA, Karachi

Registered Office
EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi
UAN: +92(0)21 111-782-111 Fax: +92(0)21 3472-6041

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

2011 started on a highly positive note where we saw favourable market conditions and strong PTA demand from downstream market which helped us sustain healthy margins for the first half of the year. As the year progressed, uncertain worldwide economic environment negatively impacted business conditions, which inevitably led to lower margins towards year-end.

The management team of LOTTE PPTA has remained focused on maintaining the highest standard in its operations. Building on our safety record from last year, LOTTE PPTA has now achieved landmark 38 million man-hours without Lost Time Case (LTC), surely an accomplishment very few can outperform worldwide.

This is the third year running that we have managed to deliver outstanding financial results. However, I continue to repeat that this sort of success in a cyclical commodity business is not expected to last forever. Supply-demand balances in the Petrochemical industry change and when large chunks of new capacity start running and demand growth is much lower, then profitability goes through significant change. Obviously, it is the vice versa scenario which we have been experiencing for the last 3 years.

2011 saw LOTTE PPTA further engage with the communities through its CSR activities. The flood relief effort by the Company is a perfect example where the management team travelled to the flood affected areas of District Badin and Mirpurkhas to distribute relief goods. LOTTE PPTA's parent company, KP Chemical Corporation also contributed Rs 10 million towards the Prime Minister and Chief Minister's flood relief funds. Furthermore, LOTTE PPTA also embarked on collaboration with various NGOs to improve lives of the underprivileged in our society.

As we move into 2012, we remain focused on cash conservation and reduction in variable and fixed costs. Our primary goal in 2012 will be to protect our domestic market share and optimise plant rates. The new co-generation plant is on track for start up in middle of the year, which will be a key factor in the Company's cost performance in the second half of 2012.

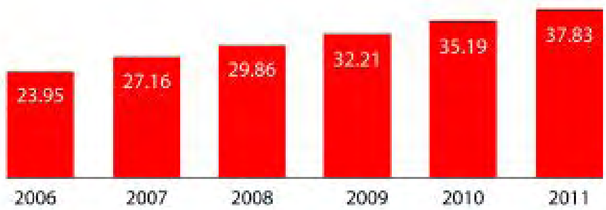
In the end I would like to take the opportunity to express my gratitude to all stakeholders, employees, customers, suppliers, contractors, business partners and shareholders for their support and trust they have shown in us throughout the year.

Sincerely yours

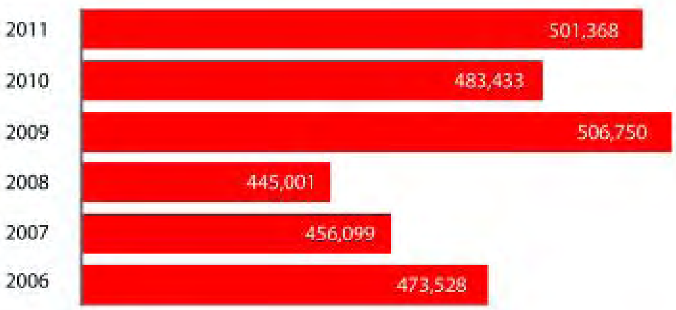
M Asif Saad

performance highlights

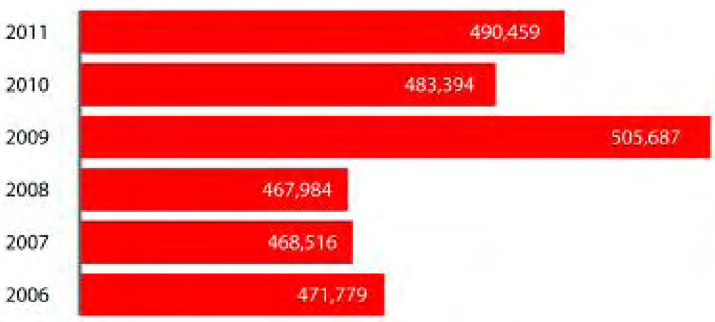
Man-Hours in millions without Lost Time Case (employees + contractors)



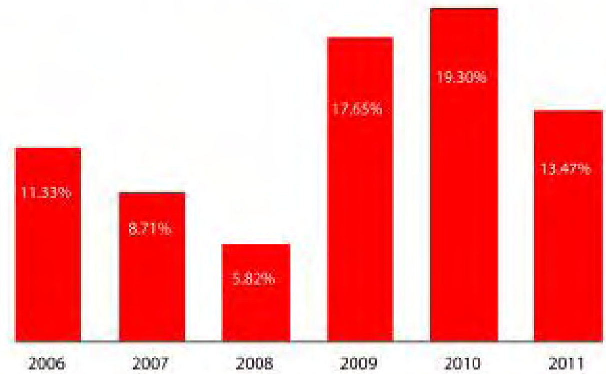
Production (tonnes)



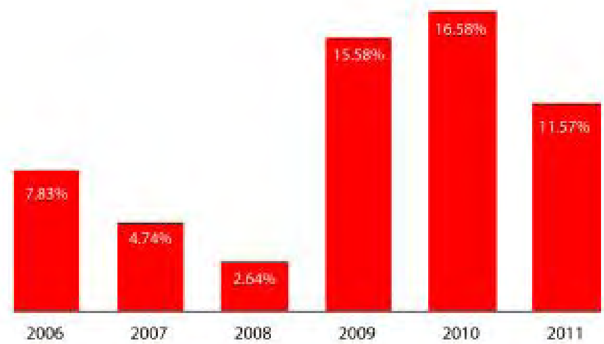
Sales (tonnes)



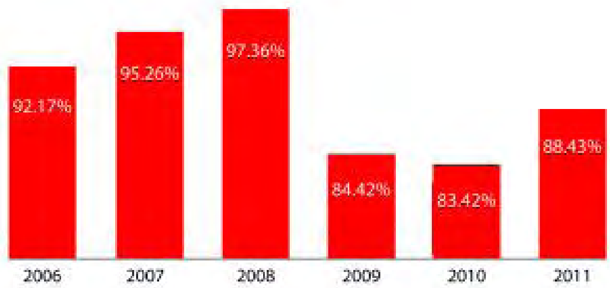
EBTIDA margin to Sales



Gross profit to sales ratio



Cost of Sales to Net Sales (%)



board member profiles

Mr Soon Hyo Chung, Chairman

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

Mr M Asif Saad, Chief Executive

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

Mr 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.

Mr Mohammad Qasim Khan, Director

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

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

Ms Aliya Yusuf, Director

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

Mr Istaqbal Mehdi, Director

Mr Mehdi is the Chairman/CEO of Al-Aman Holding (Pvt.) Ltd. and holds Directorship in Fauji Fertilizer Company Ltd. 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 (Pvt.) Ltd.; President & CEO of Zarai Taraqiati Bank of Pakistan; Chairman & CEO of Agricultural Development Bank of Pakistan; Chairman & CEO of National Investment Trust Ltd.; 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.

Mr Jung Neon 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.

Mr 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 including Technical, New Projects & Plant Management and Planning.

board & management committees

with brief terms of reference

Audit Committee

Terms of reference of the audit committee have been drawn up by the Board in compliance with the Listing Regulations and the Board acts in accordance with the recommendations of the committee on matters forming part of its responsibilities. The audit committee reviews the system of internal controls, risk management and the financial audit process, besides assisting the Board in reviewing financial statements and announcements to shareholders. The committee controls and monitors the scope of the internal audit function, including powers and responsibilities forming part of its charter, apart from holding separate meetings with the Chief Financial Officer and internal and external auditors as required under the Listing Regulations to discuss and address issues of concern, if any.

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

The committee met four times during 2011. Minutes of meetings are drawn up expeditiously and circulated for the information and consideration of the Board in the immediately succeeding Board meeting.

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

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: Jung Neon 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: Oh Hun Im, Qasim Khan & Jung Neon Kim

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.

L-R (sitting): Adnan W Samdani, M Asif Saad, Mohammad Wasim & Qamar H Manzoor
L-R (standing): Waheed U Khan, Ali Aamir & Humair Ijaz

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.

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 2011.

Business Overview

Crude oil prices during the year were impacted by a combination of turbulent political events mainly in the Middle East, natural phenomena such as the devastating earthquake and tsunami in Japan and economic uncertainty arising from the European debt crisis. Moreover, the slowdown in the Chinese economy contributed to the overall negative market sentiment. As a result, the price of crude oil fluctuated within a narrow band during the year, achieving a high of US$ 114 per barrel in April, going down to US$ 76 per barrel in October and ending the year at US$ 99 per barrel, thus averaging US$ 95 per barrel for the whole year.

Paraxylene (Px) prices did not, however, follow the trend in crude oil prices mainly due to short supply and higher demand dynamics. The damage caused to Px manufacturing facilities in Japan due to the earthquake in March and supply issues from the Middle East and Malaysia caused a sharp increase in the spot price of Px to a record high of US$ 1,815 per tonne CFR Taiwan in Q1. This phenomenon underwent a correction in the subsequent quarter with the spot price decreasing to a low of US$ 1,365 per tonne CFR Taiwan in July and then rising again to US$ 1,735 per tonne CFR Taiwan in September due to unplanned shutdowns and outages at major Px manufacturing facilities in China and Taiwan but ended the year on a relatively subdued note at US$ 1,489 per tonne CFR Taiwan.

Supported by tight supplies and record high prices of cotton, PTA started the year on a very strong note, with the spot price staying above the US$ 1,500 per tonne CFR China level for most of Q1. However, by Q2, the market became oversupplied as demand from the downstream polyester sector dwindled in China mainly due to better than expected global cotton output and resultant sharp decrease in cotton prices. This, coupled with high feedstock costs, forced many major PTA producers across the region to shut down their plants, in order to control inventory build-up and minimise losses in Q4 2011. The PTA spot price averaged US$ 1,263 per tonne CFR China in 2011, with a high of US$ 1,522 per tonne CFR China in March and low of US$ 1,047 per tonne CFR China in December.

At the start of the year, polyester markets in the region were influenced by record high prices of cotton which increased the price differential between polyester staple fibre (PSF) and cotton to over US$ 2 per kg, resulting in robust production and sales of both PSF and polyester filament yarn (PFY). However, with a view to controlling inflation, the Chinese government introduced various measures during the year, including higher bank reserve requirements, increase in interest rates and limitations on opening letters of credit, which resulted in the slowdown in the polyester

markets. The reduction in the price of cotton during Q2 & Q3 2011 and the economic slowdown in the European Union (EU) caused the polyester markets to operate in a challenging environment in the second half of the year. The PSF price in China averaged US$ 1.78 per kg CFR China, with a high of US$ 2.24 per kg CFR China in March and low of US$ 1.42 per kg CFR China in November. PET was mainly influenced by negative sentiment in the EU, which resulted in lackluster demand during the year. PET in Korea averaged US$ 1,666 per tonne FOB Korea with a high of US$ 1,883 per tonne FOB Korea in March and low of US$ 1,455 per tonne FOB Korea in December.

Domestic PSF producers were supported by record high prices of cotton in the beginning of the year and operated their plants at full capacity. However, despite the unprecedented floods in Sindh, cotton production of 13.5 million bales in 2011 set a new record and brought prices down in the second half of the year. Furthermore, the downstream spinning sector and the textile industry in general were adversely affected by electricity and gas shortages, which worsened significantly in the winter months. The domestic PSF price averaged Rs 178 per kg, with a high of Rs 200 per kg in February & March and low of Rs 162 per kg in December.

Operations

Sales volume for the year at 490,459 tonnes was marginally higher than last year mainly because of higher exports. The domestic sales volume of 440,695 tonnes was, however, 6% lower than last year as falling cotton prices, energy shortages and extension of sales tax imposition to the informal textile sector adversely affected PSF demand. Exports included sales to customers in China, India and Oman.

Production volume during the year recorded the best ever monthly and quarterly levels. Production for the year at 501,368 tonnes was 4% higher than 2010 and 1% lower compared to the previous non-overhaul year of 2009. This was mainly due to reduction in plant operating rates on account of the market slow down in Q4 2011.

Profit, Finance and Taxation

Revenue for the year was 36% higher than 2010 mainly due to higher average PTA price per tonne. Despite the average PTA margin over Px being 3% higher than last year, gross profit for the year was 5% lower than last year mainly due to lower PTA tariff (3% compared to 7.5% in H1 2010) and higher cost of acetic acid and electricity.

Distribution and selling expenses were higher than last year mainly due to higher export sales on which outward freight and handling charges are borne by the Company. Administration expenses were also higher than last year due to overall impact of high inflation and resultant increase in costs. Other operating expenses for the year were lower than last year mainly due to lower charge for Workers' Profit Participation and Workers' Welfare Funds due to lower operating profit.

Finance income for the year was Rs 97 million lower than last year mainly due to reduction in average cash surplus levels on the back of outflows for partial repayment of the parent company loan, capital expenditure for the under construction co-generation power plant and taxation payments.

As a result of the above, the Company generated profit before taxation of Rs 6,209 million compared to Rs 6,710 million in 2010.

Co-generation Power Plant

Capital Expenditure

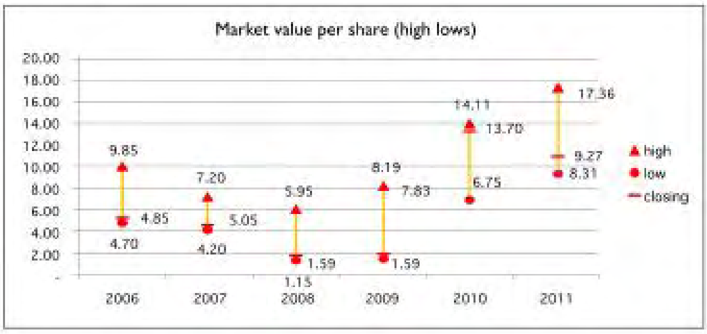
The Directors are pleased to report that work on the US$ 50 million co-generation power project to produce 40 megawatts of electricity is progressing satisfactorily and the plant is due for its first test run in Q2 2012. This power plant represents the single largest capital investment project by the Company since initial set-up of the PTA plant and in addition to minimising risk of electric supply fluctuations/outages, it would also generate substantial savings in production cost.

Shareholders' Value

Market capitalisation of the Company's stock as at 31 December 2011 was recorded at Rs 14.04 billion (2010: Rs 20.74 billion), with the price per share fluctuating from a high of Rs 17.36 to a low of Rs 8.63 and closing the year at Rs 9.27. Trading volumes for the Company's shares remained consistently high during the year.

There were 20,428 holders of the Company's equity stock at the close of 2011. Closely held shares (i.e. those held by the sponsors, investment companies, financial institutions, foreign investors and other corporate bodies) amounted to 85.54% of the total share capital, including 75.01% held by foreign shareholders.

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



Post Balance Sheet Events

The Company has announced a final cash dividend of Rs 0.50 per share for 2011 (2010: Rs 0.50 per share), subject to the approval of the shareholders in the annual general meeting scheduled to be held on 27 March 2012.

Future Outlook

The US economy has been showing signs of recovery in Q4 2011, which is expected to continue in 2012. Coupled with various geo-political developments, including tightening of US sanctions on Iran, the price of crude oil is likely to remain under upward pressure.

Demand for Px is expected to increase in 2012, as major PTA plants come online, with very little new Px manufacturing capacity planned for the foreseeable future. Consequently, PTA margins and operating rates are expected to remain under pressure, as the Asian region as a whole is projected to be oversupplied. These factors have already forced a number of PTA plants in the region to reduce their operating rates.

With cotton output expected to remain at 2011 levels, the polyester markets will continue to face a challenging environment in 2012 as the ability to pass through raw material cost increases will remain capped. The local PSF market may become oversupplied later in the year with the likely start-up of Ibrahim Fibres new plant in Q4 2012.

Given the turbulent market conditions expected in 2012, the Company recognises the importance of a sharp focus on optimising operating costs and conservation of cash. The Company's target of commissioning the co-generation power project by the middle of the current year will provide a further boost to the overall cost savings' initiatives to be undertaken in 2012.

The Company would like to reiterate and stress its case for increasing the PTA import tariff to 7.5%. As stated in previous reports, the PTA down-cycle going forward is expected to be prolonged and severe in view of huge capacity expansions coming on-stream in China during 2012-13. As a result, profitability of the Company will remain under severe strain during most of 2012 and possibly even beyond. Furthermore, the PTA tariff rate disadvantage in Pakistan (3%) versus China (6.5%) and India (5%) not only deprives the nascent PTA industry in the Country of the ability to survive through the commodity cycles, but is also a major disincentive for further investment and growth of this vital source of raw material for the domestic textile and PET sectors. In view of these considerations it has now become critical for the government to reconsider its position on the PTA tariff and restore it to 7.5%.

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, except for changes as stated in note 4 to the financial statements, in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgments
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and departures therefrom, if any, have been adequately disclosed
- The system of internal control is sound in design and has been effectively implemented and monitored
- There are no significant doubts on the Company's ability to continue as a going concern
- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations
- Key historical data is given in Shareholders' Interest section of the Annual Report

Investment in Retirement Benefits

The value of investments made by the staff retirement funds as per their respective audited financial statements for the year ended 31 December 2010, is as follows:

	Value (Rs 000)
Pakistan PTA Management Staff Provident Fund	148,227
Pakistan PTA Management Staff Pension Fund	31,158
Pakistan PTA Management Staff Gratuity Fund	94,233
Pakistan PTA Management Staff Defined Contribution Superannuation Fund	125,444
Pakistan PTA Non-Management Staff Provident Fund	2,666
Pakistan PTA Non-Management Staff Gratuity Fund	2,188

Attendance

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 - 2011	26 Jan	26 Apr	24 Aug	26 Oct
Mr Soon Hyo Chung	✓	✓	✓	✓
Mr M Asif Saad	✓	✓	✓	✓
Mr Soo Young Huh	✓	✓	✓	✓
Mr Jung Neon Kim	✓	✓		
Mr Oh Hun Im	✓	✓	✓	✓
Mr Mohammad Qasim Khan	✓	✓		✓
Ms Aliya Yusuf	✓	✓	✓	✓
Mr Istaqbal Mehdi	✓	✓	✓	✓

Pattern of Shareholding

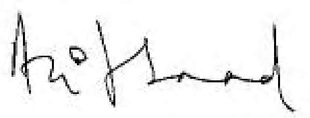
- The pattern of shareholdings in the Company as at 31 December 2011, is given on page 94 of the Annual Report. KP Chemical Corporation holds 75.01% shares, while the balance 24.99% shares are held by individuals and domestic and foreign institutions.

- 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 to Mr Istaqbal Mehdi.

Auditors

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

Soon Hyo Chung
Chairman



M Asif Saad
Chief Executive

Date: 26 January 2012
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' review is done within one month and half yearly financial statements reviewed by the external auditors within two months, of the respective period end dates.

