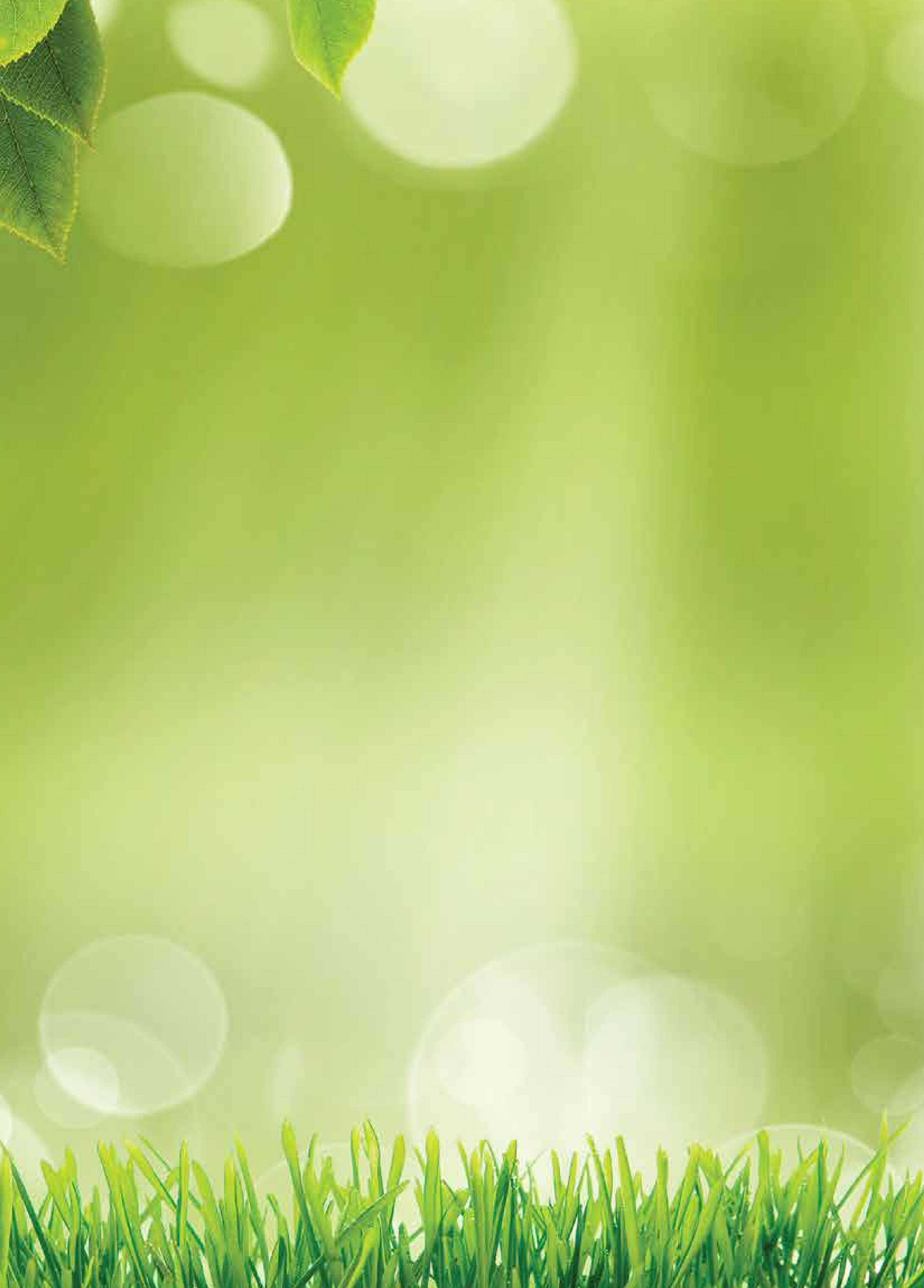
annual report 2014

LOTTE CHEMICAL PAKISTAN LTD



2014
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vision, mission

The Spirit To Make A Difference Through Value, Quality And Excellence

At Lotte Chemical Pakistan 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 Health, Safety and Environment that add value to our quality product and make a difference in letter and in spirit.

key strategic objectives

- Continue to hold and maintain a high standard of HSE performance.
- Develop and retain talent and improve employee engagement.
- Deliver business improvement plan targets.
- Achieve more than 95% PTA plant and Cogeneration plant availability.
- Maximize domestic sales and market share.
- Optimize raw material procurement.
- Continue dialogue with policy makers in the overall interest of the domestic industries for an adequate PTA import tariff.

management principles & core values

Our management principles and core values comprise a management philosophy which serves as the values, attitudes and methodology all employees must pursue, exerting a much stronger influence than any written code.

Our Management Principles

These serve as a business guideline for developing LOTTE Group into a truly global business and reflect principles centered on people and strategy. These management principles present LOTTE's signature essence of success and are also our focal point in answering what, why and how questions.

Strengthening Core Competencies	Become the market leader through intensive investment in the core business and brand
On-site Management	Run with the faith that business breakthroughs always exist in the field
Developing Talent	Prepare for the Group's future by securing and cultivating excellent human resources
Enhancing Brand Value	Upgrade brand value on the basis of customer's long-standing trust

Our Core Values

Our core values address the questions *“How should we think?”*, *“What attitude should we adopt?”*, *“How should we approach and solve problems?”*, and *“What results should we deliver?”*.

customer focus

The ultimate aim that LOTTE professionals should always pursue.

Earning the long-term trust of customers by understanding their needs from their perspective and providing unique, enjoyable products and services.

originality

The way we provide stronger competitive power for the future.

Examining ourselves to ensure we are not trapped by conventional ideas and constantly pursuing innovation to identify new business opportunities and build an organisation that values diversity.

partnership

The way we create our future together.

Working from a long-term, profit-oriented perspective to form strong relationships with interested parties, creating a greater synergy.

responsibility

The way we complete our efforts.

Taking ownership of our work, completing tasks through honest means and achieving best results.

passion

The starting point of action for working hard and without fear.

With the conviction that nothing is impossible, LOTTE has taken the position of global leader and top industry specialist by striving to achieve higher goals.

code of conduct

From the inception of the Company, it has been and continues to be a policy that the Company and all its employees maintain the highest ethical standards in the conduct of the Company's business. Our Code of Conduct constitutes a set of standards and rules which form an integral part of our corporate culture and is a statement of ***who we are and how we work***. They highlight ***business principles***, the ***Company's responsibilities*** towards its employees, and ***employee responsibilities*** towards your Company. All standards ensure both management and staff work in cohesion towards the smooth functioning of the organization.

Business Principles

These define our ***management principles***, ***core values*** and other specific policy areas which help in creating long-term value with all stakeholders. Specific policy areas includes supporting the ***principles of free enterprise***, ***ethics***, ***integrity and fairness*** in all aspects of operations, supporting ***community activities*** as a socially responsible corporate citizen, ***communications*** in an open, factual and timely manner, ***compliance*** with the laws in which we operate and ***protecting the environment*** with the commitment to contribute to sustainable development.

It is the responsibility of the Board through the Chief Executive to ensure that the business principles are communicated to all employees and to oversee implementation thereof.

Company Responsibilities

These define specific policy areas which includes adopting a spirit of ***open communication***, providing ***equal opportunities*** and a ***healthy***, ***safe and secure environment***, ensuring ***employee rights*** are exercised such as freedom to join unions and associations, protecting ***employees' personal data*** and engaging in an ***active performance*** management system.

Employee Responsibilities

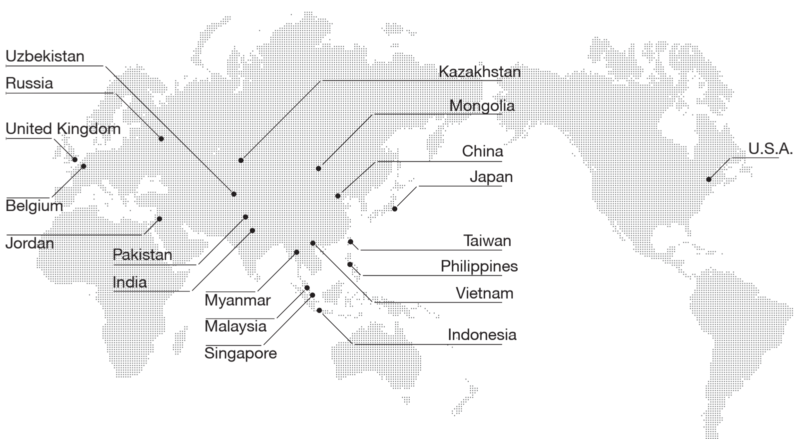
The Code provides guidance to employees on their responsibilities towards ***media relations and disclosures***, ***inside information***, protecting ***intellectual property***, ***information technology*** code of conduct, compliance with ***business travel policies*** and various other policy areas which ensure highest ethical standards in the conduct of the Company's business.

about LOTTE

LOTTE contributes to enriching life by providing products and services that are loved and trusted. Since LOTTE officially entered the food industry by founding LOTTE Confectionery in 1967, it has become a leader in the Korean tourism and retail industries by establishing some of Korea's top hotels and department stores. LOTTE has since extended its reach into such key industries as petrochemicals and construction. LOTTE is positioning itself as one of Korea's key conglomerates based on a wealth of diverse experiences and know-how. Furthermore, it is now growing as a global conglomerate trusted by customers all over the world, making constant efforts focused on the vision of becoming one of Asia's TOP 10 Global Groups by 2018. LOTTE will continue to make customers' lives richer with its strict quality control and differentiated services.

Mission

We enrich people's lives by providing superior products and services that our customers love and trust.



Vision 2018

Asia TOP 10 Global Group

The LOTTE Group, with a turnover in excess of $75 billion in 2014, is engaged in over 20 businesses in 19 countries worldwide.

- China — confectionery/beverages/department store/hypermarket/supermarket/petrochemicals/construction/hotel/fast food/TV shopping/cinema/IT/capital/others
- Russia — hotel/department store/confectionery/trade/others
- Vietnam — hypermarket/hotel/fast food/confectionery/others
- India — confectionery
- Indonesia — department store/hypermarket/fast food/petrochemicals/duty free shop/IT/others
- Malaysia — confectionery/petrochemicals
- Pakistan — confectionery/petrochemicals
- U.K. — petrochemicals
- Philippines — confectionery/beverages
- Belgium — confectionery
- Japan — fast food/beverage
- Jordan — construction
- Mongolia — construction
- Myanmar — fast food
- Uzbekistan — petrochemicals
- Kazakhstan — confectionery
- Singapore — confectionery/duty free shop
- Taiwan — confectionery
- U.S.A. — hotel/petrochemicals/beverages/trade

about LOTTE chemical corporation

Since its foundation in 1976, LOTTE Chemical Corporation, as a general petrochemical company, has localized cutting-edge petrochemical technologies and has led Korea's heavy and chemical industry technology development. With vision of growing into a Top-tier Asian Chemical Company, LOTTE Chemical Corporation is endeavouring to become a company that ensures stable growth and contribute to human strategy.

Production Capacity for Major Products including Overseas Subsidiaries

With the production of the following chemical products, LOTTE Chemical Corporation has established a strong foundation overseas in the petrochemical industry.

(unit: thousand tons a year)

ETHYLENE	PE	PTA	PP	BTX	EG	PET	SM	BD	MMA
2,830	2,115	2,050	1,590	1,052	1,040	670	500	400	230

Usage of Major Products

PE	Household item, toy, wire clothing, vessel for chemicals, car's fuel tank	PP	Auto material, home appliances, disposable syringe, transparent vessel, hygienic non-woven fabric, film for packing	PET	Container for beverage, container for cosmetics	PC	Optic disc (CD, DVD), sunglasses, lens, car lamp, home appliances
Performance material	Auto interior material, bumper, electronic part, building material	EG	Polyester fibre, antifreeze	GE	Cleansing agent, machine lubricating oil, break oil, antifreeze	EOA	Detergent, shampoo, concrete compound
PIA	PET resin, special paint, unsaturated resin	PTA	Polyester fibre, PET film, paint	MMA	Adhesive for medical use, acryl film, artificial marvel	BD	ABS, raw material for synthetic rubber (SBR, BR)
SM	PS, ABS, raw material for synthetic rubber	BZ	Agricultural chemicals, photo chemicals, explosives, insect repellent, SM raw material	TL	Medical supplies, paint, ink material, dye, aromatics, gunpowder	XL	Organic pigment, paint, aromatics, agricultural chemicals, general solvent

stakeholders information

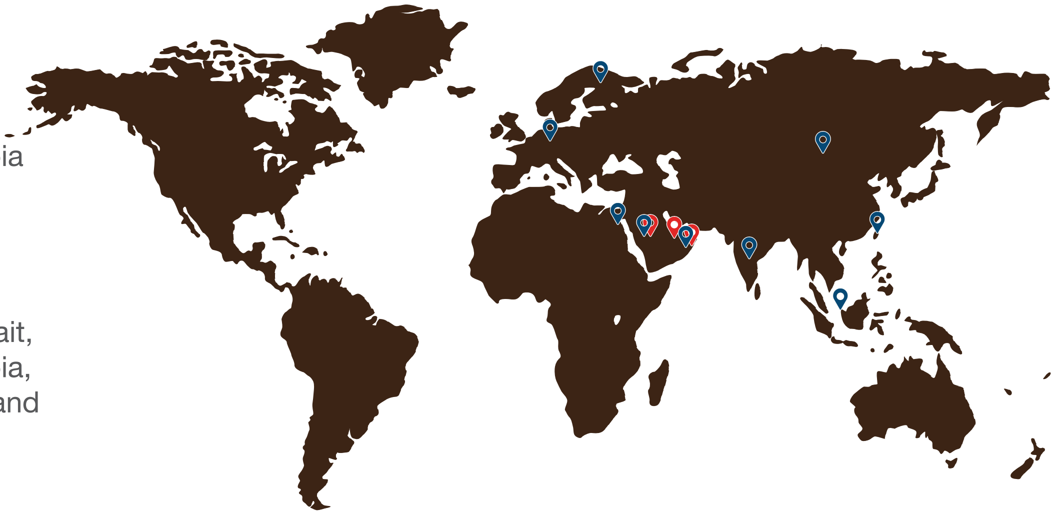
about us

Lotte Chemical Pakistan Limited is the only world-class manufacturer and supplier of Purified Terephthalic Acid (PTA) in Pakistan. The Company has the capacity to produce 500,000 tonnes of PTA per year through its state-of-the-art plant at Port Qasim, Karachi.

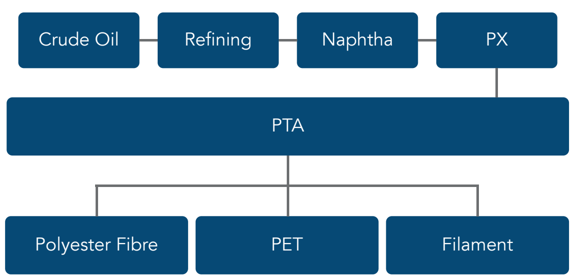
Purified Terephthalic Acid (PTA)

Export Countries
Oman, Saudi Arabia and UAE

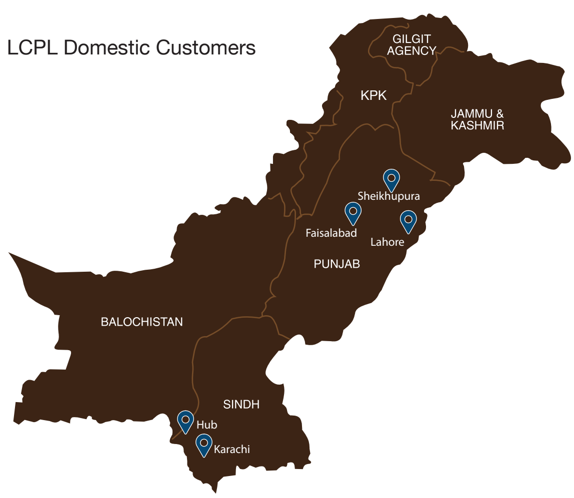
Import Countries
India, Finland, Netherlands, Kuwait, Oman, Saudi Arabia, Malaysia, Taiwan and China



PTA Chain



LCPL Domestic Customers



Karachi
Hub
Faisalabad
Lahore
Sheikhupura

company information
as at 11 February 2015

Board of Directors

Hun Ki Lee	Chairman
Jung Neon Kim	Chief Executive
Soo Chan Ko	Non-executive
Nak Sun Seong	Non-executive
Sang Hyeon Lee	Executive
Mohammad Qasim Khan	Independent
Pervaiz Akhtar	Independent
Istaqbal Mehdi	Non-executive

Audit Committee

Pervaiz Akhtar	Chairman
Hun Ki Lee	Member
Istaqbal Mehdi	Member
Ashiq Ali	Secretary & Head of Internal Audit

HR & Remuneration Committee

Hun Ki Lee	Chairman
Sang Hyeon Lee	Member
Nak Sun Seong	Member

Shares Sub Committee

Sang Hyeon Lee	Chairman
Mohammad Qasim Khan	Member
Hun Ki Lee	Member

Chief Financial Officer and Company Secretary
Adnan Samdani

Executive Management Team
Jung Neon Kim
Chief Executive

Adnan Samdani
Director Finance & Company Secretary

Mohammad Wasim
Director Manufacturing

Humair Ijaz
Director Commercial

Waheed U Khan
Corporate Human Resource Manager

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

Internal Auditors
KPMG Taseer Hadi & Co.,
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

Share Registrar
Famco Associates (Pvt) Limited
8-F, Next to Hotel Faran, Nursery,
Block 6, P.E.C.H.S., Shahrah-e-Faisal,
Karachi.

chief executive's message to the stakeholders

The year 2014 was a challenging one for PTA industry worldwide. During the last three years (2012-2014) approximately 23 million tonnes of PTA capacity has been added in Asia resulting in PTA oversupply, decline in PTA operating rates and a significant drop in PTA margins. The PTA margins dropped to their historic low levels in 2014. Domestically the downstream polyester industry also underperformed in 2014 due to the acute energy crisis and its inability to compete with imported PSF from China.

In these challenging times, the Company's management maintained its focus on key controllables and is proud to report that the Company continues to maintain an excellent safety record of 46 million man-hours without Lost Time Case (LTC), fulfilled all its contractual commitments with customers by running the PTA plant at more than 90% availability, controlled fixed costs and maintained acceptable cash levels despite significant erosion in margins.

During the year, the Board approved the merger of Lotte Powergen (Pvt) Limited with the Company and I am happy to inform that the merger was sanctioned by the Honourable Sindh High Court. This would ensure continued availability and reliable supply of electricity and steam in the manufacturing of PTA which in turn will minimize the risk of electric supply fluctuation and outages to the PTA plant and result in better operating efficiencies.

Also during the year based on recommendation of National Tariff Commission, the PTA import tariff was enhanced from 3% to 4% however, the full impact of this enhancement could not be realized due to the increase in other costs. We continue with our efforts with various policy makers in the overall interest of the domestic industries and hope that the Government of Pakistan is able to give this matter, of further PTA enhancement, its attention going forward. We believe it is essential for Pakistan to have domestic production of PTA to support its textile industry that is already the biggest exporter and needs to develop further with value added products.

As we move into 2015, we remain optimistic about our business. We will strive to deliver better financial performance, gain a stronger market presence and continue to focus on maintaining quality, reducing costs, identifying further efficiencies gains and surpass output levels.

I take this opportunity to express my gratitude to all employees and their families, customers, suppliers, contractors, business partners and stakeholders for their support and trust they have shown in us throughout these difficult times.

Sincerely yours,

Jung Neon Kim

quarterly highlights
2014

quarter 1

- Energy conservation initiative undertaken resulting in 35% reduction in natural gas requirement for process heating.
- 100% compliance achieved in 2nd IMS Surveillance external audit.
- 12,000 hours preventive maintenance of gas turbine carried out.
- Board Meeting and AGM.

quarter 2

- 100% compliance achieved in external audit for the Sealed Radioactive Sources, conducted by Pakistan Nuclear Regulatory Authority (PNRA).
- Fresh Apprentice recruitment from all over Pakistan.
- Conducted CBA Election for the next term.
- Celebrated Earth Day & World Environment Day and planted trees in Port Qasim area.
- Company sponsored WWF International ECO Internship for the 4th successive year.
- Board Meeting and Extraordinary General Meeting held for election of directors.

quarter 3

- Completed 46 Million man-hours without LTC (Lost Time Case) for both employees & contractors staff.
- Won fourth position (Certificate of Merit) for 2013 Annual Report by the Joint Evaluation Committee of ICAP-ICMAP.
- Won 11th Annual Environment Excellence Award & Certificate from NFEH.
- Fresh trainee engineers and apprentices recruitment from all over Pakistan.
- Participated in Employers' Federation of Pakistan (EFP)'s Event of Apprenticeship Process.
- Board Meeting.
- Board approved the Scheme of Arrangement for amalgamation of Company with its subsidiary.
- PTA import tariff of 4% was implemented under the Budget.

quarter 4

- Cathodic protection system rehabilitation work completed at 54 km long raw water supply pipeline to ensure its long-term integrity.
- Successful conclusion of all sales and feedstock supply contracts for 2015.
- Extraordinary General Meeting of the shareholders held to approve the Scheme of Arrangement for amalgamation of Company with its subsidiary.
- Won 1st prize in Employer of the Year Award-2013 organized by Employers' Federation of Pakistan.
- Introduced Fitness Challenge initiative for the well-being of employees.
- Improved employee engagement by organizing various events and competitions throughout the year.
- A large number of employee volunteers participated in various CSR activities and completed 300 hours of community service.

swot analysis

strengths
- Sole PTA Producer.
- Competitive raw material sourcing.
- Ability to provide better service to customers opposite imports.
- Strong Maintenance and HSE Systems.

opportunities
- Trends in packing, directly affecting downstream demand.
- Strategic alliance with LOTTE global affiliates for further business development / diversification / expansion.

weaknesses
- Dependence on international raw material.
- Single product business.

threats
- Volatility in raw material & PTA prices exerting pressure on margins.
- PTA import tariff reduction.
- Increased competition from imports.

awards & accreditations

ISO 9001 – 2008 Certification

We are ISO 9001 – 2008 certified Company. Accreditation to this system has provided foundation to better customer satisfaction, staff motivation and continual improvement to our processes. There was no major Non-Conformity reported in our surveillance audit in 2014.

OSHAS 18001 - 2007 and ISO 14001 - 2004 Certifications

Our Company is OSHAS 18001 - 2007 and ISO 14001 - 2004 certified since 2012. We got this accreditation in the shortest time period as our pre-certification HSE systems were very detailed and comprehensive. This is demonstrated in our various surveillance audits that have never captured any major non–conformity. We continuously strive to improve our system based on internal and external audits.

Green Office Certification

Our City Office has been certified by WWF as a Green Office. This certification signifies that we meet and exceed conservation standards in terms of energy efficiency, resource conservation and environmental protection. The initiative results in cost savings and engages employees in the Company's sustainability goals. This certification is a testament to the fact that we are eager to go above and beyond environmental standards and do everything possible to protect and safeguard the interests of our people and the planet.

Employer of the Year Award 2013

For the second consecutive year, Employers' Federation of Pakistan honoured the Company with the prestigious awards for:

- Best Enterprise for Human Resource Development
- Best Enterprise for Workplace Safety
- Best Chief Executive Officer Award

These awards were presented in recognition of the Company's ingenious Human Resource processes and its implementation across the organization. With 57 other nominated companies in contention for the award, Company secured 1st position in all three categories.

National CSR Award

The Company has been nominated for National CSR Award, ceremony to be held in 2015, for its efforts in contributing towards corporate social responsibility.

In 2013, the Company had won the same award for engaging employees in corporate CSR activities.

11th Annual Environment Excellence Award 2014

Health, Safety & Environment (HSE) management forms an integral part of our core values and protecting the environment and preserving natural resources has always remained a top priority.

The Company in a ceremony organised by the National Forum for Environment & Health (NFEH) won the 11th Annual Environment Excellence Award 2014. Out of 120 participating companies, only 76 qualified for the award and it was a great achievement for the Company to be amongst the top 10 award-winning companies.

The Company also won the same award in 2013.

Best Corporate & Sustainability Report Award 2013

The Company for the first time was nominated for the 'Best Corporate Report' Award in the Chemical sector and secured fourth position, "Certificate of Merit", for its 2013 Annual Report by the Joint Evaluation Committee of ICAP - ICMAP.

The Annual Report is the Company's most important strategic communications document and this certificate is the symbol of pride and honour for the Company and corporate sector. It represents the Company's commitment and transparency in financial reporting for the benefit of all stakeholders of the Company. The evaluation committee's criterion was based on the transparent disclosure of information regarding financial statements, directors' report and corporate governance.

financial calendar

Year ended 31 December 2013	announced on 28 January 2014
First quarter ended 31 March 2014	announced on 25 April 2014
Second quarter ended 30 June 2014	announced on 27 August 2014
Third quarter ended 30 September 2014	announced on 28 October 2014
Year ended 31 December 2014	announced on 11 February 2015

16th Annual General Meeting held on	26 March 2014
EoGM for Election of Directors	20 June 2014
EoGM for Merger with Lotte Powergen (Pvt) Ltd	25 November 2014

Tentative dates of 2015 financial results to be announced on:

17th Annual General Meeting will be held on	24 April 2015
First quarter ended 31 March 2015	28 April 2015
Second quarter ending 30 June 2015	25 August 2015
Third quarter ending 30 September 2015	27 October 2015
Year ending 31 December 2015	January 2016

The Company reserves the right to change any of the above dates.

All annual / quarterly reports are regularly posted at the Company's website: www.lottechem.pk

Annual General Meeting

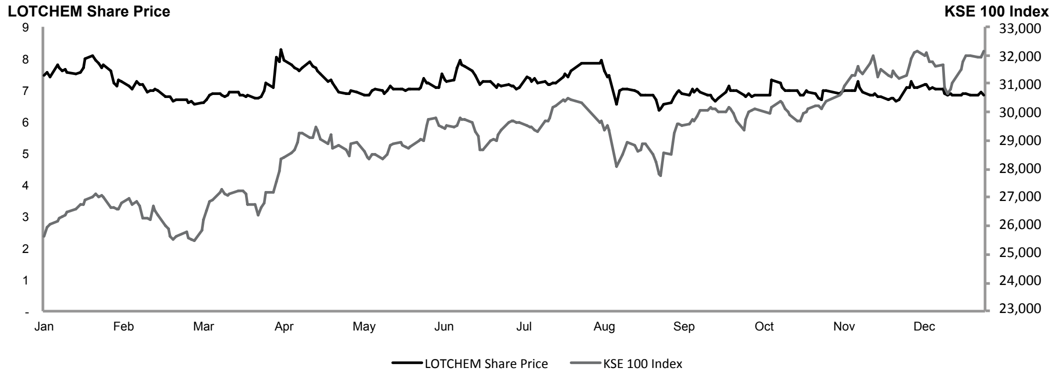
The 17th annual shareholders meeting will be held at 11:00 am on 24 April, 2015 at the Institute of Chartered Accountants of Pakistan (ICAP) Auditorium, Chartered Accountants Avenue, Clifton, Karachi.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the Company at least 48 hours before the meeting date.

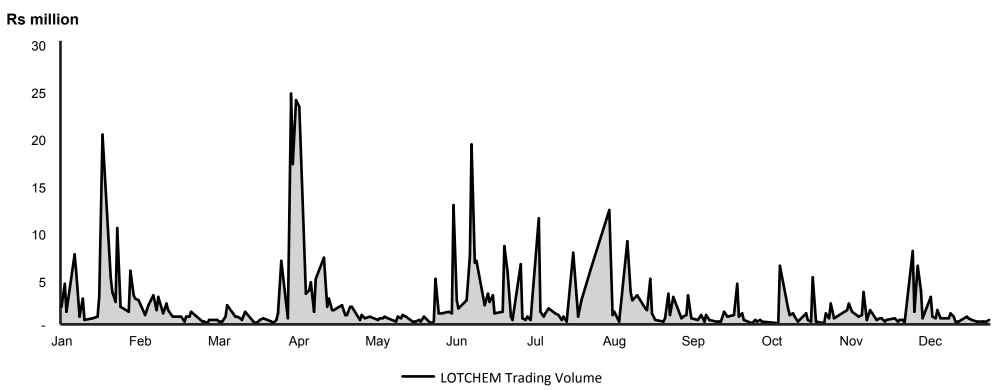
CDC shareholders or their proxies are requested to bring with them copies of their Computerized National Identity Card along with Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

share price analysis

On 31 December 2014 there were 17,024 members on the record of the Company's ordinary shares. Market capitalization of the Company's stock as at 31 December 2014 was recorded at Rs 10.39 billion (2013: Rs 11.11 billion) with the price per share fluctuating from a high of Rs 8.40 to a low of Rs 6.15 and closing the year at Rs 6.86.



Trading volumes for the Company's shares remained consistently high during the year and 558.3 million shares were traded at the Karachi Stock Exchange. The stock posted a loss of 6.5% during the year as against 27.2% gain of KSE 100 index.



Closely held shares (i.e. those held by the sponsors, investment companies, financial institutions, foreign investors and other corporate bodies) amounted to 84.35% of the total share capital including 75.01% held by the foreign shareholders.

