

Quarterly Report  
**Jan-Mar 2013**



**LOTTE CHEMICAL**  **PAKISTAN LTD**  
(Formerly Lotte Pakistan PTA Limited)



Company information	02
Directors' report	03
Condensed interim balance sheet	05
Condensed interim profit and loss account	06
Condensed interim statement of comprehensive income	07
Condensed interim cash flow statement	08
Condensed interim statement of changes in equity	09
Notes to the condensed interim financial information	10

### **Condensed interim consolidated financial information**

Condensed interim consolidated balance sheet	17
Condensed interim consolidated profit and loss account	18
Condensed interim consolidated statement of comprehensive income	19
Condensed interim consolidated cash flow statement	20
Condensed interim consolidated statement of changes in equity	21
Notes to the condensed interim consolidated financial information	22

## company information

### Board of Directors

Changgyou Kim	Chairman	(appointed w.e.f. 25 Apr 2013)
Soon Hyo Chung	Chairman	(resigned w.e.f. 12 Apr 2013)
M Asif Saad	Chief Executive	
Sang Hyeon Lee	Non-executive	(appointed w.e.f. 12 Apr 2013)
Jung Neon Kim	Executive	
Oh Hun Im	Executive	
Mohammad Qasim Khan	Independent	
Aliya Yusuf	Independent	
Manzoor Ahmed	Non-executive	

### Audit Committee

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

### HR & Remuneration Committee

Changgyou Kim	Chairman	(appointed w.e.f. 25 Apr 2013)
Soon Hyo Chung	Chairman	(resigned w.e.f. 12 Apr 2013)
Sang Hyeon Lee	Member	(appointed w.e.f. 25 Apr 2013)
Jung Neon Kim	Member	

### Shares Sub Committee

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

### Chief Financial Officer and Company Secretary

Adnan W Samdani

### Executive Management Team

M Asif Saad  
Chief Executive

Adnan W Samdani  
Chief Financial Officer & Company Secretary

Qamar Haris Manzoor  
General Manager Manufacturing

Mohammad Wasim  
General Manager Operations

Humair Ijaz  
General Manager Commercial

Waheed U Khan  
Corporate Human Resource Manager

### Bankers

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

### Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

### External Auditors

A.F. Ferguson & Co.,  
Chartered Accountants

### Legal Advisor

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

### Registered Office

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

### Shares Registrar

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

**directors' report**

for the first quarter ended 31 march 2013

The Directors are pleased to present their report together with the un-audited financial information of the Company and the Group for the quarter ended 31 March 2013. The Group results comprises of Lotte Chemical Pakistan Limited (formerly Lotte Pakistan PTA Limited) (Company) and Lotte Powergen (Private) Limited, a wholly owned subsidiary of the Company.

**BOARD CHANGES**

Mr Soon Hyo Chung resigned as Chairman and Director of the Company with effect from 12 April 2013 and Mr Sang Hyeon Lee was appointed Director with effect from 12 April 2013 to fill the casual vacancy for the remainder of the term to expire on 22 June 2014. The Board places on record its appreciation for the valuable contributions made by the outgoing Director, Mr Soon Hyo Chung and welcomes Mr Sang Hyeon Lee as new Director of the Company.

The Board of Directors in their Board meeting held on 25 April 2013 appointed Mr Changgyou Kim as Chairman of the Company for the remainder of the term to expire on 22 June 2014.

**BUSINESS OVERVIEW**

Crude oil (WTI) prices gained strength during the first two months of the quarter, supported by positive economic indicators, mainly from U.S. and China, the top two consumers of crude oil. However, prices started to decline from the end of February due to renewed concerns over the economic and political instability in the Euro-Zone.

Paraxylene (Px) prices were robust in the first two months of the quarter, mostly driven by the fundamentals. The Px market began to lose strength at the end of February, due to reduced demand from the downstream PTA industry.

PTA producers in the region faced a challenging business environment. High feedstock costs, rising inventories and poor demand from the downstream polyester sector, extended losses for another quarter, as margins remained below breakeven levels. As a consequence, a higher percentage of global PTA capacity remained offline during the quarter and some major producers in the regions decided to curb operating rates for an indefinite period.

As mentioned above, the Polyester and PET sector remained under pressure, due to rising inventory levels caused by poor demand. The export oriented textile sector of Asia continued to struggle as demand from the biggest market, Europe, remained affected due to poor economic conditions.

The outlook for the domestic PSF market remained positive during the quarter due to the anti-dumping duty (2.09% to 8.82%) imposed on the import of Polyester Staple Fibre (PSF) from China with effect from 21 December 2012. However, sales were affected during the last few weeks of the quarter as a majority of the Textile sector went on strike against the 2% Sales Tax imposed by GoP.

**OPERATIONS**

Production during the quarter at 98,403 tonnes was 16% lower than the corresponding period last year due to 22 days planned shutdown for the plant overhaul in Jan-Feb 2013.

Sales volume, comprising of domestic sales only, for Q1 2013 at 107,146 tonnes was 10% lower than the corresponding quarter last year due to lower product availability.