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

Governance & Corporate Culture

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

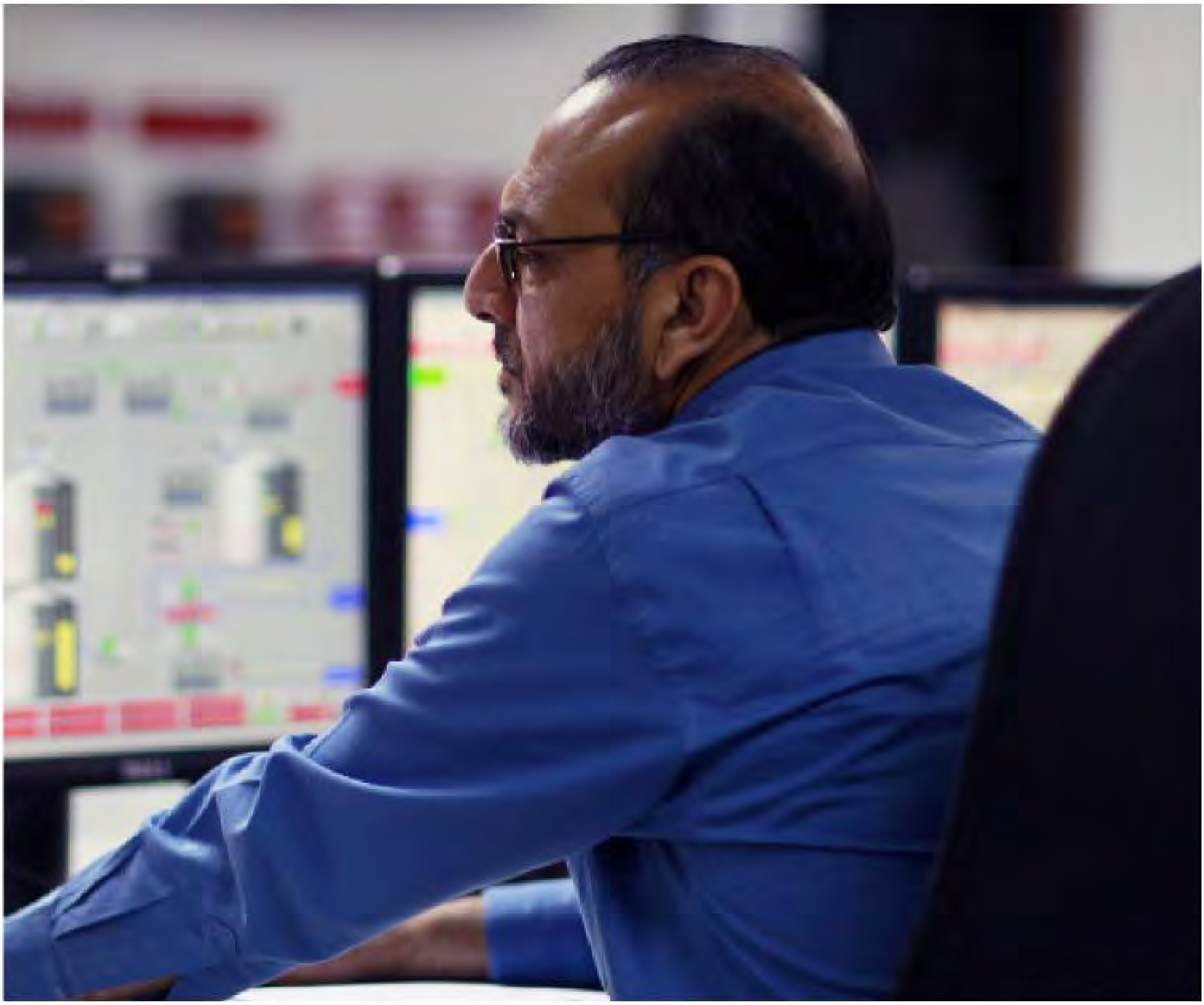
None of the directors are either members of any stock exchanges in Pakistan or engaged in the business of stock brokerage. Moreover, they are not involved in external audit and have had no relationship with the Company's external auditors during the preceding two years.

Remuneration and benefits of the Board, including the Chief Executive and executive directors, are disclosed in note 38 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 and five 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 election.



Training of Directors

Foreign resident directors are provided with sufficient information of their duties and responsibilities under respective laws and the Company's memorandum and articles of association. Directors, being senior professionals and possessing experience of managing various responsibilities, have adequate exposure to corporate matters.

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

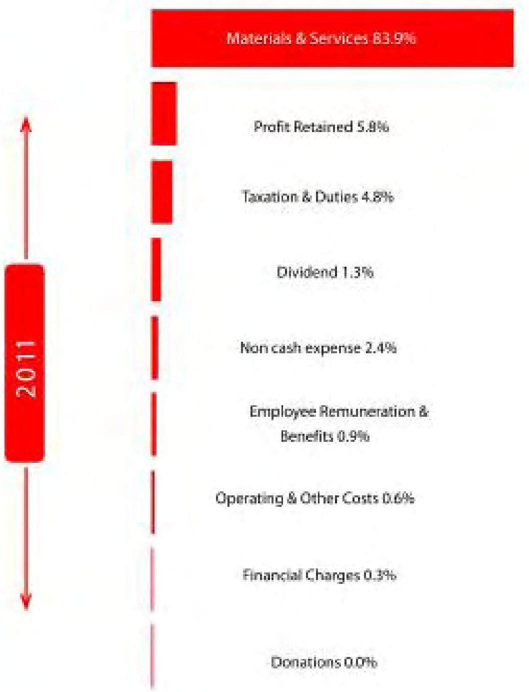
shareholders' interest

value addition & its distribution

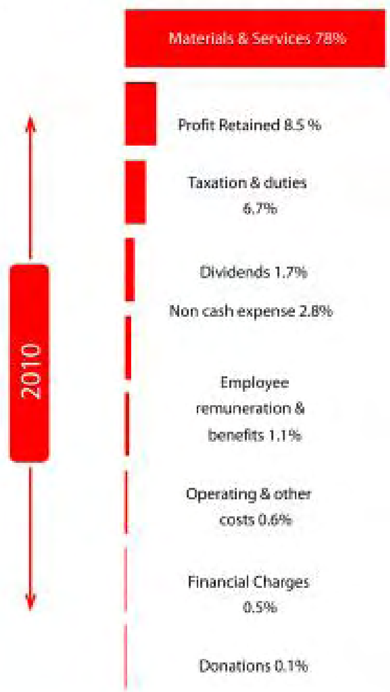
Statement of value added

	2011 Rs 000	%	(Re-stated) 2010 Rs 000	%
Gross revenue	57,996,746	98.6	43,473,680	98.0
Other income	808,583	1.4	892,998	2.0
Total Value Added	58,805,329	100.0	44,366,678	100.0
Value Distribution				
Materials and services	49,330,795	83.9	34,619,900	78.0
Employee remuneration and benefits	553,297	0.9	477,743	1.1
Government taxation and duties, as:				
Company taxation	2,031,015		2,184,275	
Excise duty and infrastructure cess	327,792		268,856	
Worker's funds	473,464		518,482	
	2,832,271	4.8	2,971,613	6.7
Non cash expenses				
Depreciation	1,316,740		1,245,807	
Net exchange loss	66,303		9,087	
	1,383,043	2.4	1,254,894	2.8
Operating and other costs	350,697	0.6	261,560	0.6
Donations	11,561	0.0	35,509	0.1
Finance costs	166,134	0.3	220,138	0.5
Dividends	757,104	1.3	757,104	1.7
Profit retained	3,420,427	5.8	3,768,217	8.5
	-	-	-	-
Total	58,805,329	100.0	44,366,678	100.0

Distribution of Value added FY11



Distribution of Value added FY10



six years at a glance

		2011	2010	2009	2008	2007	2006
PROFIT & LOSS SUMMARY							
Revenue	Rs 000	57,577,198	42,401,588	37,851,240	32,936,220	28,467,346	28,561,939
Cost of sales	Rs 000	50,914,635	35,371,568	31,954,429	32,067,881	27,117,299	26,325,613
Gross profit	Rs 000	6,662,563	7,030,020	5,896,811	868,339	1,350,047	2,236,326
Distribution & selling expenses	Rs 000	197,208	109,983	121,252	56,422	16,588	215,572
Administration expenses	Rs 000	330,463	268,291	215,709	201,069	160,907	180,002
Other operating expenses	Rs 000	502,492	605,923	543,351	40,850	38,371	59,761
Other operating income	Rs 000	22,883	10,532	196,646	153,776	169,015	84,175
Operating profit	Rs 000	5,655,283	6,056,355	5,213,145	723,774	1,303,196	1,865,166
Finance income	Rs 000	785,700	882,466	260,800	-	-	-
Finance costs	Rs 000	232,437	229,225	754,702	2,402,464	1,103,785	1,500,489
Profit/ (loss) before taxation	Rs 000	6,208,546	6,709,596	4,719,243	(1,678,690)	199,411	364,677
Taxation	Rs 000	2,031,015	2,184,275	1,145,537	(108,658)	68,044	238,587
Profit/ (loss) after taxation	Rs 000	4,177,531	4,525,321	3,573,706	(1,570,032)	131,367	126,090
EBITDA	Rs 000	7,757,723	8,184,628	6,679,833	1,917,500	2,478,736	3,237,181
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	(2,061,717)	(5,482,144)	(9,250,361)	(12,886,397)	(11,316,365)	(11,447,732)
Long term loans	Rs 000	-	3,437,500	5,322,397	4,996,687	3,879,697	686,114
Current liabilities	Rs 000	9,616,196	8,054,478	5,750,627	5,666,835	7,103,252	10,805,441
Fixed assets	Rs 000	9,852,587	8,754,209	9,201,314	9,952,791	10,745,850	11,704,801
Current assets	Rs 000	13,900,632	13,896,908	9,543,763	5,149,368	6,393,459	5,990,016
CASH FLOW SUMMARY							
Operating activities	Rs 000	2,208,812	5,630,598	7,051,345	542,405	1,170,553	1,644,021
Investing activities	Rs 000	(1,956,139)	(1,305,449)	(277,436)	(272,730)	(227,221)	(343,848)
Financing activities	Rs 000	(2,657,730)	(2,852,781)	(97,791)	(777,349)	(1,427,291)	(1,578,698)
Cash and cash equivalents at year end	Rs 000	4,505,251	6,910,308	5,437,940	(1,238,178)	(730,504)	(246,545)
KEY RATIOS							
Gross profit ratio	%	11.57	16.58	15.58	2.64	4.74	7.83
EBITDA margin to sales	%	13.47	19.30	17.65	5.82	8.71	11.33
Net profit margin	%	7.26	10.67	9.44	(4.77)	0.46	0.44
ROE	%	31.93	46.83	60.63	(69.53)	3.43	3.41
ROCE	%	31.84	33.99	30.89	(20.51)	1.60	2.56
Inventory turnover	times	13.90	18.00	25.38	17.87	8.97	8.05
Inventory turnover in days	days	26.25	20.27	14.38	20.42	40.70	45.33
Debtors turnover	times	18.94	17.90	26.19	16.85	15.71	29.70
Average collection period	days	19.27	20.40	13.94	21.66	23.23	12.29
Creditors turnover	times	11.03	10.50	12.21	9.57	6.88	7.81
Payable turnover in days	days	33.09	34.76	29.89	38.14	53.06	46.75
Operating cycle	days	7.49	5.91	(1.57)	3.94	10.87	10.87
Total asset turnover	times	2.47	2.04	2.22	2.03	1.63	1.60
Fixed asset turnover	times	6.19	4.72	3.95	3.18	2.54	2.34
Current ratio	times	1.45	1.73	1.66	0.91	0.90	0.55
Quick ratio	times	0.89	1.33	1.37	0.59	0.49	0.16
Interest cover	times	24.33	26.42	6.91	0.30	1.18	1.24
Debt equity ratio	times	1.14	1.38	1.96	3.39	2.14	1.33
SHARES & EARNINGS							
Price earnings ratio	times	3.36	4.58	3.32	(1.53)	58.21	58.24
EPS	Rs	2.76	2.99	2.36	(1.04)	0.09	0.08
Cash dividend per share	Rs	0.50	0.50	0.50	-	-	-
Dividend yield ratio	%	5.39	3.65	6.39	-	-	-
Dividend payout ratio	%	18.12	16.73	21.19	-	-	-
Dividend cover ratio	times	5.52	5.98	4.72	-	-	-
Breakup value per share (w/o surplus on revaluation of fixed assets)	Rs	8.64	6.38	3.89	1.49	2.53	2.44
Breakup value per share (including surplus on revaluation of fixed assets)	Rs	8.64	6.38	3.89	1.55	2.53	2.44
Market value per share - 31 December	Rs	9.27	13.70	7.83	1.59	5.05	4.85
Market value per share – High	Rs	17.36	14.11	8.19	5.95	7.20	9.85
Market value per share – Low	Rs	8.31	6.75	1.59	1.15	4.20	4.70
Market capitalization	Rs 000	14,036,701	20,744,639	11,856,242	2,407,589	7,646,746	7,343,905

Years 2011, 2010 and 2009 have been presented as per change in accounting policy (Note 4 to the Financial Statements)

vertical analysis

	2011		2010		2009		2008		2007		2006	
	(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	63%	15,142,072	67%	15,142,072	80%	15,142,072	100%	15,142,072	88%	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	(2,061,717)	-9%	(5,482,144)	-24%	(9,250,361)	-49%	(12,886,397)	-85%	(11,316,365)	-66%	(11,447,732)	-64%
Total Equity	13,082,700	55%	9,662,273	42%	5,894,056	31%	2,258,020	15%	3,828,052	22%	3,696,685	21%
Surplus on revaluation of fixed assets	-	0%	-	0%	-	0%	85,992	1%	-	0%	-	0%
NON CURRENT LIABILITIES												
Long term loans	-	0%	3,437,500	15%	5,322,397	28%	4,996,687	33%	3,879,697	23%	686,114	4%
Liability against assets subject to finance lease	38,039	0%	214,445	1%	351,796	2%	400,188	3%	499,344	3%	533,767	3%
Deferred tax liability	1,142,646	5%	1,376,480	6%	1,513,285	8%	1,774,808	12%	1,903,081	11%	2,040,217	11%
Retirement benefit obligation	20,787	0%	14,749	0%	9,999	0%	6,073	0%	4,938	0%	3,836	0%
	1,201,472	5%	5,043,174	22%	7,197,477	38%	7,177,756	47%	6,287,060	37%	3,263,934	18%
CURRENT LIABILITIES												
Trade and other payables	7,479,634	31%	7,652,365	34%	4,975,045	26%	3,903,517	26%	5,329,344	31%	4,898,902	28%
Accrued interest / mark-up on loans	140,074	1%	136,942	1%	137,175	1%	425,079	3%	205,641	1%	274,458	2%
Taxation - provision less payments	-	0%	118,594	1%	519,114	3%	-	0%	-	0%	56,047	0%
Short term financing	-	0%	-	0%	-	0%	1,254,624	8%	804,690	5%	4,148,823	23%
Current portion of:												
long term loans	1,801,150	8%	-	0%	-	0%	-	0%	692,382	4%	1,372,228	8%
liability against assets subject to finance lease	195,338	1%	146,577	1%	119,293	1%	83,615	1%	71,195	0%	54,983	0%
	9,616,196	40%	8,054,478	35%	5,750,627	31%	5,666,835	37%	7,103,252	41%	10,805,441	61%
TOTAL EQUITY AND LIABILITIES	23,900,368	100%	22,759,925	100%	18,842,160	100%	15,188,603	100%	17,218,364	100%	17,766,060	100%
NON CURRENT ASSETS												
Fixed assets	9,852,587	41%	8,754,209	38%	9,201,314	49%	9,952,791	66%	10,745,850	62%	11,704,801	66%
Long term loans & advances	46,937	0%	38,660	0%	34,497	0%	44,723	0%	38,431	0%	30,581	0%
Long term deposits & prepayments	100,212	0%	70,148	0%	62,586	0%	41,721	0%	40,624	0%	40,662	0%
	9,999,736	42%	8,863,017	39%	9,298,397	49%	10,039,235	66%	10,824,905	63%	11,776,044	66%
CURRENT ASSETS												
Stores and spares	694,745	3%	494,231	2%	400,715	2%	548,868	4%	584,917	3%	528,687	3%
Stock in trade	4,669,004	20%	2,655,203	12%	1,273,922	7%	1,244,313	8%	2,344,637	14%	3,703,077	21%
Deposits and short term prepayments	159,398	1%	69,846	0%	49,150	0%	74,891	0%	166,240	1%	170,171	1%
Taxation recoverable	177,264	1%	-	0%	-	0%	-	0%	8,003	0%	-	0%
Trade debts	3,143,244	13%	2,937,816	13%	1,800,772	10%	1,089,614	7%	2,818,667	16%	804,809	5%
Loans and advances	40,603	0%	32,196	0%	26,233	0%	27,020	0%	37,769	0%	29,605	0%
Accrued profit on bank deposits	12,831	0%	43,861	0%	27,876	0%	-	0%	-	0%	-	0%
Other receivables	209,420	1%	67,007	0%	139,216	1%	1,802,787	12%	96,523	1%	491,794	3%
Financial assets - investment	-	0%	364,644	2%	-	0%	-	0%	-	0%	-	0%
Tax refunds due from government	288,872	1%	321,796	1%	387,939	2%	345,429	2%	262,517	2%	204,170	1%
Cash and bank balances	4,505,251	19%	6,910,308	30%	5,437,940	29%	16,446	0%	74,186	0%	57,703	0%
	13,900,632	58%	13,896,908	61%	9,543,763	51%	5,149,368	34%	6,393,459	37%	5,990,016	34%
TOTAL ASSETS	23,900,368	100%	22,759,925	100%	18,842,160	100%	15,188,603	100%	17,218,364	100%	17,766,060	100%
PROFIT AND LOSS ACCOUNT												
Turnover	57,996,746	101%	43,473,680	103%	38,629,965	102%	35,975,240	109%	31,103,684	109%	30,815,350	108%
Price settlement and discounts	419,548	1%	1,072,092	3%	778,725	2%	3,039,020	9%	2,636,338	9%	2,253,411	8%
Revenue	57,577,198	100%	42,401,588	100%	37,851,240	100%	32,936,220	100%	28,467,346	100%	28,561,939	100%
Cost of sales	50,914,635	88%	35,371,568	83%	31,954,429	84%	32,067,881	97%	27,117,299	95%	26,325,613	92%
Gross profit	6,662,563	12%	7,030,020	17%	5,896,811	16%	868,339	3%	1,350,047	5%	2,236,326	8%
Distribution and selling expenses	197,208	0%	109,983	0%	121,252	0%	56,422	0%	16,588	0%	215,572	1%
Administration expenses	330,463	1%	268,291	1%	215,709	1%	201,069	1%	160,907	1%	180,002	1%
Other operating expenses	502,492	1%	605,923	1%	543,351	1%	40,850	0%	38,371	0%	59,761	0%
Other operating income	22,883	0%	10,532	0%	196,646	1%	153,776	0%	169,015	1%	84,175	0%
Operating profit	5,655,283	10%	6,056,355	14%	5,213,145	14%	723,774	2%	1,303,196	5%	1,865,166	7%
Finance income	785,700	1%	882,466	2%	260,800	1%	-	0%	-	0%	-	0%
Finance costs	232,437	0%	229,225	1%	754,702	2%	2,402,464	7%	1,103,785	4%	1,500,489	5%
Profit / (loss) before taxation	6,208,546	11%	6,709,596	16%	4,719,243	12%	(1,678,690)	-5%	199,411	1%	364,677	1%
Taxation	2,031,015	4%	2,184,275	5%	1,145,537	3%	(108,658)	0%	68,044	0%	238,587	1%
Profit / (loss) after taxation	4,177,531	7%	4,525,321	11%	3,573,706	9%	(1,570,032)	-5%	131,367	0%	126,090	0%

