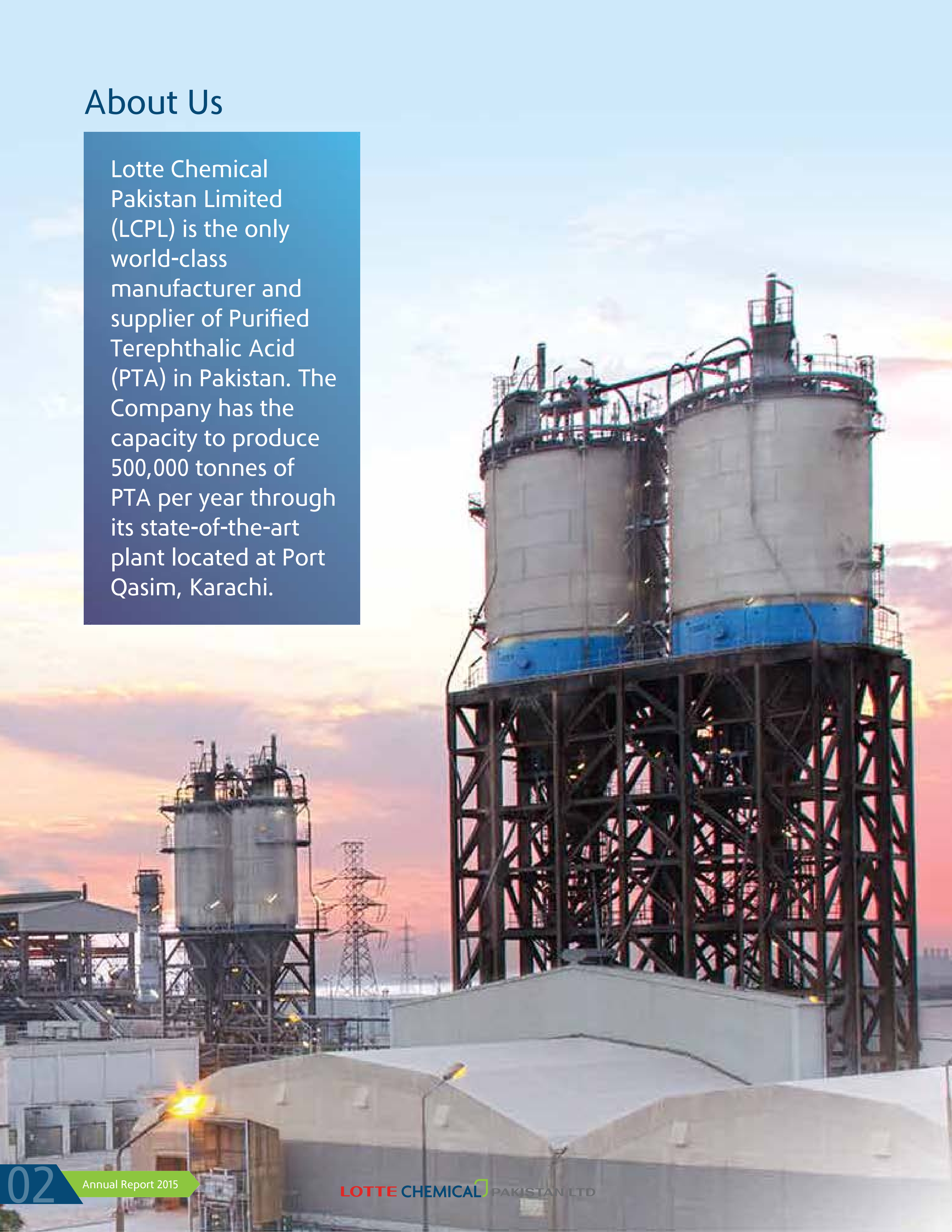
ANNUAL REPORT 2015

LOTTE CHEMICAL PAKISTAN LTD

Table of Contents

About Us

Lotte Chemical Pakistan Limited (LCPL) 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 located at Port Qasim, Karachi.



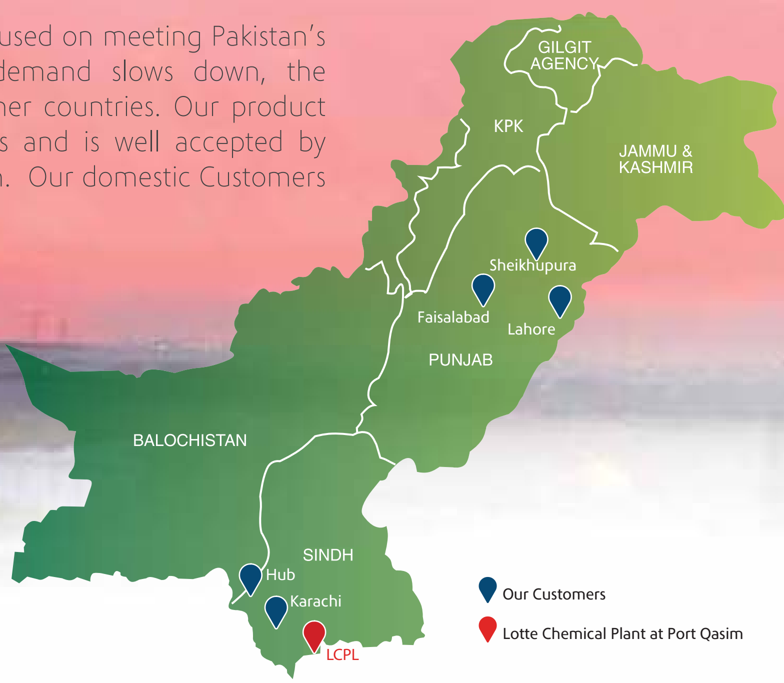
Purified Terephthalic Acid (PTA)

LCPL holds the foundation of the polyester chain in Pakistan and retains its edge by being a local PTA manufacturer and major supplier for the domestic Polyester and PET industries. We maintain major share of the domestic market, and remain the supplier of choice based on our short delivery time, consistent quality and excellent customer service.

For producing PTA we import our feedstock (Paraxylene) from reputable suppliers based in Asia and Middle-East region. Our plant operates under a technology license with IPT (Invista Performance Technologies) which is currently the leading global supplier of PTA technology.