## **LOTTE POWERGEN (PRIVATE) LIMITED**

During the planned shutdown on account of PTA plant overhaul, the co-generation plant remained off-line. However, for remaining days, the co-generation plant operated smoothly. The Financial performance of Lotte Powergen (Private) Limited together with Lotte Chemical Pakistan Limited (formerly Lotte Pakistan PTA Limited) is presented in the consolidated financial results for the quarter ended 31 March 2013.

## **PROFIT, FINANCE & TAXATION**

Due to lower sales volume and lower PTA margin over Px, your Company incurred a gross loss of Rs 341 million for the quarter as compared to gross profit of Rs 270 million last year. PTA margin over Px for the quarter was 31% lower than Q1 2012.

Distribution and selling expenses were lower than the corresponding quarter last year mainly due to zero export sales. Other operating expenses for the quarter were lower than Q1 2012 mainly due to no provision for Workers' Profit Participation due to operating loss. Other operating income for the quarter was higher than the corresponding quarter last year mainly due to the final dividend income, in respect of the year ended 31 December 2012, received from the Lotte Powergen (Private) Limited.

Finance income for the quarter was significantly lower than Q1 2012 mainly due to reduction in average cash surplus levels on the back of trading environment. Finance costs were higher than the corresponding quarter last year mainly on account of net exchange loss due to adverse impact of Rs/USD parity.

Taxation for the quarter ended 31 March 2013, shows a credit of Rs 70 million. This is based on minimum turnover tax as reduced by the movement in the deferred tax account.

The loss after taxation for the Company amounted to Rs 124 million as compared to profit after taxation of Rs 151 million in Q1 last year. On consolidated basis, the loss after taxation amounted to Rs 165 million.

## **FUTURE OUTLOOK**

Px prices are expected to rationalize, as new capacities come online during the second half of the year. This, coupled with the reduced operating rates of the downstream PTA industry, should keep Px prices in check.

In the domestic market, the new capacity expansion in the PSF sector by Ibrahim Fibers should increase the demand for PTA however; this could be countered by the dismal energy situation in the country and the resultant impact on the textile sector.

  
**Changgyou Kim**  
Chairman

  
**M Asif Saad**  
Chief Executive

Karachi: 25 April 2013

**condensed interim balance sheet**

as at 31 march 2013

Amounts in Rs '000

	Note	31 March 2013 (Un-audited)	31 December 2012 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	5	5,782,793	6,051,127
Long-term investment	6	4,500,000	4,500,000
Long-term loans and advances		47,020	46,957
Long-term deposits and prepayments		74,611	79,247
		<b>10,404,424</b>	<b>10,677,331</b>
<b>Current assets</b>			
Stores and spares		683,438	728,025
Stock-in-trade		5,846,067	4,480,516
Trade debts		2,456,715	3,300,360
Loans and advances		27,390	32,796
Trade deposits and short-term prepayments		164,734	92,404
Mark-up accrued on bank deposits		463	42
Other receivables		196,826	120,893
Tax refunds due from government - sales tax	7	744,371	662,145
Taxation - payments less provision		832,768	668,177
Cash and bank balances	8	465,042	225,134
		<b>11,417,814</b>	<b>10,310,492</b>
<b>Total assets</b>		<b>21,822,238</b>	<b>20,987,823</b>
<b>Equity</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital			
1,514,207,208 (31 December 2012: 1,514,207,208)			
ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserves		2,345	2,345
Accumulated losses		(3,126,789)	(3,002,538)
		<b>12,017,628</b>	<b>12,141,879</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax		632,794	773,427
Long-term loan	9	400,000	-
Retirement benefit obligation		29,102	27,543
		<b>1,061,896</b>	<b>800,970</b>
<b>Current liabilities</b>			
Trade and other payables		8,583,891	7,854,630
Interest accrued		158,823	147,685
Current portion of liability against assets subject to finance lease		-	42,659
		<b>8,742,714</b>	<b>8,044,974</b>
<b>Total liabilities</b>		<b>9,804,610</b>	<b>8,845,944</b>
<b>Contingencies and commitments</b>	10		
<b>Total equity and liabilities</b>		<b>21,822,238</b>	<b>20,987,823</b>

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

  
**Changyou Kim**  
 Chairman

  
**M Asif Saad**  
 Chief Executive

## condensed interim profit and loss account (un-audited)

for the first quarter ended 31 march 2013

		Amounts in Rs '000	
	Note	<b>Quarter ended 31 March</b>	
		<b>2013</b>	2012
<b>Revenue</b>	11	<b>13,031,852</b>	13,404,645
Cost of sales	12	<b>(13,372,573)</b>	(13,134,354)
<b>Gross (loss) / profit</b>		<b>(340,721)</b>	270,291
Distribution and selling expenses		<b>(19,037)</b>	(45,288)
Administrative expenses		<b>(77,537)</b>	(76,218)
Other operating expenses	13	<b>(782)</b>	(24,073)
Other operating income	14	<b>275,242</b>	8,755
		<b>177,886</b>	(136,824)
Operating (loss) / profit		<b>(162,835)</b>	133,467
Finance income	15	<b>12,106</b>	129,573
Finance costs		<b>(43,223)</b>	(25,236)
<b>(Loss) / profit before taxation</b>		<b>(193,952)</b>	237,804
Taxation	16	<b>69,701</b>	(86,693)
<b>(Loss) / profit after taxation</b>		<b>(124,251)</b>	151,111
		<b>Amount in Rupees</b>	
<b>Earnings per share - basic and diluted</b>		<b>(0.08)</b>	0.10