horizontal analysis

	2011 (Rs '000)	%	2010 (Rs '000)	%	2009 (Rs '000)	%	2008 (Rs '000)	%	2007 (Rs '000)	%	2006 (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	(2,061,717)	18%	(5,482,144)	48%	(9,250,361)	81%	(12,886,397)	113%	(11,316,365)	99%	(11,447,732)	100%
Surplus on revaluation of fixed assets	-		-		-		85,992		-		-	
NON CURRENT LIABILITIES												
Long term loans	-	0%	3,437,500	501%	5,322,397	776%	4,996,687	728%	3,879,697	565%	686,114	100%
Liability against assets subject to finance lease	38,039	7%	214,445	40%	351,796	66%	400,188	75%	499,344	94%	533,767	100%
Deferred tax liability	1,142,646	56%	1,376,480	67%	1,513,285	74%	1,774,808	87%	1,903,081	93%	2,040,217	100%
Retirement benefit obligation	20,787	542%	14,749	384%	9,999	261%	6,073	158%	4,938	129%	3,836	100%
CURRENT LIABILITIES												
Trade and other payables	7,479,634	153%	7,652,365	156%	4,975,045	102%	3,903,517	80%	5,329,344	109%	4,898,902	100%
Accrued interest / mark-up on loans	140,074	51%	136,942	50%	137,175	50%	425,079	155%	205,641	75%	274,458	100%
Taxation - provision less payments	-	0%	118,594	212%	519,114	926%	-	0%	-	0%	56,047	100%
Short term borrowings	-	0%	-	0%	-	0%	1,254,624	30%	804,690	19%	4,148,823	100%
Current portion of:												
Long term loans	1,801,150	131%	-	0%	-	0%	-	0%	692,382	50%	1,372,228	100%
Liability against assets subject to finance lease	195,338	355%	146,577	267%	119,293	217%	83,615	152%	71,195	129%	54,983	100%
TOTAL EQUITY AND LIABILITIES	23,900,368	135%	22,759,925	128%	18,842,160	106%	15,188,603	85%	17,218,364	97%	17,766,060	100%
NON CURRENT ASSETS												
Fixed assets	9,852,587	84%	8,754,209	75%	9,201,314	79%	9,952,791	85%	10,745,850	92%	11,704,801	100%
Long term loans & advances	46,937	153%	38,660	126%	34,497	113%	44,723	146%	38,431	126%	30,581	100%
Long term deposits & prepayments	100,212	246%	70,148	173%	62,586	154%	41,721	103%	40,624	100%	40,662	100%
CURRENT ASSETS												
Stores and spares	694,745	131%	494,231	93%	400,715	77%	548,868	104%	584,917	111%	528,687	100%
Stock in trade	4,669,004	126%	2,655,203	72%	1,273,922	34%	1,244,313	34%	2,344,637	63%	3,703,077	100%
Deposits and prepayments	159,398	94%	69,846	41%	49,150	29%	74,891	44%	166,240	98%	170,171	100%
Taxation recoverable	177,264		-		-		-		8,003		-	
Trade debts	3,143,244	391%	2,937,816	365%	1,800,772	224%	1,089,614	135%	2,818,667	350%	804,809	100%
Loans and advances	40,603	137%	32,196	109%	26,233	89%	27,020	91%	37,769	128%	29,605	100%
Accrued profit on bank deposits	12,831		43,861		27,876		-		-		-	
Other receivables	209,420	43%	67,007	14%	139,216	28%	1,802,787	367%	96,523	20%	491,794	100%
Financial assets - investment	-		364,644		-		-		-		-	
Tax refunds due from government	288,872	141%	321,796	158%	387,939	190%	345,429	169%	262,517	129%	204,170	100%
Cash and bank balances	4,505,251	7808%	6,910,308	11976%	5,437,940	9424%	16,446	29%	74,186	129%	57,703	100%
TOTAL ASSETS	23,900,368	135%	22,759,925	128%	18,842,160	106%	15,188,603	85%	17,218,364	97%	17,766,060	100%
PROFIT AND LOSS ACCOUNT												
Revenue	57,577,198	202%	42,401,588	148%	37,851,240	133%	32,936,220	115%	28,467,346	100%	28,561,939	100%
Cost of sales	50,914,635	193%	35,371,568	134%	31,954,429	121%	32,067,881	122%	27,117,299	103%	26,325,613	100%
Gross profit	6,662,563	298%	7,030,020	314%	5,896,811	264%	868,339	39%	1,350,047	60%	2,236,326	100%
Distribution and selling expense	197,208	91%	109,983	51%	121,252	56%	56,422	26%	16,588	8%	215,572	100%
Administration expense	330,463	184%	268,291	149%	215,709	120%	201,069	112%	160,907	89%	180,002	100%
Other operating expenses	502,492	841%	605,923	1014%	543,351	909%	40,850	68%	38,371	64%	59,761	100%
Other operating income	22,883	27%	10,532	13%	196,646	234%	153,776	183%	169,015	201%	84,175	100%
Operating profit	5,655,283	303%	6,056,355	325%	5,213,145	280%	723,774	39%	1,303,196	70%	1,865,166	100%
Finance income	785,700		882,466		260,800		-		-		-	
Finance costs	232,437	15%	229,225	15%	754,702	50%	2,402,464	160%	1,103,785	74%	1,500,489	100%
Profit / (loss) before taxation	6,208,546	1702%	6,709,596	1840%	4,719,243	1294%	(1,678,690)	-460%	199,411	55%	364,677	100%
Taxation	2,031,015	851%	2,184,275	916%	1,145,537	480%	(108,658)	-46%	68,044	29%	238,587	100%
Profit / (loss) after taxation	4,177,531	3313%	4,525,321	3589%	3,573,706	2834%	(1,570,032)	-1245%	131,367	104%	126,090	100%

sustainability

Centre of Excellence (KUFF) sponsored by LOTTE PPTA

chief executive's vision on sustainability

Years ago, when we started working to improve the safety, environmental and social impacts of our business, we were largely driven by a need to manage risk. Today, our corporate responsibility approach has evolved from focusing on risk management, philanthropy and compliance to one that utilises our capabilities and resources to transition LOTTE PPTA into a business that is more sustainable, by which we mean that it brings people, planet, profits and society into balance for lasting success.

My understanding of sustainability is also shaped by the societal imperatives of where our business operates today. This includes helping us define the role of business in contributing to a vision of a more prosperous Pakistan.

To be one of the leading petrochemicals producer in Pakistan – today and into the future – we have to deliver our products and services in a more sustainable way. For me, this is not about trading one business challenge for another. It's about recognising that sustainability is a route to future profitability. As we look ahead, I know that our customers are creating new markets and demanding new services that require us to focus on getting closer to market, to create new logistics solutions and to customise our delivery capability more quickly than ever before. Our reliability is currently and remain in future of our core strength on which we continue to build our market share performance.

To fulfill these demands, we must succeed in a world where natural and human resources are constrained. In the future, issues ranging from peaking oil prices, climate change mitigation and population growth to the decreasing availability of natural resources could impact our customers and our business. As the world moves to a low-carbon economy, we see potential impact to supply chains, labour forces, working conditions, communities, logistics, energy and more.

In 2011, we have formulated a set of principles to help us define the way we do business in each of the areas, people, planet, profits and society, which are in turn supported by a suite of policies, guidance and management tools. These principles commit us to consider and take responsibility for the longer term economic, social and environmental implications of our decisions, and to work in partnership with stakeholders across the polymer value chain to maximise our positive impacts.

Our principles also commit us to be accountable for our ethical conduct and sustainability performance. This commitment feeds into our day to day decision-making, our ongoing engagement with stakeholders and assessments of how our business impacts society.

Managing our sustainability risks requires us to engage with stakeholders on broader issues. We seek to mitigate risks to our business through raising ethical standards across the Petrochemical industry as a whole through initiatives. We also engage with the government on policy issues. This can range from direct engagement with the government on supporting Foreign Direct Investment or by contributing knowledge and experience to debates on sustainability issues.

We have a choice. We can move fast, now, to prepare to thrive and seize the opportunities of a future sustainable economy. Or we can wait. Waiting means we risk facing a forced requirement to shift on someone else's timeline. For us, the choice is clear. We are always on the offence. That's why we are refocusing our efforts, increasing our investments, and looking at how we develop new, scalable business models that enable us to thrive in a sustainable economy.

Change often brings with it a degree of uncertainty, but one thing we can be sure. At LOTTE PPTA we will live out our principles in the way we do business. That was true yesterday. It is true today. It will be true tomorrow.

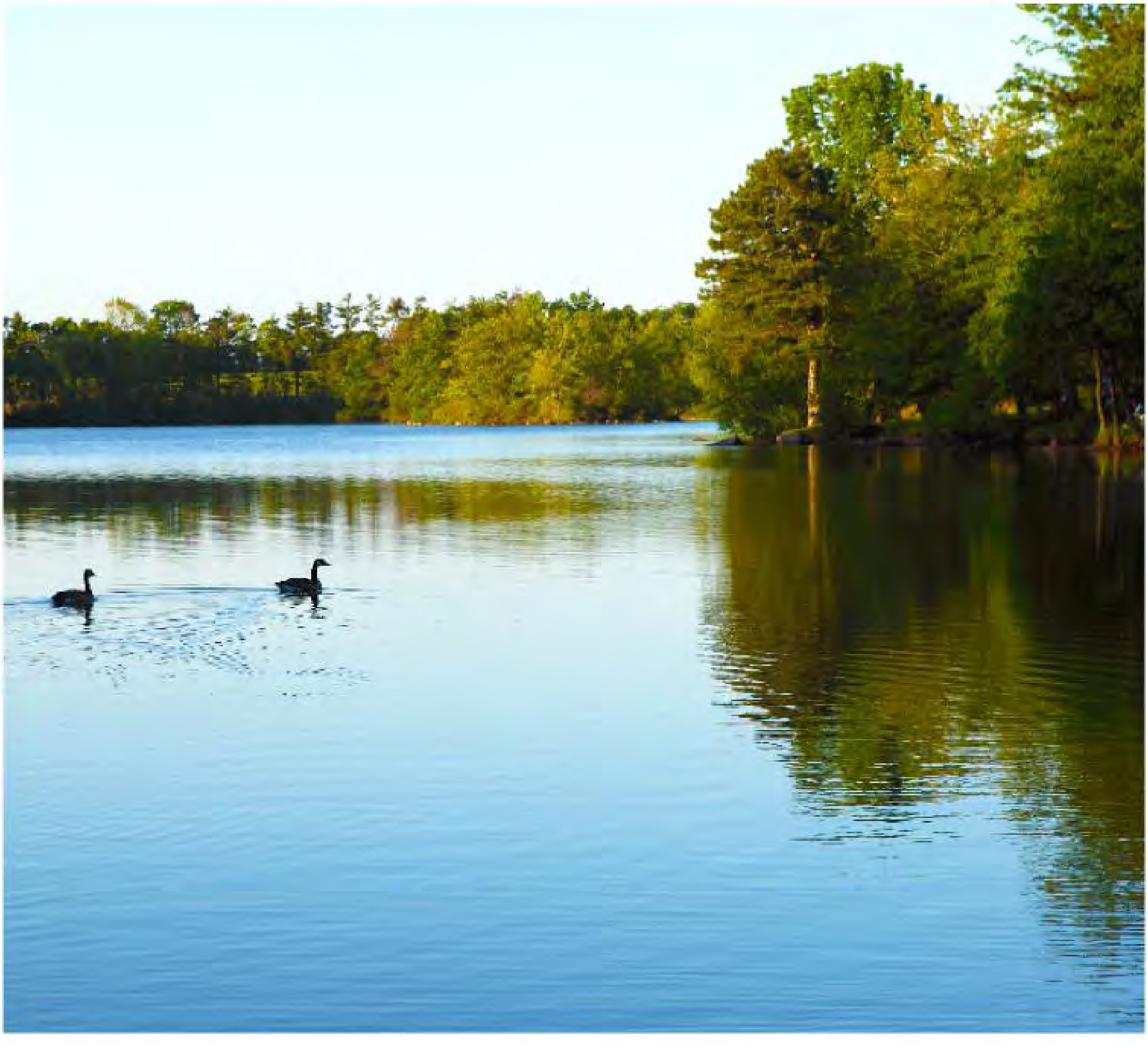
I am proud of the progress we have made and to present LOTTE PPTA's first sustainability report to its Stakeholders and Society.

M Asif Saad

report scope and boundary

This 2011 Sustainability Review covers the performance of LOTTE PPTA. All data and information in this report reflects the performance and goals of LOTTE PPTA, unless otherwise indicated.

This report is organised by the four core areas of our sustainability strategy, i.e. people, planet, profit and society. The information reported in each of these core areas is based on the ongoing feedback we receive from internal and external stakeholders. We also structure our reporting on the principles outlined in the Global Reporting Initiative (GRI) G3 Guidelines.



stakeholder engagement

Listening to and learning from others has helped LOTTE PPTA create a successful and sustainable business model. We regularly seek dialogues with organisations, groups and individuals to increase our understanding and help inform our decisions and actions. Wherever we sensibly can, our aim is to establish positive partnerships for change.

Our ability to work with our stakeholders at all levels of the business is a central factor in maintaining our legal, social and political licence to operate. The integration of stakeholders into our sustainability risk assessment and management processes helps us identify and prioritise stakeholder concerns. This enables us to identify issues that are within our direct control and that are our clear responsibility to address, to identify issues that are external to LOTTE PPTA but which nonetheless fall within our sphere of influence.

Our stakeholders include groups that have a significant impact on, as well as those groups that can significantly impact our activities. These include our shareholders, employees, local communities, suppliers, regulators, customers, civil society and intergovernmental organisations. Some of our engagements with stakeholders are listed below:

Investors and Shareholders

We engage with investors and shareowners in regular meetings. This includes meetings specifically on sustainability and socially responsible investment issues. Our shareowners are not only interested in what we are doing to develop the business, but also increasingly in how we are conducting business.

Customers

Understanding the needs of customers and how our product can fit into their business model in order to serve the end consumers better. Understanding and anticipating customer needs and preferences underpins our new product development and the growth of our chemical business, and is fundamental to our success.

Government

We work with government at local and national levels. We engage with National policy makers on matters including the direction of the Petrochemical Industry in Pakistan. We are also in frequent contact with representatives of the commercial, environmental and social development of this Country.

Employees

Making sure that LOTTE PPTA has a diverse and inclusive workplace. We listen carefully to our employees' views through our regular, structured meeting and employee consultation processes and through our recognition of trade unions. We use our employees' broad and diverse insights to develop and improve what we do.

Suppliers

Improving standards and the economic, social and environmental sustainability of our supplier base. We work with our supply chain partners on a regular, individual or group basis to achieve this. Our aim is to transfer knowledge and support to our suppliers in technical areas and to help improve their management and safety performance.

Development Agencies, non-government organisations (NGOs) and charities sharing, understanding and building on our dialogue with voluntary and civil society groups on all aspects of our business. We work with NGOs and charities at local, national and international level.

Communities

Working with the communities in which we operate to help build a prosperous, educated, inclusive and healthy society.

It is in our own interest to help build prosperous, healthy societies, as well as in the local and national interests of the communities where we operate.

Stakeholder Engagement

Our engagement with stakeholders informs our identification of risks and the development and enactment of strategies to mitigate those risks.

This engagement falls into two types. The first is direct engagement, including surveys, roundtable discussions, dialogue at conferences, independent multi-stakeholder dialogue, one-to-one meetings and on the ground engagement with local stakeholders at each operation. The second is indirect engagement and the use of external benchmarks and standards that represent societal expectations.

FESF Primary School supported by LOTTE PPTA

economic contribution

Towards sustainable growth

While the concept of economic sustainability is fuelled by the need for economic growth in the marketplace, we realise that we must tamper this drive by ensuring that the world's most pressing social and environmental challenges are properly addressed.

Contributing to Economic Growth

Our economic contribution includes direct employment, buying from local, regional and global suppliers, the distribution of our products, and contribution to the national exchequer via direct and indirect taxes.

In the year ended December 2011, LOTTE PPTA generated over Rupees 58.4 billion of economic value, of which the majority was distributed through the course of our business to our employees, shareholders and investors, suppliers and governments as well as to local communities through our Corporate Social Investment activities.

Economic Value Retained in 2011

	Rupees '000
Revenues Revenue plus interest and dividend receipts, royalty income and proceeds of sales of assets	58,362,898
Operating Costs Cost of materials, services and facilities	50,914,635
Employee wages and benefits Cost of employees' salaries and benefits	553,297
Payments to providers of Capital All financial payments made to the providers of the Company's capital	1,786,691
Payments to Governments Tax paid, including remittance taxes and excise taxes	3,208,500
Community Investments Voluntary contributions and investment of funds in the broader community	11,561
Economic Value Retained	114,837,582

Transparent Approach to Taxation

We recognise there is a growing interest in the level of taxes paid by multinational companies. We aim to be transparent on this issue and to pay the right and correct amount of tax according to the laws of the Country in which we operate. Since its inception, LOTTE PPTA has contributed in excess of Rs 22.0 billion to the national exchequer through various taxes and duties.

In the year 2011, total contribution to the exchequer by the Company amounted to Rs 3.2 billion. We consider this wider tax footprint to be an appropriate indication of the tax contribution from our operations.

The corporate tax charge and Workers Profit Participation and Workers Welfare Fund charge for 2011 was Rs 2.5 billion which represents 40% of profit before tax.

The Company's presence in Pakistan provides a major source of employment and income and therefore tax revenues.

Sourcing

As a global business, we think carefully about where and how we buy our raw materials, as well as other products and services, to balance the commercial advantages associated with our scale with the benefits we attain from supporting the local communities in which we work.