Our Customers

Since its inception, the Company has focused on meeting Pakistan's PTA demand. However, if domestic demand slows down, the Company is well placed to export to other countries. Our product meets all international quality standards and is well accepted by Customers in Asia and Middle-East region. Our domestic Customers are located across Pakistan as follows:



Our Vision

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 everything we do. We maximise operating efficiencies and demonstrate best practices in Safety, Health and Environment that add value to our quality product and make a difference in letter and in spirit.

Our Key Strategic Objectives

- Maintain a high standard of HSE performance.
- Develop and retain talent and improve employee engagement.
- Deliver business improvement plan targets.
- Achieve more than 95% availability of PTA plant and Cogeneration plant.
- 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.

Our 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 organisation.

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 include 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 include adopting a spirit of open communication, providing equal opportunities, 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

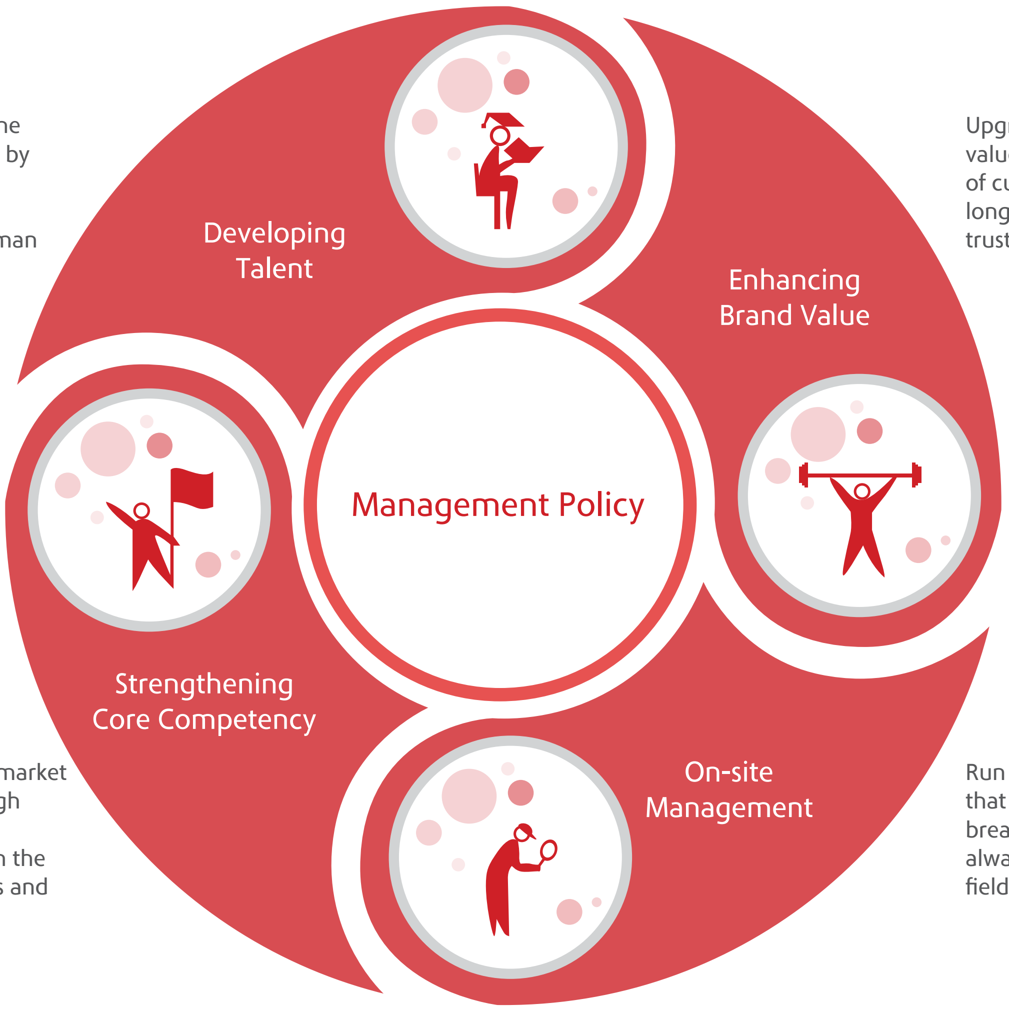
The Code provides guidance to employees on their responsibilities towards media relations, disclosures, inside information, protecting intellectual property, information technology, code of conduct, compliance with business policies which ensure highest ethical standards in the conduct of the Company's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

Our Management Policy

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

Prepare for the Group future by securing and cultivating excellent human resources

Upgrade brand value on the basis of customer's long-standing trust



Become the market leader through intensive investment in the core business and brand

Run with the faith that business breakthroughs always exist in the field

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

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 professional 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 work.

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.

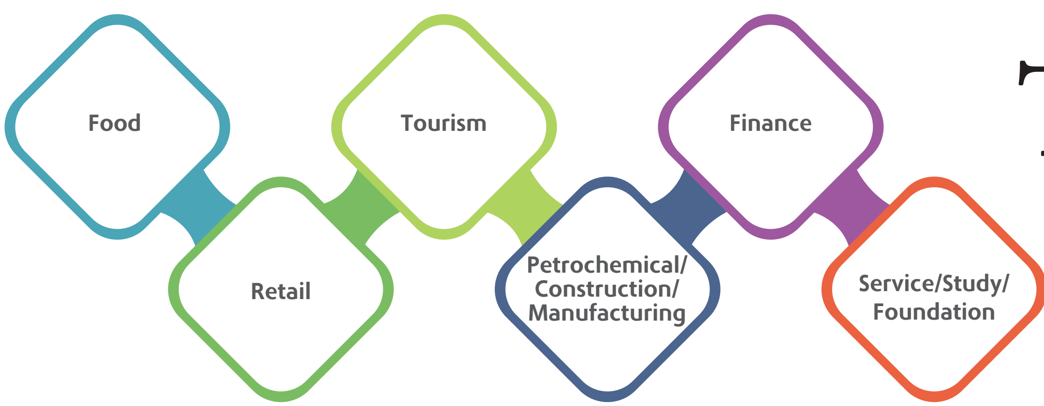
About LOTTE

LOTTE started its business in 1967 with confectionary. Since then LOTTE has grown into one of Korea's largest conglomerate and is trusted by customers all over the world. Currently, LOTTE with a turnover in excess of $84 billion is engaged in over 20 businesses in 19 countries worldwide.