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

  
**Changyou Kim**  
Chairman

  
**M Asif Saad**  
Chief Executive



**condensed interim statement of comprehensive income (un-audited)**

for the first quarter ended 31 march 2013

Amounts in Rs '000

	<b>Quarter ended 31 March</b>	
	<b>2013</b>	2012
<b>(Loss) / profit after taxation</b>	<b>(124,251)</b>	151,111
Other comprehensive income	-	-
<b>Total comprehensive (loss) / income</b>	<b>(124,251)</b>	151,111

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

  
**Changgyou Kim**  
 Chairman

  
**M Asif Saad**  
 Chief Executive

## condensed interim cash flow statement (un-audited)

for the first quarter ended 31 march 2013

Amounts in Rs '000

	Note	Quarter ended 31 March	
		2013	2012
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	162,627	1,255,932
Long-term loans and advances - net		(63)	1,034
Long-term deposits and prepayments - net		4,636	108
Finance costs paid		(32,085)	(16,830)
Payments to staff retirement benefit scheme - unfunded		(31)	(75)
Taxes paid		(235,523)	(465,151)
Mark-up received from bank deposits		11,685	101,148
Net cash generated from operating activities		(88,754)	876,166
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		(71,321)	(885,175)
Net cash used in investing activities		(71,321)	(885,175)
<b>Cash flows from financing activities</b>			
Payments for liability against assets subject to finance lease		-	(47,984)
Long-term loan		400,000	-
Dividend paid		(17)	(37)
Net cash used in financing activities		399,983	(48,021)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>239,908</b>	<b>(57,030)</b>
Cash and cash equivalents at 1 January		225,134	4,505,251
<b>Cash and cash equivalents at 31 March</b>		<b>465,042</b>	<b>4,448,221</b>

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

  
**Changyou Kim**  
Chairman

  
**M Asif Saad**  
Chief Executive

**condensed interim statement of changes in equity (un-audited)**

for the first quarter ended 31 march 2013

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total
<b>Balance as at 1 January 2012</b>	15,142,072	2,345	(2,061,717)	13,082,700
Final cash dividend @ Rs 0.50 per share relating to 2011	-	-	(757,104)	(757,104)
Total comprehensive income for the three months ended 31 March 2012	-	-	151,111	151,111
<b>Balance as at 31 March 2012</b>	<u>15,142,072</u>	<u>2,345</u>	<u>(2,667,710)</u>	<u>12,476,707</u>
<b>Balance as at 1 January 2013</b>	15,142,072	2,345	(3,002,538)	12,141,879
Total comprehensive loss for the three months ended 31 March 2013	-	-	(124,251)	(124,251)
<b>Balance as at 31 March 2013</b>	<u>15,142,072</u>	<u>2,345</u>	<u>(3,126,789)</u>	<u>12,017,628</u>

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

  
**Changyou Kim**  
 Chairman

  
**M Asif Saad**  
 Chief Executive

## notes to the condensed interim financial information (un-audited)

for the first quarter ended 31 march 2013

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

The Company is a subsidiary of Lotte Chemical Corporation (formerly KP Chemical Corporation) - South Korea. KP Chemical Corporation and HONAM Petrochemical Corporation merged effective 27 December 2012 and the identity of the merged entity was changed to LOTTE CHEMICAL CORPORATION. Subsequent to change in the majority shareholder's identity, the name of the Company was changed to Lotte Chemical Pakistan Limited after seeking relevant approvals. The ultimate parent company is South Korean conglomerate Lotte.

2. This condensed interim financial information of the Company for the three months ended 31 March 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2012.

### 3. Significant accounting policies

The accounting policies and methods of computation used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended 31 December 2012.

### 4. Accounting estimates, judgments and financial risk management

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

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended 31 December 2012.

- 4.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2012.

### 5. Fixed assets

- 5.1 The following fixed assets have been added / disposed of during the quarter ended 31 March:

Amounts in Rs '000

	2013		2012	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
<b>Operating assets / property, plant and equipment</b>				
Buildings on leasehold land	-	-	-	-
Plant and machinery	290	-	13,579	-
Furniture and equipment	1,044	-	42,156	209
Motor vehicles	432	-	-	-
<b>Capital work-in-progress</b>	<b>69,555</b>	-	829,413	-
<b>Intangible assets</b>	-	-	27	-

**notes to the condensed interim financial information (un-audited)**

for the first quarter ended 31 march 2013

Amounts in Rs '000

	<b>31 March 2013</b>	31 December 2012
<b>6. Long-term investment - unquoted</b>		
<b>At Cost</b>		
Lotte Powergen (Private) Limited -wholly owned subsidiary		
450,000,000 (31 December 2012: 450,000,000)		
ordinary shares of Rs 10 each	<b>4,500,000</b>	4,500,000