Where it makes sense, we seek to source locally to maximise the economic benefit, as well as reduce import and distribution costs of raw materials. LOTTE PPTA conducts business with suppliers who are globally competitive and who will provide the lowest long-term costs. LOTTE PPTA is dedicated to working closely with local suppliers to educate them about our strategic purchasing requirements. Moreover, by sourcing locally we can make a contribution to the health and economic development of Pakistan.

We are well aware of our influence with our suppliers and the importance of developing close and equitable relationships with them. We aim to pay a fair price for their products, materials or services and will often work with them to help improve their working practices and efficiency.

Economic Contribution

As well as generating and distributing economic value, LOTTE PPTA has contributed to economy through its investments in infrastructure. Since its inception, LOTTE PPTA has invested over US$ 350.0 million in infrastructure and development. An investment in infrastructure has been beneficial for industrial development in the Port Qasim industrial estate.

By substituting the need to import PTA by our Polyester Fibre (PSF) and PET processors, LOTTE PPTA has allowed a Foreign Exchange saving (to date) of over $1b, this translates to approximately $100m per annum and is continuing unabated. **The local availability of PTA has also allowed PSF and PET businesses in Pakistan to grow to a global level.**

planet

Preserving the future of our planet

Helping preserve the future of our planet is an essential part of living our values. We are determined to play our role in the battle against climate change by working to minimise our environmental impacts in energy use and carbon emissions.

Climate change is one of the biggest challenges we face today and LOTTE PPTA is committed to delivering on targets that reflect the scale of this challenge. We believe that transformation towards sustainability is only possible through deep-rooted cultural change and are proud to see LOTTE PPTA championing this change in Pakistan, not just within its own organisation but throughout the industry.

Resource Conservation

Our productivity strategy is based on optimal use of resources, contributing to conservation of resources and reduction of environmental impact. We maximise our resource productivity by recovering and reusing most of our non-product outputs, reducing our requirement for fresh materials.

As part of our commitment towards sustainability, resource conservation procedures have been developed and annual action plans are prepared and implemented.

On the energy front, the Company has reduced its specific energy (electric power) consumption by more than 26%, energy (natural gas) by more than 37% and water usage by 40% since commissioning of the plant in 1998.

Furthermore, the waste generated, is either recycled within the plant or disposed off in an environment friendly way as part of our product stewardship policy.

LOTTE PPTA has worked actively with customers to reduce the transportation of product by a reduction in shipping volume per case, via bulk (containerised) shipping.

Management of Gaseous Emissions & Liquid Effluents

We monitor our gaseous emissions of Oxides of Sulphur (SOx), Oxides of Nitrogen (NOx), Oxides of Carbon (CO) and Suspended Particulate Matter (SPM), as per regulatory norms. Our upcoming new captive power project at the plant is gas based which is cleaner fuel and will contribute to lower emissions.

A state-of-the-art Effluent Treatment Facility with capital investment of US$ 38.0 m and annual operating expense of more than US$ 2.0 m is the design feature of our plant and reflects our commitment towards the environment preservation. Treated effluents are discharged in designated water/land bodies as per the quality standards prescribed by regulatory agencies. As part of water conservation plan and reduction in effluents, water from various streams are being either recycled or used for horticulture purposes.

HSE inputs for Environmental / Social Data

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Fatalaties											
Total number	0	0	0	0	0	0	0	0	0	0	0
Employees	0	0	0	0	0	0	0	0	0	0	0
Contractors (K)	0	0	0	0	0	0	0	0	0	0	0
Fatal accident rate (FAR)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Injuries											
Total recordable case frequency (TRCF)	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00
Injuries per 2 million working hours (employees and contractors)	0	0	0	0	0	0	0	0	0	0	0
Lost time case frequency (LTCF)	0	0	0	0	0	0	0	0	0	0	0
Lost time cases per 2 million working hours (employees and contractors)	0	0	0	0	0	0	0	0	0	0	0

New Catalyst Recovery Unit- An Alternate to Residue Incinerator

PTA manufacturing technology produces a residue containing precious catalyst metals and by-products that had to be incinerated using furnace oil as support fuel. As part of original design, the incinerator ash was sent to a third party for recovery of metals. Our manufacturing team took an initiative to install an alternate process, i.e. on-site Catalyst Recovery Unit to recover metals and recycle them within the process stream. This initiative helped to minimise the impact on environment with shutdown of incinerator while contributing to higher process efficiencies.

Spills

We take adequate safety measures and strive to avoid significant spills and in the event of any spill we try to contain and recover it. Through a robust online incident reporting system, we monitor all spills at our manufacturing divisions. These are further classified based on the impact of the spill irrespective of the quantity of the spill.

This year, we had no significant spills or leaks at our manufacturing site. Minor spills and leaks were immediately attended to with appropriate remediation measures and had no significant impact.

Product Responsibility

We perpetually strive to provide our customers with a quality product that has a minimal health, safety and environmental impact, at affordable prices. We evaluate the impacts of our product across the value chain through a life cycle approach.

Environmental Responsibility

Based on existing environmental policies, procedures and performance foundations, LOTTE PPTA is now in process of acquiring ISO 14001-2004 standard certification to develop a systematic management approach to the environmental aspects of the organisation. The expected outcome of this approach is continual improvement in environmental management. LOTTE PPTA seeks to extend its concern for health, safety and environment to its suppliers and customers through a product stewardship management system.

Environmental Training

LOTTE PPTA provides general environmental education, aimed at raising general knowledge and awareness amongst our staff. In addition, we have extended our support to neighbouring industries in Port Qasim as an emergency-response during real time situations.

Catalyst Recovery Unit

people

People are our enduring advantage

Our success depends on the skilled, motivated people who work for LOTTE PPTA; we have a responsibility to provide them with a workplace that is safe, fair, respectful, diverse and challenging - one where they can achieve their best, for themselves and for the Company. We're a highly competitive Company, determined to create a strong future for ourselves and our shareholders. Being a responsible employer is critical to being a sustainable business.

People Development

We view learning and development as a shared responsibility between the Company and our individual employees, with the Company providing the resources and individuals providing the essential motivation and commitment. We design learning and development activities to help in this. These focus on increasing the knowledge, experience, skills and behaviours of individuals and teams.

Our team members are provided a supportive environment, one that encourages open communications within the workforce, and one which helps in the sharing and development of new ideas.

Junior employees are offered job and classroom training sessions to familiarise them with their duties and work environment and also enhance their knowledge and abilities. In particular, the Trainee Engineer Programme has become a popular learning platform for young engineering graduates, where they can learn and earn at the same time.

Our flagship training exercise programme, known as Comprehensive TNA (Training Needs Analysis), aims to equip the workforce with the skills to cater to technological and managerial challenges. Employees are also given a chance and encouraged to further their academic qualifications. They can pursue MBA degrees with financial assistance being provided by the Company for selected employees.

We established a technical training centre 2 years ago, with a data bank that stores all necessary resource and materials required for technical training. All of our management staff has access to this facility and resource bank.

Similarly, training sessions play an immensely significant role in the development of our team members; we conduct these all year round, subjects that go beyond work, such as the "Non Management Behavioural Training" is part of our programme.

Facilities & Support

All in all, at LOTTE PPTA, activities are carried out to create a comfortable and friendly environment, far from the monotony of constant work, without compromising on discipline and productivity. Team members are provided with several facilities in return for their tremendous efforts to excel in corporate as well as social work.

Interest-free car loan is provided to all management employees as per Company Policy. Along with interest-free house rent and house building loan which is provided to all employees as per Company Policy. These policies help in motivating employees and create a sense of responsibility and loyalty towards the Company. Cars are also provided to managers and for all other employees pick and drop facilities are made available so that they can commute with ease and comfort.

Our management team is offered scholarship programmes for their children's education.

In order to provide employees and their families recreational facilities like beach huts in Karachi and houses in Murree are also made available for weekends, holidays and vacations.

As unity and closer interpersonal relationships lead to a more content and efficient workforce, events like the annual picnic day and trips to water parks, such as the summer 2011 trip to Sunway Lagoon are organised for this purpose.

Security

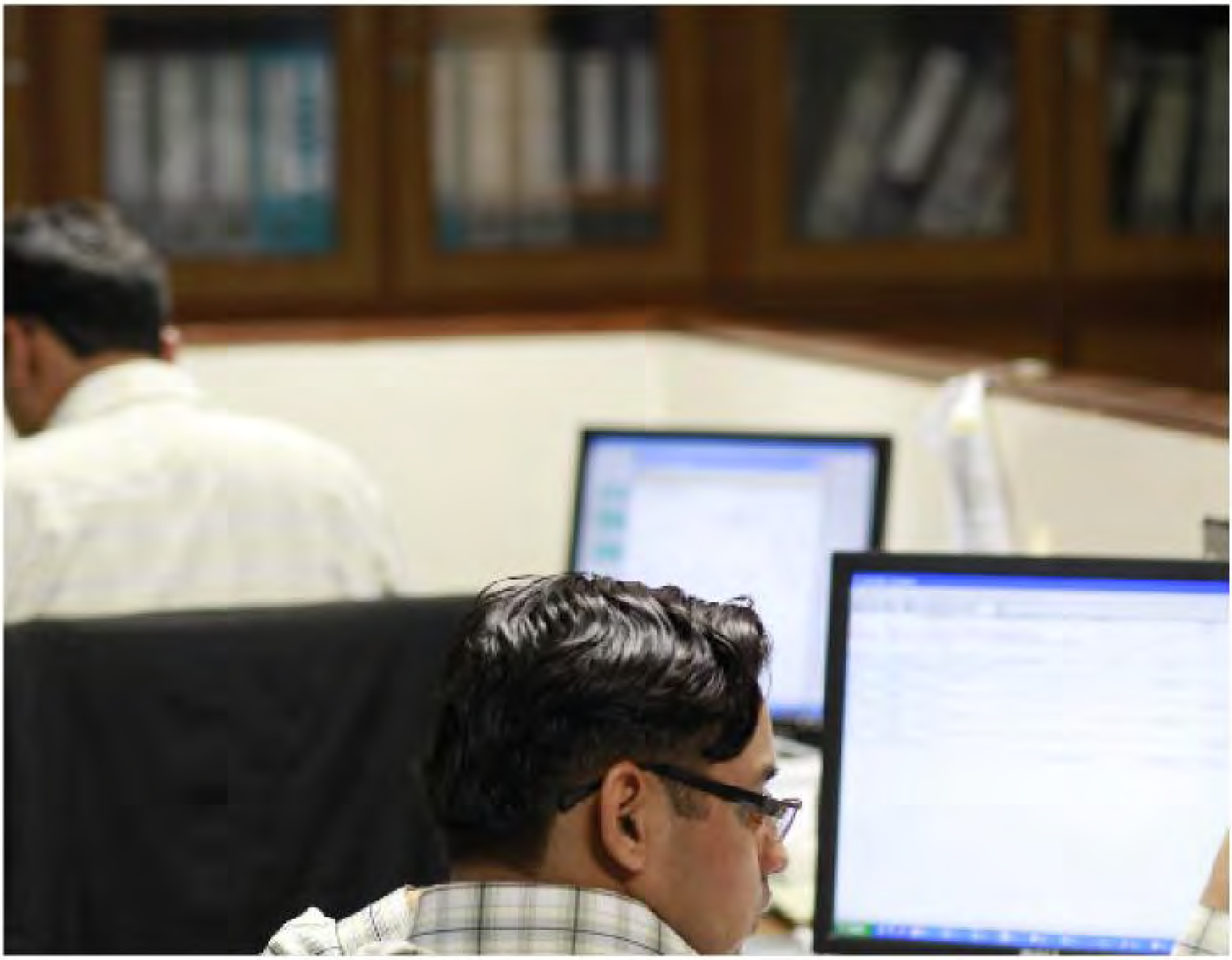
At LOTTE PPTA, security is an integrated business function which manages a range of risks to our people, our property, our information and our reputation. A Security Policy has been agreed and launched within our business to increase the focus on this important area and continue to develop a culture of security.

Some of the areas where our Security Policy/Function plays a major part include:

People:
Monitoring local political and security risks, establishing travel policies, security awareness briefing and training for employees at all levels, travel security, travel tracking, executive protection, evacuation planning and emergency response.

Property:
Establishing plant security policies, establishing appropriate and consistent levels of security at our site, conducting site security audits, protecting our intellectual property.

Information:
Establishing information and intellectual property security policies, establishing a culture of information security awareness, protecting our IT assets.



Reputation:
Managing security incidents, and agent/partner screening, developing business continuity procedures and strategies, performing due diligence, among other functions.

Social Engagement

LOTTE PPTA also encourages its employees to look beyond the work environment and become contributing members of society. This has not only enhanced the social skills of employees, but also established the Company as one committed to its corporate social responsibilities.

Social work is carried out in the fields of education, health, and most importantly, in recent times, for flood relief.

Throughout the course of the year, LOTTE PPTA encourages its workers to take part in activities that lie beyond the boundaries of the work environment. This encourages harmony and creates a sense of belonging to a 'team', the LOTTE PPTA team.

For instance, workers organised various sports events, activities, musical evenings to develop a sense of togetherness outside work environment.

In the recent past, workshops on leadership, creativity, awareness, decision making and innovation have been held to drive our workforce forward in order to accomplish goals and set higher ones.

Engineering graduates from prestigious colleges such as NED, Punjab University and Pakistan Navy College have been recruited while the delegates of these colleges also take trips to the Company and the employees attend to them and advise them on their future.

LOTTE PPTA realises the need to establish personal relationships with each employee and acknowledge worker's contribution, big or small. Whenever an individual milestone is achieved, the employee's efforts are appreciated and celebrated.

Safety, Health & Well-being

Our safety culture applies to all our operations, facilities, offices and warehouses, colleagues out on the roads, contractors and visitors and even to our customers and suppliers. Team members are urged to think and act safely all the time.

All LOTTE PPTA team members are required to complete training and adhere to some of our basic safety principles:

- Take personal responsibility for safety
- Train everybody
- Work safely and to our rules
- Recognise, evaluate and control hazards
- Never walk past an unsafe act or condition
- Learn and improve continuously

Mashood Adil had his yearning fulfilled when his name was selected for Haj pilgrimage; this was fully sponsored by LOTTE PPTA. Over the years, he availed of opportunities that came his way in terms of loans from the Company, which helped him purchase a motorcycle, a plot of land and he is currently contemplating to buy a car through another Company loan. By availing these facilities Mashood has been able to move ahead in his life with comfort and ease for himself and his family.

For the organisation he works for – Mashood states that

"میں نے جو بھی خواب دیکھے تھے وہ سب LOTTE PPTA نے پورے کردیئے۔"

Mashood Adil
Instrument Technician

LOTTE PPTA gives importance to the health and safety of its own workers. The Company is strongly committed to follow Health, Safety and Environment (HS&E) standards. We have a record safety performance of not a single Lost Time Case (LTC) being reported in 13 years.

Workshops and demonstrations have been conducted to teach all staff on how to carry out all tasks in a safe manner. For example, workers were shown the correct and quick use of a First Aid Kit. For those whose job consists of manual work, gym facilities have been established to keep them fit.

Health and medical facilities are also provided for employees and their immediate families (spouse and children) as per their respective entitlements.

Even our kitchen staff has been provided with information and equipment to maintain the highest level of hygiene in the kitchen and dining areas.

Safety Management System OHSAS 18001

In 2011, LOTTE PPTA undertook an exercise to map their comprehensive Responsible Care Management System (RCMS) to the International OHSAS 18001 Safety Management System. This allows LOTTE PPTA regular updates and benchmarking to Industry Best Practice via the in-built review mechanisms of standard revisions via Technical Committees.

The OHSAS 18001 occupational health and safety management system reduces the risk of harm to our employees and other personnel and reduces overall liability.

The OHSAS System helps LOTTE PPTA in:

- Demonstrating commitment to the protection of employee, property and plant
- Minimising the number of accidents and production time loss due to better control over hazards at the workplace
- Focus on employee safety results in a satisfied, motivated and highly productive work team
- Increase control and reduction of hazards through the setting of objectives, targets and evolved responsibility
- Maximising the well-being and productivity of all people working for the organisation
- Developing a better relationship with contractors and more effective contracted activities
- Ensuring legal compliance
- Improving safety culture & reputation in the eyes of its customers, competitors, suppliers, other stakeholders and the wider community

Zero Accidents

We have a zero fatality record since inception of the PPTA facility. We have prioritised key risks, strengthening control of contractors working on our sites, and extend our safety programme beyond our manufacturing sites into our sales and distribution networks. We continue to build awareness of safety, the standards to be achieved and how to do this. Workshops are held throughout the year in order to enable us to share best practice and help develop a zero accident culture.

We have developed trainings to enhance leadership on safety, encouraging behaviours that drive safety through any and all our management decisions.

Labour Relations

LOTTE PPTA adheres to all the best practice of Labour relations in all its activities. These practices extend to:

- Fair and equal opportunity for all employees and potential employees, regardless of ethnicity, gender and age
- The provision of a good working environment for all staff, with adequate ventilation, lighting, and temperature control
- No forced labour in any form. Working hours in line with local legal requirements and ILO standards, whichever is higher and fully agreed between employer and employee
- Wages paid for regular working hours and overtime shall meet or exceed legal minimums and/or industry standards
- Occupational health and safety training is conducted on a regular basis
- All employees have the right of freedom of association and the right to collective bargaining

Our Company also sponsors employees every year to perform Haj pilgrimage, as per Company policy.

LOTTE PPTA places great emphasis on reward and recognition to help employees feel appreciated and motivated. Workers are awarded individually, as well as a team on the achievement of their annual production targets.

There are also schemes for interest-free car loan facilities, scholarships and child schooling support extended to some of our staff members.

Transparency, Diversity and Ethics

The employees are also vested with certain responsibilities to maintain discipline in the workforce. These are listed in the code of conduct, and consist of:

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

At LOTTE PPTA great emphasis is given to the code of conduct for doing business. All kinds of unethical business practices in any form are strictly prohibited and there are monitoring methods to ensure that no employee is involved in any way. Bribery for any reason is not acceptable.

We have clear policies and processes relating to diversity and covering issues such as ethnicity and gender. Recognising the benefits that a diverse workforce can offer, we encourage a culture that is respectful and tolerant of difference.

There are procedures in place to ensure transparency in doing business and free enterprise is promoted with compliance to competition laws and regulations. Strong ethical values are embedded in the employees in all they do and they are responsible for ensuring these values both at work and outside as corporate citizens.

communities

Making a valuable contribution to our community

The prosperity of our business is closely aligned to the health and well-being of the community in which we work. We recognise that our investment in communities will bring benefits in terms of our reputation, the commitment and advocacy of our employees, and the loyalty of our consumers.