Mission

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

Global Businesses of LOTTE



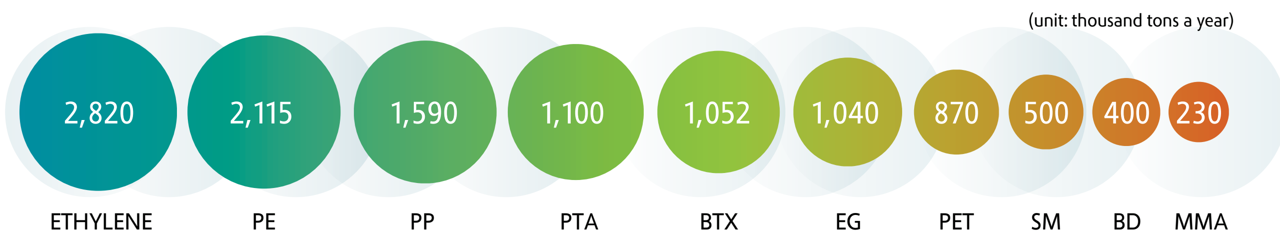
Asia Top10 Global Group

About LOTTE Chemical Corporation

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

Production Capacity of Major Products including Overseas Subsidiaries

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



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 beverages, cosmetics and food items	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, 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

Partnership

We highly value the trust and collaboration with all our stakeholders. This provides us with strength to move forward and strive for further excellence.

Stakeholders Information

Company Information | As at 22 January 2016

Board of Directors

Kwan Ho Lee	Chairman
Humair Ijaz	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
Kwan Ho Lee	Member
Istaqbal Mehdi	Member
Faisal Abid	Secretary & Acting Head of Internal Audit

HR & Remuneration Committee

Kwan Ho Lee	Chairman
Sang Hyeon Lee	Member
Nak Sun Seong	Member

Shares Sub Committee

Sang Hyeon Lee	Chairman
Mohammad Qasim Khan	Member
Kwan Ho Lee	Member

Acting Chief Financial Officer and Company Secretary

Ashiq Ali

Executive Management Team

Humair Ijaz	Chief Executive
Mohammad Wasim	Director Manufacturing
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

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

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

Registered Office

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

Shares Registrar

Famco Associates (Pvt) Limited
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

As 2015 comes to a close, I remain confident about the future. Despite an unfavourable business environment, internationally and locally, our business has delivered better results compared to last year.

During 2015 the Asian PTA market remained oversupplied which impacted industry margins and profitability. In the domestic market, incremental operating costs due to an increase in taxes and energy prices, as well as intense competition from Chinese imports, kept sentiments depressed, impacting customer operations.

In the face of these challenges, we remained focused on key controllable costs and continued to manage our business in a sustainable manner. Our commitment to Health, Safety and the Environment remained our top priority and the business achieved 48.9 million man-hours without any reportable injury. Our manufacturing team performed exceptionally well, ensuring optimal plant operations and productivity to meet and surpass customer expectations. In spite of intense international competition, our business team was able to increase domestic sales volume over last year, and secured raw materials at very competitive prices. I have no hesitation in saying that the LCPL Team is one of the best in Pakistan. The Company's collaborative workplace culture, together with our resilient workforce, remains a source of immense pride for me.

In face of continued market challenges, I am optimistic about 2016. Domestic PTA demand is expected to improve, as some incremental PET capacity comes online and PSF operating rates improve as a result of anti-dumping duties on PSF imports.

Our strategy, remains to maintain operational excellence, reduce costs and continue to provide high quality product and services. By doing so, we hope to augment market share.

I take this opportunity to express my commitment and gratitude to all employees and their families, our customers, suppliers, business partners and stakeholders for their kind support and trust.

I look forward to your continued collaboration with the Company as we charge forward to another year.

Sincerely yours,

Humair Ijaz

Humair Ijaz

2015 Highlights

Quarter 1

- Honorable Sindh High Court approved amalgamation of Company with its subsidiary Lotte Powergen (Private) Limited.
- Achieved 100 % compliance in IMS Surveillance external audit.
- 20,000 hrs preventive maintenance of gas turbine carried out successfully.
- Celebrated Green Day and planted trees in Port Qasim Area.
- Green Office certificate was renewed after the audit by WWF.
- Received 4th Fire & Safety Award from National Forum for Environment and Health (NFEH) and Fire Protection Association of Pakistan (FPAP).
- Board Meeting was held.