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

<b>31 March 2013</b>	31 December 2012		<b>31 March 2013</b>	31 December 2012
Number of shares			(Amounts in Rs '000)	
<b>415,307,819</b>	415,307,819	Ordinary share of Rs 10 each (Issued against plant and machinery)	<b>4,153,078</b>	4,153,078
<b>34,692,181</b>	34,692,181	Ordinary share of Rs 10 each (Issued against cash consideration)	<b>346,922</b>	346,922
<b>450,000,000</b>	450,000,000		<b>4,500,000</b>	4,500,000

**7. Tax refunds due from government - sales tax**

This includes Rs 277.8 million (31 December 2012: Rs 259.0 million) on account of input tax arising from sales tax charged to the Company under the Sindh Sales Tax Act, 2011 which is administered by the Sindh Revenue Board with effect from 01 July 2011. This is being deferred due to procedural issues between Federal and Provincial Tax collecting agencies, resulting in lack of verification by the refund issuing authority i.e. the Federal Board of Revenue. The Company has approached Federal Tax Ombudsman for resolution of the matter.

	<b>31 March 2013</b>	31 December 2012
<b>8. Cash and bank balances</b>		
Short-term fixed deposits	<b>443,160</b>	171,950
With banks in current accounts	<b>14,282</b>	44,438
Cash in hand	<b>7,600</b>	8,746
	<b>465,042</b>	225,134

**9. Long-term loans - unsecured**

Lender	Installments payable	Interest rate	Maturity	<b>31 March 2013</b>	31 December 2012
<b>Loan from subsidiary company</b>					
Lotte Powergen (Private) Limited Rs 400 million (31 December 2012: Rs Nil)	On maturity	3% p.a above 6 months KIBOR	January 2018	<b>400,000</b>	-
				<b>400,000</b>	-

**10. Contingencies and commitments**

- 10.1** Outstanding guarantees and letters of credit issued on behalf of the Company as at 31 March 2013 were Rs 1.46 billion (2012: Rs 1.41 billion) and Rs 298 million (2012: Rs 342 million), respectively.
- 10.2** Commitments in respect of capital expenditure as at 31 March 2013 amount to Rs 183.8 million (31 December 2012: Rs 286 million).

**notes to the condensed interim financial information (un-audited)**

for the first quarter ended 31 march 2013

Amounts in Rs '000

**10.3** Commitments for rentals under operating lease agreements / Ijarah contracts in respect of vehicles are as follows:

Year	31 March 2013	31 December 2012
2013	15,145	17,806
2014	17,301	14,434
2015	13,413	10,172
2016	7,088	3,850
2017	709	-
	<u>53,656</u>	<u>46,262</u>

**10.4** Commitments for rentals under operating lease agreements for certain supplies in respect of goods and services are as follows:

Year	31 March 2013	31 December 2012
2013	402,390	604,199
2014	547,250	561,436
2015	558,196	572,665
2016	569,359	584,118
2017	532,351	595,800
	<u>2,609,546</u>	<u>2,918,218</u>

	Quarter ended 31 March	
	2013	2012
<b>11. Revenue</b>		
<b>Manufactured goods</b>		
Local sales	13,483,823	12,497,942
Export sales	-	1,083,751
	<u>13,483,823</u>	13,581,693
Less: Sales tax and excise duty	(130,453)	-
Price settlements and discounts	(571,998)	(253,562)
	<u>12,781,372</u>	13,328,131
<b>Trading goods</b>		
Local sales	256,346	78,472
Less: Sales tax and excise duty	(2,668)	(1,958)
Price settlements and discounts	(3,198)	-
	<u>250,480</u>	76,514
	<u>13,031,852</u>	<u>13,404,645</u>

**notes to the condensed interim financial information (un-audited)**

for the first quarter ended 31 march 2013

Amounts in Rs '000

	<b>Quarter ended 31 March</b>	
	<b>2013</b>	<b>2012</b>
<b>12. Cost of sales</b>		
<b>Manufactured goods</b>		
Opening stock of raw and packing materials	<b>2,802,171</b>	3,334,047
Purchases	<b>12,980,331</b>	11,012,372
Closing stock of raw and packing materials	<b>(4,896,874)</b>	(2,495,923)
Raw and packing materials consumed	<b>10,885,628</b>	11,850,496
Manufacturing costs	<b>1,423,477</b>	1,112,571
Cost of goods manufactured	<b>12,309,105</b>	12,963,067
Opening stock of finished goods	<b>1,538,654</b>	1,332,340
	<b>13,847,759</b>	14,295,407
Closing stock of finished goods	<b>(713,393)</b>	(1,224,178)
	<b>13,134,366</b>	13,071,229
<b>Trading goods</b>		
Opening stock	<b>139,691</b>	2,617
Purchases	<b>100,764</b>	104,372
Closing stock	<b>(2,248)</b>	(43,864)
	<b>238,207</b>	63,125
	<b>13,372,573</b>	13,134,354
<b>13. Other operating expenses</b>		
Donations	<b>306</b>	469
Loss on retirement of property, plant and equipment	-	209
Workers' profit participation fund	-	13,028
Workers' welfare fund	<b>203</b>	9,733
Others	<b>273</b>	634
	<b>782</b>	24,073
<b>14. Other operating income</b>		
Scrap sales	<b>7,241</b>	8,111
Dividend received from subsidiary	<b>220,500</b>	-
Finance lease liability no longer payable	<b>42,659</b>	-
Service income - note 14.1	<b>4,200</b>	-
Others	<b>642</b>	644
	<b>275,242</b>	8,755
<b>14.1</b>	This represents income from certain technical and administrative services rendered by the Company to Lotte Powergen (Private) Limited under a Service Level Agreement.	
<b>15. Finance income</b>		
Interest on bank deposits	<b>12,106</b>	103,837
Exchange gain - net	-	25,736
	<b>12,106</b>	129,573

## notes to the condensed interim financial information (un-audited)

for the first quarter ended 31 march 2013

Amounts in Rs '000

### 16. Taxation

The tax charge for the quarter ended 31 March 2013 is based on the minimum turnover tax as reduced by the movement in the deferred tax account.