Investor Relation Contact

Mr. Waseem Ahmed Siddiqui (Assistant Manager Shares)
Email: waseem.siddiqui@lottechem.pk
UAN: +92(0)21 111-568-782 Fax: +92(0)21 34169126

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

M/S Famco Associates (Pvt) Limited
8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S,
Shahrah-e-Faisal, Karachi

Pattern of Shareholding
As at 31 December 2014

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
2,878	1	100	97,812
4,295	101	500	1,226,878
2,490	501	1,000	2,062,056
4,036	1,001	5,000	10,958,924
1,239	5,001	10,000	10,127,688
436	10,001	15,000	5,729,059
325	15,001	20,000	6,026,275
205	20,001	25,000	4,856,276
165	25,001	30,000	4,724,941
81	30,001	35,000	2,731,977
96	35,001	40,000	3,694,020
48	40,001	45,000	2,076,543
138	45,001	50,000	6,852,270
31	50,001	55,000	1,649,584
30	55,001	60,000	1,767,746
22	60,001	65,000	1,400,964
28	65,001	70,000	1,924,947
27	70,001	75,000	2,003,461
24	75,001	80,000	1,887,211
9	80,001	85,000	755,218
11	85,001	90,000	972,507
11	90,001	95,000	1,028,237
77	95,001	100,000	7,688,775
13	100,001	105,000	1,334,644
7	105,001	110,000	762,894
7	110,001	115,000	800,636
13	115,001	120,000	1,542,998
6	120,001	125,000	749,000
5	125,001	130,000	645,000
7	130,001	135,000	930,074
7	135,001	140,000	964,800
6	140,001	145,000	858,000
15	145,001	150,000	2,243,121
3	150,001	155,000	458,000
5	155,001	160,000	793,075
8	160,001	165,000	1,311,100
4	165,001	170,000	673,661
6	170,001	175,000	1,045,446
3	175,001	180,000	537,393
3	180,001	185,000	553,000
5	185,001	190,000	949,172
1	190,001	195,000	195,000
27	195,001	200,000	5,393,000
4	200,001	205,000	809,902
8	205,001	210,000	1,669,450
1	210,001	215,000	215,000
4	215,001	220,000	869,500
2	220,001	225,000	450,000
1	225,001	230,000	227,000
1	230,001	235,000	231,000

Pattern of Shareholding
As at 31 December 2014

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
2	235,001	240,000	477,400
2	240,001	245,000	482,000
4	245,001	250,000	1,000,000
5	250,001	255,000	1,257,789
3	255,001	260,000	779,100
2	260,001	265,000	528,000
2	265,001	270,000	539,000
1	270,001	275,000	274,500
1	275,001	280,000	280,000
3	285,001	290,000	858,654
1	290,001	295,000	292,500
14	295,001	300,000	4,196,500
1	310,001	315,000	315,000
3	320,001	325,000	971,000
1	325,001	330,000	330,000
1	330,001	335,000	331,303
1	345,001	350,000	350,000
1	360,001	365,000	360,500
3	365,001	370,000	1,103,400
1	390,001	395,000	395,000
5	395,001	400,000	2,000,000
1	400,001	405,000	402,341
1	405,001	410,000	408,570
1	420,001	425,000	425,000
1	430,001	435,000	435,000
1	445,001	450,000	450,000
1	450,001	455,000	455,000
1	470,001	475,000	475,000
1	480,001	485,000	485,000
1	490,001	495,000	490,565
8	495,001	500,000	4,000,000
1	515,001	520,000	519,904
1	520,001	525,000	522,500
1	550,001	555,000	552,000
2	555,001	560,000	1,120,000
1	565,001	570,000	570,000
1	570,001	575,000	575,000
2	595,001	600,000	1,200,000
1	600,001	605,000	605,000
1	605,001	610,000	605,514
1	615,001	620,000	619,000
1	620,001	625,000	622,500
1	635,001	640,000	637,500
1	640,001	645,000	642,500
1	730,001	735,000	733,000
1	745,001	750,000	750,000
1	835,001	840,000	840,000
2	845,001	850,000	1,700,000
1	850,001	855,000	850,375
1	895,001	900,000	899,000

Pattern of Shareholding
As at 31 December 2014

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
1	905,001	910,000	906,891
4	995,001	1,000,000	3,999,116
1	1,010,001	1,015,000	1,014,000
1	1,055,001	1,060,000	1,058,203
2	1,095,001	1,100,000	2,200,000
1	1,100,001	1,105,000	1,104,500
1	1,120,001	1,125,000	1,120,500
1	1,170,001	1,175,000	1,171,500
1	1,205,001	1,210,000	1,206,602
1	1,220,001	1,225,000	1,225,000
1	1,295,001	1,300,000	1,300,000
1	1,375,001	1,380,000	1,380,000
1	1,395,001	1,400,000	1,400,000
1	1,445,001	1,450,000	1,450,000
1	1,490,001	1,495,000	1,491,500
1	1,495,001	1,500,000	1,500,000
1	1,505,001	1,510,000	1,509,500
1	1,540,001	1,545,000	1,543,000
1	1,550,001	1,555,000	1,550,100
1	1,565,001	1,570,000	1,568,729
1	1,695,001	1,700,000	1,700,000
1	1,700,001	1,705,000	1,704,778
1	1,760,001	1,765,000	1,765,000
1	1,795,001	1,800,000	1,800,000
1	1,810,001	1,815,000	1,814,893
1	1,895,001	1,900,000	1,900,000
2	1,995,001	2,000,000	4,000,000
1	2,100,001	2,105,000	2,102,200
1	2,245,001	2,250,000	2,250,000
1	2,270,001	2,275,000	2,274,000
1	2,415,001	2,420,000	2,420,000
2	2,495,001	2,500,000	5,000,000
1	2,500,001	2,505,000	2,505,000
1	2,555,001	2,560,000	2,557,685
1	2,755,001	2,760,000	2,756,200
1	3,060,001	3,065,000	3,061,157
1	3,740,001	3,745,000	3,741,100
1	3,905,001	3,910,000	3,908,500
1	5,680,001	5,685,000	5,684,901
1	5,955,001	5,960,000	5,959,026
1	6,295,001	6,300,000	6,299,572
1	8,940,001	8,945,000	8,945,000
1	18,185,001	18,190,000	18,185,500
1	19,140,001	19,145,000	19,140,800
1	19,995,001	20,000,000	20,000,000
1	29,995,001	30,000,000	30,000,000
1	38,005,001	38,010,000	38,005,500
1	1,135,860,001	1,135,865,000	1,135,860,105
17,024			**1,514,207,208**

Pattern of Shareholding
Information required under code of corporate goverance
As at 31 December 2014

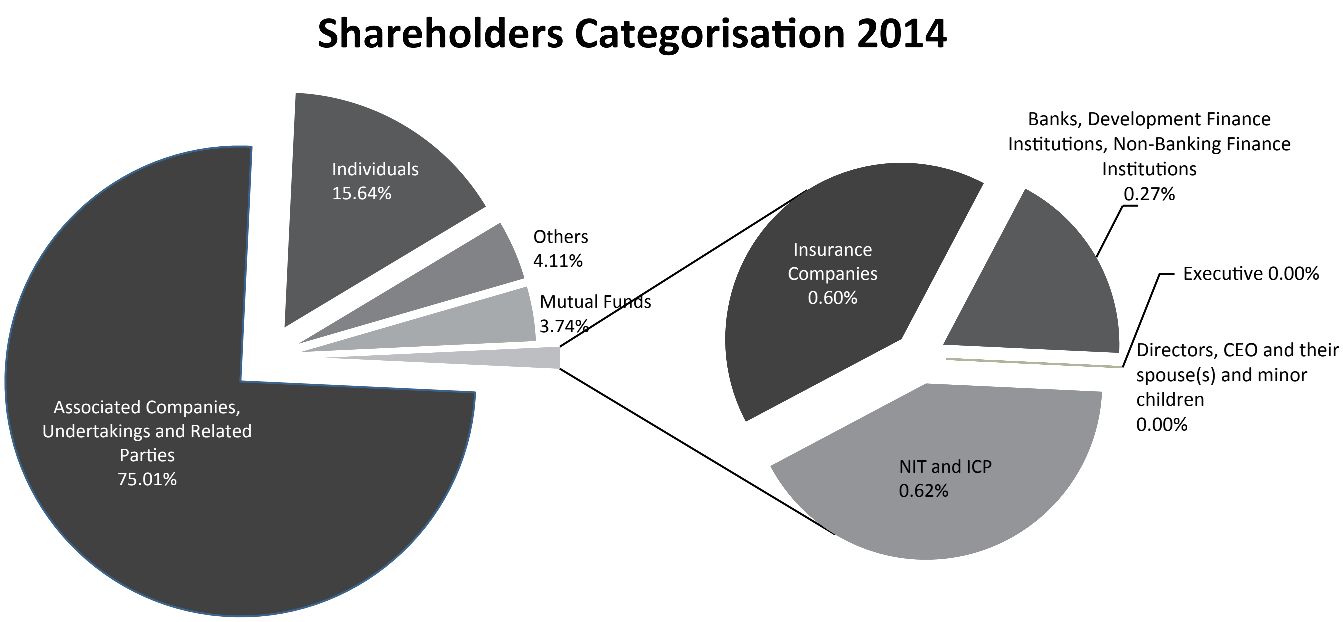
S.No.	Shareholders Category	No. of Shareholders	No. of Shares held
1	**Associated Companies, Undertakings and Related Parties**		
	LOTTE Chemical Corporation	1	1,135,860,105
2	**NIT and ICP**		
	CDC - Trustee National Investment (Unit) Trust	1	6,299,572
	CDC - Trustee NIT-Equity Market Opportunity Fund	1	3,061,157
3	**Mutual Funds**		
	CDC - Trustee Akd Index Tracker Fund	1	86,952
	CDC - Trustee First Capital Mutual Fund	1	50,000
	CDC - Trustee PICIC Growth Fund	1	38,005,500
	CDC - Trustee PICIC Investment Fund	1	18,185,500
	CDC - Trustee PICIC Islamic Stock Fund	1	350,000
	Confidence Mutual Fund Ltd	1	30
	Dominion Stock Fund Limited	1	750
	Golden Arrow Selected Stocks Fund	1	30
	Growth Mutual Fund Limited	1	75
	Safeway Mutual Fund Limited	1	1,050
	Security Stock Fund Limited	1	150
4	**Directors,CEO and their spouse(s) and minor children**		
	Mr Changgyou Kim	1	1
	Mr Hun Ki Lee	1	1
	Mr Hyun Chul Park	1	1
	Mr Istaqbal Mehdi	1	1
	Mr Jung Neon Kim	1	1
	Mr Mohammad Qasim Khan	1	1
	Mr Oh Hun Im	1	1
	Mr Pervaiz Akhtar	1	1
5	**Executives**	2	309
6	**Public Sector Companies and Corporations**	5	2,271,029
7	**Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds**	47	10,928,552
8	**Others**	169	62,281,213
9	**Individuals**	16,779	236,825,226
		17,024	**1,514,207,208**

Shareholders holding five percent or more voting rights

LOTTE Chemical Corporation	1	1,135,860,105

Categories of Shareholding As at 31 December 2014

S.No.	Shareholders Category	No. of Shareholders	No. of Shares	Percentage (%)
1	Associated Companies, Undertakings and Related Parties	1	1,135,860,105	75.01
2	NIT and ICP	2	9,360,729	0.62
3	Mutual Funds	11	56,680,037	3.74
4	Directors, CEO and their spouse(s) and minor children	8	8	0.00
5	Executives	2	309	0.00
6	Banks, Modarabas, Development Financial Institutions and Non-Banking Financial Institutions	39	4,064,872	0.27
7	Insurance Companies	13	9,134,709	0.60
8	Others	169	62,281,213	4.11
9	Individuals	16,779	236,825,226	15.64
	Total	**17,024**	**1,514,207,208**	**100.00**

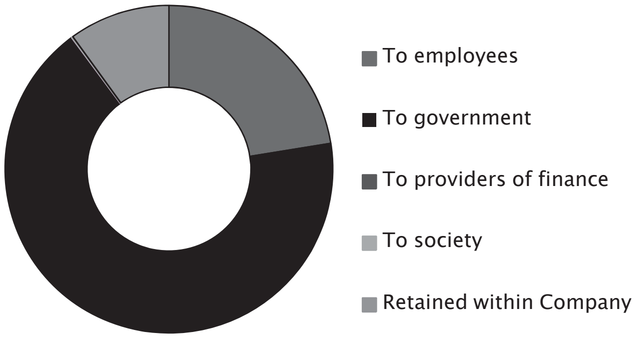


financial summary

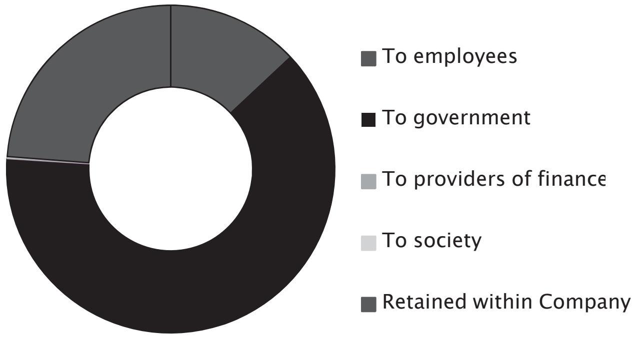
Statement of Value Added and Its Distribution

	2014 Rs ('000)	2014 %	2013 Rs ('000)	2013 %
Wealth generated				
Total revenue (including other income)	50,585,847		59,337,996	
Bought-in material and services	(47,679,030)		(55,115,425)	
	2,906,817	100.0%	**4,222,571**	100.0%
Wealth distribution				
To employees				
Salaries, wages and other benefits	653,552	22.5%	550,390	13.0%
To government				
Income tax, sales tax, excise duty,WWF and WPPF	1,958,761	67.4%	2,659,278	63.0%
To shareholders				
Dividend	-	0.0%	-	0.0%
To providers of finance				
Finance costs	38	0.0%	365	0.0%
To society as donations				
Donations towards education,health and environment	4,289	0.1%	8,072	0.2%
Retained within company				
Depreciation, amortisation and retained earnings	290,177	10.0%	1,004,466	23.8%
	2,906,817	100.0%	**4,222,571**	100.0%

Wealth distribution 2014



Wealth distribution 2013



Key Operational and Financial Data
Six Years at a Glance

BALANCE SHEET SUMMARY		2014	2013	2012	2011	2010	2009
Issued, subscribed & paid-up capital	Rs m	15,142	15,142	15,142	15,142	15,142	15,142
Capital reserves	Rs m	2	2	2	2	2	2
Accumulated loss	Rs m	(4,439)	(3,335)	(2,839)	(2,062)	(5,482)	(9,250)
Long term loans	Rs m	-	-	-	-	3,438	5,322
Current liabilities	Rs m	6,133	7,652	7,947	9,616	8,054	5,751
Fixed assets	Rs m	7,380	8,714	10,066	9,853	8,754	9,201
Current assets	Rs m	8,470	11,078	10,867	13,901	13,897	9,544
PROFIT AND LOSS ACCOUNT SUMMARY							
Revenue	Rs m	47,800	57,070	52,823	57,577	42,402	37,851
Cost of sales	Rs m	(49,769)	(56,921)	(52,614)	(50,915)	(35,372)	(31,954)
Gross profit / (loss)	Rs m	(1,969)	149	209	6,663	7,030	5,897
Profit / (loss) before taxation	Rs m	(2,364)	(300)	(58)	6,209	6,710	4,719
Profit / (loss) after taxation	Rs m	(1,100)	(498)	4	4,178	4,525	3,574
EBITDA	Rs m	(1,052)	1,286	1,592	7,758	8,185	6,680
CASH FLOW SUMMARY							
Net cash generated from operating activities	Rs m	(1,987)	2,339	946	2,209	5,631	7,051
Net cash used in investing activities	Rs m	(56)	(150)	(1,721)	(1,956)	(1,305)	(277)
Net cash from /(used in) financing activities	Rs m	(0)	(0)	(2,851)	(2,658)	(2,853)	(98)
Cash and cash equivalents at year end	Rs m	1,026	3,069	880	4,505	6,910	5,438
Key Ratios							
Gross profit ratio	%	(4.12)	0.26	0.40	11.57	16.58	15.58
EBITDA margin to sales	%	(2.20)	2.25	3.01	13.47	19.30	17.65
Net profit margin	%	(2.30)	(0.87)	0.01	7.26	10.67	9.44
ROE	%	(10.28)	(4.22)	0.03	31.93	46.83	60.63
ROCE	%	(10.28)	(4.22)	0.03	31.84	33.99	30.89
Inventory turnover	times	17.33	15.38	11.55	13.90	18.00	25.38
Inventory turnover in days	days	21.07	23.73	31.60	26.25	20.27	14.38
Debtors turnover	times	23.33	18.77	16.40	18.94	17.90	26.19
Average collection period	days	15.64	19.45	22.26	19.27	20.40	13.94
Creditors turnover	times	13.10	11.10	10.22	11.03	10.50	12.21
Payable turnover in days	days	27.87	32.87	35.72	33.09	34.76	29.89
Operating cycle	days	8.84	10.31	18.14	12.44	5.91	(1.57)
Total asset turnover	times	2.60	2.79	2.35	2.47	2.04	2.22
Fixed asset turnover	times	5.94	6.08	5.30	6.19	4.72	3.95
Current ratio	times	1.38	1.45	1.37	1.45	1.73	1.66
Quick ratio	times	0.75	0.95	0.72	0.89	1.33	1.37
Cash to current liabilities	times	0.17	0.40	0.11	0.47	0.86	0.95
Cash flow from operation to sales	times	(0.04)	0.04	0.02	0.04	0.13	0.19
Interest cover	times	(28.83)	(4.75)	0.24	38.37	31.48	16.36
Debt equity ratio	times	1.00	1.00	1.00	1.14	1.38	1.96
Price earnings ratio	times	(9.44)	(22.32)	3,101.85	3.36	4.58	3.32
EPS	Rs	(0.73)	(0.33)	0.00	2.76	2.99	2.36
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	Rs	7.07	7.80	8.13	8.64	6.38	3.89
Market value per share - 31 December	Rs	6.86	7.34	7.35	9.27	13.70	7.83
Market value per share – High	Rs	8.40	9.13	10.78	17.36	14.11	8.19
Market value per share – Low	Rs	6.15	6.20	6.70	8.31	6.75	1.59
Market capitalization	Rs m	10,387.5	11,114.3	11,129.4	14,036.7	20,744.6	11,856.2

Year 2013 and 2012 have been re-stated (note 3.1.2 to the Financial Statements)

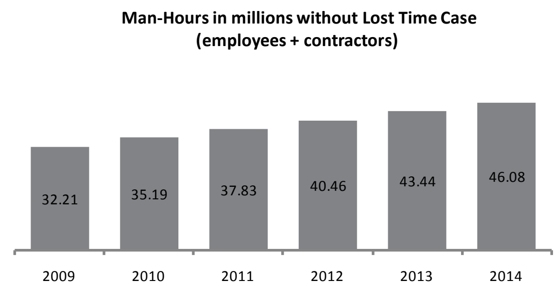
Vertical Analysis

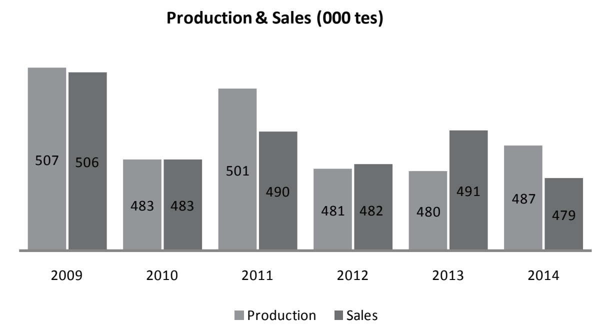
	2014	2013	2012	2011	2010	2009
	--	-------------------%-------------------				--
Balance Sheet						
Fixed assets	43.7	43.8	47.8	41.2	38.5	48.8
Other non-current assets	6.2	0.5	0.6	0.6	0.5	0.5
Current assets	50.1	55.7	51.6	58.2	61.1	50.7
TOTAL ASSETS	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Shareholders equity	63.4	59.4	58.4	54.7	42.5	31.3
Surplus on revaluation of fixed assets	-	-	-	-	-	-
Non-current liabilities	0.3	2.2	3.8	5.0	22.2	38.2
Current liabilities	36.3	38.5	37.7	40.2	35.4	30.5
TOTAL EQUITY AND LIABILITIES	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Profit and Loss Account						
Revenue	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(104.1)	(99.7)	(99.6)	(88.4)	(83.4)	(84.4)
Gross profit / (loss)	(4.1)	0.3	0.4	11.6	16.6	15.6
Distribution and selling expenses	(0.4)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)
Administration expenses	(0.8)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Other expenses	(0.0)	(0.2)	(0.1)	(0.9)	(1.4)	(1.4)
Other income	0.2	0.3	0.7	1.4	2.1	1.2
Finance income/(costs)	0.2	(0.1)	(0.3)	(0.4)	(0.5)	(2.0)
Profit / (loss) before taxation	(4.9)	(0.5)	(0.1)	10.8	15.8	12.5
Taxation	2.6	(0.3)	0.1	(3.5)	(5.2)	(3.0)
Profit / (loss) after taxation	**(2.3)**	**(0.9)**	**0.0**	**7.3**	**10.7**	**9.4**

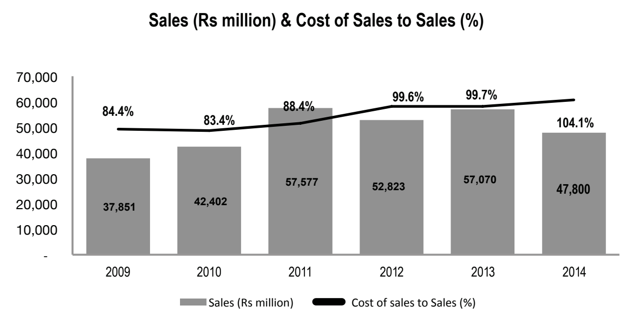
Horizontal Analysis

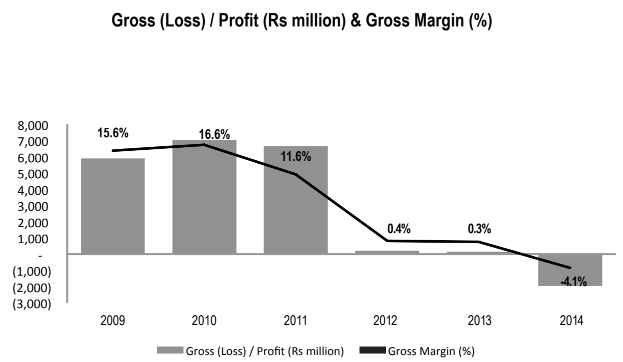
	2014 over 2013	2013 over 2012	2012 over 2011	2011 over 2010	2010 over 2009	2009 over 2008
			%			
Balance Sheet						
Fixed assets	(15.3)	(13.4)	2.2	12.5	(4.9)	(7.6)
Other non-current assets	891.5	(16.6)	(14.2)	35.2	12.1	12.3
Current assets	(23.5)	1.9	(21.8)	0.0	45.6	85.3
TOTAL ASSETS	**(15.1)**	**(5.5)**	**(11.9)**	**5.0**	**20.8**	**24.1**
Shareholders equity	(9.4)	(4.0)	(5.9)	35.4	63.9	161.0
Surplus on revaluation of fixed assets	-	-	-	-	-	(100.0)
Non-current liabilities	(87.5)	(46.1)	(32.9)	(76.2)	(29.9)	0.3
Current liabilities	(19.8)	(3.7)	(17.4)	19.4	40.1	1.5
TOTAL EQUITY AND LIABILITIES	**(15.1)**	**(5.5)**	**(11.9)**	**5.0**	**20.8**	**24.1**
Profit and Loss Account						
Revenue	(16.2)	8.0	(8.3)	35.8	12.0	14.9
Cost of sales	(12.6)	8.2	3.3	43.9	10.7	(0.4)
Gross profit / (loss)	(1,420.5)	(28.6)	(96.9)	(5.2)	19.2	579.1
Distribution and selling expenses	50.1	(9.1)	(33.0)	79.3	(9.3)	114.9
Administration expenses	19.8	9.3	(8.1)	23.2	24.4	7.3
Other expenses	(85.6)	101.8	(90.7)	(17.1)	11.5	1,230.1
Other income	(34.5)	(50.2)	(55.2)	(9.5)	95.2	197.5
Finance income/(costs)	(194.3)	(42.7)	(37.2)	1.4	(69.6)	(68.6)
Profit / (loss) before taxation	687.8	421.8	(100.9)	(7.5)	42.2	(381.1)
Taxation	(738.2)	(424.0)	(103.0)	(7.0)	90.7	(1,154.3)
Profit / (loss) after taxation	**121.0**	**(13,979.2)**	**(99.9)**	**(7.7)**	**26.6**	**(327.6)**

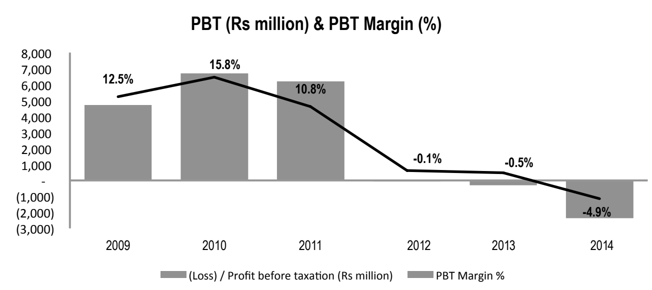
Key Operational and Financial Data Graphical Presentation

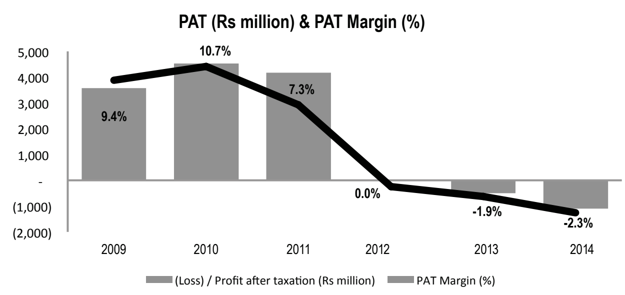




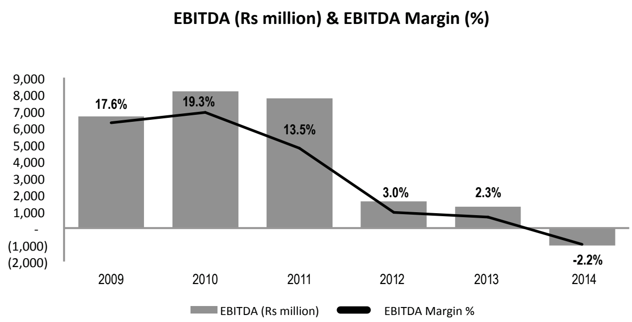


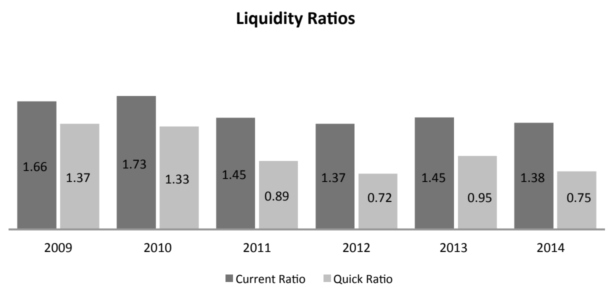


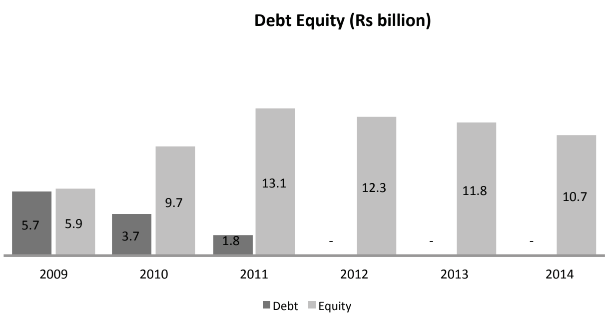


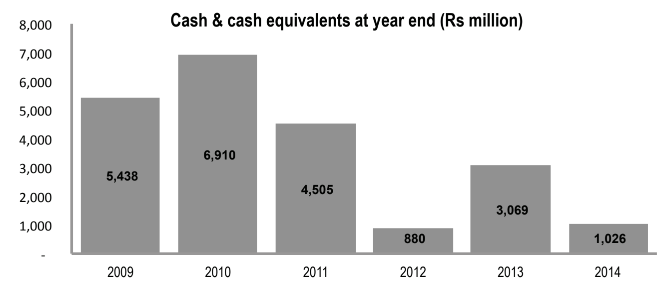


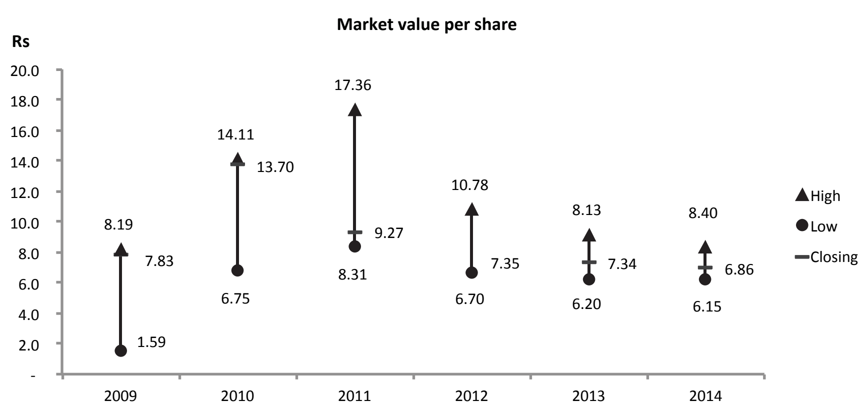
Key Operational and Financial Data Graphical Presentation











2014 Quarterly Analysis

Q1

Revenue = Rs 12,389 million
Gross Loss = (Rs 410 million)
Loss after tax = (Rs 284 million)
EBITDA = (Rs 141 million)

- PTA producers in the region continued to face a challenging business environment and in an effort to minimise losses, rationalized operating rates through massive production cuts.
- PX prices continued to remain under pressure due to reduced demand from the PTA industry.
- The weakening sentiment and the falling PX prices pushed the PTA price lower and as a result the PTA industry suffered due to inventory losses in a declining market.
- Domestic PSF and PFY operating rates were impacted by the energy shortfall in Punjab and increased imports of PSF from China.
- Production & Sales volume during the quarter remained higher than same period last year.
- Due to lower PTA margin over Px on account of lower PTA prices, the Company incurred a gross loss.

Q2

Revenue = Rs 12,415 million
Gross Loss = (Rs 64 million)
Loss after tax = (Rs 339 million)
EBITDA = Rs 51 million

- PTA producers in the region struggled with negative margins due to high PX costs and PTA oversupply and as a result rationalized operating rates.
- PX prices stabilized following curtailed PX operations and delay in start-up of new PX capacities.
- Domestic PSF industry struggled due to energy crisis with one PSF producer forced to shut down its facility due to technical reasons.
- Production & Sales volumes remained higher than same period last year.
- Cogeneration power plant operations impacted following High Court of Sindh order restraining the subsidiary from supplying power to the Company in reliance upon its generation licence and second tier supply authorization.
- Lower PTA over PX margin and higher conversion costs led to a higher gross loss as compared to same period last year.