Quarter 2

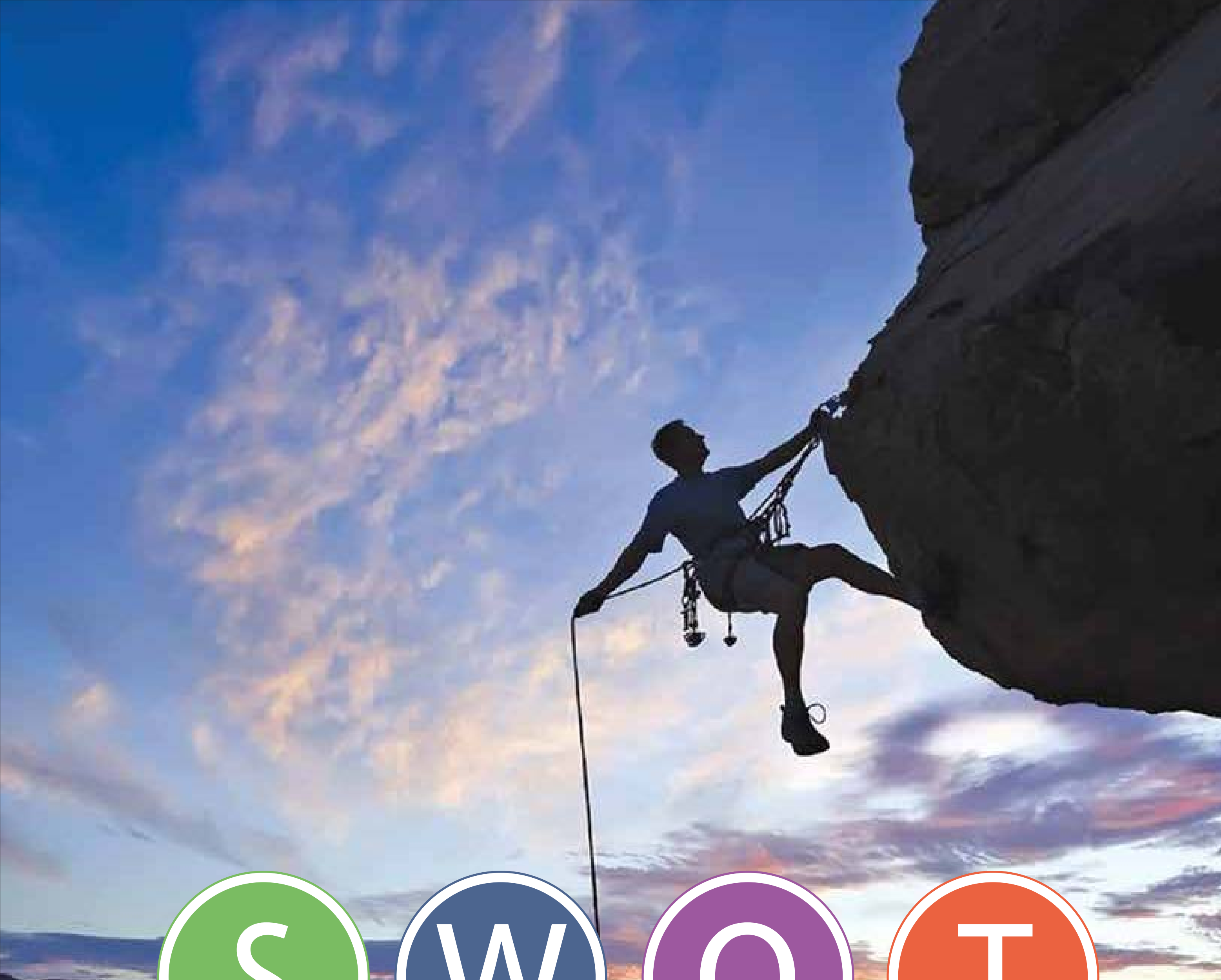
- Achieved 100 % compliance in the external audit conducted by Pakistan Nuclear Regulatory Authority (PNRA).
- Overhaul 2015 was completed successfully and safely with 'zero' injury.
- Fresh batch of Apprentices was recruited from all over Pakistan.
- Celebrated 'Earth Day' by hosting a beach cleaning activity at Russian Beach, Port Qasim.
- Planted mangroves at Port Qasim to safeguard coastal environment and lives of its inhabitants.
- Celebrated week long "Learning Fest-2015" to promote a learning culture across the organization.
- Board Meeting and AGM were held.

Quarter 3

- Completed 48 million man-hours without LTC (Lost Time Case) for both employees and contractors staff.
- 2015-16 employee wage settlement was amicably concluded with the CBA.
- LCPL's 2014 Annual Report was awarded second position by the Committee of ICAP-ICMAP.
- Won 12th Annual Environmental Excellence Award and Certificate from National Forum for Environment and Health (NFEH).
- Fresh Trainee Engineers and Apprentices were recruited from all over Pakistan.
- Board Meeting was held.

Quarter 4

- Successful conclusion of all sales and feed-stock supply contracts for 2016.
- Won 1st prize in Employer of the Year Award-2014 organized by Employers' Federation of Pakistan.
- 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 121 hours of community service.
- Board Meeting was held.



SWOT Analysis

Strengths

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

Weaknesses

- Dependence on international raw material.
- Single product business.
- Uncompetitive import tariff protection.

Opportunities

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

Threats

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

Awards & Accreditations

ISO 9001 – 2008 Certification

We are ISO 9001 – 2008 certified Company. Accreditation to this system has provided the foundation for better customer satisfaction, staff motivation and for the continual improvement of our processes. There was no major Non-Conformity reported in the surveillance audit conducted in 2015.

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 also demonstrated in our various surveillance audits that have never captured any major non–conformity. We continuously strive to improve our systems 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.

WWF GREEN OFFICE
A WWF INITIATIVE TO REDUCE ECOLOGICAL FOOTPRINT

Employer of the Year Award 2014

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

- 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 36 other nominated companies in contention for the award, our Company secured 1st position in all three categories in medium sized companies.

12th Annual Environment Excellence Award 2015

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 12th Annual Environment Excellence Award 2015. 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 had also won this award in 2013 and 2014.

4th Fire and Safety Award

Our company this year received the 4th Fire & Safety Excellence Award from National Forum for Environment and Health (NFEH) & Fire Association of Pakistan (FPAP).

Best Corporate & Sustainability Report Award 2014

The Company received accreditation for ranking second in the Best Corporate Report Awards- Chemical Sector, for its 2014 Annual Report by the Joint Evaluation Committee of ICAP - ICMAP. Moreover last year, the Company received accolade of 'Certificate of Merit' award for the Best Corporate Report 2013 in the Chemical sector (fourth position). It is worth mentioning here that the Company won this award only after its second year of nomination in the Best Corporate & Sustainability Report Awards.

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 the 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

11 FEB 2015 Announcement of results for the Year ended 31 December 2014	**24 APR 2015** 17th Annual General Meeting was held	**28 APR 2015** Announcement of results for the 1st Quarter ended 31 March 2015
21 AUG 2015 Announcement of results for the 2nd Quarter ended 30 June 2015	**27 OCT 2015** Announcement of results for the 3rd Quarter ended 30 September 2015	**22 JAN 2016** Announcement of results for the Year ended 31 December 2015

Tentative dates for the announcement of 2016 financial results:

21 APR 2016 18th Annual General Meeting will be held	**22 APR 2016** Announcement of results for the 1st Quarter ending 31 March 2016	**23 AUG 2016** Announcement of results for the 2nd Quarter ending 30 June 2016
24 OCT 2016 Announcement of results for the 3rd Quarter ending 30 September 2016	**JAN 2017** Announcement of results for the Year ending 31 December 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 18th annual shareholders meeting will be held at 10:30 am on 21 April, 2016 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.