	Quarter ended 31 March	
	2013	2012
<b>17. Cash generated from operations</b>		
(Loss) / profit before taxation	<b>(193,952)</b>	237,804
<b>Adjustments for non cash charges and other items:</b>		
Depreciation and amortisation	<b>339,655</b>	339,394
Loss on retirement of property, plant and equipment	-	209
Provision for staff retirement benefit scheme - unfunded	<b>1,590</b>	1,717
Finance costs	<b>43,223</b>	25,236
Unrealised exchange (gain) / loss on current portion of liability against assets subject to finance lease and current maturity of long-term loan	<b>(42,659)</b>	23,797
Interest accrued on bank deposits	<b>(12,106)</b>	(103,837)
Provision for infrastructure cess	<b>53,940</b>	50,842
	<b>383,643</b>	337,358
	<b>189,691</b>	575,162

### Effect on cashflows due to working capital changes

(Increase) / decrease in current assets:		
Stores and spares	<b>44,587</b>	28,771
Stock-in-trade	<b>(1,365,551)</b>	905,039
Trade debts	<b>843,645</b>	(696,339)
Loans and advances	<b>5,406</b>	15,781
Deposits and short-term prepayments	<b>(72,330)</b>	39,426
Other receivables and refunds from government	<b>(158,159)</b>	40,961
	<b>(702,402)</b>	333,639
Increase in trade and other payables	<b>675,338</b>	347,131
Cash generated from operations	<b>162,627</b>	1,255,932



**notes to the condensed interim financial information (un-audited)**

for the first quarter ended 31 march 2013

Amounts in Rs '000

**18. 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 benefit funds. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim financial information are as follows:

Relationship	Nature of transaction	Quarter ended 31 March	
		2013	2012
<b>Subsidiary company</b>	Purchase of goods	<u>541,234</u>	<u>-</u>
	Sale of spares	<u>23,267</u>	<u>-</u>
	Fee for providing services to subsidiary company	<u>4,200</u>	<u>-</u>
<b>Key management personnel</b>	Salaries and other short-term benefits	<u>18,552</u>	<u>19,577</u>
	Post employment benefits	<u>2,894</u>	<u>3,386</u>
<b>Staff retirement benefit funds</b>	Payment to staff retirement benefit funds	<u>12,807</u>	<u>13,754</u>

**19. General**

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

**20. Date of authorisation**

This condensed interim financial information was authorised for issue in the Board of Directors meeting held on 25 April 2013.

  
Changyou Kim  
Chairman

  
M Asif Saad  
Chief Executive

**Condensed interim consolidated  
financial information**

**LOTTE CHEMICAL  PAKISTAN LTD**

**(Formerly Lotte Pakistan PTA Limited)  
and its Subsidiary Company**

**condensed interim consolidated balance sheet**

as at 31 march 2013

Amounts in Rs '000

	Note	31 March 2013 (Un-audited)	31 December 2012 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	5	9,728,217	10,065,769
Long-term loans and advances		47,020	46,957
Long-term deposits and prepayments		74,611	79,247
		<b>9,849,848</b>	10,191,973
<b>Current assets</b>			
Stores and spares		703,092	732,735
Stock-in-trade		5,834,554	4,440,877
Trade debts		2,456,715	3,300,360
Loans and advances		27,390	32,796
Trade deposits and short-term prepayments		166,966	92,404
Mark-up accrued on bank deposits		1,135	186
Other receivables		168,678	107,414
Tax refunds due from government - sales tax	6	710,957	625,656
Taxation - payments less provision		830,005	670,290
Cash and bank balances	7	742,175	879,990
		<b>11,641,667</b>	10,882,708
<b>Total assets</b>		<b>21,491,515</b>	21,074,681
<b>Equity</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital			
1,514,207,208 (31 December 2012: 1,514,207,208)			
ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserves		2,345	2,345
Accumulated losses		(2,982,398)	(2,818,026)
		<b>12,162,019</b>	12,326,391
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax		632,794	773,427
Retirement benefit obligation		29,102	27,543
		<b>661,896</b>	800,970
<b>Current liabilities</b>			
Trade and other payables		8,517,830	7,756,976
Interest accrued		149,770	147,685
Current portion of liability against assets subject to finance lease		-	42,659
		<b>8,667,600</b>	7,947,320
<b>Total liabilities</b>		<b>9,329,496</b>	8,748,290
<b>Contingencies and commitments</b>	8		
<b>Total equity and liabilities</b>		<b>21,491,515</b>	21,074,681

The annexed notes 1 to 18 form an integral part of this condensed interim consolidated financial information.