Disaster Relief

LOTTE PPTA actively encourages employees throughout the Company to volunteer by championing a cause, supporting a local charity, sharing their skills, taking part in team challenges or fundraising. Critical to the success of the Community Programme is the support from the LOTTE PPTA leadership team, who encourage employees at every level to take a proactive approach to volunteering.

It has been quite some time since the floods devastated Pakistan, but the effects are still very apparent. LOTTE PPTA continues to aid the flood victims by not only providing monetary aid but also by volunteering their resources.

In 2010 - 2011 LOTTE PPTA and its parent Company, donated in excess of over Rs 50.0 million for the relief operations and helping the affectees to recover from the disaster and stand up on their feet again, in addition to gifts in kind and individual's own contributions. LOTTE PPTA employees donated a day's salary to the cause as a part of their social responsibility for their fellow Pakistanis.

LOTTE PPTA imported nutritious products to mitigate the problem of malnutrition in flood affected women and children of Sindh. LOTTE PPTA collaborated with UNICEF and the Pakistan Disaster Management Authority (PDMA) to distribute these relief goods across the Province.

LOTTE PPTA employees visited the flood affected areas of Deh Chandaile 2 & 3 and Taluka Tando Bago in District Badin to distribute food supplies, medicines and water.

Asif Saad distributing flood relief goods- Tando Jan Mohammad

Widespread disease and malnutrition were two of the main issues faced by the flood victims, and so LOTTE PPTA distributed food bags containing Rice, Flour, Sugar, Pulses (Dal), Cooking Oil, Dry Milk, Tea, 1.5 Litre Water Packs and Biscuits. Various medicines for chest infection, vomiting, diarrhoea, painkillers, skin infection ointments etc. were also distributed. With the help of local doctors from government hospitals, the LOTTE PPTA team set up on-the-spot medical camps and provided medication to the flood affectees.

LOTTE PPTA further provided tents to flood affected families. With inaccessible areas and difficult transport routes, LOTTE PPTA was the first to reach the villages of Urs Qambrani, Ahmad Jamali, Ghani Dhal, Hadji Alam Jamali and Natha Kholi.

LOTTE PPTA, over the years, has taken considerable initiatives to help build the community and extending a hand of support to the flood victims is one such effort. With an aim to create positive community development and an environment that fosters societal uplift, LOTTE PPTA looks forward to future opportunities of positively contributing to the society.

Senior management team members were amongst the first volunteers to respond to the floods. They were accompanied by senior government officials to Mirpurkhas to directly distribute relief goods to the flood victims.

With all the efforts during the floods, both in terms of monetary and relief goods, LOTTE PPTA has proven to be a responsible and supportive organisation committed to the welfare of the people of Pakistan in their hour of need.

We are proud of the fact that these efforts directly saved the lives of flood victims and helped in their rehabilitation.

Supporting Entrepreneurship and Education

We believe that education is the key to everyone's future success and so we support education projects to help raise standards and develop the skills of the poor and disadvantaged. By building links with individual pupils, teachers and schools, we can transform aspirations, support learning and help prepare young people for the world of work. We share our skills, knowledge and culture with young people in order to act as role models in the community and encourage students to learn about business and working environments.

Regular support is extended to institutions and organizations that promote education; one of our key partners over the last few years has been Family Educational Services Foundation (FESF), an organisation providing education and training for the deaf and other disadvantaged groups, and for those who work with them. Over 9.0 million people in Pakistan suffer some sort of hearing loss, and 1.5 million children are profoundly deaf and cannot attend mainstream schools.

Also, by supporting schools & other educational institutes, LOTTE PPTA ensures that basic primary education is provided to the less privileged children of our society and these young stars are not deprived to excel when given an opportunity both in education and sports.

A concert was held, which was attended by children from different charitable institutions, and the proceeds were donated to FESF.

In conjunction with IBA, LOTTE PPTA sponsored a youth leadership conference, known as Model United Nations Karachi (MUNIK). The conference simulated the actual UN, where participants were given countries to defend the foreign policy objectives and come to consensus on an assigned current affairs topic.

LOTTE PPTA also supported the WWF-Pakistan's Eco Internship Programme held in the summer of 2011, in which 2000 students from 25 schools participated. The sessions gave the participants an insight and greater understanding of eco-dynamics and environmental challenges faced in Pakistan while also offering solutions for environmental conservation.

LOTTE PPTA also provided full scholarships at LUMS to two deserving students from less privileged areas of Pakistan so that they are not deprived from quality education due to lack of funds. Also, at NED, six students are given scholarships each semester on the basis of their grades.

Youth Engagement

One of LOTTE PPTA's flagship engagements is the sponsorship of the Karachi United Football Foundation (KUFF), which runs a programme to provide football training and education to the underprivileged, free of cost. This engagement aims to promote sports and community development in Pakistan. LOTTE PPTA and KUFF are working towards providing sports-related health and educational services to the underprivileged youth and communities of Karachi.

As part of the programme, KUFF has set up 6 Centres of Excellence in underprivileged areas in Korangi, Malir, Old Golimar, Mangophir, Nazimabad and Lyari to provide free football training, education, vocational training and health awareness sessions through its network for potential football players and their families.

160 football players were provided with free sports gear and equipment. Medicines for frequently occurring ailments and free health sessions have been conducted for players and their families to spread awareness about hygiene and nutritional values.

This initiative aims to provide an environment fostering positive development through sports, education and various vocational activities for children living in underprivileged areas where there is a lack of recreational opportunities.

A representative of KUFF, Khowaja Obaid Ilyas said:

"The response from the Centres of Excellence has been tremendous. Football is by far the world's most popular sport and is gaining popularity in Pakistan also. Karachi is Pakistan's largest city with a tremendously talented youth. It is vital we give them every chance to improve their lives through sports (football), education, vocational training and health."

Centre of Excellence, Korangi-Karachi

Health

LOTTE PPTA also contributes to the health sector in the Country. LOTTE PPTA has sponsored SIUT at different events and on both Eids reimbursed the cost of dialysis for all patients for a day. 650 patients each day were provided dialysis, enabling them to live normal lives. LOTTE PPTA has also supported various other medical projects including the Naseem Iqbal Welfare Eye Hospital and the Cardiovascular Foundation.

A complete modern and state-of-the-art laboratory was donated to the SINNA clinic in Baldia Town, Karachi where it provides services to clinics in poor communities all over Karachi.

LOTTE PPTA also helps different communities of other religions, like the Vishal Bhaj, for their health centre, a generator was donated to a Church, similarly a Mosque was funded for renovations, providing fans and a water pump. It partnered with Hisaar Foundation for sponsoring a seminar for water conservation, which helped in creating awareness and a sense of responsibility for the communities.

By helping health care institutes, focusing specifically on the poorest and most disadvantaged, LOTTE PPTA ensures that basic healthcare is provided to those who are in dire need. By funding a broad spectrum of organisations and charities, our message is that LOTTE PPTA does not support only a particular group/institution but cares about and helps those who are in need and require support in serving people for a cause.

NED Students - Recipients of LOTTE PPTA Scholarship

The Garage School (CAP) - Sponsored by LOTTE PPTA

assurance

LOTTE PPTA has commissioned United Registrar of Systems to provide an expert view on the quality of reporting and the progress made during the year.

Assurance

United Registrar of Systems has conducted a moderate assurance of the LOTTE PPTA Sustainability Report 2011. Here we comment on the overall approach and on future trends in reporting.

Reporting Approach

The test of a good report is whether it meets the needs of a broad range of readers to understand the Company's particular social, economic and environmental impacts: how those are identified and managed, whether the views of stakeholders are responded to, how challenges are addressed and what results are achieved.

This report focuses on LOTTE PPTA's sustainability development priorities and the actions being taken by the business. It demonstrates how the Sustainability enables effective management across the Company, by setting universal, measurable standards while allowing them the freedom to select where and how to improve performance.

Overall, this summary report presents a strong picture of action. However, in our experience readers increasingly want to see the outcomes for society of commitments and to understand where that falls short of what is required for a truly sustainable business.

Scope and Objectives

Our engagement was designed to provide moderate assurance on whether the Sustainability information in this Report provides a reliable representation of the Company's efforts and performance for the reporting year 2010/2011. Therefore, the assurance activities performed by URS are aimed at determining the plausibility of information, and evidence gathering is focused at a corporate level and limited sampling at lower levels of the organisation.

The assurance process focused on reviewing the Environmental and Safety data, the data collection process, programmes and the claims made by LOTTE PPTA in the report.

The reported Environmental Performance Metrics, production volume, water and energy consumption, climate protection, packaging, waste and recycled waste were reviewed via our ISO 9001 and ISO 14001 assessments. The Safety Performance Metrics, fatalities, lost time incidents, lost days, were verified by URS via the OHSAS 18001 assessments.

Assurance Methodology

The basis of URS's work includes disclosed claims and associated information in the Report related to Sustainability Performance Indicators. To come to our conclusions we investigated the underlying systems, programmes, processes and evidence made available to URS by the Company.

We performed the following activities:

1. Review of the systems, processes and internal controls for collection and aggregation of quantitative and qualitative information stated in The Report at the Corporate Level. URS performed an analytical review of aggregated data and a risk-based analysis of the data collected from individual locations.

2. Visit to the LOTTE PPTA site to assess local systems and controls and reliability of reported data at corporate level of the organisation.

3. Review of several drafts of The Report and selected material text claims for further assessment. URS collected and reviewed documentation, and interviewed key staff to determine whether relevant claims in The Report are supported by underlying evidence.

Conclusions

Based on the work undertaken, we conclude that the claims and information related to LOTTE PPTA's Sustainability Performance in the report provides a reliable representation of the Company's efforts and performance in the reporting year 2010/2011.

Recommendations

Looking beyond actions and outcomes, the growing challenge is to consider how LOTTE PPTA can become truly sustainable in a resource constrained world. This involves systematically addressing the full life-cycle impacts of the business and its activities, economic and social as well as environmental.

This would shift the focus further away from what the Company is doing on its chosen priority areas and more towards goals that reflect the expectations of society and governments.

We believe LOTTE PPTA's initiative on reporting its sustainability performance and impacts provides a strong foundation to move forward in the right direction in future years.

On behalf of United Registrar of Systems,

Ali Khan

Ali Khan, Chief Executive
Karachi, Pakistan
February 15, 2012

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, 2011 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, 2011.

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

Date: 9 February 2012
Karachi

Statement of Compliance with the Code of Corporate Governance

For the year ended 31 December 2011

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

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

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

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

3. The Directors have voluntarily declared that all the resident Directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to banking company, a DFI or an NBFI. None of the Directors is a member of any stock exchanges on which the Company's shares are listed.

4. The Board of Directors of the Company had adopted a Code of Conduct on 26 April 2011, which has been circulated among the employees of the Company.

5. 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.

6. 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.

7. 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.

8. The Directors have been provided with copies of the Listing Regulations of the Stock Exchange, the Company's Memorandum and Articles of Association and the Code of Corporate Governance and are well conversant with their duties and responsibilities.

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

10. The Directors' report for the year ended 31 December 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

12. 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.

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

Statement of Compliance with the Code of Corporate Governance
For the year ended 31 December 2011

14. The Board has formed an Audit Committee. It comprises three members, two of whom are non-executive Directors. The chairman of the Committee is an independent non-executive Director. The Board has also formed a Senior Remuneration Committee comprising two executive and two non-executive Directors.

15. 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.

16. 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.

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

18. 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.

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

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

Soon Hyo Chung	M Asif Saad
Chairman	Chief Executive

Date: 26 January 2012
Karachi

Auditors' Report to the Members

We have audited the annexed balance sheet of Lotte Pakistan PTA Limited as at 31 December 2011 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 except for the change as stated in note 4 with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of the profit, total comprehensive income, 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: 9 February 2012
Karachi

Balance Sheet
As at 31 December 2011

Amounts in Rs '000

	Note	2011	(Re-stated) 2010	(Re-stated) 2009
Assets				
Non-current assets				
Fixed assets	5	**9,852,587**	8,754,209	9,201,314
Long-term loans and advances	6	**46,937**	38,660	34,497
Long-term deposits and prepayments	7	**100,212**	70,148	62,586
		9,999,736	8,863,017	9,298,397
Current assets				
Stores and spares	8	**694,745**	494,231	400,715
Stock-in-trade	9	**4,669,004**	2,655,203	1,273,922
Trade debts	10	**3,143,244**	2,937,816	1,800,772
Loans and advances	11	**40,603**	32,196	26,233
Trade deposits and short-term prepayments	12	**159,398**	69,846	49,150
Interest accrued on bank deposits		**12,831**	43,861	27,876
Other receivables	13	**209,420**	67,007	139,216
Financial assets - investment	14	**-**	364,644	-
Tax refunds due from government - sales tax	15	**288,872**	321,796	387,939
Taxation - payments less provision		**177,264**	-	-
Cash and bank balances	16	**4,505,251**	6,910,308	5,437,940
		13,900,632	13,896,908	9,543,763
Total assets		**23,900,368**	22,759,925	18,842,160

Amounts in Rs '000

	Note	2011	(Re-stated) 2010	(Re-stated) 2009
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		**(2,061,717)**	(5,482,144)	(9,250,361)
		13,082,700	9,662,273	5,894,056
Liabilities				
Non-current liabilities				
Long-term loans	19	**-**	3,437,500	5,322,397
Liability against assets subject to finance lease	20	**38,039**	214,445	351,796
Deferred tax	21	**1,142,646**	1,376,480	1,513,285
Retirement benefit obligation	22	**20,787**	14,749	9,999
		1,201,472	5,043,174	7,197,477
Current liabilities				
Trade and other payables	23	**7,479,634**	7,652,365	4,975,045
Current maturity of long-term loans	19	**1,801,150**	-	-
Interest accrued / mark-up on loans	24	**140,074**	136,942	137,175
Short-term financing	25	**-**	-	-
Current portion of liability against assets subject to finance lease	20	**195,338**	146,577	119,293
Taxation - provision less payments		**-**	118,594	519,114
		9,616,196	8,054,478	5,750,627
Total liabilities		**10,817,668**	13,097,652	12,948,104
Contingencies and commitments	26			
Total equity and liabilities		**23,900,368**	22,759,925	18,842,160

The annexed notes 1 to 45 form an integral part of these financial statements.

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

Profit and Loss Account
For the year ended 31 December 2011

Amounts in Rs '000

	Note	2011	(Re-stated) 2010
Revenue	27	**57,577,198**	42,401,588
Cost of sales	28	**(50,914,635)**	(35,371,568)
Gross profit		**6,662,563**	7,030,020
Distribution and selling expenses	29	**(197,208)**	(109,983)
Administrative expenses	30	**(330,463)**	(268,291)
Other operating expenses	31	**(502,492)**	(605,923)
Other operating income	32	**22,883**	10,532
Operating profit		**5,655,283**	6,056,355
Finance income	33	**785,700**	882,466
Finance costs	34	**(232,437)**	(229,225)
Profit before taxation		**6,208,546**	6,709,596
Taxation	35	**(2,031,015)**	(2,184,275)
Profit after taxation		**4,177,531**	4,525,321
Earnings per share - basic and diluted (in Rupees)	37	**2.76**	2.99

The annexed notes 1 to 45 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 2011

Amounts in Rs '000

	2011	(Re-stated) 2010
Profit after taxation	**4,177,531**	4,525,321
Other comprehensive income	-	-
Total comprehensive income	**4,177,531**	4,525,321

The annexed notes 1 to 45 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

Ali Aamir
Chief Financial Officer

Cash Flow Statement
For the year ended 31 December 2011

Amounts in Rs '000

	Note	2011	(Re-stated) 2010
Cash flows from operating activities			
Cash generated from operations	36	**4,720,641**	7,713,667
Long-term loans and advances - net		**(8,277)**	(4,163)
Long-term deposits and prepayments - net		**(30,064)**	(7,562)
Finance costs paid		**(146,080)**	(201,511)
Payments to staff retirement benefit scheme - unfunded		**(77)**	(70)
Taxes paid		**(2,560,707)**	(2,721,600)
Infrastructure cess paid		**(486,104)**	-
Profit received from bank deposits		**719,480**	851,837
Net cash generated from operating activities		**2,208,812**	5,630,598
Cash flows from investing activities			
Payments for capital expenditure		**(2,418,033)**	(955,449)
Disposal of / (invesment in) financial assets - net		**461,894**	(350,000)
Net cash used in investing activities		**(1,956,139)**	(1,305,449)
Cash flows from financing activities			
Payments for liability against assets subject to finance lease		**(162,314)**	(122,658)
Repayment of long term loans		**(1,740,500)**	(1,978,460)
Dividend paid		**(754,916)**	(751,663)
Net cash used in financing activities		**(2,657,730)**	(2,852,781)
Net (decrease) / increase in cash and cash equivalents		**(2,405,057)**	1,472,368
Cash and cash equivalents at the beginning of the year		**6,910,308**	5,437,940
Cash and cash equivalents at the end of the year		**4,505,251**	6,910,308

The annexed notes 1 to 45 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 2011

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total equity
Balance as at 1 January 2010 - as previously reported	15,142,072	2,345	(9,312,691)	5,831,726
Effect of retrospective application of change in accounting policy referred in note - 4	-	-	62,330	62,330
Balance as at 1 January 2010 - as re-stated	15,142,072	2,345	(9,250,361)	5,894,056
Total comprehensive income for the year ended 31 December 2010	-	-	4,525,321	4,525,321
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**	**(5,482,144)**	**9,662,273**
Balance as at 1 January 2011 - as previously reported	15,142,072	2,345	(5,542,027)	9,602,390
Effect of retrospective application of change in accounting policy referred in note - 4	-	-	59,883	59,883
Balance as at 1 January 2011	15,142,072	2,345	(5,482,144)	9,662,273
Total comprehensive income for the year ended 31 December 2011	-	-	4,177,531	4,177,531
Final cash dividend for the year ended 31 December 2010 @ Rs 0.5 per share	-	-	(757,104)	(757,104)
Balance as at 31 December 2011	**15,142,072**	**2,345**	**(2,061,717)**	**13,082,700**

The annexed notes 1 to 45 form an integral part of these financial statements.

Soon Hyo Chung
Chairman

M Asif Saad
Chief Executive

Ali Aamir
Chief Financial Officer

Notes to and forming part of the Financial Statements
For the year ended 31 December 2011

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, except as stated in note 4.

2.1 Basis of preparation

2.1.1 Statement of compliance

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

2.1.2 Changes in accounting standards, interpretations and pronouncements

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

i) IAS 1 (Amendment), 'Presentation of Financial Statements', is effective for the accounting periods beginning on or after 1 January 2011. This amendment requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The new amendment may extend the disclosures for any other comprehensive income in the Company's financial statements. However, it will have no material impact on the Company's financial statements.

ii) IAS 24 (Revised), 'Related Party Disclosures', is effective for the accounting periods beginning on or after 1 January 2011. It amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The revised standard is not expected to have a material impact on the Company's financial statements.

iii) IFRS 7 (Amendment), 'Financial Instruments: Disclosures', is effective for the accounting periods beginning on or after 1 January 2011. This amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The new amendment is not expected to materially affect the disclosures in the financial statements of the Company.

iv) IFRIC 14 (Amendment), 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', is effective for the accounting periods beginning on or after 1 January 2011. It removes the unidentified consequences of the existing standard that restricted the recognition of some voluntary prepayments for minimum funding contributions as an asset. The new amendment is not expected to have a material impact on the Company's financial statements.