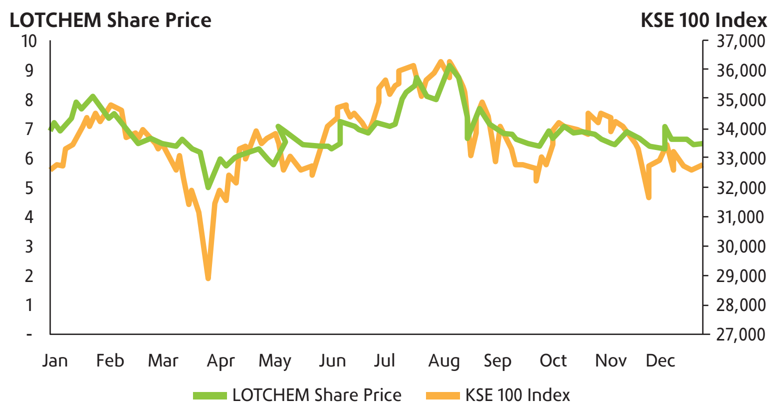
CDC shareholders or their proxies are requested to bring with them copies of their Computerized National Identity Card along with Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

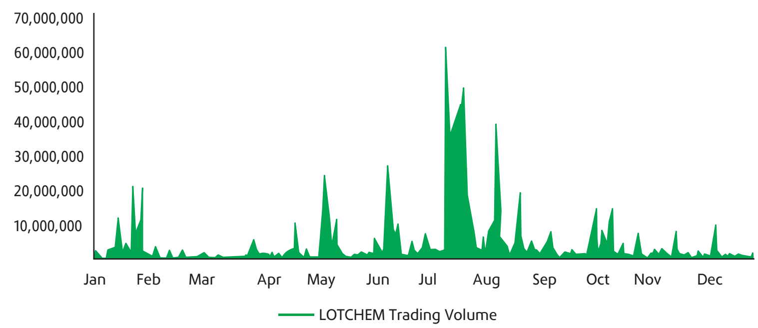
Share Price Analysis

On 31 December 2015 there were 17,822 members on the record of the Company's ordinary shares. Market capitalization of the Company's stock as at 31 December 2015 was recorded at Rs 9.84 billion (2014: Rs 10.39 billion) with the price per share fluctuating from a high of Rs 9.43 to a low of Rs 5.10 and closing the year at Rs 6.50.

Trading volumes for the Company's shares remained consistently high during the year and 1,035.8 million shares were traded at the Karachi Stock Exchange. The stock posted a loss of 5.2% during the year as against 2.1% 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 82.57% 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 Shares 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 2015

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
2,857	1	100	95,422
4,304	101	500	1,252,329
2,560	501	1,000	2,146,016
4,335	1,001	5,000	12,065,826
1,361	5,001	10,000	11,147,828
501	10,001	15,000	6,539,290
354	15,001	20,000	6,645,948
243	20,001	25,000	5,781,370
169	25,001	30,000	4,820,727
88	30,001	35,000	2,952,686
97	35,001	40,000	3,759,927
58	40,001	45,000	2,499,953
174	45,001	50,000	8,651,709
45	50,001	55,000	2,408,631
33	55,001	60,000	1,948,274
24	60,001	65,000	1,529,964
29	65,001	70,000	2,005,825
36	70,001	75,000	2,668,188
22	75,001	80,000	1,732,208
14	80,001	85,000	1,163,611
16	85,001	90,000	1,417,071
8	90,001	95,000	737,237
102	95,001	100,000	10,174,396
10	100,001	105,000	1,029,990
11	105,001	110,000	1,204,486
6	110,001	115,000	685,636
11	115,001	120,000	1,302,190
15	120,001	125,000	1,863,653
8	125,001	130,000	1,033,860
3	130,001	135,000	398,376
8	135,001	140,000	1,106,332
2	140,001	145,000	288,500
21	145,001	150,000	3,150,000
4	150,001	155,000	619,500
5	155,001	160,000	794,075
7	160,001	165,000	1,140,772
6	165,001	170,000	1,007,661
14	170,001	175,000	2,445,377
1	175,001	180,000	179,800
3	180,001	185,000	549,000
3	185,001	190,000	570,000
3	190,001	195,000	583,500
43	195,001	200,000	8,592,950
7	200,001	205,000	1,421,402
4	205,001	210,000	836,000
1	210,001	215,000	215,000
2	215,001	220,000	436,000
4	220,001	225,000	900,000
2	225,001	230,000	454,360
1	230,001	235,000	234,000
4	235,001	240,000	950,900
5	240,001	245,000	1,211,000
9	245,001	250,000	2,250,000
3	250,001	255,000	752,524
1	255,001	260,000	259,100
3	260,001	265,000	790,184
2	265,001	270,000	533,000
3	270,001	275,000	822,096
1	275,001	280,000	275,532
5	285,001	290,000	1,441,154
2	290,001	295,000	586,500
14	295,001	300,000	4,197,000
2	305,001	310,000	620,000
2	310,001	315,000	630,000
1	320,001	325,000	325,000
1	325,001	330,000	330,000
2	335,001	340,000	675,000
5	345,001	350,000	1,750,000
2	350,001	355,000	704,770
1	365,001	370,000	370,000
1	380,001	385,000	385,000
2	395,001	400,000	800,000
1	405,001	410,000	408,570
1	415,001	420,000	416,716