  
**Changyou Kim**  
 Chairman

  
**M Asif Saad**  
 Chief Executive

## condensed interim consolidated profit and loss account (un-audited)

for the first quarter ended 31 march 2013

Amounts in Rs '000

	Note	Quarter ended 31 March	
		2013	2012
<b>Revenue</b>	9	<b>13,031,852</b>	13,404,645
Cost of sales	10	<b>(13,186,751)</b>	(13,134,354)
<b>Gross (loss) / profit</b>		<b>(154,899)</b>	270,291
Distribution and selling expenses		<b>(19,037)</b>	(45,288)
Administrative expenses		<b>(77,537)</b>	(76,218)
Other operating expenses	11	<b>(12,212)</b>	(24,073)
Other operating income	12	<b>50,542</b>	8,755
		<b>(58,244)</b>	(136,824)
Operating (loss) / profit		<b>(213,143)</b>	133,467
Finance income	13	<b>18,725</b>	129,573
Finance costs		<b>(34,170)</b>	(25,236)
<b>(Loss) / profit before taxation</b>		<b>(228,588)</b>	237,804
Taxation	14	<b>64,216</b>	(86,693)
<b>(Loss) / profit after taxation</b>		<b>(164,372)</b>	151,111
		<b>Amount in Rupees</b>	
<b>Earnings per share - basic and diluted</b>		<b>(0.11)</b>	0.10

The annexed notes 1 to 18 form an integral part of this condensed interim consolidated financial information.

  
**Changyou Kim**  
Chairman

  
**M Asif Saad**  
Chief Executive

**condensed interim consolidated statement of comprehensive income (un-audited)**

for the first quarter ended 31 march 2013

	Amounts in Rs '000	
	Quarter ended 31 March	
	2013	2012
<b>(Loss) / profit after taxation</b>	<b>(164,372)</b>	151,111
Other comprehensive income	-	-
<b>Total comprehensive (loss) / income</b>	<b>(164,372)</b>	<b>151,111</b>

The annexed notes 1 to 18 form an integral part of this condensed interim consolidated financial information.

  
**Changyou Kim**  
 Chairman

  
**M Asif Saad**  
 Chief Executive

## condensed interim consolidated cash flow statement (un-audited)

for the first quarter ended 31 march 2013

Amounts in Rs '000

	Note	Quarter ended 31 March	
		2013	2012
<b>Cash flows from operating activities</b>			
Cash generated from operations	15	<b>179,422</b>	1,255,932
Long-term loans and advances - net		<b>(63)</b>	1,034
Long-term deposits and prepayments - net		<b>4,636</b>	108
Finance costs paid		<b>(32,085)</b>	(16,830)
Payments to staff retirement benefit scheme - unfunded		<b>(31)</b>	(75)
Taxes paid		<b>(236,132)</b>	(465,151)
Mark-up received from bank deposits		<b>17,776</b>	101,148
Net cash generated from operating activities		<b>(66,477)</b>	876,166
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		<b>(71,321)</b>	(885,175)
Net cash used in investing activities		<b>(71,321)</b>	(885,175)
<b>Cash flows from financing activities</b>			
Payments for liability against assets subject to finance lease		<b>-</b>	(47,984)
Dividend paid		<b>(17)</b>	(37)
Net cash used in financing activities		<b>(17)</b>	(48,021)
<b>Net decrease in cash and cash equivalents</b>		<b>(137,815)</b>	(57,030)
Cash and cash equivalents at 1 January		<b>879,990</b>	4,505,251
<b>Cash and cash equivalents at 31 March</b>		<b>742,175</b>	4,448,221

The annexed notes 1 to 18 form an integral part of this condensed interim consolidated financial information.

  
**Changyou Kim**  
Chairman

  
**M Asif Saad**  
Chief Executive

**condensed interim consolidated statement of changes in equity (un-audited)**

for the first quarter ended 31 march 2013

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total
<b>Balance as at 1 January 2012</b>	15,142,072	2,345	(2,061,717)	13,082,700
Final cash dividend @ Rs 0.50 per share relating to 2011	-	-	(757,104)	(757,104)
Total comprehensive income for the three months ended 31 March 2012	-	-	151,111	151,111
<b>Balance as at 31 March 2012</b>	<u>15,142,072</u>	<u>2,345</u>	<u>(2,667,710)</u>	<u>12,476,707</u>
<b>Balance as at 1 January 2013</b>	15,142,072	2,345	(2,818,026)	12,326,391
Total comprehensive loss for the three months ended 31 March 2013	-	-	(164,372)	(164,372)
<b>Balance as at 31 March 2013</b>	<u>15,142,072</u>	<u>2,345</u>	<u>(2,982,398)</u>	<u>12,162,019</u>

The annexed notes 1 to 18 form an integral part of this condensed interim consolidated financial information.