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

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 January 2011 are considered not to be relevant for the Company's financial statements and hence have not been detailed here.

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

i) IAS 19 (Amendment) - 'Employee benefits' is applicable for the periods beginning on or after 1 January 2013. It eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income as they occur, immediately recognises all past service costs and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset.

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

2.2 Overall valuation policy

These financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities at fair value through profit and loss and except that certain exchange elements have been incorporated in the cost of the relevant operating property, plant and equipment upto July 2004.

2.3 Fixed assets

2.3.1 Property, plant and equipment and depreciation

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

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

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

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

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

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

2.3.2 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and impairment. Major computer software licences are capitalised on the basis of cost incurred to acquire and bring to use the specific software. These 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 the weighted average method, except for in transit which comprises invoice value and the direct charges in respect thereof. Manufactured finished goods include prime cost and an appropriate portion of production overheads.

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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 cost which is the fair value of the consideration given and subsequently measured at fair value. Any gains and losses on derecognition of financial assets are taken to income.

2.8 Cash and cash equivalents

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

2.9 Impairment

2.9.1 Financial assets

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

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

2.9.2 Non-financial assets

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

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

2.10 Trade and other payables

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

2.11 Provisions

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

2.12 Offsetting

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

2.13 Lease payments

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

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

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

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

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

2.14 Staff retirement benefits

2.14.1 Defined benefit plans

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

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

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

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

2.14.2 Defined contribution plans

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

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

2.15 Dividend

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

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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 to the customer.

2.19 Finance income and finance costs

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

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

2.20 Borrowings and their cost

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

2.21 Earnings per share

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

2.22 Functional and presentation currency

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

3. 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. During the current year, the Commissioner (Appeals) disposed off the Company's appeal via order no. 156 dated 14 March 2011 and allowed the said loss while maintaining certain disallowances against which corresponding appeals were filed with the Appellate Tribunal Inland Revenue [ATIR]. In its order passed on 14 September 2011, ATIR referred back the matter of disallowance of such loss against which rectification appeal was filed on 13 October 2011.

3.2 Defined benefit plans

The Company has adopted certain actuarial assumptions as disclosed in note 22 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets, based on actuarial advice.

3.3 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 2.86 million.

4. CHANGE IN ACCOUNTING POLICY

Previously, certain items of property, plant and equipment including leasehold land, buildings on leasehold land and owned plant and machinery were stated at revalued amounts. Independent valuations were performed periodically, the carrying amounts were reviewed against these valuations and adjustments were made where there were material changes. Revaluation surpluses and deficits were recognised on balance sheet as surplus on revaluation of fixed assets, except where a deficit on revaluation in any year was in excess of the surplus recognised in the profit and loss account upto the immediately preceding accounting period, in which case the adjustment to the carrying values of the financial assets was limited to the surplus recognised in the profit and loss account.

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Amounts in Rs '000

With effect from 1 January 2011, the Company revised its accounting policy in respect of leasehold land, buildings on leasehold land and owned plant and machinery to the cost model, under which these assets are now carried at cost less accumulated depreciation and impairment allowance, if any. This change harmonizes the treatment of leasehold land, buildings on leasehold land and owned plant and machinery with others assets of the Company and also aligns the Company's accounting policy with that of the parent company. Moreover, the said practice is also followed in the industry, thereby, enhancing the comparability of the Company's financial statements with that of its peers. The management believes that the new policy provides reliable and more relevant information to the users of the financial statements.

This change in accounting policy has been accounted for retrospectively as referred under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been re-stated.

Effects of the retrospective application of change in accounting policy are as follows:

	As at 31 December 2010			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						
Property, plant and equipment	8,313,263	8,177,158	(136,105)	9,141,947	9,007,747	(134,200)
Surplus on revaluation of fixed assets	(85,992)	-	85,992	(85,992)	-	85,992
Deferred tax liability	(1,486,476)	(1,376,480)	109,996	(1,623,823)	(1,513,285)	110,538
Accumulated loss	(5,542,027)	(5,482,144)	59,883	(9,312,691)	(9,250,361)	62,330
Increase in equity			59,883			62,330

	For the year ended 31 December 2010		
Effect on profit and loss account	As previously reported	As re-stated	Re-statement Increase / (decrease)
Cost of goods sold / depreciation expense	(35,369,663)	(35,371,568)	1,905
Taxation	(2,183,733)	(2,184,275)	542
Decrease in profit after taxation			2,447
Effect on earnings per share	**Amount in rupees**		
Earnings per share - basic and diluted	2.99	2.99	-

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

Had there been no change in accounting policy, the carrying values as at 31 December 2011 would have been as follows:

Property, plant and equipment	9,990,597
Surplus on revaluation of fixed assets	(85,992)
Deferred tax liability	(1,252,101)
Accumulated loss	(2,119,154)

Amounts in Rs '000

		2011	(Re-stated) 2010	(Re-stated) 2009
5.	**FIXED ASSETS**			
	Property, plant and equipment			
	Operating assets - note 5.1	**7,134,254**	8,177,158	9,007,747
	Capital work in progress - note 5.3	**2,717,177**	576,645	192,706
		9,851,431	8,753,803	9,200,453
	Intangible assets - note 5.5	**1,156**	406	861
		9,852,587	8,754,209	9,201,314

5.1 Operating assets

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

	Leasehold land	Buildings on leasehold land	Plant and machinery Owned	Plant and machinery Held under finance lease	Motor vehicles	Furniture and equipment	Total
Net carrying value basis Year ended 31 December 2011							
Opening net book value (NBV) - as re-stated	55,452	203,181	7,799,855	57,134	16,124	45,142	8,177,158
Additions (at cost)	-	1,101	255,840	-	832	18,776	276,549
Disposals (at NBV)	-	(608)	(2,353)	-	-	(10)	(2,971)
Depreciation charge	(3,536)	(17,670)	(1,248,201)	(26,369)	(5,171)	(15,535)	(1,316,482)
Closing net book value (NBV)	**51,916**	**186,004**	**6,805,141**	**30,765**	**11,785**	**48,643**	**7,134,254**
Gross carrying value basis at 31 December 2011							
Cost	90,278	985,862	26,534,520	395,543	56,613	196,439	28,259,255
Accumulated depreciation	(38,362)	(598,147)	(18,471,265)	(364,778)	(44,828)	(147,796)	(19,665,176)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	-	(1,459,825)
Net book value (NBV)	**51,916**	**186,004**	**6,805,141**	**30,765**	**11,785**	**48,643**	**7,134,254**
Net carrying value basis Year ended 31 December 2010 - re-stated							
Opening net book value (NBV) - as previously reported	331,091	504,641	8,178,647	83,504	7,462	36,602	9,141,947
Effect of retrospective application of change in accounting policy- note 4	(272,103)	(284,582)	422,485	-	-	-	(134,200)
Opening net book value (NBV) - as restated	58,988	220,059	8,601,132	83,504	7,462	36,602	9,007,747
Additions (at cost)	-	657	536,959	-	12,357	21,522	571,495
Disposals (at NBV)	-	-	(9,511)	-	-	(17)	(9,528)
Depreciation charge - as previously reported	(8,599)	(52,950)	(1,139,676)	(26,370)	(3,695)	(12,142)	(1,243,432)
Effect of retrospective application of change in accounting policy - note 4	5,063	35,415	(42,383)	-	-	-	(1,905)
Depreciation charge - as restated	(3,536)	(17,535)	(1,182,059)	(26,370)	(3,695)	(12,142)	(1,245,337)
Transfer (at NBV)	-	-	553	-	-	(553)	-
Adjustment of Invista license fee accrual	-	-	(147,219)	-	-	-	(147,219)
Closing net book value (NBV) - as re-stated	55,452	203,181	7,799,855	57,134	16,124	45,412	8,177,158
Gross carrying value basis at 31 December 2010 - re-stated							
Cost or revaluation as previously reported	429,942	1,609,955	23,713,591	395,543	66,457	193,335	26,408,823
Effect of retrospective application of change in accounting policy- note 4	(339,664)	(623,462)	2,573,152	-	(10,675)	(14,706)	1,584,645
Cost - as re-stated	90,278	986,493	26,286,743	395,543	55,782	178,629	27,993,468
Accumulated depreciation - as previously reported	(107,450)	(1,157,607)	(16,293,838)	(338,409)	(50,333)	(147,923)	(18,095,560)
Effect of retrospective application of change in accounting policy- note 4	72,624	576,006	(934,936)	-	10,675	14,706	(260,925)
Accumulated depreciation - as re-stated	(34,826)	(581,601)	(17,228,774)	(338,409)	(39,658)	(133,217)	(18,356,485)
Accumulated impairment losses - as re-stated	-	(201,711)	(1,258,114)	-	-	-	(1,459,825)
Net book value (NBV) - as re-stated	55,452	203,181	7,799,855	57,134	16,124	45,412	8,177,158
Depreciation rate % per annum	2	5	5 - 6.67	7	25	10-33	

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5.2 As mentioned in note 4, the Company changed its accounting policy from revaluation model to cost model in respect of items of property, plant and equipment. The change has been applied retrospectively in these financial statements and the comparative financial statements have accordingly been restated. For retrospective application, re-workings were carried out based on the records of earlier years to arrive at the net book values based on cost model. These re-workings highlighted that the aggregate of the net book values of leashold land, buildings on leasehold land and plant and machinery as at 31 December 2010 was Rs 1.69 billion higher as compared to that reported in the memorandum disclosure given in the financial statements for the year ended 31 December 2010. The re-worked amount has been recognised in these financial statements pursuant to the above referred change in accounting policy and the memorandum disclosure is no longer applicable.

5.3 Capital work-in-progress

	2011	2010
Civil works and buildings	**3,927**	1,159
Plant and machinery - note 5.3.1	**2,625,644**	214,079
Miscellaneous equipments	**1,081**	1,473
Advances to suppliers	**86,525**	359,934
	2,717,177	576,645

5.3.1 This includes cost of plant and machinery acquired in relation to the co-generation power plant to be set-up in 2012, amounting to Rs 2,545 million (2010: Rs 57.76 million).

5.4 Capital work-in-progress - movement

	2011	2010
Opening balance	**576,645**	192,706
Capital expenditure	**2,399,330**	955,449
Transferred to operating property, plant and equipment	**(258,798)**	(571,510)
Closing balance	**2,717,177**	576,645

5.5 Intangible assets

5.5.1 Net carrying value basis

	2011	2010
Opening net book value	**406**	861
Additions during the year	**1,008**	15
Amortisation charge	**(258)**	(470)
Closing net book value	**1,156**	406

5.5.2 Gross carrying value basis

	2011	2010
Cost	**212,889**	211,881
Accumulated amortisation	**(211,733)**	(211,475)
Net book value	**1,156**	406

Amounts in Rs '000

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

	2011				
Description	**Cost**	**Accumulated depreciation**	**Net book value**	**Sales proceeds**	**Particulars of buyers / others**
Buildings					
Sub Station (Core Area) Corroded Canopies	372	234	138	-	Discarded / scrapped
Sub Station (Non - Core Area) Corroded Canopies	1,358	888	470	-	Discarded / scrapped
Plant and Machinery					
First PTA Crystalliser Bursting Discs	1,444	944	500	-	Discarded / scrapped
First PTA Crystalliser Bursting Discs (Bd Holders of D1-1401)	1,151	753	398	-	Discarded / scrapped
Fifth PTA Crystalliser Bursting Discs (Bd Holders of D1-1405)	439	287	152	-	Discarded / scrapped
Distribution Transformer	4,825	3,521	1,304	-	Discarded / scrapped

6. LONG-TERM LOANS AND ADVANCES-considered good

	2011				2010
	Motor car	**House building assistance**	**Others**	**Total**	Total
Due from executives - note 6.1	**28,322**	**18,771**	**42**	**47,135**	38,311
Less: Receivable within one year - note 11	**(5,603)**	**(9,477)**	**(39)**	**(15,119)**	(13,600)
	22,719	**9,294**	**3**	**32,016**	24,711
Due from employees	**14,742**	**4,177**	**992**	**19,911**	18,389
Less: Receivable within one year - note 11	**(2,719)**	**(1,824)**	**(447)**	**(4,990)**	(4,440)
	12,023	**2,353**	**545**	**14,921**	13,949
	34,742	**11,647**	**548**	**46,937**	38,660

6.1 Reconciliation of carrying amount of loans to executives

	2011			2010		
	Key management personnel	**Executives**	**Total**	Key management personnel	Executives	Total
Balance at 1 January	**2,011**	**36,300**	**38,311**	3,832	27,438	31,270
Disbursements	**-**	**31,259**	**31,259**	-	23,686	23,686
Repayments	**(1,205)**	**(21,230)**	**(22,435)**	(1,821)	(14,824)	(16,645)
Balance at 31 December	**806**	**46,329**	**47,135**	2,011	36,300	38,311

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 54.05 million (2010: Rs 57.59 million).

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		2011	2010
7.	**LONG-TERM DEPOSITS AND PREPAYMENTS**		
	Deposits - note 7.1	**40,424**	40,424
	Prepayments	**59,788**	29,724
		100,212	70,148

7.1 These include Rs 14.42 million (2010: Rs 14.42 million) paid to Pakistan Steel Mills Corporation for emergency back-up supply of water and Rs 24.27 million (2010: Rs 24.27 million) paid to Karachi Electric Supply Corporation (KESC). The Company receives mark-up at the rate of 5% on the deposit with KESC.

		2011	2010
8.	**STORES AND SPARES**		
	Stores	**24,168**	25,280
	Spares	**681,552**	508,442
		705,720	533,722
	Less: Provision for slow moving, obsolete, and rejected items - note 8.1	**(10,975)**	(39,491)
		694,745	494,231
8.1	**Provision for slow moving, obsolete and rejected items**		
	Provision at 1 January	**39,491**	1,423
	Charge for the year	**9,552**	38,068
		49,043	39,491
	Write-offs	**(38,068)**	-
	Provision at 31 December	**10,975**	39,491
9.	**STOCK-IN-TRADE**		
	Raw and packing materials [including in-transit Rs 1.4 billion (2010: Rs 1.2 billion)]	**3,334,047**	2,442,186
	Finished goods		
	- Manufactured goods	**1,332,340**	176,291
	- Trading goods	**2,617**	36,726
		1,334,957	213,017
		4,669,004	2,655,203
10.	**TRADE DEBTS-secured**		
	Considered good	**3,143,244**	2,937,816

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

	2011	2010
	Amounts in Rs '000	

11. LOANS AND ADVANCES-considered good

	2011	2010
Loans due from:		
- Executives - note 6	**15,119**	13,600
- Employees - note 6	**4,990**	4,440
	20,109	18,040
Advances to:		
- Executives	**3,128**	2,755
- Employees	**1,254**	888
- Contractors and suppliers	**16,112**	10,513
	20,494	14,156
	40,603	32,196

11.1 The maximum aggregate amount of advances due from Executives at the end of any month during the year was Rs 5.27 million (2010: Rs 6.89 million).

12. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2011	2010
Deposits	**1,964**	1,222
Margin on import letters of credit	**3,937**	11,279
Short-term prepayments	**153,497**	57,345
	159,398	69,846

13. OTHER RECEIVABLES

	2011	2010
Rebates receivable - note 13.1	**180,834**	25,105
Asset recognised in respect of staff retirement benefit funds - note 22.1	**13,795**	24,178
Insurance claims receivable	**12,828**	17,477
Others	**1,963**	247
	209,420	67,007

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-INVESTMENT

	2011	2010
Investment in units of money market fund - at fair value through profit and loss - note 14.1	**-**	364,644

14.1 This represents investment in NAFA Government Security Liquid Fund (109,294,518 units) which was disposed off during the year by the Company, realising a gain of Rs 97.25 million.

15. TAX REFUNDS DUE FROM GOVERNMENT-SALES TAX

	2011	2010
Sales tax refundable	**412,705**	445,836
Provision for doubtful receivables	**(123,833)**	(124,040)
	288,872	321,796

Amounts in Rs '000

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

	Discount rate %	31 December 2011 Minimum lease payments	31 December 2011 Financial charges for future periods	31 December 2011 Principal outstanding	31 December 2010 Minimum lease payments	31 December 2010 Financial charges for future periods	31 December 2010 Principal outstanding
Not later than one year		**223,456**	**28,118**	**195,338**	203,164	56,587	146,577
Later than one year and not later than five years	**18. 9 - 20. 3**	**38,921**	**882**	**38,039**	240,812	26,367	214,445
		262,377	**29,000**	**233,377**	443,976	82,954	361,022

20.1 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.

21. DEFERRED TAX

	2011	(Re-stated) 2010	(Re-stated) 2009
Credit balance arising in respect of property, plant and equipment	**1,432,500**	1,697,332	1,856,497
(Debit) balances arising in respect of:			
- liability against assets subject to finance lease	**(77,598)**	(120,039)	(156,637)
- provisions for:			
- sales tax refundable	**(41,174)**	(41,243)	(41,243)
- staff retirement benefits	**(6,912)**	(4,904)	(3,325)
- slow moving, obsolete and rejected items	**(3,649)**	(13,132)	(473)
- unpaid liabilities	**(160,521)**	(141,534)	(141,534)
	1,142,646	1,376,480	1,513,285

Notes to and forming part of the Financial Statements
For the year ended 31 December 2011

Amounts in Rs '000

		2011	2010
16.	**CASH AND BANK BALANCES**		
	Short-term fixed deposits - note 16.1	**4,291,194**	6,882,500
	With banks in current accounts	**200,431**	18,086
	Cash in hand	**13,626**	9,722
		4,505,251	6,910,308

16.1 During the year ended 31 December 2011, the profit rates on term deposits ranged from 9.5% to 13.30% (2010: 10% to 13.30%) per annum and had maturities of less than three months.

17. SHARE CAPITAL

		2011	2010
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 2011 and 2010, 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 overseas companies of AkzoNobel Group (then group Companies), for purchase of fixed assets. The remitting companies have no claim to their repayments.

19. LONG-TERM LOANS-unsecured

Lender	**Installments payable**	**Interest rate**	**Repayment period**	**2011**	2010
Loan from parent company					
KP Chemical Corporation USD 20 million (31 December 2010: USD 40 million)	full payment on maturity	1% p.a. above 6 months LIBOR	2012	**1,801,150**	3,437,500
Less: Payable within one year				**(1,801,150)**	-
				-	3,437,500

The Company has prepaid USD 20 million (equivalent to Rs 1.7 billion) in June and November 2011.