Pattern of Shareholding | As at 31 December 2015

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
2	420,001	425,000	850,000
1	425,001	430,000	427,841
1	435,001	440,000	440,000
1	440,001	445,000	445,000
1	445,001	450,000	450,000
1	450,001	455,000	454,500
1	465,001	470,000	469,500
2	480,001	485,000	967,000
3	490,001	495,000	1,479,065
12	495,001	500,000	6,000,000
2	515,001	520,000	1,039,404
2	520,001	525,000	1,047,500
1	535,001	540,000	540,000
3	555,001	560,000	1,680,000
1	560,001	565,000	561,000
1	570,001	575,000	575,000
1	580,001	585,000	585,000
5	595,001	600,000	2,998,500
2	600,001	605,000	1,209,000
2	605,001	610,000	1,215,514
1	660,001	665,000	661,500
3	695,001	700,000	2,100,000
1	715,001	720,000	720,000
1	740,001	745,000	743,000
1	775,001	780,000	775,375
1	780,001	785,000	783,000
4	795,001	800,000	3,200,000
1	835,001	840,000	840,000
1	845,001	850,000	850,000
1	850,001	855,000	851,000
1	875,001	880,000	880,000
3	895,001	900,000	2,700,000
1	940,001	945,000	944,572
1	945,001	950,000	949,500
1	970,001	975,000	970,711
9	995,001	1,000,000	8,999,116
1	1,055,001	1,060,000	1,058,203
1	1,120,001	1,125,000	1,120,500
1	1,170,001	1,175,000	1,171,500
2	1,195,001	1,200,000	2,400,000
1	1,205,001	1,210,000	1,206,602
1	1,295,001	1,300,000	1,300,000
1	1,395,001	1,400,000	1,400,000
1	1,500,001	1,505,000	1,505,000
1	1,505,001	1,510,000	1,509,500
1	1,620,001	1,625,000	1,625,000
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	1,825,001	1,830,000	1,827,200
1	1,895,001	1,900,000	1,900,000
2	1,995,001	2,000,000	4,000,000
1	2,050,001	2,055,000	2,052,500
1	2,245,001	2,250,000	2,250,000
1	2,270,001	2,275,000	2,274,000
1	2,345,001	2,350,000	2,348,500
1	2,415,001	2,420,000	2,420,000
1	2,905,001	2,910,000	2,908,026
1	3,520,001	3,525,000	3,523,000
1	3,995,001	4,000,000	4,000,000
1	4,800,001	4,805,000	4,802,500
1	5,460,001	5,465,000	5,461,200
1	5,680,001	5,685,000	5,684,901
1	7,495,001	7,500,000	7,500,000
1	9,155,001	9,160,000	9,157,000
1	11,985,001	11,990,000	11,987,500
1	19,735,001	19,740,000	19,736,000
1	26,360,001	26,365,000	26,361,300
1	35,995,001	36,000,000	36,000,000
1	1,135,860,001	1,135,865,000	1,135,860,105
17,822			**1,514,207,208**

Pattern of Shareholding | As at 31 December 2015

Information required under code of corporate governance

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	944,572
	CDC - Trustee NIT-Equity Market Opportunity Fund	1	78,157
3	**Mutual Funds**		
	CDC - Trustee First Capital Mutual Fund	1	50,000
	CDC - Trustee PICIC Growth Fund	1	19,736,000
	CDC - Trustee PICIC Investment Fund	1	9,157,000
	CDC - Trustee PICIC Islamic Stock Fund	1	150,000
	Confidence Mutual fund Ltd	1	30
	Dominion Stock Fund Limited	1	750
	Golden Arrow Selected Stocks Fund	1	30
	Safeway Mutual Fund Limited	1	1,050
	Security Stock Fund Limited	1	150
4	**Directors, CEO and their spouse and minor children**		
	Kwan Ho Lee	1	1
	Humair Ijaz	1	1
	Nak Sun Seong	1	1
	Mohammad Qasim Khan	1	1
	Sang Hyeon Lee	1	1
	Soo Chan Ko	1	1
	Pervaiz Akhtar	1	1
	Istaqbal Mehdi	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	12,889,273
8	**Others**	168	69,189,712
9	**Individuals**	17,580	292,974,043
		17,822	1,514,207,208

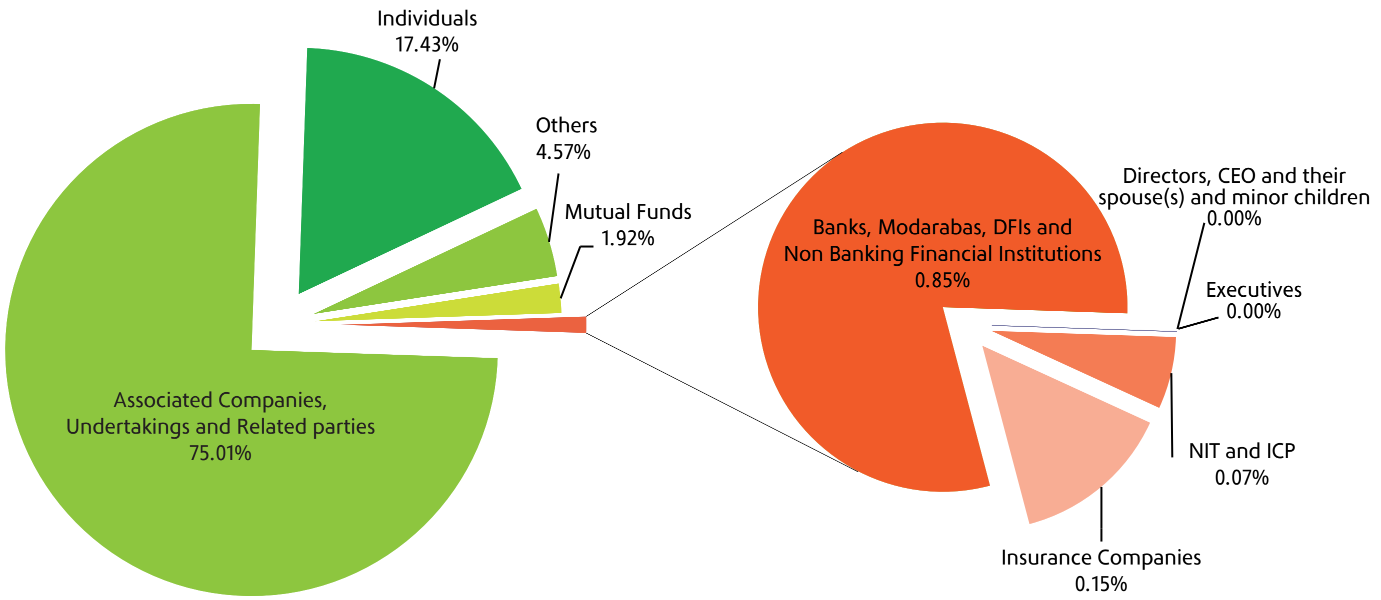
Shareholders holding five percent or more voting rights

Lotte Chemical Corporation	1	1,135,860,105

Categories of Shareholding | As at 31 December 2015

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	1,022,729	0.07
3	Mutual Funds	9	29,095,010	1.92
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	47	12,889,273	0.85
7	Insurance Companies	5	2,271,029	0.15
8	Others	168	69,189,712	4.57
9	Individuals	17,580	263,879,033	17.43
	Total	**17,822**	**1,514,207,208**	**100.00**

Shareholders Categorisation 2015



Stakeholders Information

Customer Focus

Customer Focus remains the key objective of every employee of the Company. Our production team monitors the process meticulously in order to ensure that high quality product is delivered to our Customers.