Q3

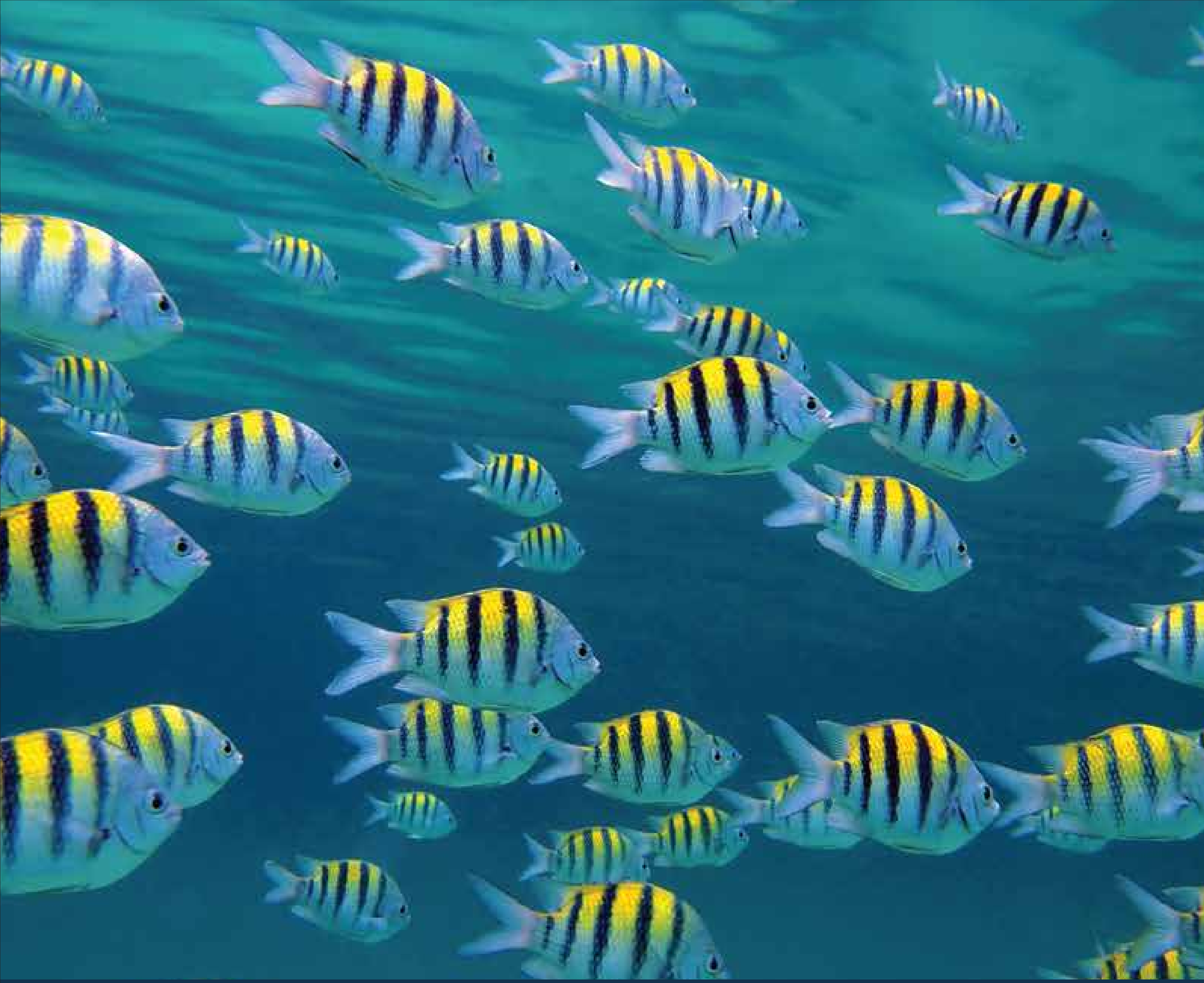
Revenue = Rs 12,874 million
Gross Loss = (Rs 146 million)
Loss after tax = (Rs 230 million)
EBITDA = Rs 84 million

- PX was oversupplied during the quarter due to start-up of new PX capacities and reduced operating rates by the PTA industry.
- The big PTA producers in China were successful in maintaining lower production rates however; this production discipline was disrupted at the end as output was increased by the cash strapped PTA industry, which again brought down margins.
- Regional textile markets continued to face a challenging environment which resulted in high inventories and price cutting measures.
- Domestic polyester market remained affected by the persistent energy shortfall and influx of cheap PSF imports from China. Also the bearish trend in cotton impacted polyester consumption.
- Production volume was lower than same period last year due to a planned outage for routine maintenance work. Sales volumes were also impacted due to market slowdown in the domestic PSF sector.
- PTA import tariff enhanced from 3% to 4%.

Q4

Revenue = Rs 10,121 million
Gross Loss = (Rs 1,349 million)
Loss after tax = (Rs 247 million)
EBITDA = (Rs 1,046 million)

- Oil prices fell drastically which had a widespread affect on most industries.
- PX prices came under heavy pressure due to the steep fall in the upstream crude and naphtha values.
- PTA prices also followed the trend and dropped below US$ 700 per tonne after a period of six years. The rapid decline in the PX prices resulted in huge inventory losses for the PTA manufacturers.
- The domestic polyester industry's operations were badly affected by the power crisis and the influx of Chinese PSF. Operating rates were lowered by major producers in order to keep inventories in check and to reduce losses.
- Sales volume was lower than same period last year due to the situation in the domestic market. Opportunities for export were also limited due to reduced margins and demand.
- Lower PTA margin over Px, higher conversion costs and huge inventory losses led to a significant gross loss during the quarter.



corporate governance

board of directors
as at 11 February 2015

Hun Ki Lee -
Chairman

Tenure
Appointed to the Board on 23 June 2014 for the term to expire on 22 June 2017.

Board and Committee Activities
Chairman
Chairman HR & Remuneration Committee
Member Audit Committee
Member Shares Sub Committee

Outside Interests
Head Corporate Planning division, LOTTE Chemical Corporation,
Director LOTTE Chemical Titan Holding Sdn. Bhd, Malaysia
Director LOTTE Chemical UK Limited
Director LOTTE Chemical Trading (Shanghai) Corporation

Career
Mr Lee is Head of Corporate Planning division at LOTTE Chemical Corporation, South Korea. Mr Lee holds a Bachelor's Degree in Chemical Engineering from Seoul University. He has previously served as Managing Director and Chief Executive Officer of LOTTE Chemical Titan Malaysia and Director of Overseas Business Development, LOTTE Chemical Corporation, South Korea. Other designations held at LOTTE Chemical Corporation, South Korea by Mr Lee includes Team Leader of Overseas Business Development, Manager Corporate Planning Team and Manager Business Development Team.

Jung Neon Kim -
Chief Executive

Tenure
Appointed to the Board on 23 June 2014 for the term to expire on 22 June 2017.

Outside Interests
None.

Career
Mr Kim has been with the Company since the acquisition by LOTTE Chemical Corporation, South Korea in 2009. He was appointed as Executive Director on the Board in 2009 and was re-elected in June 2011. In 2014, he was appointed Chief Executive of the Company. Mr Kim holds a Bachelor's Degree in Economics from Pusan National University in Korea and has also completed a short MBA programme at Seoul National University. Mr Kim has been working with LOTTE Chemical Corporation, South Korea since 1991. He stayed in the Singapore Branch from 1996 to 2000. He's been in the PET business since 2001 and in PTA sales for more than ten years with LOTTE Chemical Corporation, South Korea. He is a certified Director of Corporate Governance from Pakistan Institute of Corporate Governance (PICG).

Mohammad Qasim Khan -
Independent Director

Tenure
Appointed to the Board on 23 June 2014 for the term to expire on 22 June 2017.

Board and Committee Activities
Member Shares Sub Committee

Outside Interests
Director Pepsi-Cola Products Philippines, Inc.
Director Pepsi-Cola Korea Co. Limited,
Director Pepsi-Cola Far East Trade Development Co. Inc.

Career
Mr Khan is currently Business Unit President for PepsiCo International in Bangkok. He is responsible for PepsiCo's beverage and food businesses in Japan, Korea, Philippines and Pakistan. He has been with the company since 1986, serving diverse roles in Australia, New Zealand, Vietnam, Malaysia, Singapore, Thailand and the 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 in Marketing from the USA.

Mr Khan is the longest serving Board member of the Company. He was first appointed as Director in 2009 and was re-elected in 2011.

Sang Hyeon Lee -
Executive Director

Tenure
Appointed to the Board on 1 February 2015 to fill the casual vacancy created on 31 January 2015 for the term to expire on 22 June 2017.

Board and Committee Activities
Chairman Shares Sub Committee
Member HR & Remuneration Committee

Outside Interests
None.

Career
Mr Lee has been working with LOTTE Chemical Corporation, South Korea since 1992, spending his first twelve years in the Production Control Team in the Ulsan Plant, where he was in charge of Planning, Budgeting, Cost Accounting, and Decision Making Support. He graduated from Hanyang University, majoring in Business Administration in 1989. Mr Lee has replaced the outgoing executive Director, Mr Oh Hun Im.

Mr Lee has previously served as a non-executive Director on the Company's Board from April 2013 to June 2014.

Pervaiz Akhtar -
Independent Director

Tenure
Appointed to the Board 23 June 2014 for the term to expire on 22 June 2017.

Board and Committee Activities
Chairman Audit Committee

Outside Interests
Director METRO – Habib Cash & Carry Pakistan (Pvt) Ltd
Director German Pakistan Trade & Investment Ltd
Director Star Farm Pakistan (Pvt) Limited

Career
Mr Akhtar graduated in 1976 from University of Punjab with majors in Economics. He later attended an MBA programme at School of Business and Commerce Islamabad and secured distinction in Business Policy & Strategy and Human Resource Management. He completed his professional training with Klynveld Peat Marwick Goerdeler (KPMG) and passed Institute of Chartered Accountants of Pakistan (Inter) examination in 1981. In 1989, Mr Akhtar was awarded a USAID scholarship and he completed Petroleum Management Program at Arthur D. Little Inc Boston, U.S.A.

He is responsible for METRO's Corporate Affairs since 2007. Being part of the senior management team, he has contributed towards successfully establishing the METRO Cash & Carry's business in Pakistan.

Prior to joining METRO, he served as General Manager Corporate Affairs for a Dutch Multinational Company (SHV Energy) for over 9 years. Mr Akhtar has a versatile experience of more than 30 years of working with local and multinational companies in Pakistan. During this period, he served in senior management positions in the fields of Finance, Human Resources, Procurement and Corporate Affairs.

Soo Chan Ko -
Non-executive Director

Tenure
Appointed to the Board on 1 February 2015 to fill the casual vacancy created on 31 January 2015 for the term to expire on 22 June 2017.

Outside Interests
Managing Director Strategic Planning & Coordination, LOTTE Corporate Headquarters
Director LOTTE Glory Properties (Shenyang) Limited
Director LOTTE Engineering & Construction India Private Limited

Career
Mr Ko is the Managing Director of Strategic Planning & Coordination at LOTTE Corporate Head Office. Mr Ko holds a Bachelor's Degree in Food Technology from Kangwon National University, South Korea. He joined the LOTTE Group in 1987 and after spending 8 years with LOTTE Ham and Milk marketing section, he moved to LOTTE Engineering & Construction Asset Management section where he was involved in Overseas Development and Strategic Planning.

Istaqbal Mehdi -
Non-executive Director

Tenure
Appointed to the Board 23 June 2014 for the term to expire on 22 June 2017.

Board and Committee Activities
Member Audit Committee

Outside Interests
Chairman / Chief Executive of Al-Aman Holding (Private) Limited

Career
He has held several roles throughout his professional career. From 2009 onwards, he served as Chairman and Chief Executive of Al-Aman Holding (Pvt.) Ltd. Prior to that, he was a Managing Director at Pakistan Kuwait Investment Company (Private) Limited. Some of his other roles include: serving as President and Chief Executive Officer at Zarai Taraqiati Bank Limited, Chairman and Chief Executive Officer at Agriculture Development Bank of Pakistan and Managing Director at Investment Corporation of Pakistan. He began his career in 1967 as a Research Assistant at USAID Lahore. He holds a Master of Philosophy in Financial Economics from the University of Leeds, UK. He also holds Bachelor and Master of Arts degrees in Economics from Government College, Lahore. In 1982, Mr Mehdi completed a course in Public Enterprise Policy in Developing Countries from Harvard University.

Mr Mehdi has previously served as a Director on the Company's Board from January 2011 to April 2012 and was re-appointed in June 2013.

Nak Sun Seong -
Non-executive Director

Tenure
Appointed to the Board on 1 February 2015 to fill the casual vacancy created on 31 January 2015 for the term to expire on 22 June 2017.

Board and Committee Activities
Member HR & Remuneration Committee

Outside Interests
General Manager Global Management Team LOTTE Chemical Corporation
Director LOTTE Chemical UK Limited
Director LOTTE Chemical Jiaxing EP Corporation
Director LOTTE Chemical Hefei EP Corporation

Career
Mr Seong joined LOTTE Chemical Corporation in 1997 and has held various roles within the Group including Manager Corporate Planning and Senior Manager Audit LOTTE Corporate Head Office and Team Leader Global Management Team in LOTTE Chemical Corporation. He is currently working as General Manager Global Management Team at LOTTE Chemical Corporation, South Korea.

Mr Seong holds a Bachelor's Degree in Accounting from Pusan National University and an MBA from Yonsei University, South Korea.

board committees
with brief terms of reference

Audit Committee

Mr Istaqbal Mehdi, *Member* | Mr Pervaiz Akhtar, *Chairman* | Mr Hun Ki Lee, *Member*

Chairman's Introduction

The work of the Audit Committee in 2014 has been focused mainly on financial reporting and accounting judgments, reviews of key risks and Company's system of controls and risk management and regular reports which assist the Committee in maintaining assurance over the management of financial risk and in overseeing the performance of the internal and external auditor.

As Chair of the Audit Committee, I reported after each meeting to the Board on the main matters discussed in our meeting to ensure all directors were informed of the committee's work. I believe the mix of skills and experience amongst the Committee's members, together with the ability to discuss issues directly with management has led to an effective performance from the Committee over the year.

Pervaiz Akhtar
Chairman - Board Audit Committee

Role of the Committee

The Audit Committee, a sub committee of the Board, assists the Board in effectively discharging its responsibilities with regard to corporate governance, financial reporting and corporate control. The Board draws up the terms of reference of the Audit Committee, which comply with relevant legislations.

The Board acts in accordance with the Committee's recommendations on matters forming its responsibilities. The Audit Committee reviews the system of internal controls, risk management and the financial audit process, as well as assists the Board in reviewing financial statements and announcements to shareholders. In carrying out its duties, the Audit Committee has the authority to discuss any issues within its remit with management, internal auditors or external auditors. If it deems necessary, it may also obtain legal advice on it. The Committee controls and monitors the scope of the internal audit function, including powers and responsibilities encompassing its charter.

The Chairman of the Audit Committee is an Independent Non-executive Director, while its members include non-executive directors. The Head of Internal Audit acts as the Secretary of the Committee.

The Audit Committee meets at least four times annually. Its members meet at least once a year with external auditors, without the CFO and internal auditors. In addition, Committee members also meet internal auditors at least once a year, excluding the CFO.

Report of the Board Audit Committee

On adherence to the Code of Corporate Governance

The Board Audit Committee has concluded its annual review of the conduct and operations of the Company for the year ended 31 December 2014 and reports that:

- The Company has adhered in full without any material departure, with the mandatory and voluntary provisions of the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges of Pakistan, Code of Corporate Governance, Company's Code of Conduct and Values throughout the year.
- The Financial Statements, Directors' Report and other information in the Annual Report have been reviewed by the Chief Executive and the Chief Financial Officer. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.
- Appropriate accounting policies have been consistently applied. Applicable accounting standards were followed in preparation of the financial statements of the Company on a going concern basis, for the financial year ended 31 December 2014, which present fairly the state of affairs, results of operations, cash flows and changes in equity of the Company for the year under review.
- Accounting estimates are based on reasonable and prudent judgment. Estimates and judgments were continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Proper, accurate and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984.
- The Financial Statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984, and applicable International Accounting Standards and International Financial Reporting Standards notified by the SECP.
- The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the auditors of the Company.
- All direct and indirect trading and holdings of the Company's shares by Directors and Executives or their spouses were notified in writing to the Company Secretary along with the price, number of share, form of share certificates and nature of transaction. All such holdings have been disclosed.
- Closed periods during which the Directors, the Chief Executive and executives of the Company were precluded from dealing in Company shares prior to each Board meeting involving announcement of interim/ final results, distribution to shareholders or any other business decision, which could materially affect the share market price of Company, along with maintenance of confidentiality of all business information.

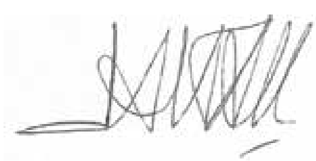
Internal Audit Function

- The internal control framework has been effectively implemented through outsourcing the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants, for the last 14 years. The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.
- The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholders wealth through financial, operational and compliance controls and risk management at all levels within the Company.
- The Company has also appointed a Head of Internal Audit in compliance with the Code of Corporate Governance. The Head of Internal Audit coordinates with the internal auditors Ernst & Young Ford Rhodes Sidat Hyder and reports directly to the Chairman of the Board Audit Committee.

- During the year four Board Audit Committee meetings were held.
- Coordination between the external and internal auditors was facilitated to ensure efficiency and contributions to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.
- The Board Audit Committee recommends outsourcing internal audit function to KPMG Taseer Hadi & Co., in place of Ernst & Young Ford Rhodes Sidat Hyder, for the financial year ending 31 December 2015 on term of remuneration to be negotiated by the Chief Executive.

External Auditors

- The statutory auditors of the Company, A. F. Ferguson & Co., Chartered Accountants, have completed their audit assignment of the "Company's Financial Statement and the "Statements of Compliance with the Code of Corporate Governance" for the financial year ended 31 December 2014 and shall retire on the conclusion of the 17th Annual General Meeting.
- The Board Audit Committee has reviewed and discussed audit observations and the Management Letter with the external auditors.
- The Audit firm has been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP.
- The Auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the Auditors has thereby been ensured. The Auditors attended the General Meeting of the Company during the year.
- The Statutory auditors of the Company, A.F. Ferguson & Co., Chartered Accountants have been Company's statutory auditors for the last five years and the Board Audit Committee recommends appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as the statutory auditors of the Company for the financial year ending 31 December 2015 on term of remuneration to be negotiated by the Chief Executive.



Pervaiz Akhtar
Chairman - Board Audit Committee

11 February 2015
Karachi

HR and Remuneration Committee

Mr Sang Hyeon Lee, *Member* | Mr Hun Ki Lee, *Chairman* | Mr Nak Sun Seong, *Member*

The HR and Remuneration Committee assists the Company's Board of Directors to administer and develop a fair and transparent procedure for establishing human resource management policies. The Committee is responsible for reviewing the remuneration and benefits of the Chief Executive, executive directors and senior managers. Consisting of two non-executives and one executive director, the Committee is also responsible for reviewing the remuneration budget.

The Corporate Human Resource Manager acts as the Secretary and the Committee meets at least once a year.

Shares Sub Committee

Mr Hun Ki Lee, *Member* | Mr Mohammad Qasim Khan, *Member* | Mr Sang Hyeon Lee, *Chairman*

The Shares Sub Committee consists of one executive and two non-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.

Board and Committee Attendance in 2014

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

Board	Eligible to Attend	Attended
Non-Executive Directors		
Mr Changgyou Kim	4	4
Mr Hun Ki Lee*	2	2
Ms Aliya Yusuf**	2	2
Mr Istaqbal Mehdi	4	3
Mr Pervaiz Akhtar*	2	2
Mr Mohammad Qasim Khan	4	3
Mr Hyun Chul Park*	2	1
Mr Sang Hyeon Lee**	2	2
Executive Directors		
Mr Jung Neon Kim	4	4
Mr M Asif Saad***	2	2
Mr Oh Hun Im	4	4

Audit Committee	Eligible to Attend	Attended
Non-Executive Directors		
Mr Hun Ki Lee*	2	2
Ms Aliya Yusuf**	2	2
Mr Istaqbal Mehdi	4	4
Mr Pervaiz Akhtar*	2	2
Executive Directors		
Mr Jung Neon Kim	2	2

HR & Remuneration Committee	Eligible to Attend	Attended
Non-Executive Directors		
Mr Changgyou Kim	1	1
Mr Sang Hyeon Lee**	1	1
Executive Directors		
Mr Jung Neon Kim	1	1

* Elected to the Board w.e.f. 23 June 2014
**Retired from the Board on completion of tenure w.e.f 22 June 2014
***Resigned w.e.f. 30 April 2014

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

executive management team

The Executive Management Team contains heads of various functions, operating under the Board and the Chief Executive, to ensure smooth operations and achieve strategic objectives.

The Team conducts its business under the chairmanship of the Chief Executive with four other senior managers. The Team is responsible for strategic business planning, decision-making, establishing adequacy of the Company's operational, administrative and control policies adopted by the Board and monitoring compliance thereof.

Jung Neon Kim

Current Position
Chief Executive

Career
Please refer to the profile of Board of Directors on page 34.

Mohammad Wasim

Current Position
Director Manufacturing

Career
Mohammad Wasim has over 28 years of experience out of which 18 years are spent with PTA Plant. He became Engineering Manager in 2006 and was promoted to General Manager Projects in 2009. Since then, due to his commitment, knowledge, experience and consistency in work performance, he was promoted to Director Manufacturing in 2013.

He did his Bachelor's in Mechanical Engineering from The Ohio State University in 1984 and did his Master of Science from the same University in 1986. In addition to that, he is equipped with a wide range of experience in Projects, Engineering and Operations of chemical plant. Prior to joining the Company, Mohammad Wasim had worked for Pakistan Refinery Limited and Engro Chemical Pakistan Limited.

Humair Ijaz

Current Position
Director Commercial

Career
Humair Ijaz has over 21 years of experience. He joined ICI in 1993 as Management Trainee and worked in various businesses including Paints, Soda Ash and Pharmaceuticals. He was transferred to the PTA Business in 1998 as Logistics Manager and was promoted as IT Manager in the same year. He made significant contribution in setting up the business processes and systems of the PTA Plant. In 2004, he was promoted as Supply Chain Manager and then Commercial Manger in 2008. Based on his continued commitment and experience, he was promoted as Director Commercial in 2013.

He did his Bachelor's in Electrical Engineering and MBA (Finance) from Virginia Tech, USA and possesses a wide range of experience in the areas of Supply Chain, Sales and Information Technology.

Adnan Samdani

Current Position
Director Finance & Company Secretary

Career
He joined the Company in 2002 in the Finance function and has held several key roles within the function before becoming Chief Financial Officer and Company Secretary in January 2012. He was also Head of Corporate Strategy at the time of acquisition of the Company by LOTTE in 2009. He continues to support LOTTE, Korea in identifying other business development opportunities in Pakistan. He also serves as a LOTTE Nominee Director on LOTTE KOLSON's Board. Based on his continued commitment and diverse experience, he was promoted as Director Finance in 2014. Prior to joining the Company, he worked for Engro Chemical Pakistan Limited.

He did his Bachelor's in Chemical Engineering and Finance from University of Rochester, USA and later pursued an MBA (Finance) from Institute of Business Administration, Karachi.

Waheed U Khan

Current Position
Corporate HR Manager

Career
Waheed U Khan has over 17 years of experience. He joined the Company in 1997 after working in DH Fertilizer Complex for several years. Since then, he has been progressing in various departments of the organization including Production, Technical, HSE & Technical Training before becoming Administration & Public Affairs Manager in 2008. Based on his continued commitment and experience, he was promoted as Corporate HR Manager in 2009.

He did his Master's in Chemical Engineering from University of Punjab and was included on the Roll of Honour after achieving gold medal and first position in his Bachelor's Degree. He also holds an Executive MBA from Lahore University of Management Sciences (LUMS).

management committees
with brief terms of reference

Executive Committee

Top left: Mr Sang Hyeon Lee, Mr Adnan Ul Haque, Mr Syed Masood Ul Hasan, Mr Eu Pyo Hong, Mr Humair Ijaz, Mr Waheed U Khan, Mr Syed Qamar Alam, Mr Adnan Samdani
Bottom left: Mr Faisal Abid, Mr Tariq Nazir Virk, Mr Neon Jung Kim, Mr Shabbir K Hussain, Mr Mohammad Waseem

The Executive Committee, chaired by the CE, supports the Executive Management Team in achieving its objectives and is responsible for smooth operations on an ongoing basis. It comprises of the various heads of departments including the Executive Management Team. The Executive Committee meetings are conducted on a monthly basis or more frequently if needed. The Committee reviews all operational and financial aspects, advises improvements to operational policies / procedures and monitors implementation of the same.

The Planning & Reporting Manager, Mr Faisal Abid, acts as the Secretary of the Committee.

The Committee met on a monthly basis during 2014 and reviewed all operational and financial aspects of the business, including improvements to operational policies / procedures.

HSE&S Management Committee

Top left: Mr Adnan Samdani, Mr Waheed U Khan, Mr Tariq Nazir Virk, Mr Neon Jung Kim, Mr Shabbir K Hussain
Bottom left: Mr Humair Ijaz, Mr Syed Masood Ul Hasan, Mr Adnan Ul Haque, Mr Syed Qamar Alam, Mr Mohammad Wasim

The HSE&S Committee, chaired by the CE, periodically reviews and monitors Company-wide practices. It oversees the Health, Safety, Environment and Security functions of the Company and is responsible for ensuring that all operations are safe, environment-friendly and compliant with regulatory framework.

The Committee received regular reports from the HS&E function, including quarterly reports prepared for executive committee on Company's Health, Safety and Environmental performance and operational integrity. These included quarter-by-quarter measures of personal and process safety, environmental and regulatory compliance and audit findings. Operational risk and performance forms a large part of the Committee's agenda.

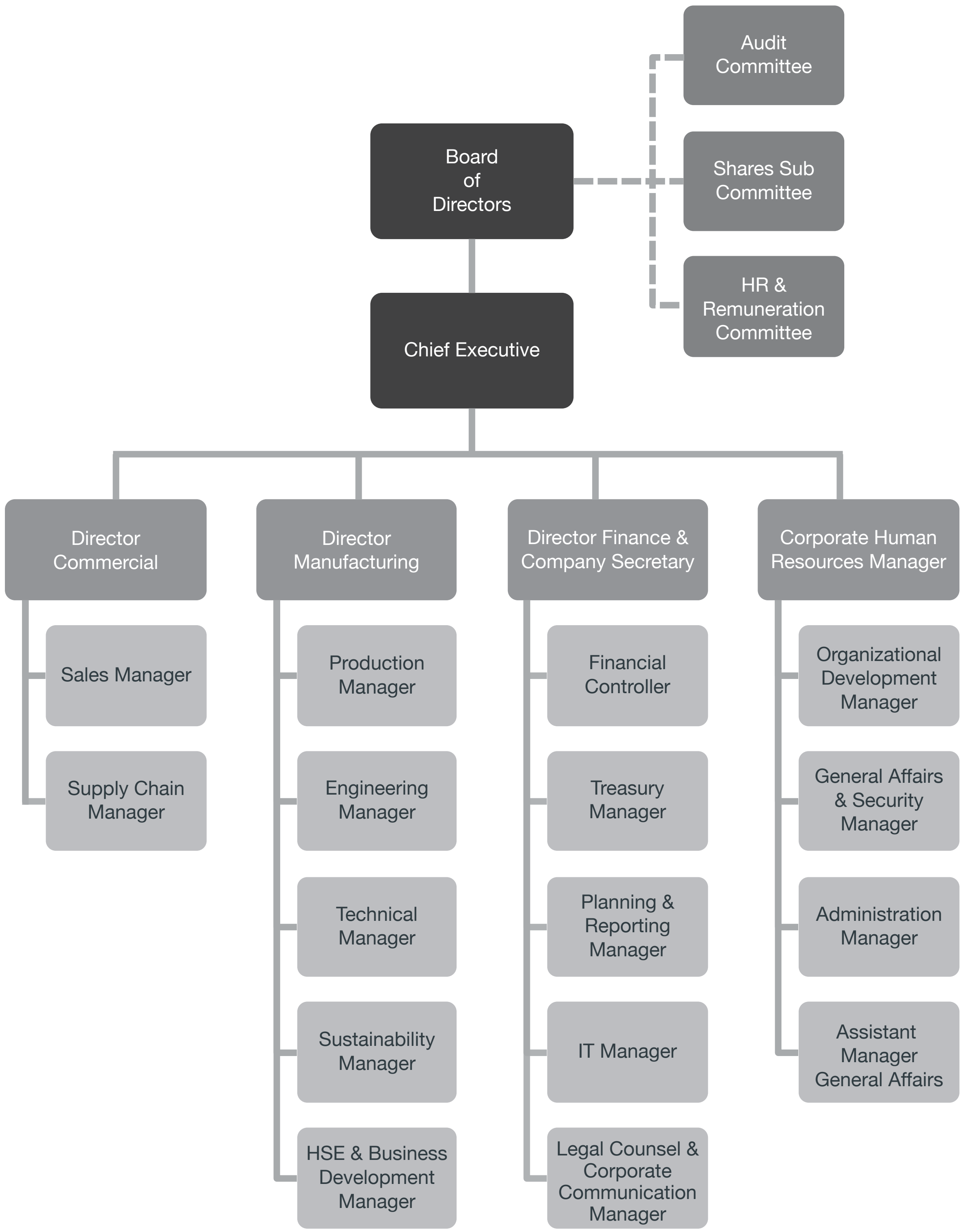
BCP Committee

Top left: Mr Adnan Samdani, Mr Asad Ullah Chughtai, Mr Tariq Nazir Virk, Mr Shabbir K Hussain, Mr Khurram Qureshi, Mr Syed Arif Hussain
Bottom left: Mr Adnan Ul Haque, Mr Syed Masood Ul Hasan, Mr Jung Neon Kim, Mr Mohammad Wasim

The BCP Committee's objective is to steer the Business Continuity Plan (BCP) by establishing a fit-for-purpose strategic and operational framework to respond to major business interruption situations.