Notes to and forming part of the Financial Statements
For the year ended 31 December 2011

Amounts in Rs '000

22. RETIREMENT BENEFIT OBLIGATION

22.1 Staff retirement benefits

	2011				2010			
	Funded			Unfunded	Funded			Unfunded
	Pension	**Gratuity**	**Total**	**Medical**	Pension	Gratuity	Total	Medical
22.1.1 Movement in the liability for defined benefit obligations								
Balances as at 1 January	38,146	108,056	146,202	25,110	26,730	84,596	111,326	20,329
Benefits paid by the plan	(5,783)	(4,950)	(10,733)	(77)	-	(824)	(824)	(70)
Current service costs	1,943	10,240	12,183	1,882	1,512	8,601	10,113	1,600
Interest cost	5,037	15,057	20,094	3,573	3,408	10,735	14,143	2,588
Actuarial (gains) / losses recognised	9,016	2,511	11,527	825	6,496	4,948	11,444	663
Balance as at 31 December	48,359	130,914	179,273	31,313	38,146	108,056	146,202	25,110
22.1.2 Movement in plan assets								
Fair value of plan assets at 1 January	32,519	97,154	129,673	-	28,417	81,307	109,724	-
Contributions paid into the plan	4,200	4,140	8,340	-	-	5,458	5,458	70
Benefits paid by the plan	(5,783)	(4,950)	(10,733)	-	-	(824)	(824)	(70)
Expected return on plan assets	4,169	12,239	16,408	-	3,731	10,459	14,190	-
Actuarial (losses) / gains recognised	(234)	2,116	1,882	-	371	754	1,125	-
Fair value of plan assets at 31 December	34,871	110,699	145,570	-	32,519	97,154	129,673	-
22.1.3 Reconciliation								
Fair value of plan assets at 31 December - note 22.1.2	34,871	110,699	145,570	-	32,519	97,154	129,673	-
Liability for defined benefit obligation at 31 December - note 22.1.1	(48,359)	(130,914)	(179,273)	(31,313)	(38,146)	(108,056)	(146,202)	(25,110)
Surplus / (deficit)	(13,488)	(20,215)	(33,703)	(31,313)	(5,627)	(10,902)	(16,529)	(25,110)
Unrecognised past service cost	-	-	-	2,825	-	-	-	3,076
Unrecognised actuarial (gain) / loss	18,256	29,242	47,498	7,701	9,907	30,800	40,707	7,285
Recognised (liability) / asset	4,768	9,027	13,795	(20,787)	4,280	19,898	24,178	(14,749)
22.1.4 Expense recognised in profit and loss account								
Current service costs	1,943	10,240	12,183	1,882	1,512	8,601	10,113	1,600
Interest on obligation	5,037	15,057	20,094	3,573	3,408	10,735	14,143	2,588
Expected return on plan assets	(4,169)	(12,239)	(16,408)	-	(3,731)	(10,459)	(14,190)	-
Past service cost	-	-	-	251	-	-	-	251
Actuarial (gains) / losses recognised during the period	901	1,953	2,854	409	347	1,693	2,040	381
Expense recognised in profit and loss account	3,712	15,011	18,723	6,115	1,536	10,570	12,106	4,820
22.1.5 Actual return on plan assets	3,935	14,355	18,290	-	4,102	11,393	15,495	-
22.1.6 Recognised asset / (liability)								
Recognised asset / (liability) at 1 January	4,280	19,898	24,178	(14,749)	5,816	25,010	30,826	(9,999)
Expense recognised in profit and loss account- note 22.1.4	(3,712)	(15,011)	(18,723)	(6,115)	(1,536)	(10,570)	(12,106)	(4,820)
Company contributions	4,200	4,140	8,340	77	-	5,458	5,458	70
Recognised asset / (liability) as at 31 December	4,768	9,027	13,795	(20,787)	4,280	19,898	24,178	(14,749)
22.1.7 Fund's investments								
Government bonds	20,803	59,694	80,497		22,759	55,220	77,979	
Other bonds (TFCs)	3,991	5,059	9,050		3,802	4,822	8,624	
Shares	7,980	27,348	35,328		6,370	16,945	23,315	
Term deposits	-	16,661	16,661		-	15,002	15,002	
Cash at Bank	2,097	1,937	4,034		183	5,165	5,348	
Creditors	-	-	-		(595)	-	(595)	
Total as at 31 December	34,871	110,699	145,570		32,519	97,154	129,673	
22.1.8 Actuarial assumptions								
Discount rate at 31 December	13.00%	13.00%		13.00%	14.25%	14.25%		14.25%
Expected return on plan assets	13.00%	13.00%			14.25%	14.25%		
Future salary increases	10.75%	10.75%			12.07%	12.07%		
Medical cost trend rate				7.50%				8.81%
Future pension increases	7.50%				8.81%			

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 2012 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.

Figures in this note are based on the latest actuarial valuation carried out as at 31 December 2011.

Amounts in Rs '000

22.2 **Historical information**	**2011**	2010	2009	2008	2007
Present value of the defined benefit obligation as at 31 December	**210,586**	171,312	131,655	100,212	126,854
Fair value of plan assets	**145,570**	129,673	109,724	83,431	152,438
(Deficit) / surplus in the plan	**(65,016)**	(41,639)	(21,931)	(16,781)	25,584
Experience adjustments					
Gain / (loss) on obligations (as percentage of plan obligations)	**(6)%**	(7)%	(9)%	(19)%	(10)%
Gain / (loss) on plan assets (as percentage of plan assets)	**1%**	1%	17%	(64)%	8%

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

22.4 The Company's contributions towards the provident fund and defined contribution superannuation fund for the year ended 31 December 2011 amounted to Rs 16.76 million (2010: Rs 14.85 million) and Rs 16.59 million (2010: Rs 14.57 million).

23. TRADE AND OTHER PAYABLES

	2011	2010
Trade creditors including bills payable	**4,966,902**	4,264,751
Accrued expenses	**854,838**	1,581,474
Advances from customers	**103,422**	69,399
Unclaimed dividend	**10,003**	7,815
Provision for infrastructure cess - note 23.1	**1,048,914**	1,207,226
Workers' profit participation fund - note 23.2	**334,196**	361,993
Workers' welfare fund	**139,268**	149,052
Others	**22,091**	10,655
	7,479,634	7,652,365

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

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

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

Notes to and forming part of the Financial Statements
For the year ended 31 December 2011

Amounts in Rs '000

	2011	2010
Balance as at 1 January	**1,207,226**	938,370
Charge	**327,792**	268,856
Payment	**(486,104)**	-
Balance as at 31 December	**1,048,914**	1,207,226

23.2 Reconciliation of workers' profit participation fund

	2011	2010
Balance as at 1 January	**361,993**	253,450
Allocation for the year - note 31	**334,196**	361,993
Interest on funds utilised - note 34	**3,132**	9,415
Amount paid to the fund	**(365,125)**	(262,865)
Balance as at 31 December	**334,196**	361,993

24. INTEREST ACCRUED / MARK-UP ON LOANS

	2011	2010
Long-term loans - note 24.1	**140,074**	136,942

24.1 This represents interest payable on loans from KP Chemical Corporation.

25. SHORT-TERM FINANCING

25.1 The facilities for running finance available from various banks as at 31 December 2011 amounted to Rs 1.43 billion (2010: Rs 1.23 billion). These facilities carry mark-up at rates ranging from 1 month KIBOR plus 1.50 percent per annum to 3 months KIBOR plus 1.75 percent per annum and are secured by joint pari-passu hypothecation charge over all the present and future stock and book debts of the Company.

25.2 Foreign currency import and export finance facilities available from a local bank as at 31 December 2011 amounted to USD 11.0 million (2010: USD 12.5 million). These facilities are available at interest rates to be negotiated at the time of booking and are secured against trust receipts and / or joint pari-passu hypothecation charge over all the present and future stock and book debts of Company. Total facility was unutilised as at 31 December 2011 and 2010.

26. CONTINGENCIES AND COMMITMENTS

26.1 Commitments in respect of capital expenditure as at 31 December 2011 amount to Rs 1.68 billion (2010: Rs 3.07 billion).

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

Year	2011	2010
2011	-	15,357
2012	**18,443**	13,392
2013	**13,769**	7,356
2014	**10,214**	2,046
2015	**3,833**	-
	46,259	38,151

Amounts in Rs '000

26.3 Commitments for rentals under operating lease agreements for certain supplies referred to in note 20.1, in respect of goods and services as at 31 December are as follows:

Year	2011	2010
2011	-	1,165,019
2012	**1,367,902**	1,040,016
2013	**47,267**	7,241
	1,415,169	2,212,276

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

26.4 ICI Pakistan Limited has issued a guarantee in respect of operational obligations of the Company amounting to Rs 2.1 billion (2010: Rs 2.19 billion) against which the Company has issued a counter guarantee to ICI Pakistan Limited.

26.5 Outstanding guarantees and letters of credit issued on behalf of the Company as at 31 December 2011 were Rs 1.09 billion (2010: Rs 1.26 billion) and Rs 2.33 billion (2010: Rs 5.43 billion), respectively.

26.6 The Income Tax Appellate Tribunal (ITAT) vide order no ITA.No.111/KB/2006 dated 20 April 2006 had set aside the Taxation Officer's assessment order for the assessment year 2002-2003 (income year ending 31 December 2001) whereby the assessing officer had been directed to re-examine the issue of allocation of cost of goods sold to 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 had used volume basis to determine the allocation of cost of goods sold to export sales against which the Company had filed an appeal. The Comissioner Inland Revenue (Appeals) vide order numbers 153 and 391 dated 31 January 2011 has set aside the Taxation Officer's order with instructions to strictly comply with the directions contained in the ITAT's order of 20 April 2006 in relation to the basis of allocation of cost of goods sold to export sales. No provision has been made in these financial statements for the potential liability of Rs 903.01 million as the Company is confident of a favourable outcome from the appeal process.

27. REVENUE

	2011			2010		
	Manufactured goods	**Trading goods**	**Total**	Manufactured goods	Trading goods	Total
Local sales	**52,321,142**	**232,005**	**52,553,147**	41,825,338	176,752	42,002,090
Export sales	**5,443,599**	**-**	**5,443,599**	1,471,590	-	1,471,590
	57,764,741	**232,005**	**57,996,746**	43,296,928	176,752	43,473,680
Less:						
Sales tax and excise duty	**(52,254)**	**(14,533)**	**(66,787)**	-	-	-
Price settlements and discounts	**(352,761)**	**-**	**(352,761)**	(1,072,092)	-	(1,072,092)
	57,359,726	**217,472**	**57,577,198**	42,224,836	176,752	42,401,588

27.1 Three of the Company's customers contributed towards 66.8% (2010: 74.95%) of the revenue during the year amounting to Rs 38.46 billion (2010: Rs 31.78 billion) and each customer individually exceeded 10% of the revenue.

Notes to and forming part of the Financial Statements
For the year ended 31 December 2011

Amounts in Rs '000

		2011	2010
28.	**COST OF SALES**		
	Raw and packing materials consumed:		
	Opening stock	**2,442,186**	1,108,875
	Purchases - note 28.1	**48,095,775**	32,331,859
	Closing stock	**(3,334,047)**	(2,442,186)
		47,203,914	30,998,548
	Salaries, wages and benefits - note 28.2	**358,856**	309,097
	Stores and spares consumed	**107,026**	103,817
	Lease rentals / Ijarah arrangements	**11,218**	8,934
	Insurance	**94,542**	97,991
	Oil, gas and electricity	**2,508,808**	2,074,595
	Travelling expenses	**52,256**	44,932
	Depreciation and amortisation	**1,316,740**	1,245,807
	Repairs and maintenance	**199,054**	361,337
	Other expenses	**45,645**	39,373
	Cost of goods manufactured	**51,898,059**	35,284,431
	Opening stock of manufactured goods	**176,291**	132,644
		52,074,350	35,417,075
	Closing stock of manufactured goods	**(1,332,340)**	(176,291)
		50,742,010	35,240,784
	Trading goods		
	Opening stock	**36,726**	32,403
	Purchases	**138,516**	135,107
	Closing stock	**(2,617)**	(36,726)
		172,625	130,784
		50,914,635	35,371,568

28.1 This includes Rs 1.04 billion (2010: Rs 1.01 billion) in relation to contracts for receipt and storage of paraxylene and acetic acid and Rs 194.39 millon (2010: Rs 177.25 million) on account of supply of hydrogen and nitrogen gases recognised as operating lease arrangements in terms of IFRIC 4.

28.2 Salaries, wages and benefits include Rs 9.73 million (2010: Rs 8.57 million) and Rs 22.27 million (2010: Rs 19.35 million) in respect of defined benefit and defined contribution plans respectively.

		2011	2010
29.	**DISTRIBUTION AND SELLING EXPENSES**		
	Outward freight and handling charges	**134,985**	54,700
	Salaries and benefits - note 29.1	**39,660**	33,218
	Lease rentals / Ijarah arrangements	**2,133**	2,125
	Repairs and maintenance	**6,970**	8,943
	Travelling expenses	**6,170**	4,450
	Postage and telephone	**1,155**	1,200
	Advertising and sales promotion	**1,252**	1,174
	Other expenses	**4,883**	4,173
		197,208	109,983

29.1 Salaries and benefits include Rs 1.29 million (2010: Rs 580 thousand) and Rs 2.99 million (2010: Rs 2.51 million) in respect of defined benefit plans and defined contribution plans respectively.

	2011	2010
	Amounts in Rs '000	
30. ADMINISTRATIVE EXPENSES		
Salaries and benefits - note 30.1	**154,781**	135,428
Legal, professional and consultancy charges	**20,794**	21,527
Lease rentals / Ijarah arrangements	**8,218**	7,396
Travelling expenses	**22,931**	16,459
Repairs and maintenance	**17,108**	14,833
Expenses on information technology	**17,931**	11,577
Security expenses	**12,702**	10,682
Rent, rates and taxes	**9,619**	10,022
Publication and subscriptions	**4,235**	6,536
Postage and telephone	**5,973**	4,919
Printing and stationery	**6,938**	3,787
Other expenses	**49,233**	25,125
	330,463	268,291

30.1 Salaries and benefits include Rs 7.70 million (2010: Rs 3.74 million) and Rs 8.09 million (2010: Rs 7.56 million) in respect of defined benefit plans and defined contribution plans respectively.

31. OTHER OPERATING EXPENSES

	2011	2010
Auditors' remuneration - note 31.1	**5,000**	4,336
Donations - note 31.2	**11,561**	35,509
Loss on retirement of property, plant and equipment	**2,915**	9,528
Provision for obsolete stores and spares	**9,552**	38,068
Workers' profit participation fund - note 23.2	**334,196**	361,993
Workers' welfare fund	**139,268**	156,489
	502,492	605,923

31.1 Auditors' remuneration

	2011	2010
Audit fee	**1,900**	1,700
Interim reviews including certifications	**1,025**	450
Out of pocket expenses	**366**	366
Taxation	**1,709**	1,820
	5,000	4,336

31.2 Donations include payments in respect of the following:

	2011	2010
Community services	**6,588**	19,447
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 31.2.1	-	538

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

32. OTHER OPERATING INCOME

	2011	2010
Scrap sales	**21,126**	5,968
Recoveries against provision made in prior year for sales tax refundable	**207**	-
Others	**1,550**	4,564
	22,883	10,532

Notes to and forming part of the Financial Statements
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Amounts in Rs '000

		2011	2010
33.	**FINANCE INCOME**		
	Profit on bank deposits	**688,450**	867,822
	Gain on the disposal of financial assets - investment	**97,250**	-
	Increase in fair value of financial assets - investment	**-**	14,644
		785,700	882,466
34.	**FINANCE COST**		
	Interest / mark-up on:		
	- Short-term financing	**-**	35
	- Workers' profit participation fund - note 23.2	**3,132**	9,415
	- Finance lease - note 34.1	**81,449**	102,654
	- Long term loans from parent company	**49,323**	86,082
	Discounting charges on trade debts	**6,844**	7,551
	Exchange loss - net	**66,303**	9,087
	Bank charges	**25,386**	14,401
		232,437	229,225

34.1 This includes contingent rent of Rs 19.44 million (2010: Rs 21.07 million) recognised as an expense during the year which is determined by the movement in UK Consumer Price Index.

		2011	2010
35.	**TAXATION**		
	Current - for the year	**2,258,039**	2,344,659
	- for prior year	**6,810**	(23,579)
		2,264,849	2,321,080
	Deferred	**(233,834)**	(136,805)
		2,031,015	2,184,275
35.1	**Reconciliation of income tax expense for the year**		
	Profit before taxation	**6,208,546**	6,709,596
	Applicable tax rate	**35%**	35%
	Tax calculated at the applicable tax rate	**2,172,991**	2,348,359
	Tax effect of :		
	- Income chargeable to tax under FTR basis	**(129,115)**	(37,166)
	- Tax credits	**(80,077)**	(107,603)
	- Flood surcharge	**93,437**	-
	- Prior year tax charge	**6,810**	(23,579)
	- Gain in relation to money market fund	**(34,037)**	(5,125)
	- Others	**1,006**	9,389
		2,031,015	2,184,275

Amounts in Rs '000

	2011	2010
36. CASH GENERATED FROM OPERATIONS		
Profit before taxation	**6,208,546**	6,709,596
Adjustments for non cash charges and other items:		
Depreciation and amortisation	**1,316,740**	1,245,807
Loss on retirement of property, plant and equipment	**2,915**	9,528
Provision for staff retirement benefit scheme - unfunded	**6,115**	4,820
Finance costs	**166,134**	220,138
Unrealised exchange loss	**121,897**	87,294
Interest accrued on bank deposits	**(688,450)**	(867,822)
Provision for infrastructure cess	**327,792**	268,856
Gain on the disposal of financial assets - investment	**(97,250)**	-
Increase in fair value of financial assets - investment	**-**	(14,644)
	1,155,893	953,977
	7,364,439	7,663,573
Effect on cashflows due to working capital changes		
(Increase) / decrease in current assets		
Stores and spares	**(200,514)**	(93,516)
Stock-in-trade	**(2,013,801)**	(1,381,281)
Trade debts	**(205,428)**	(1,137,044)
Loans and advances	**(8,407)**	(5,963)
Deposits and short-term prepayments	**(89,552)**	(20,696)
Other receivables and tax refunds	**(109,489)**	138,352
	(2,627,191)	(2,500,148)
(Decrease) / increase in trade and other payables	**(16,607)**	2,550,242
Cash generated from operations	**4,720,641**	7,713,667

37. EARNINGS PER SHARE - basic and diluted

	2011	2010
Profit for the year after tax	**4,177,531**	4,525,321
	Number of shares	
Weighted average ordinary shares in issue during the year	**1,514,207,208**	1,514,207,208
	Rupees	
Earnings per share	**2.76**	2.99

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

Notes to and forming part of the Financial Statements
For the year ended 31 December 2011

Amounts in Rs '000

38. 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	
	2011	2010	**2011**	2010	**2011**	2010
Fee	**-**	-	**60**	98	**-**	-
Managerial remuneration	**12,709**	11,006	**11,892**	8,686	**160,659**	135,486
Retirement benefits	**5,059**	1,672	**-**	-	**45,460**	39,943
Group insurance	**47**	43	**15**	13	**1,121**	801
Rent and house maintenance	**627**	607	**3,139**	3,315	**48,810**	44,251
Utilities	**-**	-	**-**	188	**10,754**	9,313
Medical expenses	**45**	118	**59**	60	**9,666**	7,911
	18,487	13,446	**15,165**	12,360	**276,470**	237,705
Number of persons	**1**	1	**4**	4	**121**	114

38.1 In addition to this, an amount of Rs 84.36 million (2010: Rs 56.26 million) on account of variable pay has been recognised in the financial statements. This amount is payable in 2012 after verification of target achievements.