Corporate Governance

Board of Directors | as at 22 January 2016

Kwan Ho Lee
Chairman

Tenure
Appointed to the Board on 10 April 2015 for the term expiring 22 June 2017.

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

Outside Interests
Director Lotte Chemical Titan Sdn bhd
Director China Trading Corporation
Director Chemical UK Corporation
Alternative Director Chemical USR

Career
Mr Lee currently holds the position of Head of Corporate Planning division at LOTTE Chemical Corporation, South Korea. Mr. Lee has a Bachelor's Degree in Law from Yonsei University. He has been with the LOTTE Group since 2004 and has held several positions which include Manager of Business Development, Team Leader of Feedstock, Team Leader of Legal Team/Internal Audit Team, and Head of Olefin Business Unit, Head of Purchasing Div., and Head of Business Assistance division of DACC Aerospace.

Humair Ijaz
Chief Executive

Tenure
Appointed to the Board on 23 June 2015 for the term to expire on 22 June 2017.

Outside Interests
Director Lotte Kolson (Pvt) Limited.

Career
Mr Humair Ijaz has over 22 years of experience. After working for Siemens for a year, 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 Manager in 2008. He has played an instrumental role in reshaping the Company's Commercial activities and based on his continued commitment, he was promoted as Director Commercial in 2013 and was appointed as the CE in June 2015.

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.

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
Director of Lotte International co., ltd.
Director of Hyundai Information Technology
Director of LOTTE Chemical USA Corporation

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.

Nak Sun Seong
Non-Executive Director

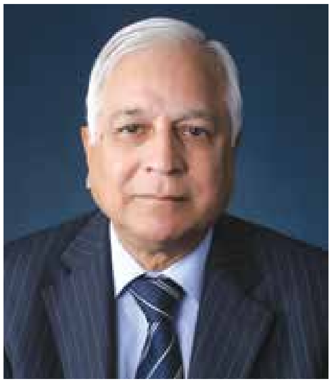
Tenure
Appointed to the Board on 1 February 2015 to fill the casual vacancy created on 31 January 2015 for the term to expire on 22 June 2017.

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.



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.

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.

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.

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.

He is a certified Director of Corporate Governance from Pakistan Institute of Corporate Governance (PICG).

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.

He is a certified Director of Corporate Governance from Pakistan Institute of Corporate Governance (PICG).

Board Committees | with brief terms of reference

HR and Remuneration Committee

Mr Nak Sung Seong, Member   Mr Kwan Ho Lee, Chairman   Mr Sang Hyeon Lee, 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 Kwan Ho Lee, Member   Mr Sang Hyeon Lee, Chairman   Mr Mohammad Qasim Khan, Member

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.

Audit Committee

Mr Istaqbal Mehdi, Member   Mr Pervaiz Akhtar, Chairman   Mr Kwan Ho Lee, Member

Chairman's Introduction

The work of the Audit Committee in 2015 has been focused mainly on the integrity of financial statements, effectiveness of the overall control environment, review of key risks, compliance with legal & regulatory requirements, Board's policies & directives 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 by the Committee over the year.

Pervaiz Akhtar
Chairman - Board Audit Committee

Role of the Committee

The Audit Committee, a subcommittee 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 2015 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 Pakistan Stock Exchange, 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 Acting 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 2015, 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.
- 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.
- The Board Audit Committee reviews all Related Party Transactions, including the terms of the transactions, and recommends the same to the Board for review and approval.
- 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, CFO, Company Secretary and other executives of the Company including their spouses and minor children were precluded from dealing in Company shares were duly determined and announched by the Company 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 KPMG Taseer Hadi & Co., Chartered Accountants. 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 of the Code of Corporate Governance. The Head of Internal Audit coordinates with the internal auditors KPMG Taseer Hadi & Co., Chartered Accountants, and reports directly to the Chairman of the Board Audit Committee.
- During the year five 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 reinstating internal audit function to KPMG Taseer Hadi & Co., Chartered Accountants, for the financial year ending 31 December 2016 on term of remuneration to be negotiated by the Chief Executive.

External Auditors

- The statutory auditors of the Company, Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, have completed their audit assignment of the "Company's Financial Statements" and the "Statement of Compliance with the Code of Corporate Governance" for the year ended 31 December 2015 and shall retire on the conclusion of the 18th 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 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 2016 on term of remuneration to be negotiated by the Chief Executive.

Pervaiz Akhtar
Chairman - Board Audit Committee

22 January 2016
Karachi

Board and Committee Attendance in 2015

During the year, 5 (five) Board of Directors, 5 (five) Audit Committees and 1 (one) HR & Remuneration Committee meetings were held:

Board		Eligible to Attend	Attended
Non-Executive Directors			
Mr Kwan Ho Lee	appointed w.e.f 10 April 2015	3	3
Mr Hun Ki Lee	resigned w.e.f 10 April 2015	2	2
Mr Changgyou Kim	resigned w.e.f 31 January 2015	1	-
Mr Istaqbal Mehdi		5	5
Mr Pervaiz Akhtar		5	3
Mr Mohammad Qasim Khan		5	2
Mr Hyun Chul Park	resigned w.e.f 31 January 2015	1	-
Mr Soo Chan Ko	appointed w.e.f 1 Feb 2015	4	2
Mr. Nak Sun Seong	appointed w.e.f 1 Feb 2015	4	4
Executive Directors			
Mr Jung Neon Kim	resigned w.e.f 22 June 2015	3	3
Mr Humair Ijaz	appointed w.e.f 23 June 2015	2	2
Mr Sang Hyeon Lee	appointed w.e.f 1 Feb 2015	4	4
Mr Oh Hun Im	resigned w.e.f 31 January 2015	1	1

Audit Committee		Eligible to Attend	Attended
Non-Executive Directors			
Mr Kwan Ho Lee	appointed w.e.f 10 April 2015	3	1
Mr Hun Ki Lee	resigned w.e.f 10 April 2015	2	1
Mr Istaqbal Mehdi		5	5
Mr Pervaiz Akhtar		5	5

HR & Remuneration Committee		Eligible to Attend	Attended
Non-Executive Directors			
Mr Kwan Ho Lee	appointed w.e.f 10 April 2015	-	-
Mr Hun Ki Lee	resigned w.e.f 10 April 2015	1	1
Mr. Nak Sun Seong	appointed w.e.f 1 Feb 2015	-	-
Mr Changgyou Kim	resigned w.e.f 31 January 2015	1	-
Executive Directors			
Mr Sang Hyeon Lee	appointed w.e.f 1 Feb 2015	-	-
Mr Oh Hun Im	resigned w.e.f 31 January 2015	1	1

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

Executive Management Team

The Executive Management Team consists of functional heads, 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 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.