The CE as Business Continuity Manager (BCM) leads the BCP process along with Director Manufacturing and Chief Financial Officer. A working level BCP Committee, headed by Director Manufacturing is responsible for stewarding the BCP Programme and comprises of representatives of all functions / departments. Each functional head is responsible for current and comprehensive Business Continuity Planning in his respective sphere of operations.

organisational structure



Corporate Governance and Compliance

Board Governance

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

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

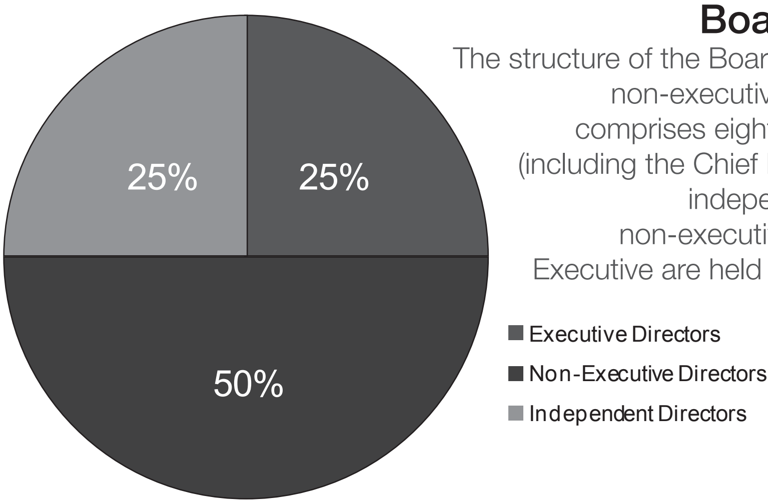
Role of the Board

The Board of Directors provides oversight in the governance, management and control of the Company and is responsible for setting the goals, objectives and strategies of the Company and for formulating the policies and guidelines towards achieving those goals and objectives. The Board is accountable to the shareholders for the discharge of its fiduciary function. The Management is responsible for the implementation of the aforesaid goals and strategies in accordance with the policies and guidelines laid down by the Board of Directors. In order to facilitate the smooth running of the day-to-day affairs of the Company, the Board entrusts the Chief Executive with necessary powers and responsibilities who in turn is assisted by an Executive Management Team. The Board is also assisted by a number of Sub Committees comprising mainly non-executive/independent directors. Specific tasks are delegated to the board sub committees and the Board seeks to set the 'tone from the top' by working with management to agree on the values of the Company.

The activities of the Board are based on the requirements and duties laid down under relevant laws and the Company's Memorandum and Articles of Association. This compliance assists the Board in safeguarding the interests of all the stakeholders.

Board Composition, Size and Tenure

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



All the directors are appointed for a term of three years on completion of which they are eligible for re-election under the Company's Articles of Association through a formal election process.

Consent to act as director is obtained from each candidate prior to election.

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

Roles and Responsibilities of the Chairman and Chief Executive

There is a clear segregation of roles between the Chairman of the Board and the Chief Executive for smooth running of the business. The Company's Articles of Association, relevant laws and the duties assigned by the Board outline the responsibilities and the power of the Chairman of the Board.

The key role and responsibilities of the Chairman includes;

- Provides leadership of the Board
- Acts as main point of contact between the Board and management.
- Speaks on Board matters to shareholders and other parties.
- Is responsible for the integrity and effectiveness of the Board's system of governance.
- Ensures that systems are in place to provide directors with accurate, timely and clear information to enable the Board to operate effectively.

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.

Board Meetings

The Board determines the key items for its consideration for the coming financial year. The agenda is set by the Chairman in consultation with the Chief Executive and with support of the Company Secretary. A similar process is used for meetings of Board Committees.

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

Discussions at Board meetings are open and constructive. All discussions of the Board and their records are maintained in confidence unless there is a specific decision or legal requirement to make disclosure.

When participating in Board discussion, Executive Directors are expected to discharge their responsibilities as directors of the Company and not to act solely as the representatives of that activity for which they bear executive responsibility.

Independence and Conflict of Interest

The non-executive and independent directors are expected to be independent in character and judgment and free from any business or other relationship which would materially interfere with the exercise of that judgment.

Mohammad Qasim Khan and Pervaiz Akhtar are the two independent directors on the Board.

Mohammad Qasim Khan joined the Board in September 2009 and was re-elected in June 2011. In June 2014, the Board asked him to remain as a director until the 2017 AGM as it considered that his experience as the longest serving Board member provides valuable insight, knowledge and continuity.

The Board has determined that Mohammad Qasim Khan and Pervaiz Akhtar continue to meet the Board's criteria for independence and will keep this under review.

The Board is satisfied that there is no compromise to the independence of, and nothing to give rise to conflicts of interest for those directors who serve together as directors on the boards of outside entities or who have other appointments in outside entities.

Board Induction and Education

All Directors, including foreign resident directors, as part of their induction package, 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.

On joining Company's Board, non-executive and independent directors are given a tailored induction programme. This includes meetings with the management and site visit. In 2014, the Board received briefings on Company's Code of Conduct, Company's values and key business developments including legal updates, the economic outlook and the necessary information under respective laws and the Company's Memorandum and Articles of Association.

At present, the Chief Executive and one non-executive director have completed all parts of the certification "The Board Development Series" offered by the Pakistan Institute of Corporate Governance (PICG). Certification for remaining directors will be obtained in accordance with the Code of Corporate Governance.

Board Evaluation

Code of Corporate Governance 2012 mandatory requires evaluation of the Board of Directors as a whole. In this regard, a comprehensive Board evaluation with respect to the effectiveness of the Board and alignment among its members, identifying critical gaps in areas of their fiduciary responsibilities was carried out in 2014 using an external facilitator, PICG. The collective Board evaluation assessment is an online assessment offered by PICG in collaboration with The Corporate L.I.F.E. Centre International Inc. (CLCI - a consulting firm based in North America) and covers 8 specific areas of Board performance which includes Board Composition, Board & CEO Compensation, Strategic Planning, Board Procedures, Board Interaction, Board Information, Board Committees and Board & CEO Effectiveness.

The output of the review including key conclusions was discussed at the Board in its meeting held on 30 January 2015.

Material Interests of Board Members

Directors are required to disclose, at the time of appointment and on an annual basis, the directorships or memberships they hold in other corporations. This is in pursuance with Section 214 of the Companies Ordinance 1984, which also requires them to disclose all material interests.

This information is used to help maintain an updated list of related parties. In case any conflict of interest arises, the matter is referred to the Board's Audit Committee.

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 34 to the financial statements as determined under provisions of the Articles of Association of the Company.

Board & Management Committee

The Board may at any time establish Committees of the Board to assist in carrying out its responsibilities. Any Committee will be subject to the Board Principles and will speak or act for the Board only when and to the extent so authorised.

The permanent Committees of the Board include the Audit Committee, the HR & Remuneration Committee and Shares Sub Committee.

Each permanent Committee is comprised of those directors the Board considers best suited to serve on that Committee and in accordance with the Code of Corporate Governance.

The Board and Management Committees brief details are covered elsewhere in the Report.

Disclosure and Transparency

Financial Statements

Periodic financial statements of the Company are circulated to the directors duly endorsed by the Chief Executive and the Chief Financial Officer for approval by the Board before publication, in compliance with the Listing Regulations of the Stock Exchanges. After consideration and approval, the Board authorizes the signing of financial statements for issuance and circulation. The half-yearly and annual financial statements are 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 unaudited financial statements along with Directors' Review is done within one month and half-yearly financial statements reviewed by the external auditors within two months, of the respective period end dates.

Annual financial statements together with the Directors' Report, Auditors' Reports and other Statutory Statements / Information are circulated for consideration and approval by the shareholders, within four months from the end of the financial year. These statements are also made available on the Company's website. All other important information considered sensitive for share price determination is transmitted to stakeholders and regulators on a timely basis.

Adequate Disclosure

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

Annual General Meeting

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

Investor Relations

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

Pattern of Shareholding

Disclosure of Company's shareholding structure is given in the pattern pursuant to the Companies Ordinance and the Code of Corporate Governance in the printed accounts of the Company. Our share capital is comprised of ordinary shares. No other class of shares is issued by the Company. LOTTE Chemical Corporation, Korea holds 75.01% shares, while the balance 24.99% shares are held by individuals and domestic and foreign institutions. The Pattern of Shareholding in the Company, as at 31 December 2014, is given on page 20 of the Annual Report.

Best Corporate Practices

Code of Conduct

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

Speak Up

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

Employees of the Company are encouraged to use the guidance provided by the Speak Up Policy for reporting wrongdoing/improper conduct. A separate Speak Up Committee has been formed with a direct reporting line to the Board Audit Committee (BAC).

Insider Trading

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

Related Party Transactions

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

Internal Control

The Company has a sound system of internal control and risk management. The internal audit function, which is mainly responsible for internal controls, has been outsourced to M/s Ernst & Young Ford Rhodes Sidat Hyder and reports directly to the Chairman of the Audit Committee. As a consequence of regular review over several years, the Company now has an extremely robust system of internal controls which was further strengthened in 2005 when the Company had to go through a comprehensive implementation of the Sarbanes-Oxley Act (SOX) due to listing of its previous parent company's shares on the New York Stock Exchange. Although this requirement is no longer applicable to the Company, the Company continued with the control framework then adopted. Going forward, the Board based on the recommendation of the Audit Committee have agreed to appoint M/s KPMG Taseer Hadi & Co., Chartered Accountants in place of M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants for the financial year ending 31 December 2015.

Internal and External Audit

Our Internal Audit function plays a key role in providing the management and the Board an objective view and reassurance of the effectiveness of the risk management and related control systems throughout the entity. Internal Audits are carried out across all functions by the appointed Internal Audit firm and all findings are reported to the Management and the Audit Committee of the Board.

Action plans are followed up rigorously to ensure that timely corrective action is implemented for the effective functioning of controls. The Board, through the Audit Committee, reviews the assessment of risks, internal and disclosure controls and procedures and suggests remedial actions where applicable. The role of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities regarding the integrity of Company's financial statements, risk management and internal control, compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, the performance of the internal audit function, and compliance with the Code of Conduct.

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

Risk Management

The Board has an overall responsibility for the risk management process and internal control procedures. The Audit Committee monitors the Company's risk management process quarterly or more frequently if required and reviews the adequacy of the risk management framework. The Company's documented and regularly reviewed procedures are designed to safeguard our assets, address risks facing the business, and ensure timely reporting to the Board and senior management. A clear organizational structure with defined delegation of authorities is maintained and the senior management takes the day-to-day responsibility for implementation of procedures, ongoing risk monitoring, and effectiveness of controls.

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

Business Continuity Plan/ Crisis Management Plan

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

During the year, the Board through its Audit Committee, regularly reviewed the processes whereby risks are identified, evaluated and managed.

Business Risks & Challenges

The following risks are considered to be relevant in evaluating the overall outlook and business strategy of the Company.

	Risk	Mitigating Factors
STRATEGIC	Changing Economic Conditions & Government Policies	The Board and the Management strive to follow a defined strategy to overcome strategic risks and continuously seek dialogue with the policy makers through various business forums in the overall interest of the domestic industries.
STRATEGIC	Compliance with Laws & Regulations	Changes in regulatory environment are monitored closely and all significant changes are adapted in a timely manner. We advertise and encourage use of 'Speak Up' policy to all our employees to report irregularities, if any, in relation to our Code of Conduct. We remain committed to compliance with all legal and regulatory requirements with special emphasis on our Code of Conduct.
OPERATIONAL	Critical Equipment Failure	Stringent control measures for all critical equipment are in place which includes, but is not limited to, exhaustive preventive maintenance regimes, availability of all adequate spares, upgrade of technologies and necessary training of related manpower.
OPERATIONAL	Power Failure	Being the sole producer of PTA in the country, it remains imperative that the PTA plant remains in operation on continuous basis throughout the year and as a result, alternate sources for all its key utility needs are in place. The Company in 1998/1999 invested heavily in the KESC's network to ensure uninterrupted power supply to the Company and the Company entered into an evergreen power supply agreement with KESC based on its investment in the necessary infrastructure. All critical equipment remains connected to standby generators. In addition, the Company invested in a captive co-generation power facility, which became operational in July 2012, to improve the energy economics of the business and to ensure alternate uninterrupted power supply for continuous PTA operations.
OPERATIONAL	Health, Safety, Environment & Security	We continue to uphold the highest safety standards, in line with OHSAS 18001 & internal HSE policies, for both Company and contractor employees which is evidenced by an excellent safety record spread over 16 years without a Lost Time Injury - more than 46 million man-hours have been completed without a Lost Time Case.
OPERATIONAL	Attraction & Retention of Talent	The Board and the Management put great emphasis on attracting, educating, motivating and retaining staff and the Company continues to support the development of a winning culture through its human resources management policies. Engagement of all our employees remains our key priority.
COMMERCIAL	Key Supplier Failure	The Company aims to use its purchasing power and long-term relationships with the suppliers to ensure continuous availability of raw materials. Maintenance of optimum buffer inventory levels and ensuring alternative sources for key raw materials assists in partially mitigating the risk of abrupt supply interruptions.
COMMERCIAL	Key Customer Failure	The Company takes pride in the dependable relations developed with its customers over the years and aims to enter into long-term relationships to ensure continuous sale of its product. The Company has demonstrated its ability to export larger volumes, if required. Availability of locally produced PTA and excellent technical support present a strong incentive for local customers to retain the relationship with the Company on a long-term basis.
FINANCIAL	Liquidity Risk	The Company's sales strategy enables maximum volumes to be sold against sight letters of credit and purchasing strategy ensures optimum level of credit days. Adequate modes of financing are available in the form of committed bank facilities. This risk is also mitigated by continuous monitoring of cash flow needs and careful selection of financially strong banks with good credit ratings.
FINANCIAL	Fluctuations in Foreign Currency Rates	The Company incurs foreign currency risk on sales, purchases and borrowings that are in a currency other than Pak Rupees. The Company's foreign currency risk arising on sales is minimised through a natural hedge resulting from the pricing mechanism of PTA whereby the price invoiced for PTA domestically is recalculated every month to derive a Rupee price from the international commodity price of PTA in US dollars. To hedge against its foreign currency risk arising on purchase transactions, the Company may enter into forward exchange contracts when considered appropriate. Also, the natural hedge on PTA sales minimises the impact of risk arising on purchase transactions.
FINANCIAL	Credit Risk	The Company's exposure to credit risk is influenced by the individual characteristics of each customer. All sales are made against letters of credit and the Board has established a credit policy under which each new customer is analysed individually for credit worthiness. All customers have been transacting with the Company for over five years.

business review

directors' report

The Directors are pleased to present their report and the audited financial statements of the Company for the year ended 31 December 2014.

Board Changes

At the Extraordinary General Meeting of the Company held on 20 June 2014, Mr Changgyou Kim, Mr Jung Neon Kim, Mr Hyun Chul Park, Mr Hun Ki Lee, Mr Oh Hun Im, Mr Mohammad Qasim Khan, Mr Istaqbal Mehdi and Mr Pervaiz Akhtar were elected as Directors of the Company for a three-year term commencing from 23 June 2014.

Following the election of Directors, Mr Changgyou Kim was appointed Chairman and Mr Jung Neon Kim as Chief Executive of the Company for a term of three years commencing from 23 June 2014.

Earlier, Mr M Asif Saad had resigned from the Board and as Chief Executive of the Company with effect from 30 April 2014. Mr Jung Neon Kim was appointed as Chief Executive during the intervening period between 1 May 2014 to 22 June 2014.

The Board places on record its appreciation for the valuable contributions made by the outgoing Directors, Ms Aliya Yusuf, Mr Sang Hyeon Lee and Mr M Asif Saad and welcomes Mr Hyun Chul Park, Mr Hun Ki Lee and Mr Pervaiz Akhtar as Directors of the Company.

At the Board meeting held on 30 January 2015, Mr Changgyou Kim, Mr Hyun Chul Park and Mr Oh Hun Im resigned as Directors of the Company with effect from 31 January 2015, and to fill the casual vacancies so arising Mr Sang Hyeon Lee, Mr Soo Chan Ko and Mr Nak Sun Seong were appointed as Directors with effect from 1 February 2015 for the remainder of the term, which will expire on 22 June 2017.

Following the Board meeting held on 30 January 2015, Mr Hun Ki Lee was appointed Chairman of the Board.

The Board places on record its appreciation for the valuable contributions made by the outgoing Directors, Mr Changgyou Kim, Mr Hyun Chul Park and Mr Oh Hun Im and welcomes Mr Sang Hyeon Lee, Mr Soo Chan Ko and Mr Nak Sun Seong as Directors of the Company. The Board would like to place on record its special appreciation for the valuable contributions made by Mr Changgyou Kim as Chairman of the Company.

Strategic Objectives

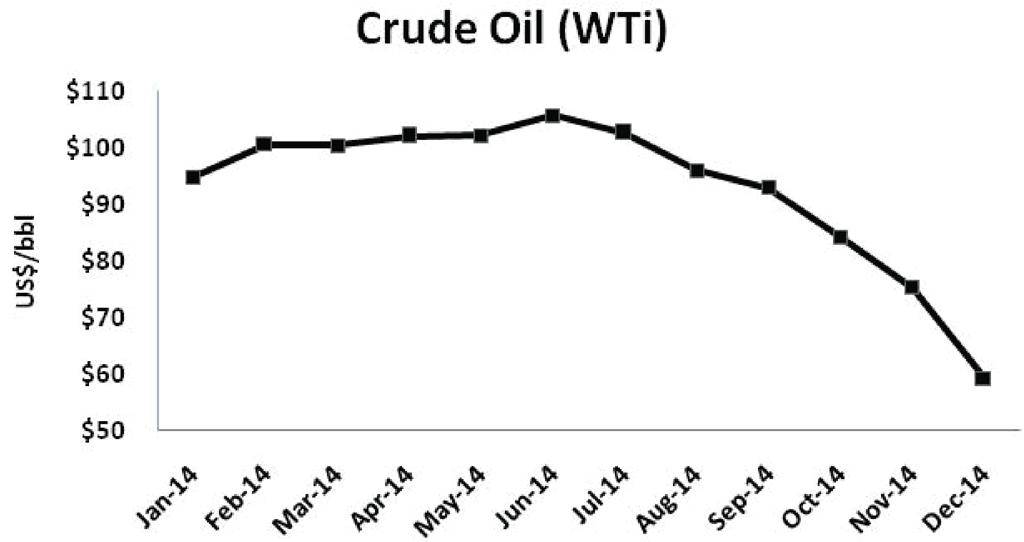
In 2014, the Company was able to achieve all of its strategic objectives with the exception of those which were linked to the performance of the PTA industry as a whole. 2014 continued to be a tough year for the PTA industry globally in all aspects of its operations.

Key Strategic Objectives	Performance
Maintain high standards of HSE performance	Completed 46 million man-hours without Lost Time Case (LTC) for our own and contractor employee and remained fully compliant with various audits including OHSAS-18001 and ISO 14001.
Achieve more than 95% PTA plant availability	PTA plant production was impacted mainly due to underperformance of the PTA downstream sector and as a result, plant rates were curtailed during the year. PTA plant availability remained at 94.7% against target of 96.4%.
Achieve more than 95% Cogeneration plant availability	Cogeneration plant availability was impacted mainly on account of the unfavourable decision passed by the Sindh High Court restraining the subsidiary from supplying power to the PTA plant upon reliance on its generation licence and second tier supply authorization granted by NEPRA. As a result, the cogeneration plant availability remained at 84.2%.
Deliver business improvement plan targets	The management maintained its close focus on key controllables and various initiatives were taken which minimised the impact of inflationary pressures. However, the impact of initiatives was offset by the sharp deterioration in PTA margins.
Maximize domestic PTA sales	The PTA domestic customers underperformed mainly due to the acute energy shortfall and increased imports from China and as a result, domestic PSF operations remained impacted. Additionally two of Company's domestic customers' facilities remained offline for most of the year. However under these difficult market conditions the Company still managed to maintain a domestic export mix of 92% versus 96% achieved last year.
PTA import tariff	The Board and the management remained engaged with policy makers in the overall interest of the domestic industries and in the Federal budget 2014-2015, announced in June 2014, the PTA import tariff was increased from 3% to 4%.

Business Overview

Crude Oil

During H1 2014, oil prices reacted to the tense geopolitical situation in the Middle East and the events thereafter. However, the substantial increase in the energy production levels of USA through hydraulic fracturing, refusal of OPEC members to cut production rates and the sluggish demand from the European Union and China created an imbalance in the supply / demand equation and pushed oil prices to the lowest levels in 5 years during the second half of the year. The total collapse in Crude Oil (WTi) prices has had a widespread effect on most other industries, including the polyester chain.

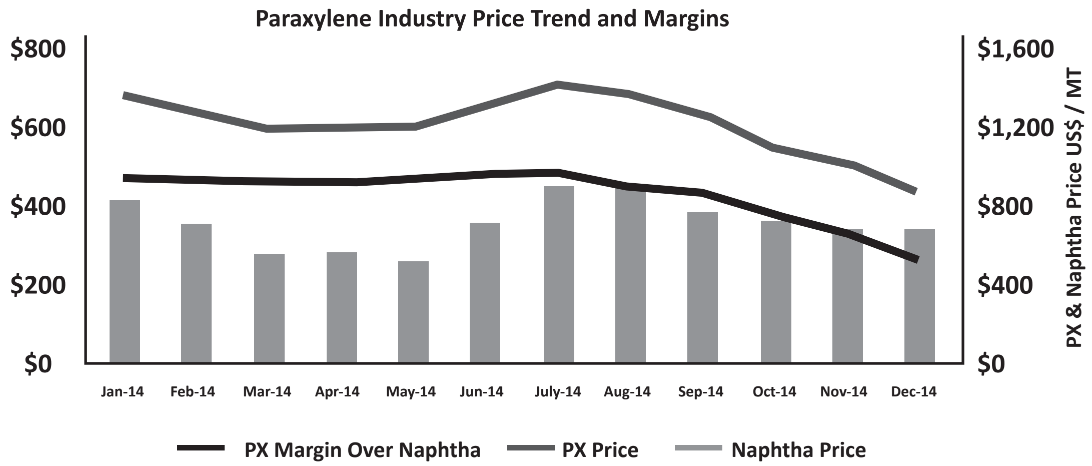


Paraxylene (PX) Industry

During 2014, over 7 million tons of new PX capacity was added in the region. This incremental capacity created a supply glut, which led to reduction in both the product price and margin over raw material for PX producers. The PX Asian Contract Price (ACP) mechanism limped along in 2014, as fierce negotiations between the PX and PTA producers resulted in only two ACP settlements during the year.

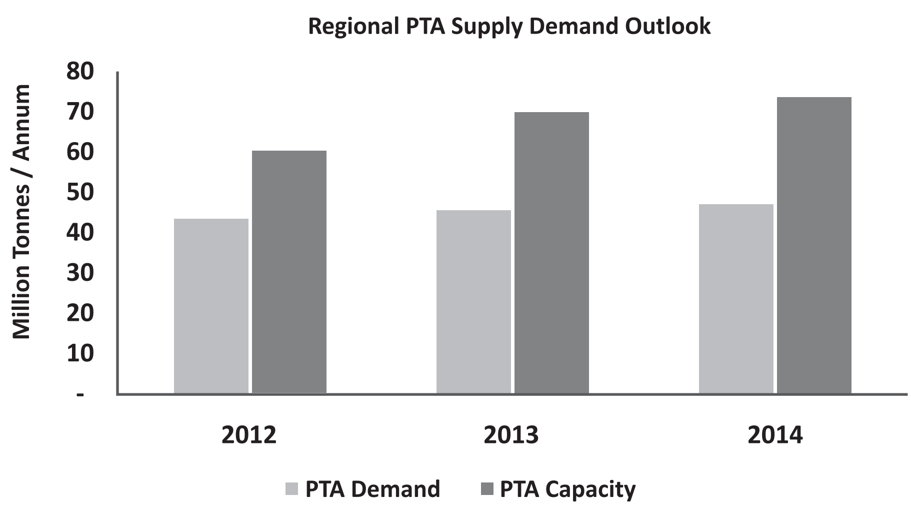
Despite the increase in Crude Oil prices, PX prices declined during the first half of the year as the PTA industry rationalized its output levels. Subsequently, PX producers made concerted efforts to balance the market by reducing their operating rates. These measures provided some temporary relief to PX prices during the peak summer season.

The uptrend in PX prices was short-lived, as the downward spiral in the upstream Crude and Naphtha markets brought values down into the three-digit range for the first time in five years. The bearish conditions in the market have produced massive inventory losses for the PTA industry during 2014. PX prices fell by almost 36% during the year from US$ 1,362 per tonne in January to US$ 878 per tonne in December.



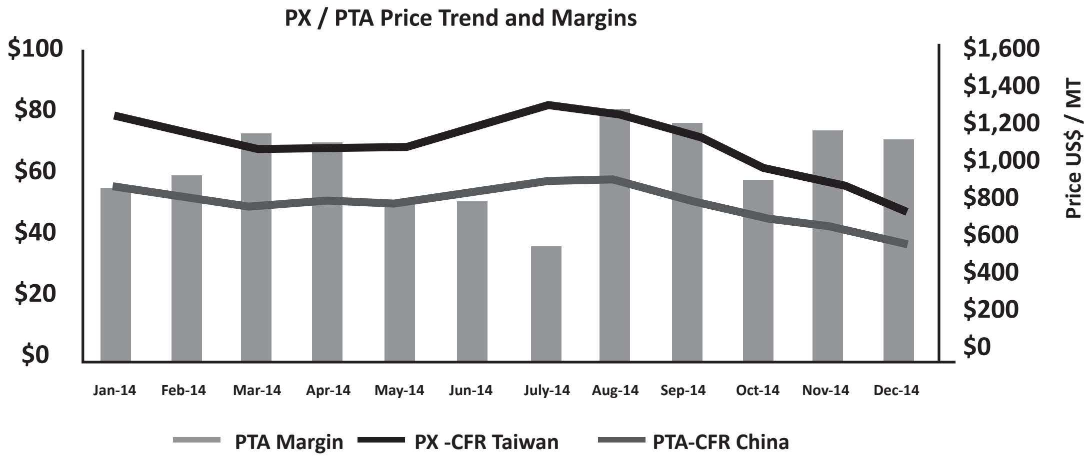
PTA Industry

The PTA industry continued to operate in a state of disarray, with more capacity coming online, in an already oversupplied market. During 2014, over 10 million tons of incremental capacity was added in the Asia / Far East region, which kept pressure on the PTA margins.



The top four PTA producers in China made significant production cuts, and implemented a new PX-linked pricing mechanism in an attempt to curtail losses. This improved the margins for the PTA industry, and kept prices stable during Q3. However, this production discipline discontinued later in the year as some cash strapped producers increased production levels. The average margin for the PTA producers during 2014 was around US$ 80 per tonne which was much below the break-even level for the industry. The reduced margins coupled with inventory losses made this one of the worst year for PTA business so far.

Historically, China has been the biggest market for PTA producers based in Korea and Thailand. However, due to the rapid increase in the domestic production in China, producers in Korea and Thailand are struggling to find alternative markets for their product, and are focusing on Middle East, Europe, India and Pakistan.



In 2013, on the request of the Company, National Tariff Commission (NTC) conducted a tariff rationalization study of the Polyester Chain and recommended to increase the PTA import tariff from 3% to 4%. The revised tariff was implemented on 1 July 2014 under the Budget. Unfortunately the full impact of PTA tariff enhancement could not be realized as the increase in energy cost has offset the tariff gain.

Domestic Polyester Industry

The domestic polyester industry's underperformance was again attributed to the energy shortfall, political instability and the security situation. The GSP Plus arrangement did provide an opportunity to the textile industry to increase its value added exports to EU. However, the energy shortfall crippled the industry and no substantial growth in the overall textile sector was witnessed. China reduced its imports of cotton and cotton yarn from Pakistan. This resulted in a decrease in domestic cotton price, which also kept domestic staple fibre prices in check.

The production cost for the domestic polyester producers was adversely impacted by the unavailability of gas and electricity. This resulted in increased imports of cheaper staple fibre from China, and consequently kept domestic PSF industry’s operating rates low. Under these difficult market conditions, your Company was able to increase its market share opposite imports.

PET operations were mostly stable during the year. The domestic PET market exhibited decent organic growth. Moreover, film demand was also healthy during the year.

Operations

Sales volume during the year at 478,702 tonnes was 2% lower than the corresponding period last year mainly due to reduced operating rates in the domestic PSF industry, which struggled to compete with cheap imports of PSF from China. Export sales of 39,446 tonnes were made to Oman, Saudi Arabia and UAE. As a result, the domestic and export sales mix for the year remained at 92% compared to 96% last year.

As a result of depressed market conditions the PTA plant rate was curtailed during the year resulting in production volume at 487,039 tonnes for the year. This was only 1% higher than 2013 in spite of a 22 days plant overhaul taken in 2013. The Company continued to make small investments in its production facility, aimed at sustaining continuous operations and improving plant efficiency.

2014 marks the second full year of operation of the co-generation power plant. Due to the unfavourable decision by the Sindh High Court restraining the subsidiary from supplying power to the PTA plant upon reliance on its generation licence and second tier supply authorization granted by NEPRA, the co-generation plant operations remained impacted during the year and as a result the cogeneration plant availability remained at 84.2% compared to 88.9% achieved last year.

Health, Safety and Environment

Your Company continues to conform to the highest safety standards for its employees and contractors' staff. The excellent safety record spanning over 16 years without a lost time injury is a testimony in itself. The Directors are proud to report that by the end of 2014, the Company employees and contractors completed more than 46 million man-hours without Lost Time Case.

In recognition of this exemplary performance, the Company won the Environment Excellence Award from the National Forum for Environment & Health (NFEH), and secured first place in the Employers' Federation of Pakistan (EFP) Best Practice Award in the category of Occupational Health, Safety and Environment.

During the year, many external audits were carried out to verify compliance with regulations and standards. The audits brought forward no major concerns. Both external audits, OHSAS-18001 and ISO-14001, were carried out and both certifications were extended until next year. In addition, the Company's liquid effluent met national environment quality standards. Gaseous emissions were also within regulatory limits.

A detailed report on HSE performance and development in 2014 is available on page 68 of the Annual Report.

Merger of Company with its Subsidiary

The co-generation power project was undertaken through the wholly owned subsidiary of the Company, Lotte Powergen (Private) Limited ("Subsidiary"), in order to be eligible for exemptions and concessions under the relevant fiscal regulations.