Out of variable pay recognised for 2010, following payments were made:

	Paid in 2011 relating to 2010	Paid in 2010 relating to 2009 and 2008
Chief Executive	**6,879**	12,032
Executives	**59,936**	78,482
Other employees	**7,609**	5,716
	74,424	96,230

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

Amounts in Rs '000

39. 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	2011	2010
Parent company	Repayment of loan	**1,740,500**	1,978,460
	Payment of interest on loan	**46,191**	86,082
Associates	Purchase of goods	-	161
	Purchase of services	-	5,017
Key management personnel	Salaries and other short term benefits	**86,631**	71,108
	Post employment benefit	**11,479**	7,322
Others	Payment to staff retirement benefit funds	**52,105**	41,891

During the year, a post-merger integration or PMI exercise was conducted by KP Chemical Corporation through an associated company Lotte Economic Research Institute. The fee approved by the Board in respect of this arrangement is US$100,000 plus out of pocket expenses.

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

40. CAPACITY AND PRODUCTION - in metric tonnes

	2011	2010
Annual name plate capacity	**506,750**	506,750
Production	**501,368**	483,433

41. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

41.1 Risk management framework

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

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

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

Notes to and forming part of the Financial Statements
For the year ended 31 December 2011

Amounts in Rs '000

Financial assets and liabilities by category and their respective maturities

	Interest bearing			Non-interest bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
Financial assets							
Loans and receivables							
Loans and advances	-	-	-	40,603	46,937	87,540	87,540
Deposits	-	24,272	24,272	5,901	16,152	22,053	46,325
Trade debts	-	-	-	3,143,244	-	3,143,244	3,143,244
Interest accrued on bank deposits	-	-	-	12,831	-	12,831	12,831
Other receivables	-	-	-	209,420	-	209,420	209,420
Cash and bank balances	4,291,194	-	4,291,194	214,057	-	214,057	4,505,251
31 December 2011	**4,291,194**	**24,272**	**4,315,466**	**3,626,056**	**63,089**	**3,689,145**	**8,004,611**
31 December 2010	6,882,500	24,272	6,906,772	3,485,833	54,812	3,540,645	10,447,417
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	7,479,634	-	7,479,634	7,479,634
Current maturity of long-term loans	1,801,150	-	1,801,150	-	-	-	1,801,150
Finance lease liabilities	195,338	38,039	233,377	-	-	-	233,377
Interest Accrued / mark up on loan	-	-	-	140,074	-	140,074	140,074
31 December 2011	**1,996,488**	**38,039**	**2,034,527**	**7,619,708**	**-**	**7,619,708**	**9,654,235**
31 December 2010	283,519	3,651,945	3,935,464	7,652,365	-	7,652,365	11,587,829
On balance sheet date gap							
31 December 2011	**2,294,706**	**(13,767)**	**2,280,939**	**(3,993,652)**	**63,089**	**(3,930,563)**	**1,649,624**
31 December 2010	6,598,981	(3,627,673)	2,971,308	(4,166,532)	54,812	(4,111,720)	(1,140,412)
OFF BALANCE SHEET ITEMS							
Letter of credits / guarantees							4,476,848
Operating lease liability							1,461,428
31 December 2010							9,942,637

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

41.2 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 29 percent (2010: 27 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.

Amounts in Rs '000

	2011	2010
The maximum exposure to credit risk as at 31 December was:		
Financial assets		
Investments	-	364,644
Loans and advances	**112,391**	95,418
Deposits	**46,325**	52,925
Trade debts	**3,143,244**	2,937,816
Interest accrued on bank deposits	**12,831**	43,861
Other receivables	**209,420**	67,007
Bank balances	**4,491,625**	6,900,586
	8,015,836	10,462,257
Secured	**3,143,244**	2,937,816
Unsecured	**4,872,592**	7,524,441
	8,015,836	10,462,257
Not past due	**8,015,836**	10,462,257

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

	2011	2010
Domestic	**2,153,981**	2,830,208
Other regions	**989,263**	107,608
	3,143,244	2,937,816

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

41.3 Liquidity risk

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

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 2011					
	Carrying amount	**Contractual cash flows**	**Less than one year**	**1-2 years**	**2-3 years**	**3-5 years**
Financial Liabilities						
Current maturity of long term loan	1,801,150	1,801,150	1,801,150	-	-	-
Finance lease liabilities	233,377	262,377	223,456	38,921	-	-
Trade and other payables	7,479,634	7,479,634	7,479,634	-	-	-
Interest accrued / mark-up on loan	140,074	140,074	140,074	-	-	-
Off balance sheet						
Operating lease liabilities	-	1,461,428	-	1,386,345	61,036	14,047
	9,654,235	**11,144,663**	**9,644,314**	**1,425,266**	**61,036**	**14,047**

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

Notes to and forming part of the Financial Statements
For the year ended 31 December 2011

Amounts in Rs '000

The Company manages liquidity risk by maintaining sufficient cash in bank accounts. At 31 December 2011, the Company had financial assets of Rs 8.0 billion (2010: Rs 10.45 billion), which include Rs 4.5 billion (2010: Rs 6.9 billion) of cash placed in bank accounts.

41.4 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.

41.4.1 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:

	2011			2010		
	GBP	**Euro**	**US$**	GBP	Euro	US$
	Equivalent Rupees '000					
Financial asset						
Trade receivables	-	-	**989,263**	-	-	107,608
Financial liabilities						
Loan from parent company	-	-	**(1,801,150)**	-	-	(3,437,500)
Trade payables	**(2,061)**	**(1,030,641)**	**(3,497,350)**	(2,478)	(11,100)	(4,133,832)
Liability against assets subject to finance lease	**(233,377)**	-	-	(361,022)	-	-
	(235,438)	**(1,030,641)**	**(5,298,500)**	(363,500)	(11,100)	(7,571,332)
Operating lease liability (off balance sheet)	**(276,637)**	-	**(775,057)**	(393,495)	-	(1,492,656)

Significant exchange rates applied during the year were as follows:

	Average rate for the year		**Spot rate as at 31 December**	
	2011	2010	**2011**	2010
	Rupees		**Rupees**	
US Dollar	**86.5**	85.3	**90.1**	86.0
Great Britain Pound Sterling	**139.5**	132.4	**138.8**	134.2

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 40.83 million (2010: Rs 54.58 million).

Amounts in Rs '000

41.4.2 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	
	2011	2010
Fixed rate instruments		
Financial assets	**4,316,045**	6,906,772
Financial liabilities	-	-
	4,316,045	6,906,772
Variable rate instruments		
Financial assets	-	-
Financial liabilities	**2,034,527**	3,798,522
	2,034,527	3,798,522

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis for variable rate instruments

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

41.4.3 Price Risk

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

The Company does not believe it is materially exposed to price risk as during the year its investment was in a short-term Government Securities Liquid Fund which stands divested as at the year ended 31 December 2011.

42. CAPITAL RISK MANAGEMENT

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

The gearing ratio as at 31 December 2011 and 2010 are as follows:

	2011	(Re-stated) 2010
Debt	**1,839,189**	3,651,945
Equity	**13,082,700**	9,662,273
Total equity and debt	**14,921,889**	13,314,218
Gearing ratio	**12%**	27%

Notes to and forming part of the Financial Statements
For the year ended 31 December 2011

43. GENERAL

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

44. DIVIDEND

The Board of Directors in its meeting held on 26 January 2012 proposed a final cash dividend of Rs 0.5 per share (2010: Rs 0.5 per share) in respect of year ended 31 December 2011. The financial statements for the year ended 31 December 2011 do not include the effect of the proposed dividend amounting to Rs 757.104 million which will be accounted for in the financial statements for the year ending 31 December 2012, after approval by the members in the Annual General Meeting.

45. DATE OF AUTHORISATION

These financial statements were authorised for issue in the Board of Directors meeting held on 26 January 2012.

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

Pattern of Shareholding
As at 31 December 2011

Size of Holding		No. of	No. of
From	To	Shareholders	Shares Held
1	100	3,031	111,716
101	500	4,885	1,421,347
501	1,000	2,969	2,481,067
1,001	5,000	5,218	14,248,521
5,001	10,000	1,599	13,002,538
10,001	15,000	604	7,840,623
15,001	20,000	416	7,809,832
20,001	25,000	262	6,168,969
25,001	30,000	218	6,241,737
30,001	35,000	114	3,788,327
35,001	40,000	116	4,477,376
40,001	45,000	64	2,779,788
45,001	50,000	153	7,549,681
50,001	55,000	50	2,651,086
55,001	60,000	45	2,657,257
60,001	65,000	28	1,759,622
65,001	70,000	33	2,275,193
70,001	75,000	37	2,738,469
75,001	80,000	28	2,208,556
80,001	85,000	16	1,329,454
85,001	90,000	16	1,420,470
90,001	95,000	17	1,577,254
95,001	100,000	86	8,584,049
100,001	105,000	18	1,853,027
105,001	110,000	14	1,520,480
110,001	115,000	14	1,600,186
115,001	120,000	11	1,301,512
120,001	125,000	13	1,610,322
125,001	130,000	10	1,287,071
130,001	135,000	10	1,344,475
135,001	140,000	10	1,386,926
140,001	145,000	6	856,692
145,001	150,000	20	2,992,900
150,001	155,000	7	1,076,556
155,001	160,000	1	160,000
160,001	165,000	5	820,071
165,001	170,000	2	340,000
170,001	175,000	8	1,394,418
175,001	180,000	1	178,700
180,001	185,000	5	917,379
185,001	190,000	4	760,000
190,001	195,000	2	390,000
195,001	200,000	33	6,599,500
200,001	205,000	4	812,752
205,001	210,000	6	1,251,513
210,001	215,000	10	2,131,410
215,001	220,000	1	215,500
220,001	225,000	6	1,341,537

Pattern of Shareholding
As at 31 December 2011

Size of Holding		No. of	No. of
From	To	Shareholders	Shares Held
225,001	230,000	5	1,142,319
230,001	235,000	2	465,010
235,001	240,000	2	478,500
240,001	245,000	3	727,000
245,001	250,000	7	1,749,500
250,001	255,000	4	1,009,806
255,001	260,000	1	260,000
260,001	265,000	1	265,000
265,001	270,000	2	540,000
270,001	275,000	5	1,375,000
275,001	280,000	2	555,180
280,001	285,000	1	285,000
285,001	290,000	3	862,900
290,001	295,000	1	292,500
295,001	300,000	12	3,600,000
310,001	315,000	2	625,002
315,001	320,000	1	318,542
320,001	325,000	3	966,400
325,001	330,000	1	330,000
330,001	335,000	1	331,303
340,001	345,000	1	344,176
345,001	350,000	4	1,392,348
350,001	355,000	1	355,000
355,001	360,000	1	357,447
360,001	365,000	2	726,000
365,001	370,000	3	1,106,400
370,001	375,000	2	750,000
375,001	380,000	1	375,850
380,001	385,000	1	381,200
385,001	390,000	1	386,959
390,001	395,000	1	394,250
395,001	400,000	7	2,800,000
400,001	405,000	1	404,000
405,001	410,000	1	408,570
410,001	415,000	1	412,000
415,001	420,000	1	420,000
420,001	425,000	4	1,697,106
425,001	430,000	2	855,500
430,001	435,000	1	435,000
445,001	450,000	3	1,347,800
465,001	470,000	1	465,949
470,001	475,000	1	473,674
475,001	480,000	1	475,100
480,001	485,000	2	965,411
490,001	495,000	2	981,360
495,001	500,000	9	4,500,000
515,001	520,000	1	515,498
520,001	525,000	1	522,500

Size of Holding		No. of	No. of
From	To	Shareholders	Shares Held
535,001	540,000	1	540,000
540,001	545,000	1	541,000
555,001	560,000	2	1,120,000
580,001	585,000	1	581,400
595,001	600,000	2	1,200,000
615,001	620,000	1	617,000
620,001	625,000	2	1,250,000
645,001	650,000	1	650,000
650,001	655,000	2	1,305,189
660,001	665,000	1	664,156
680,001	685,000	2	1,365,625
695,001	700,000	1	700,000
705,001	710,000	1	705,780
725,001	730,000	1	727,090
745,001	750,000	1	750,000
765,001	770,000	1	769,350
795,001	800,000	1	800,000
815,001	820,000	1	819,200
820,001	825,000	1	823,233
825,001	830,000	1	830,000
835,001	840,000	1	840,000
845,001	850,000	1	850,000
855,001	860,000	1	856,891
860,001	865,000	1	862,890
975,001	980,000	1	978,000
990,001	995,000	1	994,800
995,001	1,000,000	4	3,999,116
1,005,001	1,010,000	1	1,008,000
1,055,001	1,060,000	1	1,058,203
1,070,001	1,075,000	1	1,075,000
1,095,001	1,100,000	1	1,100,000
1,120,001	1,125,000	1	1,120,500
1,180,001	1,185,000	1	1,185,000
1,205,001	1,210,000	1	1,206,602
1,220,001	1,225,000	1	1,223,014
1,280,001	1,285,000	1	1,282,200
1,335,001	1,340,000	1	1,338,768
1,445,001	1,450,000	1	1,450,000
1,495,001	1,500,000	2	3,000,000
1,510,001	1,515,000	1	1,514,893
1,525,001	1,530,000	1	1,528,000
1,565,001	1,570,000	1	1,568,729
1,695,001	1,700,000	1	1,700,000
1,745,001	1,750,000	1	1,750,000
1,750,001	1,755,000	1	1,754,211
1,760,001	1,765,000	1	1,765,000
1,795,001	1,800,000	1	1,800,000
1,800,001	1,805,000	1	1,803,529

Pattern of Shareholding
As at 31 December 2011

Size of Holding		No. of Shareholders	No. of Shares Held
From	To		
1,850,001	1,855,000	1	1,853,190
1,895,001	1,900,000	1	1,899,925
1,995,001	2,000,000	1	1,997,651
2,225,001	2,230,000	1	2,230,000
2,295,001	2,300,000	1	2,300,000
2,395,001	2,400,000	1	2,400,000
2,470,001	2,475,000	1	2,474,000
2,690,001	2,695,000	1	2,690,500
2,920,001	2,925,000	1	2,925,000
3,630,001	3,635,000	1	3,630,367
3,720,001	3,725,000	1	3,723,657
3,740,001	3,745,000	1	3,742,375
3,995,001	4,000,000	1	4,000,000
4,210,001	4,215,000	1	4,212,878
4,295,001	4,300,000	1	4,300,000
4,605,001	4,610,000	1	4,609,624
4,705,001	4,710,000	1	4,705,200
5,140,001	5,145,000	1	5,141,100
5,145,001	5,150,000	1	5,150,000
5,415,001	5,420,000	1	5,415,979
5,680,001	5,685,000	1	5,684,901
6,300,001	6,305,000	1	6,301,000
6,880,001	6,885,000	1	6,880,978
7,065,001	7,070,000	1	7,069,499
7,720,001	7,725,000	1	7,721,500
7,770,001	7,775,000	1	7,770,526
14,795,001	14,800,000	1	14,799,893
15,650,001	15,655,000	1	15,651,072
1,135,860,001	1,135,865,000	1	1,135,860,105
	TOTAL	**20,428**	**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	15,651,072	1.03
3 Directors, CEO and their spouses	8	100,403	0.01
4 Executives	2	40,006	0.00
5 Public Sector Companies and Corporations	5	2,271,329	0.15
6 Banks, Development Finance Institutions, Non-Banking Finance Institutions	36	30,399,502	2.00
7 Insurance Companies	18	26,776,211	1.77
8 Modaraba and Mutual Funds	41	12,046,183	0.80
9 Others	250	72,311,352	4.78
10 Individuals	20,066	218,751,045	14.45
TOTAL	**20,428**	**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	15,651,072
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
Mohammad Qasim Khan	1	1
Aliya Yusuf	1	1
Istaqbal Mehdi	1	100,001
Jung Neon Kim	1	1
Oh Hun Im	1	1
Executives	2	40,006
Public Sector Companies and Corporations	5	2,271,329
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	95	69,221,896
Others	250	72,311,352
Individuals	20,066	218,751,045
TOTAL	20,428	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 Fourteenth Annual General Meeting of Lotte Pakistan PTA Limited will be held on Tuesday, 27 March 2012 at 11:00 a.m. at the Institute of Chartered Accountants of Pakistan (ICAP) auditorium, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Balance Sheet and Profit & Loss Account together with the Directors' and Auditors' Reports for the year ended 31 December 2011.

2. To declare in respect of the year ended 31 December 2011 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 21 March 2012.

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

By Order of the Board

30 January 2012
Karachi

Adnan W Samdani
Company Secretary

Notes:

1. The Register of Members and the Share Transfer Books of the Company will be closed from Wednesday, 21 March 2012 to Tuesday, 27 March 2012 (both days inclusive) for the purpose of the Annual General Meeting.

2. Entitlement to dividend and to attend the 14th Annual General Meeting as a Member will be according to the Members Register as at 21 March 2012.

3. Only those persons whose names appear in the Register of Members of the Company as at 27 March 2012 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 Fourteenth Annual General Meeting of Lotte Pakistan PTA Limited will be held on Tuesday, 27 March 2012 at 11:00 a.m. at the Institute of Chartered Accountants of Pakistan (ICAP) auditorium, Chartered Accountants Avenue, Clifton Karachi.

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

Company Secretary

Name ______________________________

Shareholder No. ______________ Signature ______________

Note:

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

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

CDC Account Holders / Proxies / Corporate Entities:

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

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

This Admission Slip is Not Transferable

Form of Proxy

14th 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 Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Fourteenth Annual General Meeting of the Company to be held on 27 March 2012 and at any adjournment thereof.

As witness my / our hand / seal this ______________ day of ______________ 2012

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

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URL: www.lotte-ppta.com

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