  
**Changyou Kim**  
 Chairman

  
**M Asif Saad**  
 Chief Executive

## notes to the condensed interim consolidated financial information (un-audited)

for the first quarter ended 31 march 2013

### 1. The Group consists of:

- i) Lotte Chemical Pakistan Limited (formerly Lotte Pakistan PTA Limited), (the 'Parent Company')
- ii) Lotte Powergen (Private) Limited (the 'Subsidiary')

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

Lotte Powergen (Private) Limited is a wholly owned subsidiary of Lotte Chemical Pakistan Limited. Lotte Powergen (Private) Limited is engaged in production and selling of electricity and steam to the parent company.

The holding company of the Group is Lotte Chemical Corporation (formerly KP Chemical Corporation) - South Korea. KP Chemical Corporation and HONAM Petrochemical Corporation merged effective 27 December 2012 and the identity of the merged entity was changed to LOTTE CHEMICAL CORPORATION. Subsequent to change in the majority shareholder's identity, the name of the Group was changed to Lotte Chemical Pakistan Limited after seeking relevant approvals. The ultimate parent company is South Korean conglomerate Lotte.

### 2. Basis of Consolidation

The consolidated financial statements include the financial statements of Lotte Chemical Pakistan Limited and Lotte Powergen (Private) Limited. The financial statements of the subsidiary company have been consolidated on line by line basis.

All intercompany balances and transactions have been eliminated.

This condensed interim consolidated financial information of the Group for the three months ended 31 March 2013 has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim consolidated financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements of the parent company as at and for the year ended 31 December 2012.

### 3. Significant accounting policies

The accounting policies and methods of computation used in the preparation of this condensed interim consolidated financial information are the same as those applied in preparation of the financial statements of the parent company for the preceding year ended 31 December 2012.

### 4. Accounting estimates, judgments and financial risk management

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

Judgments and estimates made by the management in the preparation of this condensed interim consolidated financial information are the same as those that were applied to the financial statements of the parent company as at and for the year ended 31 December 2012.

- 4.2 The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2012.



**notes to the condensed interim consolidated financial information (un-audited)**

for the first quarter ended 31 march 2013

**5. Fixed assets**

5.1 The following fixed assets have been added / disposed of during the quarter ended 31 March:

	Amounts in Rs '000			
	2013		2012	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
<b>Operating assets / property, plant and equipment</b>				
Buildings on leasehold land	-	-	-	-
Plant and machinery	290	-	13,579	-
Furniture and equipment	1,044	-	42,156	209
Motor vehicles	432	-	-	-
<b>Capital work-in-progress</b>	69,555	-	829,413	-
<b>Intangible assets</b>	-	-	27	-

**6. Tax refunds due from government - sales tax**

This includes Rs 277.8 million (31 December 2012: Rs 259.0 million) on account of input tax arising from sales tax charged to the Group under the Sindh Sales Tax Act, 2011 which is administered by the Sindh Revenue Board with effect from 01 July 2011. This is being deferred due to procedural issues between Federal and Provincial Tax collecting agencies, resulting in lack of verification by the refund issuing authority i.e. the Federal Board of Revenue. The Group has approached Federal Tax Ombudsman for resolution of the matter.

	31 March 2013	31 December 2012
<b>7. Cash and bank balances</b>		
Short-term fixed deposits	720,260	826,800
With banks in current accounts	14,315	44,444
Cash in hand	7,600	8,746
	<b>742,175</b>	<b>879,990</b>

**8. Contingencies and commitments**

8.1 Outstanding guarantees and letters of credit issued on behalf of the Group as at 31 March 2013 were Rs 1.46 billion (2012: Rs 1.41 billion) and Rs 298 million (2012: Rs 342 million), respectively.

8.2 Commitments in respect of capital expenditure as at 31 March 2013 amount to Rs 183.8 million (31 December 2012: Rs 286 million).

8.3 Commitments for rentals under operating lease agreements / Ijarah contracts in respect of vehicles are as follows:

Year	31 March 2013	31 December 2012
2013	15,145	17,806
2014	17,301	14,434
2015	13,413	10,172
2016	7,088	3,850
2017	709	-
	<b>53,656</b>	<b>46,262</b>

**notes to the condensed interim consolidated financial information (un-audited)**

for the first quarter ended 31 march 2013

Amounts in Rs '000

**8.4** Commitments for rentals under operating lease agreements for certain supplies in respect of goods and services are as follows:

Year	31 March 2013	31 December 2012
2013	402,390	604,199
2014	547,250	561,436
2015	558,196	572,665
2016	569,359	584,118
2017	532,351	595,800
	<u>2,609,546</u>	<u>2,918,218</u>

	Quarter ended 31 March	
	2013	2012

**9. Revenue**

**Manufactured goods**

Local sales	13,483,823	12,497,942
Export sales	-	1,083,751
	<u>13,483,823</u>	<u>13,581,693</u>
Less: Sales tax and excise duty	(130,453)	-
Price settlements and discounts	(571,998)	(253,562)
	<u>12,781,372</u>	<u>13,328,131</u>

**Trading goods**

Local sales	256,346	78,472
Less: Sales tax and excise duty	(2,668)	(1,958)
Price settlements and discounts	(3,198)	-
	<u>250,480</u>	<u>76,514</u>
	<u>13,031,852</u>	<u>13,404,645</u>