As mentioned in the previous quarterly reports to the shareholders, K-Electric Limited (formerly Karachi Electric Supply Company Limited) ("K-Electric") commenced a civil litigation against the Company, the Subsidiary and others in the High Court of Sindh at Karachi alleging that the generation licence granted to Lotte Powergen (Private) Limited and a Second Tier Supply Authorization to distribute electric power to the Company, granted by National Electric Power Regulatory Authority (NEPRA) is illegal and, infringes K-Electric's statutory right to exclusively distribute electricity in its service territory, that is, the Port Qasim area.

The presiding judge, vide interlocutory order dated 17 June 2014, has held the Subsidiary's generation licence to be invalid and has, at the request of K-Electric, restrained the Subsidiary from supplying, selling or disbursing electricity to the Company under the generation licence or the authorization granted for second tier supply business.

Immediately, the Company and the Subsidiary filed an appeal against the said interlocutory order dated 17 June 2014 seeking to suspend the said order and was successful in obtaining an interim suspension order of the said interlocutory order on 25 June 2014. The appeal is currently pending at the High Court of Sindh at Karachi and the Company and the Subsidiary are vigorously defending its position. The final outcome is awaited.

Meanwhile, the Board of Directors of the Company and the Subsidiary in their separate meetings held on 26 August 2014 and 21 August 2014 respectively, decided to amalgamate the Subsidiary into the Company and approved the Scheme of Arrangement for amalgamation of Lotte Powergen (Private) Limited with Lotte Chemical Pakistan Limited by (i) transferring to and vesting in Lotte Chemical Pakistan Limited of the entire undertaking of Lotte Powergen (Private) Limited inclusive of all properties, assets, rights, liabilities and obligations of Lotte Powergen (Private) Limited and (ii) dissolving Lotte Powergen (Private) Limited, without winding up.

A petition for the sanction of the Scheme of Arrangement and other facilitating orders was filed in the High Court of Sindh at Karachi on 18 September 2014 and subsequently the High Court ordered the Company to convene the Extraordinary General Meeting of the Shareholders of the Company to obtain their consent for the proposed Scheme of Arrangement.

The Extraordinary General Meeting of the Shareholders of the Company was held on 25 November 2014 and a resolution in favour of the Scheme of Arrangement was adopted and agreed, unanimously.

The final hearing of the Petition for the sanction of the Scheme of Arrangement was held on 29 January 2015 at which the Scheme of Arrangement was sanctioned by the Honourable Sindh High Court by its order dated 29 January 2015. The Scheme of Arrangement has, in accordance with its terms, become operative from 2 February 2015, by the filing with the Registrar of Companies, Karachi of a certified copy of the order dated 29 January 2015. Notwithstanding the above, the Scheme of Arrangement provided that the amalgamation of Lotte Powergen (Private) Limited with the Company shall be effective from 1 January 2014. Thus by virtue of the order of the Honorable Sindh High Court the amalgamation is deemed to have taken effect from 1 January 2014.

Profit, Finance & Taxation

(Rs million)	2014	2013 (Re-stated)
Revenue	47,800	57,070
Gross (loss)/profit	(1,969)	149
Loss before taxation	(2,364)	(300)
Loss after taxation	(1,100)	(498)
Loss per share (in Rupees)	(0.73)	(0.33)

Despite 1% additional PTA tariff during H2 2014, the revenue of Rs 47,800 million for the year was lower by 16% compared to Rs 57,070 million of previous year mainly due to lower PTA prices.

Due to continued adverse / unfavourable trading conditions, your Company incurred a gross loss of Rs 1,969 million for the year as compared to gross profit of Rs 149 million during last year. This was mainly due to reduction in PTA margin over PX and higher conversion costs, resulting from increase in prices of acetic acid and energy. This was further exacerbated by the inventory losses caused by the steep fall in prices towards year end.

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, excluding ex gratia payment made to the outgoing Chief Executive of the Company, were marginally higher than last year. Other expenses for the year were lower than last year mainly due to lower provision for Workers' Profit Participation and Workers' Welfare Fund due to operating loss. Finance income was higher than last year mainly due to favourable impact of rupee dollar parity.

As a result, your Company incurred a loss before taxation of Rs 2,364 million for the year ended 31 December 2014 as compared to loss before taxation of Rs 300 million last year.

Taxation for the year ended 31 December 2014, shows a credit of Rs 1,263 million. This is due to the recognition of a deferred tax asset on unutilized tax losses and carry forward of minimum turnover tax to the extent it is probable that the Company will have sufficient future profit against which this deferred tax asset can be utilized.

Loss after taxation for the Company for the year amounted to Rs 1,100 million as compared to loss after taxation of Rs 498 million last year.

Human Resources

Your Company recognizes its employees as its most critical asset and the competitive edge for its business. Therefore, appropriate systems are in place to recruit, develop and grow talent for achieving excellence across all functional areas. Your Company's strong value based system provides a robust framework for meeting these objectives.

For the second year in running, Employers' Federation of Pakistan honored the Company with prestigious awards for Best Enterprise for Human Resource Development, Best Enterprise to Work for and Best CEO Awards. These awards were presented in recognition of the Company's ingenious Human Resource processes and its implementation across the organization. With 57 other nominated companies in contention for the award, your Company secured 1st position in all three categories.

A detailed report on human resource performance and development in 2014 is available on page 77 of the Annual Report.

Future Outlook

Crude Oil prices are expected to remain in the range of US $50 per barrel.

Around 7.6 million tonnes of new PTA capacity is expected to come online in 2015. This will invariably put more pressure on margins and profitability of PTA industry. The regional polyester markets will look to the economic situation in China and the European Union.

For the domestic downstream PTA industry, the question is not whether the energy crisis will be prevalent in 2015 or not, but really how severe it will be. The textile industry is expected to remain under pressure, with depressed operating rates. Moreover, domestic polyester producers have started to invest in coal fired power plants to reduce their cost of production, in order to compete with PSF imports from China.

In 2014, the Ministry of Commerce has undertaken to further rationalize tariffs across all industries, at the behest of Pakistan's major trading partners. The motive of this exercise is to provide better access to Pakistani exporters into regional markets. This is a key issue for the Business and has been taken up with the relevant Government authorities.

As stated in our previous reports, the current PTA import tariff deprives the nascent PTA industry in the Country of the ability to survive through the commodity cycles and is also a major disincentive for further investment and growth of this vital source of raw material for the domestic textile and PET sectors. Your Company has argued consistently with the Government of Pakistan to peg import tariff on PTA at levels available in similar textile economies and it is now become critical for the Government to give this matter its attention in 2015.

Compliance with the Code of Corporate Governance

As required under the Code of Corporate Governance, the Directors are pleased to state as follows:

- The financial statements of the Company, prepared by the management, present fairly its state of affairs, the results of its operations, cash flows and the changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and departures 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 Operational and Financial Data

A statement summarizing key operating and financial data for the last six years of the Company is given on page 27 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 2013, is as follows:

	Value (Rs '000)
Lotte Chemical Pakistan Management Staff Provident Fund	290,872
Lotte Chemical Pakistan Management Staff Pension Fund	57,906
Lotte Chemical Pakistan Management Staff Gratuity Fund	159,430
Lotte Chemical Pakistan Management Staff Defined Contribution Superannuation Fund	208,777
Lotte Chemical Pakistan Non-Management Staff Provident Fund	4,776
Lotte Chemical Pakistan Non-Management Staff Gratuity Fund	3,430

Pattern of Shareholding

The statement of Pattern of Shareholding in the Company as at 31 December 2014, is given on page 20 of the Annual Report.

Trading in Company Shares

The Directors, Chief Executive and Chief Financial Officer & Company Secretary and Head of Internal Audit and their spouses and minor children did not carry out any transaction in the shares of the Company during the year, except for the transfer of one share each to Mr Hun Ki Lee, Mr Hyun Chul Park and Mr Pervaiz Akhtar.

Holding Company

LOTTE Chemical Corporation, South Korea continues to hold 75.01% shares in Lotte Chemical Pakistan Limited.

External Auditors

As per Code of Corporate Governance 2012, all listed companies other than those in the financial sector shall, change their external auditors or at a minimum, rotate the engagement partner after every five years. The present auditors Messrs A.F. Ferguson & Co., Chartered Accountants have been Company's auditors for the last five years and in order to align with LOTTE Group external auditors, the Board has recommended appointment of Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as the statutory auditors of the Company for the financial year ending 31 December 2015.

Acknowledgement

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

Hun Ki Lee
Chairman

Jung Neon Kim
Chief Executive

11 February 2015
Karachi

Statement of Compliance with the Code of Corporate Governance for the Year ended 31 December 2014

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 5.19 of the Rule Book of the Karachi Stock Exchange and Regulation No.35 of Chapter XI of the Listing Regulations of the Lahore Stock Exchange and Islamabad Stock Exchange, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At 31 December 2014, the Board was constituted as follows:

Category	Names
Independent Directors	Mohammad Qasim Khan Pervaiz Akhtar
Executive Directors	Jung Neon Kim, Oh Hun Im
Non-Executive Directors	Changgyou Kim, Hyun Chul Park Hun Ki Lee, Istaqbal Mehdi

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

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

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

4. A casual vacancy occurring on the Board on 30 April 2014 was filled on 23 June 2014 following election of Directors at the Company's Extraordinary General Meeting held on 20 June 2014.

5. The Company had prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

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

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

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

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

11. During the year, one non-executive Director has completed Directors Training Course from Pakistan Institute of Corporate Governance (PICG). As at 31 December 2014, one non-executive Director and two executive Directors have the required certification of Directors Training Course from Pakistan Institute of Corporate Governance. Certification for remaining Directors will be obtained in accordance with the Code.

12. During the year, a comprehensive Board evaluation with respect to the effectiveness of the Board and alignment among its members was conducted by PICG in collaboration with The Corporate L.I.F.E. Centre International Inc. (CLCI).

13. The Directors' Report for the year ended 31 December 2014 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

15. The Directors, Chief Executive and executives do not hold any interest in the shares of the Company other than that disclosed in the Pattern of Shareholding. The Board has reviewed and approved the threshold for executives for the purpose of disclosing trades in the shares of the Company.

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

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

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

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

20. 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.

21. 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.

22. 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.

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

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

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

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

Hun Ki Lee
Chairman

Jung Neon Kim
Chief Executive

Dated: 11 February 2015
Karachi

Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Lotte Chemical Pakistan Limited (the Company) for the year ended 31 December 2014 to comply with the Code contained in Regulation No. 5.19 of the Rule Book of the Karachi Stock Exchange and Regulation No. 35 of Chapter XI of the Listing Regulations of the Lahore Stock Exchange and Islamabad Stock Exchange.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended 31 December 2014.

A. F. Ferguson & Co.,
Chartered Accountants
Karachi

Dated: 06 March 2015

Functional & Operational Excellence - key to a sustainable future

Health, Safety and Environment

Our long-term objective of "zero accidents" remains unchanged, because every occupational accident is one too many. Our performance of 46 million Man-hours without LTC is a testament to our commitment.

Health, Safety and Environment (HSE) management forms an integral part of our core values and we remain committed to instill these values among our employees and contractors. To achieve world class standards, the Company has developed HSE management systems, which comply with international guidelines and local legislative requirements.

Through the years, we have maintained exceptional safety records. Currently, among the petrochemical industry, the Company is a leader in terms of retaining the highest standards in Health, Safety and Environmental performance in all its operations. Our long-term objective of "zero accidents" remains unchanged, because every occupational accident is one too many. In its sixteen years of operation, our Company has sustained an excellent safety record of 46 million man-hours without Lost Time Case (LTC). LTC refers to injuries or illnesses resulting in at least one calendar day lost from work, not including the day of injury or illness. Our LTC free performance is a testament towards our relentless commitment to safety and our excellent responsible care management systems.

The continued success of our system and its implementation is indicative of the Management's dedication, together with the support and commitment of team members at all levels, who work to ensure maximum safety levels are maintained. The Management's focus on Health, Safety and Environment defines our standards and success criteria for the future.

We continue to instill the importance of safety within our staff members by conducting capacity building workshops and demonstrations to ensure staff members carry out tasks safely, correctly and promptly use first aid kits for emergencies, and follow proactive steps to receive medical care, if necessary. Additionally, we prepare health and hygiene monitoring plans at the beginning of the year, comply with all medical examinations and focus on field monitoring so our workers remain free from occupational illnesses.

2014 HSE Highlights

- Fully compliant with OHSAS-18001 and ISO 14001 surveillance audits
- Fully compliant with external audit of radioactive sources conducted by the Pakistan Nuclear Regulatory Authority (PNRA)
- Awarded 11th Environment Excellence Award from NFEH
- Won 1st prize of "Best Enterprise for Workplace Environment" from Employers' Federation of Pakistan
- Completed 46 Million Man-Hours without Lost Time Case (LTC) for employees & contractors.

Accident Prevention

We identify and prioritize key risks, strengthen control of contractors working on our sites, as well as extend our safety programme beyond our manufacturing sites - and into our sales and distribution networks. By conducting regular audits and training, we continue to maintain the highest standards of safety.

Industrial accidents not only cause suffering and distress among workers and their families, but also represent a significant material loss to society. Slips, trips and falls are leading causes of accidents within the workplace. Other hazards which can lead to accidents include falling objects, thermal and chemical burns, fires and explosions, dangerous substances and stress. To prevent accidents from occurring, your Company has a comprehensive HSE system that incorporates training, risk assessment and monitoring.

Internal Audits

We have a thorough internal audit system which monitors possible wrongdoings during the day and identifies corrective measures. Safety officers conduct daily field audits ensuring workers are practising in safe working conditions. The safety officers work towards identifying and eliminating immediate safety concerns that could otherwise lead to incidents, or eventually to much graver accidents.

The safe-unsafe act (SUSA) audit system on the other hand, is a more action-driven audit, involving a team of managers who visit the plant every week, and identify both safe and unsafe acts that employees may engage in, while performing their duties. We commend safe acts which are highlighted in weekly communication meetings. Acts which are deemed unsafe are corrected on the spot by counselling the concerned individual. Unsafe acts are also brought forward in weekly meetings so they prove as learning opportunities for others, in turn avoiding future wrongdoings within the plant.

Process Safety

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

Assessing risks and finding ways to reduce them is our prime responsibility towards the environment, our employees and communities. We engage in risk assessment and management – right from design and construction to start-up and operation, to maintenance and training. We measure performance, conduct audits, and improve conditions. This is an ongoing process, requiring advanced management systems and highly skilled manpower to continuously monitor and test equipment.

The Company maintains process safety programmes based on the principle that our facility is safe, designed and built according to effective engineering practices, and operated and maintained in accordance with the highest safety standards. Our comprehensive process safety programme includes the following:

- Management of change: A documented process used at each chemical handling site to evaluate any potential hazards associated with process-related changes and incorporate controls in the design.
- Root cause analysis: A structured approach to incident investigation allows us to learn from past incidents and prevent future incidents.
- Chemical safety testing: A laboratory analysis of chemicals before use to identify potential hazardous properties.
- Engineering standards: Using recognized engineering practices in designing and constructing facilities and equipment in accordance with global and local standards.
- Management leadership and commitment: There is a Committee responsible for process safety which evaluates and controls hazards associated with reactive, flammable and toxic materials at the site.
- Leading indicators: We collect data to ensure safety management systems are consistently updated so that they are effective.

Employee Training

Health and safety training plays a pivotal role in ensuring our staff is equipped with the skills and knowledge to conduct daily tasks in a safe manner so the workplace environment is conducive to safety. Our entire workforce is trained, supported and regularly assessed.

Training Need Analysis

Training needs of employees and contractors are identified in consultation with relevant departments. Training schedules and programmes are then developed including ongoing mandatory and refresher trainings. The objective of these trainings is to enhance the knowledge and skills of individuals - enabling them to perform their jobs with minimum risk. Daily, weekly and monthly audit cycles, continuous trainings, effective communications of HSE incidents (learning events), daily tool box talks, which encompass talks from supervisors to their staff on any safety topics or learning events from the previous week, all help improve behaviour-based safety and system compliance.

HSE Induction Program

The Company has a system to provide HSE induction to employees, contractors and new visitors to the site. HSE induction involves awareness pertaining to Company policy, systems and procedures, relevant hazards present on site, emergency handling, risk assessment, control, as well as behavior-based safety.

Behaviour Based Safety Training

Successfully implementing our sustainability strategy and HSE standards reflects our leadership behavior at the local level. This is why, we are particularly concerned about training site managers to detect hazards early and avoid potential accidents.

The programme content ranges from risk assessment and warehousing procedures to emergency management and management systems. Additionally, we conduct training sessions for contractors' staff working at our sites.

HSE training involves external as well as internal training. We have developed our internal faculty who are experts in delivering HSE training. Where necessary, external faculty members are invited to impart employee training.

During the year, we conducted various trainings for field staff and management staff.

Occupational Health and Safety Management Systems

To achieve our goal, we strictly comply with Health, Safety and Environment standards. Independent auditors from our internal HSE department regularly monitor that such standards are implemented.

In 2012, we embarked on aligning our comprehensive Responsible Care Management System (RCMS) with the International OHSAS-18001 Health & Safety Management System and ISO-14001 Environment Management System. Since March 2012, we are an OHSAS-18001 and ISO-14001 certified Company.

Computerized HSE System

We have invested in a computerized HSE database system to report personal as well as process safety near misses, accidents, injuries, occupational diseases and environmental accidents. The system also helps us analyse data and determine the root cause of incidents facilitating taking necessary preventative measures. The statistics compiled with the help of this advanced system are analysed and reported to senior members of the organization on pre-defined frequency.

Occupational Health and Safety Management

OHSAS 18001 systems provide the Company regular updates and benchmarking to Industry's best practices. The OHSAS 18001 Occupational Health and Safety Management System reduces harm to employees and other personnel, while reducing overall liability.

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

- **Incident Prevention** - Work-related incidents are prevented through several layers of protection, including safe design, work practices, use of personal protective equipment, safe behaviours and by using appropriate engineering, operating and administrative controls.
- **Management Leadership and Accountability** - Management establishes clear safety expectations and goals, providing resources, establishing processes and monitoring overall progress.
- **Employee Involvement** - Employees are involved in all aspects of the safety programme, and remain committed to working safely and protecting the safety of others.
- **Regulatory Compliance** - Complying with applicable laws and regulations is an integral part of the Company's safety programme.

• **Inclusive Scope** - Our safety objective is to prevent workplace incidents, injuries and illnesses for employees, contractors, visitors, suppliers and customers. Our ultimate goal is to provide our employees with the skills and attitude to ensure safety remains a number one priority even in their personal lives.
• **Safety Education** - Employees are provided with the knowledge and skills necessary to work safely.
• **Assessment** - Assessment and benchmarking against the world's safety leaders drives continual improvement through adopting best practices.
• **Emergency Preparedness** - Emergency response plans and capabilities are maintained to manage emergencies related to the Company's facilities and operations.
• **Hazard Control** - Hazard studies are a vital component of Company's engineering procedures which are carried out for new plants, processes, buildings, services and operations. We identify, assess, control and monitor various hazards in the workplace. Hazards study, also related to demolishing plants or buildings, and abandoning draining facilities, is carried out under the leadership of trained and experienced Hazard Study Leaders at the Company.

In 2014, we carried out multiple hazard studies, including modifications related to process improvement, variable cost reduction, system upgrade and new initiatives. We included suggestion and preventive measures to comply with HSE policies, national and local legislations.

Green Office Certification

In 2013 we received Green Office Certification from WWF Pakistan for our City Office. WWF's mission remains to stop the deprivation of our planet, and pave the way for future where humans preserve the environment.

This certification signifies that we meet and exceed conservation standards in terms of energy efficiency, resource conservation, and environmental protection. The initiative results in cost savings, and engages employees in the Company's sustainability goals.

The certification is a testament to the fact that we are eager to go above and beyond environmental standards and do everything possible to protect and safeguard the interests of our people and the planet.

Our goal is to ensure that we continue to work in collaboration with the environment to ensure future sustainability targets are met.

Environmental Management

Environmental management remains a critical component of our sustainability vision. Our ongoing efforts to minimize our impact on the environment, whether it be through operational excellence or innovative plant optimization, remains crucial in minimizing environmental risks. Energy, water, waste and resource conservation; biodiversity enhancement; emissions management and regulatory compliance; are all essential areas of focus for us.

We are committed to ensuring that our operations remain environment-friendly - taking an avid interest in reducing our carbon footprint. In line with this belief, we have invested in excess of US$ 44 million in our plants and equipment.

We had installed a state-of-the-art deep shaft technology to treat liquid emissions. Additionally, we continue to invest significant funds in operating them, believing that they will yield long-term economic and environmental benefits.

Being an ISO 14001 certified organization, and believing that long-term economic sustainability depends on ecological sustainability, we comply with the 3Rs of environment (reduce, recycle and reuse). Our focus remains on reducing waste generation, reusing generated waste within the processes, and lastly recycling so that waste output of our operation is minimized.

We have also made great strides in lowering our impact on the environment by reducing greenhouse gases and acid gases through various modification and process optimization which includes installing a co-generation plant, stopping a steam boiler and diesel generators, and shutting down an incinerator and installing a US$ 4 million project for recovering metals.

Energy Consumption

We live in a Country which is suffering from an energy crisis, affecting the lives of millions of people. To conserve energy, we are actively trying to reduce our energy and resource consumption.

Our integrated manufacturing process results in highly-efficient operations, allowing waste heat from one chemical process to be used in a different process. Compared to other facilities which lack comprehensive integration of processes and energy systems, our integrated production process provides:

- Greater opportunities to beneficially use materials
- Better use of thermal energy which would otherwise be discharged into the environment
- Significantly smaller emissions across the supply chain

Our co-generation power plant has reduced the carbon footprint by 40%. Keeping sustainability in mind, our aim is to manage key components of design integration, planning, procurement, contracts, commissioning and operations by our project team, which is working hard.

We also believe in continuously innovating - developing new manufacturing processes that reduce energy intensity and ensure our energy related emissions are clean.

We observe and monitor energy consumption on a daily basis, reporting results to higher management. We have also launched a company-wide energy saving plan by creating awareness among employees on switching off their office lights and electronic gadgets when out of office and give up the habit of keeping electronic items on standby mode when they go home.

Waste Consumption

All types of wastes, be it liquid or solid are reported, controlled and monitored according to site procedures and are reported internally and to local authorities as per legal requirements.

Organic waste produced in effluent treatment plant is passed to cement plants as a partial fuel replacement. Clinical waste, on the other hand, is incinerated in line with legal environmental standards.

To conserve our natural resources, we developed an energy conservation plan in 2011, reducing our energy and water consumption by 55% compared to 2000. For example, wastewater which was previously wasted is now used for horticultural purposes in the plant - resulting in more greenery in the surrounding areas. This, in turn, attracts migratory birds, producing a fresh supply of oxygen in the atmosphere.

Water Consumption

Due to a change in global climatic conditions, it is estimated that Pakistan will experience water scarcity in the coming years, making it imperative that water use be minimized, and water recycling initiatives implemented. Our water management practices are based on principles including, efficient usage, pollution prevention, and maximizing reusing and recycling.

We continuously monitor our water intake and control its use. We optimize water consumption through modern process optimization by recycling part of the wastewater within the plant, as well as using it for horticultural purposes and landscaping - which substantially minimizes water intake.

The industrial process we have in place helps minimize our water usage by treating it to meet specific purposes within the manufacturing cycle, and recycling water whenever possible.

Our wastewater treatment plants at our manufacturing facilities are designed and operated to meet and exceed environmental standards, securing the health of our employees, communities and the local ecosystems in which we operate.

Our water efficiency best practices help reduce:

- Cost of water and wastewater treatment.
- Capital equipment costs.
- Handling and use of potentially hazardous chemicals.
- Carbon footprint - by reducing energy consumption associated with water treatment and distribution.

Biodiversity

We have systems and procedures in place for conserving biodiversity. To maintain a sustainable environment at our plant site and demonstrate best practices in environment management, we try to provide a conducive environment for fauna and flora in surrounding areas.

In the past, we were involved in a tree plantation plan within the site which was aimed at improving the number of flora and fauna in the area. Based on recommendations provided by WWF, we planted 600 to 800 trees around the premises and within the vicinity to provide nesting grounds to local birds and enhance greenery. Our plantation was carried out on a three-kilometer portion passing through the Eastern Industrial Zone in Port Qasim, where more than three hundred saplings were planted. Additionally, we were involved in initiatives to establish organic farming by using wastewater from our reverse osmosis plant.

Emissions Management

Our operational strategy, post power generation, has reduced thousands of tons of carbon, NOx and SOx, resulting in a substantial reduction in greenhouse gases. We invested US$ 4 million for a capital project which helped shutdown a unit that used furnace oil as fuel. Additionally, we spent US$ 50 million in the co-generation power project, resulting in not using diesel generators and boilers. When it comes to discharge: our effluent quality meets NEQS limits which reflect our dedication to conform to the highest environmental standards.

Regulatory Compliance

We report our liquid and gaseous emissions to local authorities at SEPA defined frequency. Since commissioning the plant in 1998, we continue to comply with regulatory requirements on environmental matters in all other areas of our operations.

Societal Responsibility

Taking care of the needs of our communities is a vital aspect of our societal initiatives. We contribute towards healthcare, education and disaster relief - helping empower underprivileged individuals and paving the way for a more promising future for the most deserving sectors of society.

We strive to strengthen ties between industry and communities by promoting favourable environments for business growth. We support projects and initiatives pertaining to education, health, disaster relief, youth engagement, environmental awareness, and other community programmes. We remain supportive towards promoting organizations and programmes, as well as collaborating with them, to further augment and impact lives.

Education

We believe education is a powerful tool which will help empower individuals, providing them with the requisite skills and training necessary to achieve a prosperous future.

In line with our belief, we've been partnering with WWF Pakistan since last four years, sponsoring their Eco-Internship Programme. The program is open to young students aged 8-15 years and enrolled in government or private schools in Karachi and Hyderabad. Every year, WWF Pakistan inducts approximately 3000 students, and offers two-week summer internships in June-July. Industry experts from different organizations are invited to lecture on the environmental issues, water and wildlife conservation, as well as sustainable business practices. Our plant engineers also conduct sessions on Company's environmentally sustainable deep shaft technology for water purification, as well as other eco-efficient practices employed within the plant. Such lectures allow children to understand the importance of eco-friendly business practices, and their impact on lowering energy and carbon emissions.

Further, we offered merit-based scholarships to talented students from NED University. Scholarships encourage students from underprivileged backgrounds to receive quality education, and achieve their ambitions. We also donated funds to The Citizens Foundation (TCF), which runs a number of schools across Pakistan, providing free education to the disadvantaged members of our society.

Community Initiative

Our passion to give back to members of our community remains a driving force behind all our community-related initiatives. We are keen to make a difference and change lives.

Disaster Relief Efforts: Tharparkar

In 2014, the Pakistani district of Tharparkar in Sindh experienced droughts that devastated crops and livestock in the area. The massive humanitarian crisis affected livelihoods of locals resulting in a famine among the 1.3 million residents of Tharparkar. Company employees played their part in helping the victims by embarking on a 400-km journey from Karachi to Umerkot, offering assistance in areas that the Government had declared "calamity hit." In their efforts, Company representatives reached out to over 700 drought-affectees, providing relief goods to 8 villages of Ramser Manghwar, Tane JI Thar, Roheraro, Ramhar, Viklokar, Dabee Sama, Kaplore and Etadi. Company employees also offered emotional support to those affected by spending time with families in the hope that the victims would recover from the catastrophe.

Further, on the request of the District Administration Tharparkar, Company representatives travelled to Mithi in district of Tharparkar to distribute warm clothing among underprivileged children. We provided clothing to approximately 500 children in the area, protecting them against the frigid temperatures.

This is the fourth year we have donated to victims of natural disasters, reaching out to people in remote areas of Pakistan. Like every year, we remain committed to offer assistance and provide support to victims affected by such calamities.

Environment

We remain active in promoting initiatives that benefit the environment and enhance the importance of sustainability within our employees.

World Environment Day

The Day is celebrated in over 100 countries reminding us all to do something positive for the environment. We celebrated World Environment Day on June 6, 2014. The Company employees celebrated this Day by planting more than 200 trees at different locations at our plant at Port Qasim, Karachi. A themed-drawing competition titled: "It's our world" was also organized for Company employees and their children.

Earth Day

On April 22, 2014, more than a billion people worldwide participated in the 44th anniversary of Earth Day by voicing their concerns about the planet and taking action to protect it. Over a hundred enthusiastic Company employees celebrated Earth Day by planting over 100 saplings at our plant sites and City Office.

Engaging in Charities and Volunteering

Our employees remain committed to establishing relationships with communities by volunteering their time and effort so we can change lives and positively impact society. Funding for our social impact activities stems from the Company and its mission to serve others in need. Our volunteer activities include charity giving and other programs that enhance employee giving.

Visit to Jinnah Hospital - Cancer Ward

In 2014, Company employees visited Jinnah Hospital, Cancer Ward for Children in Karachi. We distributed toys to children, many of whom were terminally ill. Our contributions brought great joy and smiles to children's faces. The visit offered an opportunity to LCPL employees to spend time with these children and their families.

Visit to a Government School at Tando Khosa

Government School at Tando Khosa, Ghaghar Phatak is one of the few functional schools in the vicinity of Company's plant site. The school building was in a bad state, requiring repair and maintenance. Company employees decided to take lead by spending a day painting the school building which was later appreciated by the local administration.

Visit to SOS Village

Company employees visited the SOS village in Karachi and spent the day with the children.

Support for Other Communities

Your Company helped reconstruct St. Thomas Church in Malir, Karachi. St. Thomas Church was in dire need of some major renovation and is the only church of its kind in the vicinity.

Health

Access to quality healthcare should be everyone's right. Unfortunately, only a minority of the Country's population can afford quality healthcare. In order to ensure healthcare is accessible to everyone in need, we continue to invest in this area.

Over the years, we have collaborated with many non-profits to help underprivileged members of our society access quality healthcare. We partnered with SINA Health, Education and Welfare Trust to provide free medical care. SINA has a network of 8 healthcare clinics, which operate in Ittehad Colony, Mewashah, North Nazimabad, Machar Colony, Mehmoodi Colony, Old Sabzi Mandi, Shireen Jinnah Colony and Baldia Town. During 2014, 2,400 patients received free healthcare at these clinics.

We also collaborated with Layton Rahmatullah Benevolent Trust (LRBT), which provides comprehensive eye-care treatment from simple refraction to the most advanced retinal surgery and corneal transplants. In 2014, we set up an eye camp in the suburb of Khosa Goth in Karachi. In addition to providing free eye care to people in the area, we also provided free eye screening to members from neighboring communities - which lacked eye-care facilities. Our efforts proved worthwhile: approximately two hundred locals, mainly women and children were treated at the camp, with the assistance of medical professionals from LRBT.

We also donated funds to The Aga Khan Hospital and Medical College Foundation to help members of our society who cannot afford healthcare facilities.

Human Resources

Our employees are our greatest custodians. We attract, harness and retain talented people who possess all the characteristics necessary to drive the Company forward - helping it achieve its current and future objectives. Our winning organizational culture is reflective of our flexible and innovative human resource policies. We treat all employees and contractors fairly, compensate them according to industry standards - providing them benefits, while ensuring a safe working environment. We also offer continuous development opportunities for our staff members so they develop personally as well as professionally.

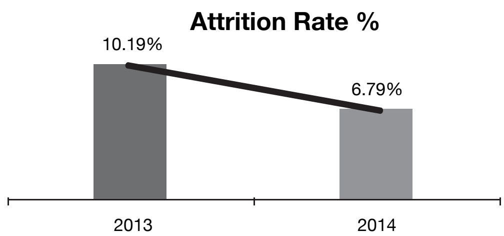
Award Winning Year

For the second year, Employers' Federation of Pakistan honoured the Company with prestigious awards for:

- Best Enterprise for Human Resource Development
- Best Enterprise to Work for
- Best CEO

These awards recognized the Company's human resource processes and their implementation across the organization. Your Company secured first place in all three categories, beating 57 contender companies working towards the award.

In 2014, Human Resources department monitored the key HR areas and their trends and undertook initiatives to make further improvements.



Attrition

In 2014, we observed a substantial decrease in the attrition rate. In 2014, the attrition rate stood at 6.79%, declining from 10.19% a year earlier. In 2015, we hope to decrease attrition rates further.

Training and Development

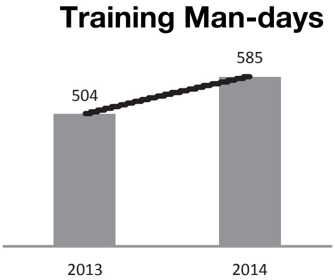
Training and development remains fundamental to how we function. Though we expect our people to surpass expectations and work hard, we believe the quality of training they receive significantly impacts their performance. Our thorough and timely training and development programmes ensure our employees gain all the skills to perform optimally.

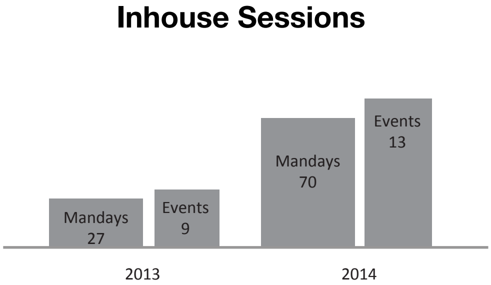
Through a structured process, we provide management and leadership development initiatives for our employees. The development needs of our employees are identified within the framework of our performance evaluation system. During the performance evaluation period, development areas are determined by comparing employees' existing qualifications and competencies to targeted qualifications and competencies, which, in turn, provide input for training requirement analyses. This process aligns employees' work to support Company strategies.

"Coaching" was the focus for 2014. A structured programme was introduced to develop Managers as Coaches in the Company with the aim to help employees develop the necessary skills to perform effectively. These Coaches are RCS Certified, an International body recognized for worldwide Coaching.

A considerable progress has been shown in External Training programmes in 2014 which stood at 585 Man-days as compared to 504 in 2013.

Furthermore, to take the Talent Development Strategy to next level, In-house facilitators' participations were highly encouraged and rewarded under IFR Programme. In-house sessions were significantly improved in 2014 where in-house sessions of 70 Mandays were conducted as opposed to 27 Man-days in 2013. This is an increase of over 100% in subsequent year.





Inspiring facilitators from various functions, also conducted sessions on topics ranging from Ethical Management to Six Sigma Orientation, Lead with Pride to Negotiation Skills among others.

Employees who participate in external training organize information sharing training sessions that enhance interaction among employees so they form a cohesive unit in line with the Company's corporate culture.

Talent Acquisition

The Company is eager to hire and attain recent graduates from a range of professional and academic disciplines. We seek talented individuals, who we can nurture within our organization. We provide training and development opportunities so they become future business and industry leaders. In particular, we lead, when it comes to providing training platforms for emerging engineers in Pakistan.

In 2014, **Graduate Trainee Engineers Recruitment Drives** were initiated multiple times. These drives were aimed to attract young and talented individuals of top Engineering Universities of Pakistan. These graduates go through rigorous selection criteria. Approximately 1,200 graduates were tested out of which 24 were selected as "Trainee Engineer" at the Company. Progressive career path and temporary housing facilities at plant site for upcountry individuals were also offered to facilitate their stay at the Company.

We provide our trainees opportunities to network with leaders and decision makers in their fields. Such networking opportunities serve as an excellent means to gain insight and practical knowledge from experienced industry practitioners. Furthermore, our personnel development plans ensure we offer the appropriate support, training and coaching so our employees succeed at all levels of engineering and commercial functions. A number of our trainees have progressed, and some also hold key positions in other Pakistani and overseas companies.

Furthermore, Structured **Apprenticeship Programme**, under the guidelines of Government of Pakistan rules and regulations, is also one of the talent acquisition source.

Under this program, apprentices are provided with an opportunity to gain 24 months' training in different areas and functions of the plant. In this process, they not only gain a thorough understanding about the technical know-how of the plant, but also a comprehensive understanding of processes related to occupational health and safety. In 2014, 9% of apprentices were hired by the Company, compared to 6.8% a year earlier.

The Company also extends internship opportunities to students from various universities offering technical and business management programmes. The internship programme provides aspiring and future leaders opportunities to learn the corporate culture and business practices of your Company, while working alongside highly professional and supportive staff. In 2014, we offered 42 internships, increasing from 30 in 2013.

Employee Engagement

We realize that our employees, through their dedication and commitment to the Company, drive our business results. We are eager to engage with our employees, and willing to hear their voices and help ease their concerns.

To better educate employees on Company's HR policies and address their queries and concerns, multiple sessions on "HR & Benefits Policies" were organized. These sessions helped bridge the gap between the HR department & all employees of the Company.

Timeout sessions were also conducted during the year. Moderated by senior managers in a focused group set-up, opinions & feedbacks were expressed by employees and at times were considered and incorporated when developing policies and programmes designed to attract, engage and retain talent.

In addition to formal timeout sessions, Chief Executive's Communication sessions & interdepartmental synergy meetings were also held periodically. These sessions / meetings provided a platform for employees to interact with senior management and get an update on business performance and strategic plans for the future.

In 2014, we organised a number of recreational events for our employees to encourage team building and help them lead a healthy and active lifestyle. Some of these initiatives included Eid Milan Party, seasonal fruit parties, yoga classes, night cricket tournament, table tennis championship and swimming competition. In addition, the Company has also maintained a gymnasium at the plant site which is frequently used by employees after office hours.

We also arranged a talent show for employees, allowing them to showcase their musical talent, whether it be singing or playing an instrument.

We publish a quarterly newsletter, in which important events are shared with employees and other stakeholders. This newsletter serves as a medium for communication, allowing employees to contribute newsworthy articles.

Topics such as HR development, social events, business performance, CSR interventions, HSE performance, and continual improvement initiatives are some of the regular features in the newsletter.

Diversity and Inclusion

Our success is dependent on the diversity of candidates we attract. We welcome diversity in terms of gender, ethnicity, thought, skill and life experiences, as we believe this mix drives us forward. Multiple perspectives and experiences in the workplace allow us to understand the mindset of our customers, suppliers and communities - helping us develop innovative solutions and enhance our corporate social responsibility efforts.

One of our key challenges is to balance gender diversification in our organization. With females underrepresented in the petrochemical industry, we encourage and fully support them to join our winning team.

Our selection process is unbiased, and our goal is to hire creative thinkers and innovators who display out-of-the-box thinking. Multi-taskers, flexible and passionate people - who retain a global perspective and continuously improve and inspire themselves and those around them - remain our key strengths and ultimately our business drivers.

Women represent an average of 16% of our workforce in the City Office; however representation of women at our plant is much lower, probably due to the nature of the petrochemical industry. To attract more women, we provide flexi-work timings, so women can manage their personal as well as professional lives.

A number of measures, including strategic workforce planning, as well as programme and policy development, are used to address issues of diversity and equal opportunity. Recognizing the benefits of diverse workforce, the Company instills a culture of respect and tolerance within its employees.

Talent Localization

The Company cultivates constructive and mutually beneficial relationships with its employees, customers, suppliers and communities. Our vision is to be the preferred supplier and employer in Pakistan, as well as in the markets we operate in.

Our talent management efforts integrate a variety of components to develop local workforce and to utilize talent in Pakistan. In 2014, most of our workforce comprised of local talent.

We work towards employing the right people to deliver the services and operational excellence our customers require, when and where they need them, as well as build and strengthen local talent pools. We offer cutting-edge training and competency development programmes. In 2014, a total of 4,375 hours of instructor-led and online training was given to employees.

From numerous applicants, the Company hired 28 people in the workforce during the year.

Labour Relations, Freedom of Association and Collective Bargaining

Your Company is committed to establish open, honest and productive relationships with its people. We adhere to best practices of labour relations in all our activities: treat all employees fairly, prohibit child or forced labour, and believe all employees have a right to join trade unions and collectively bargain.

When contractors are used, we work closely with contracting companies to encourage that employee relations governed by those companies are consistent with ours, and that they comply with our values.

We recognize the right of our employees to freely associate and join trade unions. In 2014, around 17 percent of our workforce was covered by collective bargaining agreements. We believe that successful relations with all our employees, unionized or non-unionized, must be built on values of mutual trust and respect.

The Company's management maintains friendly relations with the CBA. Participation of CBA representatives in relevant forums and reaching a negotiated CBA agreement with them are fundamental indicators of our success in building a healthy and constructive relationship between management and workers.

Transparency and Ethics

We expect our employees to adhere to the highest standards of integrity, discipline and ethics, which are fundamental to our daily operations. A Code of Conduct stipulates our exceptions, guiding employees to carry out ethical business practices. We follow set procedures for transparency to conduct business and free enterprise, which comply with competition laws and regulations.

Career Portal

The Company continuously improves its recruitment system by leveraging technology. By making use of a web-based resume system, The Career Portal, the Company's HR personnel are able to post job vacancies online and electronically sift through eligible candidate resumes.

The system, not only saves costs and time, but also allows the HR department to generate statistics and reports pertaining to job applications, conduct analyses and respond to applicant queries. Additionally, this portal provides line managers access to resumes, in turn increasing their participation in the recruitment process.

Information Technology (IT)

In today's fast-paced business environment where there's intense competition, the role of IT has become more important than ever. It remains fundamental for us to leverage technology to integrate all business processes - supporting business goals, and driving business innovation.

Information Systems Strategic Planning

IT has become a major resource for fueling business innovation and has more responsibilities than ever to lead the Company forward. The Company's IT function focuses on strategic IT issues - how to make IT work for the business, improve Company performance, examine ways to exploit the maximum potential of information systems from existing and new IT products, and provide innovative and cost-effective IT solutions.

The Company's Business Processes

We continuously map and document our business processes to reduce process complexity, streamline operations, and improve understanding. We also engineer and improve to transform processes into automated functions. To enhance efficiency and productivity, we also develop plans and conduct trainings to introduce automated workflow systems.

Teamwork

We adopt a "one team" attitude within the Company that helps us engage effectively from the c-suite to the front line. Our collaborative working methodology emphasizes teamwork, trust, and tolerance for varying thoughts. We are a team of multi-skilled and talented people, who engage with each other to find solutions to problems - and are keen to tackle challenges.

Major Projects / Improvements

During 2014, the Company's IT function continued adding value to the business by identifying and implementing cost savings, strengthening internal controls, reducing paper, and enhancing productivity. Leveraging on real-time database platforms such as ORACLE, Maximo and InfoPlus.21, we have, with time, managed to run our business on processes derived from industry best practices. The key remains to deliver value, efficiency and control.

As a part of this strategy, we have successfully upgraded:
Oracle Applications, including database and all customized applications from version 11.5.9 to R12. The upgradation has enabled our business to run more efficiently, delivering value and strong controls. Further, the new version has enhanced functionality and user productivity.

Aspen Process Explorer, which offers convenience in visualizing and analysing plant operations data from InfoPlus.21. Its enhanced Excel adds-in feature is capable of uploading large data, as well as download data into Excel. The feature will facilitate process engineers to understand plant operations and make timely decisions.

Lotus Notes Server and Clients from version 8.5 to version 9.0 IBM Notes, on a new server. We carried out extensive testing to ensure all mail boxes and IBM Notes applications were running smoothly on the new version. The IBM Notes delivers a rich user experience, helping to accelerate business operations, and improve decision making.

The IT infrastructure with the latest technology, increasing speed of the data flow and strengthening the security of the network. It also enables users to collaborate more effectively with tools for video conferencing and web meetings, among others.

Besides upgrading, a number of developments have taken place to save time, reduce manual work, while increase user productivity.

Business Intelligence Tools

We have already started working on business intelligence tools which will provide insights and help simplify and use information within our Company. Such tools will result in faster and easier decision making by providing key information to decision makers in a timely and efficient manner by way of dashboards - displaying possibilities for targeted planning and forecasting based on existing data.

Information Security

The security of our information assets is more robust by deploying new version of Symantec End Point security, and establishing a new DR site.

Value Addition and Future Investment

Our Company is committed to continuously improving its IT infrastructure, technologies, processes and procedures. This results in improved controls, enhanced reporting, optimized procedures and best overall performance.

We foster collaboration, innovation and creativity, trying our best to play a vital role in ensuring efficient and effective business processes, while thinking of innovative ways to help the business benefit from technological advances. We continue to demonstrate "out-of-the-box" thinking and our goal remains to be a model IT function, which plays a critical role for our business.

Manufacturing Excellence

Manufacturing excellence results from a high performance culture as well as state-of-the-art facilities. We believe operational excellence is an outcome of detailed technical knowledge, as well as performance and manufacturing discipline, including equipment reliability, process control, working within time constraints and safety parameters. Our driven and passionate staff remains integral in helping us achieve manufacturing excellence.

The Company employees are equipped with the required expertise and knowledge to operate one of Pakistan's most technologically advanced process plant. Our complex process chemical plant operates at a very high pressure and temperature - its engineering features ensure product purity exceeds 99.97 percent. We strive for excellence and innovation in all that we do, and our team culture contains these important ingredients.

2014 was a challenging year for our business. Despite difficult market situations, the performance of our manufacturing facilities remained excellent in all areas. The credit goes to Company employees, who displayed outstanding teamwork and remained adamant to face challenges pertaining to plant operations and improvement.

The key areas, including various initiatives, where we continued with our tireless efforts during 2014 included;

Optimizing Operating Costs - We displayed creative and out-of-the-box thinking which entailed minimum, at times zero, capital expenditure. We continued our efforts to reduce the gap in production costs with the latest PTA technology plants.

Other Cost Saving Initiatives - The engineering team took a number of innovative cost saving initiatives. Some included reverse engineering and local development of various spares through domestic and international suppliers. These spares, which were otherwise procured through OEMs, were developed, without compromising on equipment reliability, at low costs resulting in significant cash savings.

Ensuring Business Continuity - In an effort to ensure continued availability and reliability of key equipment, the manufacturing team continued with their efforts in developing detailed front end engineering package of the CTA Drier in collaboration with the technology licensor, keeping in view, future capacity enhancement. The process of short listing and selecting vendors is currently ongoing so as to achieve maximum cost benefit for the Company whilst ensuring business continuity in the long run.

In-house Refurbishment - The engineering team took on the challenge of in-house refurbishment of the spare Solvent Cooler, one of the most critical heat exchangers at plant. In the past no such refurbishment had been experimented in the Company and after much detailed scope of work based on best engineering practices and industry codes & standards, the refurbishment was successfully completed during the year and the cooler has been made available as a spare for the in-service cooler.

Adapting a New Philosophy of Electrical Network - The Company has been relying on two power sources for its base and critical load - a requirement for safely shutting the plant. In order to curb costs and run more efficiently, a series of modifications were implemented which resulted in shifting of the critical load to own gas turbine supply thus resulting in lowering the energy bill for the Company without compromising the integrity of PTA operations. An upgraded automated electrical network philosophy has also been installed whereby the back-up generators are kept in auto mode and in case of power failure, the back-up generators will be made available for critical plant equipment without any manual intervention thus ensuring integrity of critical equipment at plant site.

Lowering Natural Gas Input to Boilers - After commissioning of the gas turbine, the major requirement of high pressure steam for PTA manufacturing was fulfilled from the Heat Recovery Steam Generator (HRSG). Due to a limitation in the inherent design of the gas control valves, the boiler operation became inefficient as extra natural gas was being consumed. After a detailed in-house study, in consultation with the OEM, a modification was implemented which resulted in enhanced operational effectiveness and addressed the limitation in the design of the control valves by 37%.

Process Improvement - Another hallmark of our manufacturing excellence initiatives has been continuous process improvement. Over the years, Company employees have remained steadfast in addressing operational issues. A major improvement in the design of the instrument air compressors was implemented which improved its performance drastically.

On-Site Weather Station - Ambient conditions are important parameters for correlating weather effects on process changes and various equipment performances. A state-of-the-art weather station was procured and the whole system was installed and configured by the local team without any vendor support. The real-time data along with historic trends are now available.

Auto Sampling Systems - Auto Sampling Systems are pneumatic system, installed at Oxidation and Purification Plants for batch sampling of end product. These were in continuous operation since plant commissioning and in order to keep the system healthy, the complete pneumatic systems were replaced with DCS logic based which has not only resulted in material cost savings but has also improved the reliability of the system.

DCS Auto Generated Reports - Daily Monitoring Sheets and Shift Process Reports are now being generated automatically on daily basis to assist in plant monitoring. Thus increasing the productivity of the DCS Boardman and improving the reliability of reports by reducing human error and delays.

Wireless Communication System between Company and Linde - The process values from various instruments installed at the neighbouring Linde facility (Linde is the industrial gases supplier to the Company) were being monitored at Company's plant via transmission through multi-core copper cable; which suffered damages on different locations from time to time. An innovative idea to restore these faulty loops by utilizing modern wireless communication for the transmission of process values was considered and a new wireless communication system was installed on both sites to establish the data transmission link. This initiative has not only improved the reliability of the system but also resulted in material cost saving.

Innovation and Teamwork - In pursuit of ensuring high plant availability, key learnings from past events are made part of the standard operating procedures and during the year when an opportunity presented itself in the face of an exchanger leakage, the manufacturing team fixed the leakage without taking a plant outage. This resulted in substantial savings as the plant remained online and any losses that would have incurred on account of plant shutdown were averted.

Improving Paraxylene Efficiency - An inherent design flaw in the mother liquor line caused choking which was a serious concern and resulted in loss of demineralised water and PTA. A modification was implemented during the year which minimised these losses.

Reducing GTG Outage Time and Electricity Maximum Demand Index (MDI) - The interval between water wash of the gas turbine was enhanced which resulted in lowering of the energy bill and ensured reliable operations by operating the PTA plant on own power generation.

Preparation for PTA Plant Overhaul 2015 - The Company, over the years, has increased the intervals between plant overhauls and the last PTA plant overhaul was taken in early 2013. The next overhaul is planned for Q1 2015 and based on the learning from the last overhaul; preparations were made well in advance covering major milestones which included launching of Work Packs five months before the scheduled overhaul and finalization of all foreign material and services procurement with long lead times ahead of target.

Technical Training Centre

Started in August 2009, our Technical Training Centre (TTC) provides a systematic method of training to all plant personnel working in various departments within the PTA plant. TTC serves as an in-house training resource to enhance professional skills and competencies of all manufacturing staff and those of neighbouring industries, providing direction to incoming apprentices and graduates, in turn helping businesses achieve their objectives.

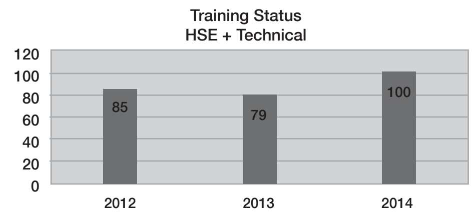
Our training centre has a variety of facilities including, state-of-the-art training rooms which are equipped with audio visual equipment and accommodate many people. The TTC encompasses many rooms for group discussions and activities.

A number of training manuals, modules, APIs and other forms of technical and safety literature such as videos are regularly updated by staff members at the TTC.

Technical & HSE Training

We provide training at all levels, and do not underestimate its value in enhancing our staff's skills, while ensuring the highest safety parameters are in place. Particularly, plant employees need the technical skills so they can conduct their jobs safely, without harming themselves and others.

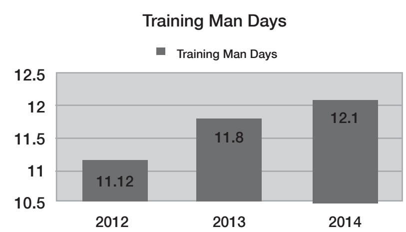
Training Events (Management + Non Management)



Training against KPIs

In 2014, the number and type of trainings increased compared to 2012 and 2013. The number of Technical & HSE trainings conducted at the Company increased from 79 in 2013 to 100 in 2014. Similarly, training man-hours (for both management and non-management staff as well as contractor staff) increased through the years as well.

Training Man-Days (Management + Non Management)



External Training

In 2014, we also offered a range of external courses which helped our employees build their skills. Some of 2014's external courses included: HAZOP Appreciation Course, Basic Bearing Technology, Reliability Centered Maintenance, etc.

Training by Outside Bodies at TTC

In 2014, a number of outside organizations conducted training programmes at the TTC.

Orientation and Basic Training Plan for Trainee Engineers

A four-week orientation programme has been formulated for fresh graduates who join the Company. The aim of the programme is to give graduates an overview of the basic operations of our facility before they start working. In 2014, 3 batches of Trainee Engineers (TEs) completed their orientation training at TTC, which was conducted by your Company staff.

Orientation and Basic Training Plan for Apprentices

An 8-week orientation program has been devised for apprentices, which provides basic training for different areas of the plant. In 2014, a new batch of apprentices completed their classroom training at TTC.

HSE Awareness Sessions for Neighboring Industries

In addition, TTC also organized HSE awareness sessions for other industries and organizations.

Internal Faculty Recognition Programme

In line with our strategy of talent localization, we developed a talented pool of in-house trainers through the Internal Faculty Recognition Programme (IFRP). Launched in August 2013 by the Sustainability department, the IFRP is driven by the TTC.

The pool of internal trainers conducts various learning and development programmes within the Company, which saves training costs and helps improve a learning-culture based on knowledge sharing.

In 2014, our internal faculty conducted various trainings which included both technical and self development trainings.

Job Qualifying Programme (JQP)

Job Qualifying Programme is a structured training programme to enhance competency and skills of manufacturing staff. JQP is a self-study programme that is followed by a written and practical examination - providing a great avenue for employees who want to sharpen and diversify their skills while working. Candidates are equipped with thorough knowledge throughout their training, be it in the form of quality reading material or regular guidance from line managers. JQP examinations are held twice a year - in April and September.

Core Development Plan for Engineers (CDPE)

The CDPE was designed to enhance the technical skills and knowledge of engineers, and bring them in line with the Company's Standards and Practices. CDPE is geared for graduate engineers of all disciplines-ranging from chemical, mechanical, electrical and instrument - who have started their careers or have up to 5 years' work experience in the Company.

Total Productive Management (TPM)

With the goal to achieve global competitiveness through operational excellence, Total Productive Management (TPM) was launched in October 2013.

TPM is a plant improvement methodology which involves people working in small organized teams to create the most efficient working equipment and mechanisms, while conforming to the highest safety parameters.

5S Activities

The 5S process is one of the most fundamental and widely-applied methodologies. It is the foundation of TPM. The guiding principles underlining the 5S system include: organization, cleanliness, and standardization.

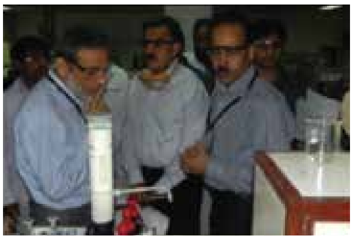
The concept behind 5S is simple: minimize waste and improve efficiency by ensuring workers spend time on productive tasks rather than look for misplaced tools and sort through waste material. 5S implementation ultimately improves workplace environment and creates a self-sustaining culture within the organization.

With this philosophy in mind, the Company started focusing on 5S activities at the plant site. Before beginning 5S activities, Small Group Teams (SGTs) were formed and the plant was divided into 53 blocks. Each team was assigned specific blocks to complete 5S activities during the year.

5S Slogan Competition

To build a sense of unity and to enhance an effective working relationship among different departments, SGTs were asked to make a 5S slogan for their respective teams before beginning 5S activities. The best 5S slogan was chosen by the TPM Performance Assessment Committee and rewarded.

Audit of 5S Blocks



Performance evaluation is critical for measuring work efficiency and motivating staff members.

After 5S activities were completed on each block and members rewarded, personnel from the Sustainability department conducted audits of each 5S block.

A mid-year performance evaluation audit, held in May 2014, was also conducted by the TPM Performance Assessment Committee. By year end, SGT activities were completed for all assigned blocks, and rewards to SGTs were given based on the scores they achieved. A year-end audit was conducted in January, 2015.

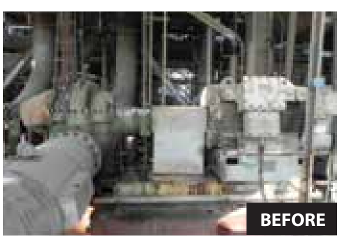
Reward Money Distribution Ceremony

Rewards serve as tools of appreciation for employee participation and drive.

To keep employee morale high and appreciate our employees, the Sustainability department organized a Reward Money Distribution Ceremony. The ceremony honoured employees who showed initiative and drive. Chosen employees were awarded certificates and rewards under the Job Qualifying Programme (JQP), Internal Faculty Recognition Program (IFRP) and Suggestion and Reward System (SRS). In 2014, we arranged two award ceremonies.

The first ceremony, held in January 2014, honoured the efforts of employees who shared knowledge and displayed innovation. In all, 42 employees were rewarded for their valuable participation. In June 2014, a second Reward Money Distribution Ceremony was organized.

TPM Model Activities



The key to establish and develop basic TPM is to ensure TPM priorities and activities are supported by senior management - the key drivers of TPM. It is critical that top and middle managers recognize the importance and long-term value of TPM activities. To enhance understanding of TPM activities and garner support by senior management, TPM model activity for senior management started in January, 2014, and ended in July, 2014. A team comprising of 15 senior members spent 2 hours every alternate week on an important component of TPM maintenance. TPM model activity for seniors encourages participation among them, so they can guide Small Group Teams in the future.

After successfully accomplishing TPM model activity for seniors, the TPM team moved a step ahead by involving employees who were not part of SGT.

SRS (Suggestion And Reward System)

To improve manufacturing and operation functions at the Company's plant site, a suggestion and Reward System (SRS) was initiated in December, 2013. With the help of the IT department, an SRS database was developed, allowing employees to input their suggestions. The database allows staff members to use technology and continuously improve processes by way of offering feedback.

To date, your Company employees have communicated 539 suggestions to the SRS database - ranging from developing solutions for problems to implementing a predetermined plan for change. So far, 47 suggestions have been implemented, resulting in cost savings.

Through SRS, we envision clear and measurable goals that will lead to improved quality and productivity, enhanced safety, lowered costs, as well as high employee morale and job satisfaction.

Product Stewardship

We are a world-class producer of PTA, and conform to the highest quality and safety standards. We try to ensure that our manufacturing process remains safe and hazard-free for our customers and employees.

Product stewardship forms an integral part of our sustainability strategy. While maintaining our efforts to offer our customers more value and better performance, we aim to reduce the environmental burden throughout the life cycle of our product - from raw material procurement to disposal.

Product Description

Your Company is a world-class supplier of PTA, an essential raw material for Pakistan's textile and PET packaging industries. PTA is used in manufacturing polyester staple fibre, polyester filament yarn and PET. Our plant at Port Qasim, Karachi was built using ICI's state-of-the-art technology when it was commissioned in 1998, and we remain committed to maintaining short delivery times, consistent quality and excellent customer service.

Process

PTA is made by oxidizing paraxylene, using acetic acid as a solvent. In the first stage, known as oxidation, air is blown into a stirred reactor vessel containing a mixture of paraxylene, acetic acid and a catalyst. The result: Crude Terephthalic Acid (TA) is formed, which is crystallized and then dried.

In the second stage, which is purification, the crude TA is redissolved in hot water. Impurities are removed by hydrogenation and PTA is again crystallized out and dried. This process ensures that 99.98% of purity required for manufacturing polyester products is achieved. Liquid effluent from the process is biologically treated using a deep shaft technology, so that water being discharged fully complies with the National Environmental Quality Standards (NEQS).

Product Safety

Our product is safe when used as intended. All raw materials, including the finished PTA product, are subjected to numerous assessments and tests to ensure safety is maintained during production, use and disposal.

Markets Served

Since its inception, the Company has focused on meeting Pakistan's PTA demand. However, if local demand lowers, only then does the Company export to other countries. 2014 has been a challenging year for PTA producers around the world due to significant oversupply in Asia and resultantly low industry margins. Despite these difficult circumstances, the domestic market share was maintained.

Customer Satisfaction and Complaint Management

Customer satisfaction plays an integral role in every business. The business sales team conducts regular meetings to maintain business relationships and gauge customer satisfaction. Any concerns and issues are addressed on a priority basis, and systems are in place to ensure that occurrences are not repeated. Moreover, a comprehensive system is in place to handle all complaints, within a defined time frame. Information and status of all complaints are circulated at the highest levels of the organization.

Economic Contribution

A sustainable business plays a pivotal role in delivering economic and social progress. A business which generates substantial revenue to sustain people's quality of life and safeguard the planet is important, but one that ensures employees, owners and members of the community remain financially secure, is also critically important.