**10. Cost of sales**

**Manufactured goods**

Opening stock of raw and packing materials	2,802,171	3,334,047
Purchases	12,980,331	11,012,372
Closing stock of raw and packing materials	(4,896,874)	(2,495,923)
Raw and packing materials consumed	<u>10,885,628</u>	<u>11,850,496</u>
Manufacturing costs	1,265,781	1,112,571
Cost of goods manufactured	<u>12,151,409</u>	<u>12,963,067</u>
Opening stock of finished goods	1,499,015	1,332,340
	<u>13,650,424</u>	<u>14,295,407</u>
Closing stock of finished goods	(701,880)	(1,224,178)
	<u>12,948,544</u>	<u>13,071,229</u>

**Trading goods**

Opening stock	139,691	2,617
Purchases	100,764	104,372
Closing stock	(2,248)	(43,864)
	<u>238,207</u>	<u>63,125</u>
	<u>13,186,751</u>	<u>13,134,354</u>

**notes to the condensed interim consolidated financial information (un-audited)**

for the first quarter ended 31 march 2013

Amounts in Rs '000

	<b>Quarter ended 31 March</b>	
	<b>2013</b>	2012
<b>11. Other operating expenses</b>		
Donations	<b>306</b>	469
Loss on retirement of property, plant and equipment	-	209
Workers' profit participation fund	<b>8,468</b>	13,028
Workers' welfare fund	<b>3,365</b>	9,733
Others	<b>73</b>	634
	<b>12,212</b>	24,073
<b>12. Other operating income</b>		
Scrap sales	<b>7,241</b>	8,111
Finance lease liability no longer payable	<b>42,659</b>	-
Others	<b>642</b>	644
	<b>50,542</b>	8,755
<b>13. Finance income</b>		
Interest on bank deposits	<b>18,725</b>	103,837
Exchange gain - net	-	25,736
	<b>18,725</b>	129,573
<b>14. Taxation</b>		

The tax charge for the quarter ended 31 March 2013 is based on the minimum turnover tax as reduced by the movement in the deferred tax account.

**notes to the condensed interim consolidated financial information (un-audited)**

for the first quarter ended 31 march 2013

Amounts in Rs '000

	<b>Quarter ended 31 March</b>	
	<b>2013</b>	2012
<b>15. Cash generated from operations</b>		
(Loss) / profit before taxation	<b>(228,588)</b>	237,804
<b>Adjustments for non cash charges and other items:</b>		
Depreciation and amortisation	<b>408,873</b>	339,394
Loss on retirement of property, plant and equipment	-	209
Provision for staff retirement benefit scheme - unfunded	<b>1,590</b>	1,717
Finance costs	<b>34,170</b>	25,236
Unrealised exchange (gain) / loss on current portion of liability against assets subject to finance lease and current maturity of long-term loan	<b>(42,659)</b>	23,797
Interest accrued on bank deposits	<b>(18,725)</b>	(103,837)
Provision for infrastructure cess	<b>53,940</b>	50,842
	<b>437,189</b>	337,358
	<b>208,601</b>	575,162
<b>Effect on cashflows due to working capital changes</b>		
(Increase) / decrease in current assets:		
Stores and spares	<b>29,643</b>	28,771
Stock-in-trade	<b>(1,393,677)</b>	905,039
Trade debts	<b>843,645</b>	(696,339)
Loans and advances	<b>5,406</b>	15,781
Deposits and short-term prepayments	<b>(74,562)</b>	39,426
Other receivables and refunds from government	<b>(146,565)</b>	40,961
	<b>(736,110)</b>	333,639
Increase in trade and other payables	<b>706,931</b>	347,131
Cash generated from operations	<b>179,422</b>	1,255,932

**notes to the condensed interim consolidated financial information (un-audited)**

for the first quarter ended 31 march 2013

Amounts in Rs '000

**16. Transactions with related parties**

The group has related party relationships with group companies, directors of the companies, companies where directors also hold directorships, key management personnel and staff retirement benefit funds. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in this condensed interim consolidated financial information are as follows:

Relationship	Nature of transaction	Quarter ended 31 March	
		2013	2012
<b>Key management personnel</b>	Salaries and other short-term benefits	<u>18,552</u>	<u>19,577</u>
	Post employment benefits	<u>2,894</u>	<u>3,386</u>
<b>Staff retirement benefit funds</b>	Payment to staff retirement benefit funds	<u>12,807</u>	<u>13,754</u>

**17. General**

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

**18. Date of authorisation**

This condensed interim consolidated financial information was authorised for issue in the Board of Directors meeting held on 25 April 2013.

  
Changyou Kim  
Chairman

  
M Asif Saad  
Chief Executive





# LOTTE CHEMICAL PAKISTAN LTD (Formerly Lotte Pakistan PTA Limited)

## Registered Office

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

P.O. Box 723, Karachi 74200

UAN: +92 (0) 21 111-782-111

FAX: +92 (0) 21 3472-6004

URL: [www.lotte-ppta.com](http://www.lotte-ppta.com)

## City Office

Al-Tijarah Centre, 8th Floor, 32/1-A, Main Shahrah-e-Faisal,  
Block 6, P.E.C.H.S, Karachi-75400, Pakistan

UAN: +92(0)21 111 568 782 PABX: +92(0)21 34169101-4