We contribute economically in a number of ways: we provide employment, buy from local, regional and global suppliers, distribute our products, and contribute to the National exchequer via direct and indirect taxes.

In the year ended 31 December 2014, the Company generated Rupees 48 billion in economic value.

	Rupees'000
Revenue Revenue plus interest and proceeds from sale of operating assets	47,910,640
Operating Costs Cost of material, services and facilities	49,369,041
Employee Wages and Benefits Cost of employees' salaries and benefits	653,552
Payments to Government Tax paid, including remittance taxes and excise taxes	3,690,000
Community Investment Voluntary contributions and investment of funds in the broader community	4,289
Economic Value Retained	101,627,522

Transparent Approach to Taxation

We recognize the growing interest in the level of taxes paid by multinational companies. We remain transparent in our dealings and pay appropriate amount of taxes according to country-specific laws and regulations.

In the year, the total taxes borne and collected by Company amounted to Rupees 4 billion. This figure includes excise taxes, transactional taxes and taxes incurred by employees. We consider the wider tax footprint to be an appropriate indication of tax contribution from our operations. Our presence in Pakistan is beneficial to the Country as it provides employment to people - affecting income levels and subsequently tax revenues.

Understanding our Role and Responsibilities in our Value Chain

The reach and scale of our business results in us playing a pivotal role in the economic development of the Country.

We remain aware of our influence on our suppliers and the importance of developing personal relationships with them. Our goal remains to pay fairly for their products, materials and services. In addition, we often work in collaboration with them, to help improve their working practices and conditions, as well as their overall efficiency, which in turn, impacts their income levels.

Financial Statements

Auditors' Report to the Members

We have audited the annexed balance sheet of Lotte Chemical Pakistan Limited as at 31 December 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

A. F. Ferguson & Co.,
Chartered Accountants
Karachi

Dated: 06 March 2015

Name of the Engagement Partner: Farrukh Rehman

Balance Sheet
As at 31 December 2014

Amount in Rs '000

	Note	2014	(Re-stated - Note 3.1.2) 2013	(Re-stated - Note 3.1.2) 2012
ASSETS				
NON-CURRENT ASSETS				
Fixed assets	5	7,379,579	8,713,584	10,065,769
Long-term loans and advances	6	41,536	41,297	46,957
Long-term deposits and prepayments	7	63,518	64,011	79,247
Deferred tax	8	939,035	-	-
		8,423,668	8,818,892	10,191,973
CURRENT ASSETS				
Stores and spares	9	1,057,920	840,720	732,735
Stock-in-trade	10	2,784,277	2,961,089	4,440,877
Trade debts	11	1,316,984	2,780,329	3,300,360
Loans and advances	12	28,092	24,644	32,796
Trade deposits and short-term prepayments	13	27,462	94,333	92,404
Mark-up accrued on bank deposits		2,242	7,020	186
Other receivables	14	145,128	33,846	91,575
Tax refunds due from government - sales tax	15	423,847	398,784	625,656
Taxation - payments less provision		1,657,673	868,491	670,290
Cash and bank balances	16	1,025,890	3,068,673	879,990
		8,469,515	11,077,929	10,866,869
TOTAL ASSETS		16,893,183	19,896,821	21,058,842

Amount in Rs '000

	Note	2014	(Re-stated - Note 3.1.2) 2013	(Re-stated - Note 3.1.2) 2012
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		(4,438,899)	(3,334,528)	(2,839,352)
		10,705,518	11,809,889	12,305,065
LIABILITIES				
NON-CURRENT LIABILITIES				
Deferred tax	8	-	389,877	762,789
Retirement benefit obligation	19	54,540	45,002	43,668
		54,540	434,879	806,457
CURRENT LIABILITIES				
Trade and other payables	20	5,980,316	7,490,992	7,756,976
Interest accrued	21	152,809	161,061	147,685
Short-term financing	22	-	-	-
Current portion of liability against assets subject to finance lease		-	-	42,659
		6,133,125	7,652,053	7,947,320
TOTAL LIABILITIES		6,187,665	8,086,932	8,753,777
Contingencies and commitments	23			
TOTAL EQUITY AND LIABILITIES		16,893,183	19,896,821	21,058,842

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

Hun Ki Lee
Chairman

Jung Neon Kim
Chief Executive

Profit and Loss Account
For the year ended 31 December 2014

Amount in Rs '000

	Note	2014	(Re-stated - Note 3.1.2) 2013
Revenue	24	47,800,070	57,069,684
Cost of sales	25	(49,769,239)	(56,920,556)
Gross (loss) / profit		(1,969,169)	149,128
Distribution and selling expenses	26	(180,268)	(120,104)
Administrative expenses	27	(397,737)	(331,932)
Other expenses	28	(13,540)	(93,816)
Other income	29	118,079	180,340
Finance income / (costs)	30	78,887	(83,664)
Loss before taxation		(2,363,748)	(300,048)
Taxation	31	1,263,277	(197,936)
Loss after taxation		(1,100,471)	(497,984)
		Rupees	
Earnings per share basic and diluted - (loss)	33	(0.73)	(0.33)

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

Hun Ki Lee
Chairman

Jung Neon Kim
Chief Executive

Statement of Comprehensive Income / (Loss)
For the year ended 31 December 2014

Amount in Rs '000

	Note	2014	(Re-stated - Note 3.1.2) 2013
Loss after taxation		(1,100,471)	(497,984)
Other comprehensive (loss) / income:			
Items that will not be reclassified to Profit or Loss			
Remeasurements of post employment benefit obligations	19	(5,843)	4,148
Impact of deferred tax		1,943	(1,340)
		(3,900)	2,808
Items that may be subsequently reclassified to Profit or Loss		-	-
Total comprehensive loss for the year		(1,104,371)	(495,176)

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

Hun Ki Lee
Chairman

Jung Neon Kim
Chief Executive

Cash Flow Statement
For the year ended 31 December 2014

	Note	2014	2013
			Amount in Rs '000
			(Re-stated - Note 3.1.2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	32	(1,145,239)	3,022,272
Long-term loans and advances - net		(239)	5,660
Long-term deposits and prepayments - net		493	15,236
Finance costs paid		(87,480)	(38,842)
Payments to staff retirement benefit scheme		(15,129)	(16,510)
Taxes paid		(852,874)	(770,389)
Mark-up received from bank deposits		113,572	121,750
Net cash (used in) / generated from operating activities	(1,986,896)	2,339,177	
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital expenditure		(57,609)	(150,371)
Proceeds from sale of operating assets		1,776	-
Net cash used in investing activities		(55,833)	(150,371)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(54)	(123)
Net (decrease) / increase in cash and cash equivalents	(2,042,783)	2,188,683	
Cash and cash equivalents at the beginning of the year		3,068,673	879,990
Cash and cash equivalents at the end of the year		1,025,890	3,068,673

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

Hun Ki Lee
Chairman

Jung Neon Kim
Chief Executive

Statement of Changes in Equity
For the year ended 31 December 2014

Amount in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total equity
Balance as at 01 January 2013 - restated - note 3.1.2	15,142,072	2,345	(2,839,352)	12,305,065
Total Comprehensive loss for the year ended 31 December 2013 - restated				
- Loss for the year ended 31 December 2013	-	-	(497,984)	(497,984)
- Other Comprehensive income for the year ended 31 December 2013	-	-	2,808	2,808
	-	-	(495,176)	(495,176)
Balance as at 01 January 2014 - restated - note 3.1.2	15,142,072	2,345	(3,334,528)	11,809,889
Total comprehensive loss for the year ended 31 December 2014				
- Loss for the year ended 31 December 2014	-	-	(1,100,471)	(1,100,471)
- Other Comprehensive loss for the year ended 31 December 2014	-	-	(3,900)	(3,900)
	-	-	(1,104,371)	(1,104,371)
Balance as at 31 December 2014	15,142,072	2,345	(4,438,899)	10,705,518

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

Hun Ki Lee
Chairman

Jung Neon Kim
Chief Executive

1. STATUS AND NATURE OF BUSINESS

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

2. AMALGAMATION

Through a scheme of arrangement the Company's wholly owned subsidiary - Lotte Powergen (Private) Limited, engaged in generation and sale of electricity and steam to the Company, amalgamated with and into the Company. The amalgamation and its related Scheme of Arrangement, effective from 01 January 2014, was approved by the Honorable Sindh High Court vide its order J.M. No. 29 of 2014 dated 29 January 2015 and filed with the registrar of companies on 02 February 2015, for which the Company's shareholders approval was obtained in their Extraordinary General Meeting held on 25 November 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Basis of preparation

3.1.1 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.

3.1.2 Amalgamation of the wholly owned subsidiary - Lotte Powergen (Private) Limited with and into the Company has been accounted for using the predecessor method of accounting. The method requires the merged entity's results incorporated by line by line adding them at their pre-combination carrying values as if both entities had always been combined. Accordingly, the corresponding amounts for the previous years have also been restated to reflect the combined results of both entities. The unappropriated profits of Lotte Powergen (Private) Limited as at the effective date of amalgamation constitute as reserves of a corresponding nature in Lotte Chemical Pakistan Limited and has been accounted for on that basis in the books of account of the Company.

3.1.3 Changes in accounting standards, interpretations and pronouncements

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

IFRIC 21, "Levies" a new interpretation is applicable for the Company for the first time for the financial year beginning on 01 January 2014, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company„s current accounting treatment policy is already in line with this amendment.

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 01 January 2014 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**

IFRS 13, 'Fair value measurement' effective from annual periods beginning on or after 01 January 2015. This amendment aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. It is unlikely that the standard will have any significant impact on the Company's financial statements.

IAS 34, 'Interim financial reporting' effective from annual periods beginning on or after 01 July 2016. This amendment clarifies what is meant by the reference in the standard to ‚information disclosed elsewhere in the interim financial report„. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective. It is unlikely that the standard will have any significant impact on the Company's financial statements.

There are number of other standards, amendments and interpretations to the published standards that are not yet effective and are also not relevant to the Company and therefore, have not been presented here.

3.2 Overall valuation policy

These financial statements have been prepared under the historical cost convention, except that certain exchange elements have been incorporated in the cost of the relevant operating property, plant and equipment upto 04 July 2004.

3.3 Fixed assets

3.3.1 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 3.2 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. Full month's depreciation is charged in the month of acquisition and no depreciation is charged in the month of disposal. 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.

3.3.2 Intangible assets and amortisation

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

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

3.4 Stores and spares

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

3.5 Stock-in-trade

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

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

3.6 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.

3.7 Cash and cash equivalents

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

3.8 Impairment

3.8.1 Financial assets

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

The 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.

3.8.2 Non-financial assets

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

3.9 Trade and other payables

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

3.10 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.

3.11 Offsetting

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

3.12 Lease payments

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

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

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

At the inception of an arrangement, the 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.

3.13 Staff retirement benefits

3.13.1 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 had an approved funded defined benefit pension scheme. The last member retired during the year and the winding up is in process.

The Company also has an unfunded medical scheme to provide post retirement medical benefits to all full-time management staff employees who are also the members of defined contribution superannuation 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.

The liability recognised in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

3.13.2 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 has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company also operates a defined contribution superannuation fund for its management staff who joined the Company on or after 01 May 2004 and for those who opted out of the defined benefit pension scheme. Contributions are made at the rate of 10.6 percent of basic salary of the members of the fund.

3.14 Dividend

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

3.15 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

3.15.1 Current

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

3.15.2 Deferred

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

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

3.16 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Pakistan Rupees using the exchange rate prevailing at the dates of transactions.

Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Pakistan Rupees at the exchange rates prevailing on that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

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 05 July 2004, are taken to the profit and loss account, due to amendments in the Fourth Schedule to the Ordinance.

3.17 Revenue recognition

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

3.18 Interest income

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

3.19 Borrowings and their cost

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

3.20 Earnings per share

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

3.21 Functional and presentation currency

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

4.1.1 Impairment reviews

Assets that are subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Changes in the assumptions used by management, in particular the PTA-Px margins, discount rate and expected capacity utilizations may affect the Company„s impairment evaluation and accordingly the amounts recognised in the financial statements.

4.1.2 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 allowing tax losses 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 then filed jointly with ICI Pakistan Limited in the High Court of Sindh challenging this rectification. The Honourable High Court of Sindh vide its order dated 31 January 2009, directed the tax department that no further action shall be taken until the next date of hearing. The matter is still pending.

Recently in the case of that company, the availability of the said depreciation loss from the year 2001-2002 has attained finality after the decision of the Appellate Tribunal Inland Revenue. However, the matter is still pending as the department has preferred appeal.

In 2008 while issuing the rectification order for the Tax Year 2003, the Taxation Officer had erroneously disallowed the loss brought forward of Rs 2.6 billion for which a rectification application and corresponding appeal was filed with the Additional Commissioner of Income Tax and CIT (Appeals) respectively. During 2011, the Commissioner (Appeals) disposed off the Company„s appeal via order No. 156 dated 14 March 2011 and allowed the said loss while maintaining certain disallowances against which corresponding appeals were filed with the Appellate Tribunal Inland Revenue [ATIR]. In its order passed on 14 September 2011, ATIR referred back the matter of disallowance of such loss against which rectification appeal was filed on 13 October 2011. Subsequently, CIR appeals passed an order dated 27 May 2014, giving directions to allow the brought forward loss after verification. The department has preferred an appeal with regard to this decision.

4.1.3 Defined benefit plans

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

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

		Amount in Rs '000
		(Re-stated)
	2014	2013

5. FIXED ASSETS

	2014	2013
Property, plant and equipment		
Operating assets - note 5.1	7,347,819	8,702,842
Capital work-in-progress - note 5.2	30,868	9,352
	7,378,687	8,712,194
Intangible assets - note 5.4	892	1,390
	7,379,579	8,713,584

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 2014							
Opening net book value (NBV)	49,072	141,551	8,444,250	-	2,382	65,587	8,702,842
Additions (at cost)	-	462	24,103	-	-	11,503	36,068
Disposals (at NBV)	-	-	(766)	-	-	(200)	(966)
Depreciation charge	(1,422)	(24,807)	(1,345,584)	-	(1,784)	(16,528)	(1,390,125)
Closing net book value (NBV)	47,650	117,206	7,122,003	-	598	60,362	7,347,819
Gross carrying value basis at 31 December 2014							
Cost	90,278	990,298	31,051,996	395,543	57,046	195,179	32,780,340
Accumulated depreciation	(42,628)	(671,381)	(22,671,879)	(395,543)	(56,448)	(134,817)	(23,972,696)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	-	(1,459,825)
Net book value (NBV)	47,650	117,206	7,122,003	-	598	60,362	7,347,819
Net carrying value basis							
Year ended 31 December 2013 - (Re-stated)							
Opening net book value (NBV)	50,494	165,599	9,674,232	4,395	6,382	80,619	9,981,721
Additions (at cost)	-	627	216,537	-	868	5,125	223,157
Disposals (at NBV)	-	-	-	-	-	(106)	(106)
Depreciation charge	(1,422)	(24,675)	(1,446,519)	(4,395)	(4,868)	(20,051)	(1,501,930)
Closing net book value (NBV)	49,072	141,551	8,444,250	-	2,382	65,587	8,702,842
Gross carrying value basis at 31 December 2013 - (Re-stated)							
Cost	90,278	989,836	31,032,794	395,543	57,481	183,957	32,749,889
Accumulated depreciation	(41,206)	(646,574)	(21,330,430)	(395,543)	(55,099)	(118,370)	(22,587,222)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	-	(1,459,825)
Net book value (NBV)	49,072	141,551	8,444,250	-	2,382	65,587	8,702,842
Depreciation rate % per annum	2	5	5 - 20	6.67	25	10-33	

Amount in Rs '000

		2014	2013
5.2	**Capital work-in-progress**		
	Civil works and buildings	4,663	1,599
	Plant and machinery	24,297	679
	Miscellaneous equipments	1,908	7,074
		30,868	9,352
5.3	**Capital work-in-progress - movement**		
	Opening balance	9,352	82,174
	Capital expenditure	50,312	143,862
	Transferred to operating property, plant and equipment	(28,796)	(216,684)
	Closing balance	30,868	9,352
5.4	**INTANGIBLE ASSETS**		
5.4.1	**Net carrying value basis**		
	Opening net book value	1,390	1,874
	Additions during the year	25	36
	Amortisation charge	(523)	(520)
	Closing net book value	892	1,390
5.4.2	**Gross carrying value basis**		
	Cost	214,127	214,102
	Accumulated amortisation	(213,235)	(212,712)
	Net book value	892	1,390

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

Description	2014				Mode of disposal	Particulars of buyers / others
	Cost	Accumulated depreciation	Net book value	Sales proceeds		
Furniture and equipment	186	16	170	170	Negotiation	Mr Asif Saad
Plant and machinery	4,222	3,521	701	-	Company policy	Discarded / Scrapped

Amount in Rs '000

6. LONG-TERM LOANS AND ADVANCES - considered good

	2014				2013
	Motor car	House building assistance	Others	Total	Total
Due from executives - note 6.1	23,155	14,194	71	37,420	40,139
Less: Receivable within one year - note 12	(4,765)	(7,352)	(33)	(12,150)	(12,586)
	18,390	6,842	38	25,270	27,553
Due from employees	16,360	620	3,639	20,619	18,006
Less: Receivable within one year - note 12	(3,134)	(447)	(772)	(4,353)	(4,262)
	13,226	173	2,867	16,266	13,744
	31,616	7,015	2,905	41,536	41,297

6.1 Reconciliation of carrying amount of loans to executives

	2014			2013		
	Key management personnel	Executives	Total	Key management personnel	Executives	Total
Balance at 01 January	4,698	35,441	40,139	6,009	40,551	46,560
Disbursements	-	22,594	22,594	-	19,345	19,345
Repayments	(1,311)	(24,002)	(25,313)	(1,311)	(24,455)	(25,766)
Balance at 31 December	3,387	34,033	37,420	4,698	35,441	40,139

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 42.98 million (2013: Rs 47.51 million).

7. LONG-TERM DEPOSITS AND PREPAYMENTS

	2014	2013
Deposits - note 7.1	40,524	40,524
Prepayments	22,994	23,487
	63,518	64,011

7.1 These include Rs 14.42 million (2013: Rs 14.42 million) paid to Pakistan Steel Mills Corporation for emergency back-up supply of water and Rs 24.27 million (2013: Rs 24.27 million) paid to K-Electric Limited.

		Amount in Rs '000
		(Re-stated)
	2014	2013
8. DEFERRED TAX		
Credit balance arising in respect of property, plant and equipment	(1,399,827)	(907,627)
Debit balance arising in respect of:		
- provisions for:		
• sales tax refundable	31,258	30,365
• staff retirement benefits	24,555	24,406
• slow moving, obsolete and rejected items	6,936	6,738
• unpaid liabilities	451,503	220,791
- carry forward of turnover tax - note 8.2	744,954	157,965
- taxable loss - note 8.1 and 8.2	1,079,656	77,485
Deferred tax asset / (liability)	939,035	(389,877)

8.1 This includes the impact of taxable losses incurred by the Company during the year and carried forward tax losses of Lotte Powergen (Private) Limited as a result of its amalgamation with and into the Company as mentioned under note 2 to these financial statements. The carried forward losses in respect of Lotte Powergen (Private) Limited have been accounted for tax purposes in line with the provisions of section 97A of the Income Tax Ordinance, 2001.

8.2 The management carries periodic assessment to assess the benefit of these losses and unavailed tax credits in respect of minimum tax as the Company would be able to set off the taxable profit earned in future years against these. Based on the assessment management has recognised deferred tax debit balance amounting to Rs 745 million on account of unavailed tax credits in respect of minimum tax and Rs 1 billion in respect of taxable losses. The amount of this benefit has been determined based on the projected taxable profits of the Company for future years. The determination of future taxable profits is most sensitive to certain key assumptions such as capacity utilisation, PTA-Px margins and discount rate. Any significant change in the key assumptions may have an effect on the realisability of deferred tax asset.

Amount in Rs '000

		2014	(Re-stated) 2013
9.	STORES AND SPARES		
	Stores	35,293	30,021
	Spares	1,043,487	831,559
		1,078,780	861,580
	Less: Provision for slow moving, obsolete and rejected items - note 9.1	(20,860)	(20,860)
		1,057,920	840,720
9.1	Provision for slow moving, obsolete and rejected items		
	Provision at 01 January	20,860	15,746
	Charge for the year	-	5,114
	Provision at 31 December	20,860	20,860
10.	STOCK-IN-TRADE		
	Raw and packing materials [including in-transit Rs 99 million (2013: Rs 181 million)]	1,590,090	2,166,141
	Finished goods		
	- Manufactured Goods	1,031,428	723,359
	- Trading Goods [including in-transit Rs 48 million (2013: Nil)]	162,759	71,589
		1,194,187	794,948
		2,784,277	2,961,089

10.1 As at 31 December, stock of finished goods and raw material has been written down by Rs 287.33 million (2013: Nil) and Rs 195.43 million (2013: Nil) respectively to arrive at its net realisable value.

10.2 Cost of stock-in-trade held with the third parties include the following:

	2014	2013
Paraxylene and Acetic acid held for consumption		
- Engro Vopak Terminal Limited	1,201,524	1,049,867
Acetic acid held for trading		
- Chempro Pakistan (Private) Limited	4,449	2,596
- Engro Vopak Terminal Limited	110,464	56,645
	1,316,437	1,109,108

Amount in Rs '000

11. TRADE DEBTS

11.1 These are secured and considered good.

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

12. LOANS AND ADVANCES - considered good

	2014	2013
Loans due from:		
- Executives - note 6	12,150	12,586
- Employees - note 6	4,353	4,262
	16,503	16,848
Advances to:		
- Executives	4,352	3,698
- Employees	1,286	1,018
- Contractors and suppliers	5,951	3,080
	11,589	7,796
	28,092	24,644

12.1 The maximum aggregate amount of advances due from Executives at the end of any month during the year was Rs 6.33 million (2013: Rs 6.16 million).

13. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	2014	2013
Deposits	1,299	9,499
Margin on import letters of credit	715	18,222
Short-term prepayments	25,448	66,612
	27,462	94,333

14. OTHER RECEIVABLES

	2014	(Re-stated) 2013
Rebates receivable - note 14.1	112,659	20,535
Asset recognised in respect of staff retirement benefit funds	-	807
Insurance claims receivable	32,128	12,029
Others	341	475
	145,128	33,846

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

Amount in Rs '000

		2014	(Re-stated) 2013
15.	TAX REFUNDS DUE FROM GOVERNMENT - SALES TAX		
	Sales tax refundable	517,855	492,792
	Provision for doubtful receivables	(94,008)	(94,008)
		423,847	398,784

15.1 This includes Rs 301.3 million (31 December 2013: Rs 301.3 million) on account of input tax arising from sales tax charged to the Company under the Sindh Sales Tax on Services 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 (FBR). The Company had approached Federal Tax Ombudsman (FTO) for resolution of the matter. The FTO in its order dated 02 May 2013 have directed FBR, with certain recommendations, to resolve the issue. The Company has filed a Suit No. 537 of 2014 before the Honourable Sindh High Court to resolve this issue as per the prevailing Sales Tax Law. The Honourable High Court passed an order dated 14 January 2015 directing the FBR to verify exact figure of refund of sales tax to which plantiff is entitled and submit their report by 10 February 2015.

		2014	2013
16.	CASH AND BANK BALANCES		
	Short-term fixed deposits - note 16.1	1,001,000	3,043,250
	With banks in current accounts	18,677	17,305
	Cash in hand	6,213	8,118
		1,025,890	3,068,673

16.1 During the year ended 31 December 2014, the mark-up rates on term deposits ranged from 7.00% to 10.30% (2013: 6.50% to 9.70%) per annum and had maturities of less than three months.

		2014	2013
17.	SHARE CAPITAL		
17.1	Authorised capital 2,000,000,000 ordinary shares of Rs 10 each	20,000,000	20,000,000
17.2	504,735,636 ordinary shares of Rs 10 each fully paid-up issued pursuant to the Scheme for consideration other than cash - note 17.3	5,047,356	5,047,356
	1,009,471,572 ordinary shares of Rs 10 each fully paid-up in cash	10,094,716	10,094,716
		15,142,072	15,142,072

17.3 With effect from 01 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 2014 and 2013, Lotte Chemical Corporation - South Korea held 1,135,860,105 ordinary shares of Rs 10 each.

Amount in Rs '000

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. RETIREMENT BENEFIT OBLIGATION

19.1 Staff retirement benefits

19.1.1 As stated in note 3.13.1, the Company operates two retirement benefit plans (The Plans) namely approved funded gratuity scheme for all its permanent employees and unfunded medical scheme to provide post retirement medical benefits to all full-time management staff employees who are also the members of defined contribution superannuation fund. Actuarial valuation of the these plans is carried out every year and the latest actuarial valuation was carried out as at 31 December 2014.

19.1.2 Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the Trust deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.

19.1.3 The latest actuarial valuation of the Fund as at 31 December 2014 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

	2014				2013			
	Funded			Unfunded	Funded			Unfunded
	Pension	Gratuity	Total	Medical	Pension	Gratuity	Total	Medical
19.1.4 Balance sheet reconciliation								
Present value of defined benefit obligation at 31 December - note 19.1.5	-	(181,415)	(181,415)	(41,855)	(62,124)	(161,337)	(223,461)	(38,362)
Fair value of plan assets at 31 December - note 19.1.6	-	168,730	168,730	-	55,484	162,144	217,628	-
(Deficit) / Surplus	-	(12,685)	(12,685)	(41,855)	(6,640)	807	(5,833)	(38,362)
19.1.5 Movement in the present value of defined benefit obligation								
Balances as at 1 January	62,124	161,337	223,461	38,362	55,347	154,764	210,111	36,404
Benefits paid by the plan	(58,922)	(26,335)	(85,257)	(1,083)	-	(17,787)	(17,787)	(325)
Current service costs	1,044	12,121	13,165	2,189	2,882	12,010	14,892	2,226
Interest cost	2,692	19,262	21,954	4,917	6,365	16,802	23,167	4,168
Remeasurement on obligation	(6,938)	15,030	8,092	(2,530)	(2,470)	(4,452)	(6,922)	(4,111)
Balance as at 31 December	-	181,415	181,415	41,855	62,124	161,337	223,461	38,362
19.1.6 Movement in the fair value of plan assets								
Fair value of plan assets at 1 January	55,484	162,144	217,628	-	48,083	154,791	202,874	-
Contributions paid into the plan	1,387	12,659	14,046	-	3,343	12,842	16,185	-
Benefits paid by the plan	(58,922)	(26,335)	(85,257)	-	-	(17,787)	(17,787)	-
Interest income	2,404	20,190	22,594	-	5,717	17,524	23,241	-
Remeasurement	(353)	72	(281)	-	(1,659)	(5,226)	(6,885)	-
Fair value of plan assets at 31 December	-	168,730	168,730	-	55,484	162,144	217,628	-

Amount in Rs '000

	2014				2013			
	Funded			Unfunded	Funded			Unfunded
	Pension	Gratuity	Total	Medical	Pension	Gratuity	Total	Medical
19.1.7 Expense recognised in profit and loss account								
Current service costs	1,044	12,121	13,165	2,189	2,882	12,010	14,892	2,226
Net Interest cost	288	(928)	(640)	4,917	648	(722)	(74)	4,168
Expense recognised in profit and loss account	1,332	11,193	12,525	7,106	3,530	11,288	14,818	6,394
19.1.8 Remeasurement recognised in Other Comprehensive Income								
Experience (gain) / losses	(6,938)	15,030	8,092	(2,530)	(2,470)	(4,452)	(6,922)	(4,111)
Remeasurement of fair value of plan assets	353	(72)	281	-	1,659	5,226	6,885	-
Remeasurements	(6,585)	14,958	8,373	(2,530)	(811)	774	(37)	(4,111)
19.1.9 Net recognised liability / (asset)								
Net liability at beginning of the year	6,640	(807)	5,833	38,362	7,264	(27)	7,237	36,404
Charge for the year	1,332	11,193	12,525	7,106	3,530	11,288	14,818	6,394
Contribution made during the year to the Fund	(1,387)	(12,659)	(14,046)	(1,083)	(3,343)	(12,842)	(16,185)	(325)
Remeasurements recognised in Other Comprehensive Income	(6,585)	14,958	8,373	(2,530)	(811)	774	(37)	(4,111)
Recognised liability / (asset) as at 31 December	-	12,685	12,685	41,855	6,640	(807)	5,833	38,362
19.1.10 Plan assets comprises of following								
Government bonds	-	80,321	80,321		33,477	79,395	112,872	
Other bonds (TFCs)	-	57,329	57,329		-	-	-	
Shares	-	24,267	24,267		8,392	24,413	32,805	
Term deposits	-	-	-		12,094	55,655	67,749	
Cash at Bank	-	6,813	6,813		1,521	2,681	4,202	
Total as at 31 December	-	168,730	168,730		55,484	162,144	217,628	
19.1.11 Actuarial assumptions								
Discount rate at 31 December	12.00%	12.00%		12.00%	13.00%	13.00%		13.00%
Future salary increases	9.75%	9.75%			10.75%	10.75%		
Medical cost trend rate				6.75%				7.50%

19.1.12 Mortality was assumed to be 70% of the EFU (61-66) Table.

19.1.13 In case of the funded plan, the Company ensures that the investment positions are managed within an Asset-Liability Matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the retirement benefit plan. Within this framework, the Company„s ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2014 consists of government bonds. The Company believes that government bond offer the best returns over the long term with an acceptable level of risk.

19.1.14 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 gratuity funds in 2015 is expected to amount to Rs 15.2 million.

The actuary conduct valuation for calculating contribution rate and the Company contributes to the gratuity fund 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 2014.

19.2 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Amount in Rs '000

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate at 31 December	1%	(23,153)	27,260
Future salary increases	1%	19,214	(17,072)

If longevity increases by 1 year, obligation increases by Rs 139 thousand.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

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

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Amount in Rs '000

		2014	2013	2012	2011	2010
19.3	**Historical information**					
	Present value of the defined benefit obligation as at 31 December	223,270	261,823	246,515	210,586	171,312
	Fair value of plan assets	168,730	217,628	202,874	145,570	129,673
	Deficit in the plan	(54,540)	(44,195)	(43,641)	(65,016)	(41,639)
	Experience Adjustments					
	(Gain) / loss on obligation (as percentage of plan obligation)	2%	(4)%	(1)%	(6)%	(7)%
	Gain / (loss) on plan assets (as percentage of plan assets)	0%	(3)%	11%	1%	1%

19.4 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Fund, at the beginning of the period, for returns over the entire life of related obligation.

19.5 The Company's contributions towards the provident fund and defined contribution superannuation fund for the year ended 31 December 2014 amounted to Rs 19.77 million (2013: Rs 18.83 million) and Rs 18.80 million (2013: Rs 18.31 million).

19.6 The weighted average duration of the defined benefit obligation is 12.8 years.

Expected maturity analysis of undiscounted retirement benefit plans.

At 31 December 2014	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Retirement benefit plans	4,927	14,086	27,751	174,273	221,037

20. TRADE AND OTHER PAYABLES

	2014	(Re-stated) 2013
Trade creditors including bills payable	2,679,960	4,919,508
Accrued expenses	1,076,777	774,809
Advances from supplier / customer	23	683
Unclaimed dividend	12,208	12,262
Infrastructure cess - note 20.1	1,660,976	1,453,826
Gas infrastructure development cess - note 20.2	483,468	139,713
Workers' profit participation fund - note 20.3	-	68,153
Workers' welfare fund	33,206	29,771
Others	33,698	92,267
	5,980,316	7,490,992

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

The High Court vide its order dated 02 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.

	Amount in Rs '000	
	2014	2013
Balance as at 01 January	1,453,826	1,249,432
Charge for the year	207,150	204,394
Balance as at 31 December	1,660,976	1,453,826

20.2 In accordance with the Gas Infrastructure Development Cess (GID Cess) Act 2011, the Company was required to pay GID Cess to applicable supplier of Gas, as specified in the First Schedule and at rates specified in the Second Schedule to the said Act. The provisions of the act were amended through subsequent notifications. The Honorable Sindh High Court restrained Sui Southern Gas Company Limited (SSGCL) from charging GID Cess above Rs 13 per MMBTU and accordingly the Company paid GID cess at the reduced rate. On 22 August 2014, the Honorable Supreme Court struck down the GID Cess Act, 2011 on the grounds of it being unconstitutional. In response, the President of Pakistan promulgated the GID Cess Ordinance 2014 on 25 September 2014 with retrospective effect, to ensure the levy of applicable GID cess on companies by the applicable suppliers of gas. On 29 September 2014, the Honorable Sindh High Court issued an interim order restraining the defendants such as SSGCL from raising demand or issuing gas bills in pursuance of the said Ordinance. The SSGCL has not levied GID cess since August 2014 in its monthly gas bills. However, the Company has, on prudence basis, provided for the full amount of the applicable GID cess in its financial statements for the year ended 31 December 2014. The approval of the Ordinance is awaited from the National Assembly.

Amount in Rs '000

		2014	(Re-stated) 2013
20.3	**Reconciliation of workers' profit participation fund**		
	Balance as at 01 January	68,153	23,529
	Provision / allocation for the year - note 28	-	44,624
	Amount paid to the fund	(68,153)	-
	Balance as at 31 December	-	68,153

21. INTEREST ACCRUED

	2014	2013
Long-term loans - note 21.1	152,809	160,696
Short-term financing	-	365
	152,809	161,061

21.1 This represents interest payable to Mortar Investments International Limited amounting to USD 1.52 million (2013: USD 1.52 million) on long-term loans previously repaid. The amount is still unpaid due to procedural complexities with respect to foreign remittance.

22. SHORT-TERM FINANCING

22.1 The facilities for running finance available from various banks as at 31 December 2014 amounted to Rs 1.68 billion (2013: Rs 1.68 billion). These facilities carry mark-up at rates ranging from 1 month KIBOR plus 1.00 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.

22.2 Foreign currency import and export finance facilities available from a local bank as at 31 December 2014 amounted to USD 10.0 million (2013: USD 10.0 million). These facilities are available at interest rates to be negotiated at the time of booking and are secured against trust receipts and / or joint pari-passu hypothecation charge over all the present and future stock and book debts of Company. Total facility was unutilised as at 31 December 2014 and 2013.

23. CONTINGENCIES AND COMMITMENTS

23.1 The Income Tax Appellate Tribunal (ITAT) vide order no ITA.No.111/KB/2006 dated 20 April 2006 had set aside the taxation officer's assessment order for the assessment year 2002-2003 (income year ending 31 December 2001) whereby the assessing officer had been directed to re-examine the issue of allocation of cost of goods sold to export sales, strictly in accordance with Rule 216 of the Income Tax Rules, 1982. The taxation officer vide order no. DC20/106 dated 29 June 2007 had used volume basis to determine the allocation of cost of goods sold to export sales, against which the Company had filed an appeal. The Commissioner Inland Revenue (Appeals) vide order numbers 153 and 391 dated 31 January 2011 (received by the Company on 04 June 2011) has set aside the taxation officer's order with instructions to strictly comply with the directions contained in the ITAT's order of 20 April 2006 in relation to the basis of allocation of cost of goods sold to export sales. The Deputy Commissioner Inland Revenue vide number 01/171 dated 25 June 2012 (received by the Company in July 2012) has maintained the above basis of allocation to export sales.

Amount in Rs '000

The Company filed an appeal against the said order in August 2012. The Commissioner Inland Revenue (Appeals-I) [CIR(A)] vide its order dated 29 May 2013 has disagreed with ‚basis of dual allocation„ as per taxation officer„s assessment order and has directed the officer to accordingly determine the amount on the basis of ‡sales· and finalise the assessment on such basis. However, the department has filed an appeal against the said order on 15 August 2013. Considering the earlier clear directions in the prior orders of both Appellate Tribunal Inland Revenue and CIR(A), the Company's management is of the view that ultimate decision in the said appeal will likely be in the Company's favour and, therefore no provision has been made in these financial statement for the potential liability of Rs 149.69 million.

23.2 Commitments in respect of capital expenditure as at 31 December 2014 amount to Rs 39.78 million (2013: Rs 16.87 million).

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

Year	2014	2013
2014	-	20,570
2015	24,771	19,189
2016	21,005	14,215
2017	14,857	6,369
2018	5,892	-
	66,525	60,343

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

Year	2014	2013
2014	-	587,174
2015	578,648	598,917
2016	611,679	610,896
2017	592,714	571,188
	1,783,041	2,368,175

23.4.1 Commitments for rentals under operating lease agreements in respect of goods and services are stated at minimum lease payments. These are priced in foreign currency and payable in Pakistan Rupees, converted at exchange rates applicable on the date of payment.

23.5 Outstanding guarantees and letters of credit issued on behalf of the Company as at 31 December 2014 were Rs 1.84 billion (2013: Rs 1.66 billion) and Rs 1.40 billion (2013: Rs 1.28 billion), respectively.

Amount in Rs '000

24. REVENUE

	2014			2013		
	Manufactured goods	Trading goods	Total	Manufactured goods	Trading goods	Total
Local sales	47,936,781	667,542	48,604,323	58,314,785	998,605	59,313,390
Export sales	3,684,695	-	3,684,695	1,900,190	-	1,900,190
	51,621,476	667,542	52,289,018	60,214,975	998,605	61,213,580
Less: Sales tax	(2,626,763)	(40,935)	(2,667,698)	(2,044,882)	(43,090)	(2,087,972)
Price settlements and discounts	(1,803,719)	(17,531)	(1,821,250)	(2,024,541)	(31,383)	(2,055,924)
	47,190,994	609,076	47,800,070	56,145,552	924,132	57,069,684

24.1 Four (2013: Four) of the Company's customers contributed towards 87% (2013: 85%) of the revenue during the year amounting to Rs 42.7 billion (2013: Rs 50.52 billion) and each customer individually exceeded 10% of the revenue.

25. COST OF SALES

	2014	(Re-stated) 2013
Raw and packing materials consumed:		
Opening stock	2,166,141	2,802,171
Purchases	43,966,429	49,921,141
Closing stock	(1,590,090)	(2,166,141)
	44,542,480	50,557,171
Salaries, wages and benefits - note 25.1	400,198	365,101
Stores and spares consumed	207,287	177,523
Lease rentals / Ijarah arrangements	12,239	12,445
Insurance	95,433	91,023
Oil, gas and electricity	2,486,131	1,939,167
Travelling expenses	65,005	68,096
Depreciation and amortisation	1,390,648	1,502,450
Repairs and maintenance	289,856	507,612
Other expenses	51,128	52,198
Cost of goods manufactured	49,540,405	55,272,786
Opening stock of manufactured goods	723,359	1,499,015
	50,263,764	56,771,801
Closing stock of manufactured goods	(1,031,428)	(723,359)
	49,232,336	56,048,442
Trading goods		
Opening stock	71,589	139,691
Purchases	628,073	804,012
Closing stock	(162,759)	(71,589)
	536,903	872,114
	49,769,239	56,920,556

25.1 Salaries, wages and benefits include Rs 16.76 million (2013: Rs 12.32 million) and Rs 25.73 million (2013: Rs 25.35 million) in respect of defined benefit and defined contribution plans respectively.

Amount in Rs '000

26. DISTRIBUTION AND SELLING EXPENSES	2014	2013
Outward freight and handling charges	102,706	53,812
Salaries and benefits - note 26.1	52,381	45,330
Lease rentals / Ijarah arrangements	3,829	2,079
Repairs and maintenance	3,789	2,521
Travelling expenses	5,333	5,808
Postage and telephone	1,284	1,238
Advertising and sales promotion	579	560
Other expenses	10,367	8,756
	180,268	120,104

26.1 Salaries and benefits include Rs 3.25 million (2013: Rs 1.83 million) and Rs 4.55 million (2013: Rs 4.05 million) in respect of defined benefit plans and defined contribution plans respectively.

27. ADMINISTRATIVE EXPENSES	2014	(Re-stated) 2013
Salaries and benefits - note 27.1 and 27.2	200,973	139,959
Legal, professional and consultancy charges	27,443	18,639
Lease rentals / Ijarah arrangements	4,873	5,924
Travelling expenses	21,066	20,728
Repairs and maintenance	20,664	19,324
Expenses on information technology	14,466	14,022
Security expenses	18,355	17,118
Rent, rates and taxes	26,926	26,247
Publication and subscriptions	2,257	2,086
Postage and telephone	8,760	6,300
Printing and stationery	7,998	8,890
Other expenses	43,956	52,695
	397,737	331,932

27.1 Salaries and benefits include Nil (2013: Rs 7.06 million) and Rs 8.30 million (2013: Rs 7.74 million) in respect of defined benefit plans and defined contribution plans respectively.

27.2 Salaries and benefits include Rs 59.65 million in respect of ex-gratia paid to Ex-Chief Executive.

28. OTHER EXPENSES		
Auditors„ remuneration - note 28.1	5,553	5,123
Donations - note 28.2	4,289	8,072
Loss on disposal of property, plant and equipment	-	106
Provision for obsolete stores and spares	-	5,114
Workers' profit participation fund - note 20.3	-	44,624
Workers' welfare fund	3,435	29,772
Others	263	1,005
	13,540	93,816

Amount in Rs '000

28.1 Auditors' remuneration

	2014	(Re-stated) 2013
Audit fee	2,500	2,400
Taxation	1,036	920
Limited reviews, audit of certain funds for staff retirement benefits, group reporting package, and various certifications	1,668	1,580
Out of pocket expenses	349	223
	5,553	5,123

28.2 Donations include payments in respect of the following:

	2014	2013
Community Services	1,656	3,550
Education	1,333	1,852

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

29. OTHER INCOME

	2014	(Re-stated) 2013
Scrap sales	5,144	8,226
Gain on disposal of property, plant and equipment	810	-
Liabilities no longer payable written back	-	42,659
Return on bank deposits	108,794	128,584
Others	3,331	871
	118,079	180,340

30. FINANCE (INCOME) / COSTS

Short-term financing	38	365
Discounting charges on trade debts	70,011	40,562
Exchange (gain) / loss - net	(158,115)	31,446
Bank charges	9,179	11,291
	(78,887)	83,664

31. TAXATION

	2014	2013
Current - for the year	63,692	569,510
- for prior year	-	2,678
	63,692	572,188
Deferred	(1,326,969)	(374,252)
	(1,263,277)	197,936

31.1 Current taxation expense consists of tax charged under Final Tax Regime (FTR).

Amount in Rs '000

31.2 Reconciliation of income tax expense for the year

	2014	(Re-stated) 2013
Loss before taxation	(2,363,748)	(300,048)
Applicable tax rate	33%	34%
Tax calculated at the applicable tax rate	(780,037)	(102,016)
Tax effect of :		
- permanent differences	1,305	33,709
- minimum tax	-	542,661
- deferred tax on minimum tax pertaining to prior years	(509,504)	-
- infrastructure cess pertaining to prior years	(188,969)	-
- amalgamation with wholly owned subsidiary	134,658	-
- tax credits	(2,410)	(21,654)
- income chargeable to tax under FTR basis	128,078	61,546
- prior year tax charge	-	2,678
- exempt income	-	(291,760)
- change in tax rate	(43,117)	(27,228)
- others	(3,281)	-
	(1,263,277)	197,936

32. CASH (USED IN) / GENERATED FROM OPERATIONS

	2014	(Re-stated) 2013
Loss before taxation	(2,363,748)	(300,048)
Adjustments for non cash charges and other items:		
Depreciation and amortisation	1,390,648	1,502,450
(Gain) / loss on disposal of property, plant and equipment	(810)	106
Provision for staff retirement benefit scheme	19,631	21,212
Finance costs	79,228	52,218
Mark-up accrued on bank deposits	(108,794)	(128,584)
Infrastructure cess	207,150	204,394
Gas infrastructure development cess	343,755	94,580
	1,930,808	1,746,376
	(432,940)	1,446,328
Effect on cashflows due to working capital changes		
Decrease / (increase) in current assets		
Stores and spares	(217,200)	(107,985)
Stock-in-trade	176,812	1,479,788
Trade debts	1,463,345	520,031
Loans and advances	(3,448)	8,152
Trade deposits and short-term prepayments	66,871	(1,929)
Other receivables and tax refunds	(137,152)	285,381
	1,349,228	2,183,438
Decrease in trade and other payables	(2,061,527)	(607,494)
Cash (used in) / generated from operations	(1,145,239)	3,022,272

		Amount in Rs '000
		(Re-stated)
33. EARNINGS PER SHARE - basic and diluted	2014	2013
Loss for the year after tax	(1,100,471)	(497,984)
	Number of shares	
Weighted average ordinary shares in issue during the year	1,514,207,208	1,514,207,208
	Rupees	
Earnings per share - (loss)	(0.73)	(0.33)

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

34. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

	Chief Executive		Executive Director(s)		Executives	
	2014	2013	**2014**	2013	**2014**	2013
Managerial remuneration	**14,452**	15,636	**7,979**	13,547	**198,679**	177,598
Retirement benefits	**2,035**	5,520	**-**	-	**55,388**	45,881
Ex-gratia to Ex-Chief Executive	**59,645**	-	**-**	-	**-**	-
Group insurance	**25**	54	**-**	-	**535**	865
Rent and house maintenance	**1,683**	300	**2,514**	3,924	**61,516**	58,002
Utilities	**-**	-	**-**	-	**13,747**	12,612
Medical expenses	**67**	88	**4**	58	**12,735**	10,276
Adjustment **	**(5,253)**	-	**-**	-	**-**	-
	72,654	21,598	**10,497**	17,529	**342,600**	305,234
Number of persons	**1***	1	**1**	2	**129**	119

*With effect from 01 May 2014, Mr Jung Neon Kim took over as the Chief Executive Officer of the Company on account of early retirement of Mr Asif Saad.

**The amount represents the adjustment of pension charge on account of final settlement of Ex-Chief Executive Mr Asif Saad, the last member of the pension fund.

34.1 In addition to the above, amount charged in the financial statements for remuneration and fee to the non-executive directors, were Rs 0.3 million (2013: Rs 0.6 million) and Rs 0.083 million (2013: Rs 0.045 million) respectively.

34.2 An amount of Rs 50 million (2013: Rs 34.60 million) on account of variable pay has been recognised in the financial statements. This amount is payable in 2015 after verification of target achievements.

	Amount in Rs '000	
	2014	2013
Out of variable pay recognised for 2013, following payments were made:		
	Paid in 2014 relating to 2013	Paid in 2013 relating to 2012
Chief Executive	3,136	3,006
Executives	43,033	37,257
Other employees	4,081	4,480
	50,250	44,743

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

35. 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	2014	(Re-stated) 2013
Parent company	Purchase of goods	-	1,496,404
	Services received	90	-
Key management personnel	Salaries and other short term benefits	66,488	71,551
	Ex-gratia to Ex-Chief Executive	59,645	-
	Post employment benefit	1,429	11,737
Others	Payment to staff retirement benefit funds	59,061	52,288

36. CAPACITY AND PRODUCTION / GENERATION

	2014	2013	2014	2013
	Annual name plate capacity		Actual production / generation	
Pure Terephthalic Acid - in metric tonnes- note 36.1	506,750	506,750	487,039	480,369
Electricity - in thousands of Kw - note 36.2	421,356	421,356	193,649	200,168

36.1 The current production is based on 96% Plant availability.

36.2 Actual generation is as per the requirment of the Company subject to the availability of the power plant.

37. 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.

37.1 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.

Financial assets and liabilities by category and their respective maturities — Amount in Rs '000

	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	-	-	-	28,092	41,536	69,628	69,628
Deposits	-	24,272	24,272	2,014	16,252	18,266	42,538
Trade debts	-	-	-	1,316,984	-	1,316,984	1,316,984
Mark-up accrued on bank deposits	-	-	-	2,242	-	2,242	2,242
Other receivables	-	-	-	145,128	-	145,128	145,128
Cash and bank balances	1,001,000	-	1,001,000	24,890	-	24,890	1,025,890
31 December 2014	**1,001,000**	**24,272**	**1,025,272**	**1,519,350**	**57,788**	**1,577,138**	**2,602,410**
31 December 2013 - restated	3,043,250	24,272	3,067,522	2,898,176	57,549	2,955,725	6,023,247
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	5,947,110	-	5,947,110	5,947,110
Interest accrued	-	-	-	152,809	-	152,809	152,809
31 December 2014	**-**	**-**	**-**	**6,099,919**	**-**	**6,099,919**	**6,099,919**
31 December 2013 - restated	-	-	-	7,554,129	-	7,554,129	7,554,129
On balance sheet date gap							
31 December 2014	**1,001,000**	**24,272**	**1,025,272**	**(4,580,569)**	**57,788**	**(4,522,781)**	**(3,497,509)**
31 December 2013 - restated	3,043,250	24,272	3,067,522	(4,655,953)	57,549	(4,598,404)	(1,530,882)
OFF BALANCE SHEET ITEMS							
Letter of credits / guarantees							**2,006,264**
Operating lease liability							**1,849,565**
31 December 2013 - restated							3,863,610

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

37.2 Credit risk

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

Amount in Rs '000

Trade and other receivables

The Company„s exposure to credit risk is influenced mainly by the individual characteristics of each customer. To reduce exposure to credit risk, substantially all the sales are made against letters of credit. Approximately 32 percent (2013: 34 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. The customers associated with the Company for four years have contributed more than 95% of the revenue and losses have occurred infrequently.

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

Financial assets	2014	(Re-stated) 2013
Loans and advances	89,178	86,339
Deposits	42,538	68,245
Trade debts	1,316,984	2,780,329
Mark-up accrued on bank deposits	2,242	7,020
Other receivables	145,128	33,039
Bank balances	1,019,677	3,060,555
	2,615,747	6,035,527
Secured	1,316,984	2,780,329
Unsecured	1,298,763	3,255,198
	2,615,747	6,035,527
Not past due	2,615,747	6,035,527

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

	2014	2013
Domestic	1,316,984	2,780,329

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

37.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial 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.

Amount in Rs '000

	31 December 2014					
	Carrying amount	Contractual cash flows	Less than one year	1-2 years	2-3 years	3-5 years
Financial Liabilities						
Trade and other payables	5,947,110	5,947,110	5,947,110	-	-	-
Interest accrued	152,809	152,809	152,809	-	-	-
Off balance sheet						
Operating lease liabilities	-	1,849,565	-	1,236,103	607,570	5,892
	6,099,919	**7,949,484**	**6,099,919**	**1,236,103**	**607,570**	**5,892**

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

The Company manages liquidity risk by maintaining sufficient cash in bank accounts. At 31 December 2014, the Company had financial assets of Rs 2.60 billion (2013: Rs 6.04 billion), which include Rs 1.02 billion (2013: Rs 3.06 billion) of cash placed in bank accounts.

37.4 Market risk

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

37.4.1 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions based on currencies other than Pakistan Rupees. The Company is exposed to currency risk on 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:

	2014			2013		
	GBP	Euro	US$	GBP	Euro	US$
	Equivalent Rupees '000					
Financial liabilities						
Trade payables	**(4,602)**	**(159)**	**(2,500,339)**	(1,225)	(1,128,252)	(2,332,337)
Operating lease liability (off balance sheet)	**-**	**-**	**(1,783,041)**	-	-	(2,368,175)

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at 31 December	
	2014	2013	2014	2013
	Rupees		Rupees	
US Dollar	101.3	101.8	100.6	105.8
Great Britain Pound Sterling	166.5	160.1	156.6	174.4
Euro	133.8	136.2	122.4	145.9

Sensitivity analysis

Every 1% increase or decrease in exchange rate, with all other variables held constant, will decrease or increase loss before tax for the year by Rs 25.05 million (2013: Rs 34.62 million).

37.4.2 Interest rate risk

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

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

	Amount in Rs '000	
		(Re-stated)
	2014	2013
	Carrying amount	
Fixed rate instruments		
Financial assets	1,025,272	3,067,522

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

38. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal structure to reduce the cost of capital. The Company has no debt as at 31 December 2014.

39. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on latest un-audited financial statements of the Fund:

	2014	2013
	Amount in Rs '000	
Size of the fund - Total assets	323,507	284,872
Percentage of investments made	92%	96%
Fair value of investments	297,090	272,997

The cost of above investments amounted to Rs 261.44 million (2013: Rs 242.02 million).

The break-up of fair value of investments is as follows:

	2014	2013	2014	2013
	Percentage		Rupees '000	
Shares in listed companies	19.3%	15.1%	57,441	41,206
Bank deposits	3.1%	2.1%	9,188	5,617
Government securities	77.6%	82.8%	230,461	226,174

The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

40. NUMBER OF EMPLOYEES

	2014	2013
Number of employees at 31 December	240	228
Average number of employees during the year	236	226

41. GENERAL

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

42. DATE OF AUTHORISATION

These financial statements were authorised for issue in the Board of Directors meeting held on 11 February 2015.

Hun Ki Lee
Chairman

Jung Neon Kim
Chief Executive

Glossary / List of Abbreviations

ATIR	Appellate Tribunal Inland Revenue
AGM	Annual General Meeting
BCP	Business Continuity Planning
Board	Board of Directors
BOPET	Biaxially-oriented polyethylene terephthalate
CDC	Central Depository Company of Pakistan
CFR	Cost and Freight
CFO	Chief Financial Officer
COLA	Cost of Living Allowance
CSR	Corporate Social Responsibility
EBIT	Earnings before Interest and Taxation
EBITDA	Earnings before Interest, Taxation Depreciation and Amortization
EPS	Earning Per Share
FBR	Federal Board of Revenue
FPAP	Fire Protection Association of Pakistan
FTO	Federal Tax Ombudsman
FTR	Final Tax Regime
GoP	Government of Pakistan
HR	Human Resource
HSE	Health, Safety and Environment
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
ITAT	Income Tax Appellate Tribunal
IT	Information Technology
KIBOR	Karachi Interbank Offer Rate
KSE	Karachi Stock Exchange
LTC	Lost Time Case
MX	Mixed Xylene
NBV	Net Book Value
NRV	Net Realisable Value
NFEH	National Forum for Environment and Health
NTC	National Tariff Commission
OPEC	Organisation of the Petroleum Exporting Countries
PACRA	Pakistan Credit Rating Agency
PET	Polyethylene Terephthalate
PSF	Polyester Staple Fibre
PTA	Pure Terephthalic Acid
PX	Paraxylene
Rs.	Rupees
SECP	Securities and Exchange Commission of Pakistan
US$	United States Dollar
WPPF	Workers' Profit Participation Fund
WWF	Workers' Welfare Fund
WTI	West Texas Intermediate, also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing

Lotte Chemical Pakistan Limited

Notice of Meeting

Notice is hereby given that the Seventeenth Annual General Meeting of Lotte Chemical Pakistan Limited will be held on Friday, 24 April 2015 at 11:00 a.m. at the Institute of Chartered Accountants of Pakistan (ICAP) auditorium, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Company„s Financial Statements together with the Directors„ and Auditors„ Reports for the year ended 31 December 2014.

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

By Order of the Board

2 April 2015 Adnan Samdani
Karachi Company Secretary

Notes:

1. Book Closure.
The Register of Members and the Share Transfer Books of the Company will be closed from Wednesday, 15 April 2015 to Friday, 24 April 2015 (both days inclusive). Transfers received in order at the office of our Shares Registrar, Famco Associates (Pvt) Ltd, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi, by the close of business on 14 April 2015, will be treated in time to attend the Annual General Meeting.

2. Appointment of Proxy and Participation in the AGM.
Only those persons whose names appear in the Register of Members of the Company as at 15 April 2015 are entitled to attend and participate in and vote at the Annual General Meeting.

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 in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the holding of the Meeting. Further copies of the instrument of proxy may be obtained from the Registered Office of the Company during normal office hours. Proxy Form may also be downloaded from the Company„s website: www.lottechem.pk

CDC Account Holders will have to follow further under mentioned 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.

3. Withholding Tax on Dividend.

Pursuant to the Finance Act, 2014, effective July 01, 2014, the rates of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001 from payment of dividend have been revised as follows:

(a) Rate of tax deduction for filer of income tax returns 10%.

(b) Rate of tax deduction for non filer of income tax returns 15%.

Members of the Company are therefore requested to update their tax status by sending following details to the Company„s Share Registrar Famco Associate (Pvt) Ltd.

Folio/CDC ID/AC#	Name	National Tax #	CNIC # (in case of individuals)	Income tax return for the year ______ filed (Yes / No)

The Income Tax Return Filing Status form is available at Company„s website www.lottechem.pk

4. Dividend mandate (optional).

Members are encouraged to provide, duly filled in dividend mandate form, to receive the cash dividend declared by the company, if any, directly into their bank account through e-dividend payment mechanism, as advised by the SECP vide its Notice No. 8(4)SM/CDC2008 dated 5 April 2013. The members who wish to avail e-dividend payment facility shall not receive the dividend warrant. Members not providing dividend mandate shall continue to be paid through the dividend warrants.

The dividend mandate form is available at Company„s website.

5. Submission of valid CNIC (mandatory).

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

6. Change in Address.

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

7. Audited Accounts.

Audited accounts of the Company for the year ended 31 December 2014 have been provided on the Company website.

Lotte Chemical Pakistan Limited

Admission Slip

The Seventeenth Annual General Meeting of Lotte Chemical Pakistan Limited will be held on Friday, 24 April 2015 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 Holders / 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

DIVIDEND MANDATE FORM (Optional)

The Manager Shares
Famco Associates (Pvt) Limited
8-F, Next to Hotel Faran, Nursery,
Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi.

I, Mr./Mrs./Ms÷÷÷÷÷÷÷÷÷÷÷÷÷÷÷..÷..÷..S/O, D/O, W/O÷÷÷÷÷÷÷÷÷÷÷÷÷÷÷.÷..÷..÷...
hereby authorize Lotte Chemical Pakistan Limited to directly credit cash dividend declared by it, if any, in the below mentioned bank account.

(i) Shareholder's Detail	
Name of the Shareholder	
Folio No./CDC Participants ID A/C No.	
CNIC No.*	
Passport No. (In case of Foreign Shareholder)**	
Landline Phone Number	
Cell Number	

(ii) Shareholder's Bank Detail	
Title of Bank Account	
Bank Account Number	
Bank Name	
Branch Name and Address	

It is stated that the above-mentioned information is correct and that I will intimate the changes in the above-mentioned information to the Company and the concerned Share Registrar as soon as these occur.

Signature of the Shareholder

Shareholders having their accounts with Central Depository Company (CDC) have to communicate mandate information to relevant Member Stock Exchanges.

*Please attach attested photocopy of the CNIC.
**Please attach attested photocopy of the Passport.

Form of Proxy

17th Annual General Meeting

I / We____

of ____

being member(s) of Lotte Chemical Pakistan Limited holding __________ ordinary shares hereby appoint ______________________ of ______________________ or failing him / her ____________________ of ____________ who is / are also member (s) of Lotte Chemical Pakistan Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Seventeenth Annual General Meeting of the Company to be held on 24 April 2015 and at any adjournment thereof.

As witness my / our hand / seal this __________________ day of ________________ 2015

Signed by the said ____

in the presence of 1. ____________________________________

____

2. ____________________________________

____

Folio / CDC Account No.

Signature on
Revenue Stamp of

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

Important:

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

For CDC Account Holders / Corporate Entities:

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

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

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

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

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

AFFIX
CORRECT
POSTAGE

The Company Secretary
Lotte Chemical Pakistan Limited
EZ/1/P-4, Eastern Industrial Zone,
Port Qasim, Karachi-75400

Income Tax Return Filing Status Form

Confirmation for filing status of income tax return for application of revised rates pursuant to the provisions of Finance Act, 2014.

The Manager Shares
Famco Associates (Pvt) Limited
8-F, Next to Hotel Faran, Nursery,
Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi.

I, Mr./Mrs./Ms÷÷÷÷÷÷÷÷÷÷÷÷÷÷÷÷÷÷÷÷÷.S/O, D/O, W/O÷÷÷÷÷÷÷÷÷÷÷÷÷÷÷÷÷
hereby confirm that I am registered as National Tax Payer. My relevant detail is given below:

Folio/CDC ID/AC#	Name	National Tax #	CNIC # (in case of Individuals)*	Income Tax return for the year _____ filed (Yes or No)**

It is stated that the above-mentioned information is correct.

____
Signature of the Shareholder

The Shareholders having their account with Central Depository Company (CDC) have also to communicate confirmation of tax payment status information to relevant Member Stock Exchange in addition to the Company Secretary.

*Please attach attested photocopy of the CNIC.
**Please attach attested photocopy of receipt of income tax return.