Waheed U Khan
Corporate HR Manager

Humair Ijaz
Chief Executive
(Profile on page 28)

Mohammad Wasim
Director Manufacturing

Waheed U Khan has over 18 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 organisation 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).

Mohammad Wasim has over 29 years of professional experience and he has been associated with the PTA business for over 19 years. 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.

Management Committees | with brief terms of reference

Executive Committee

Back L to R: Mr Mohammad Waseem, Mr Shabbir K Hussain, Mr Waheed U Khan, Mr Adnan Ul Haque, Mr Syed Masood Ul Hasan, Mr Tariq Nazir Virk
Front L to R: Mr Syed Qamar Alam, Mr Sang Hyeon Lee, Mr Kee Seo Park, Mr Humair Ijaz, Mr Ashiq Ali, Mr Eu Pyo Hong

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 2015 and reviewed all operational and financial aspects of the business, including improvements to operational policies / procedures.

HSE&S Management Committee

Back L to R: Mr Waheed U Khan, Mr Eu Pyo Hong, Mr Humair Ijaz, Mr Ashiq Ali, Mr Syed Qamar Alam
Front L to R: Mr Mohammad Waseem, Mr Syed Masood Ul Hasan, Mr Shabbir K Hussain, Mr Adnan Ul Haque, Mr Tariq Nazir Virk

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.

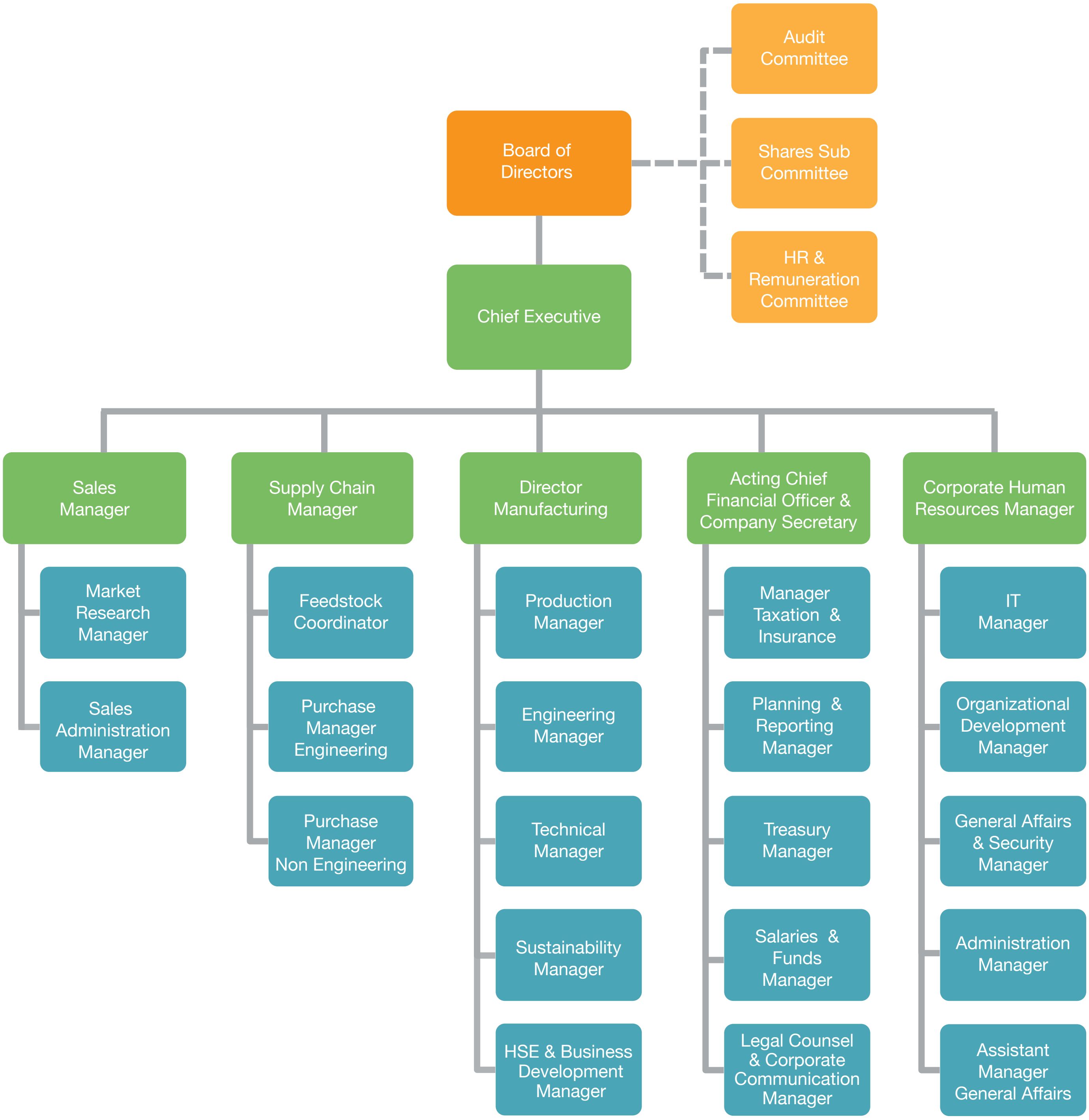
BCP Committee

Back L to R: Mr Khurram Qureshi, Mr Syed Arif Hussain, Mr Ashiq Ali, Mr Syed Qamar Alam, Mr Asad Ullah Chughtai
Front L to R: Mr Tariq Nazir Virk, Mr Syed Masood Ul Hasan, Mr Shabbir K Hussain, Mr Adnan Ul Haque, Mr Mohammad Waseem

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 Pakistan 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.

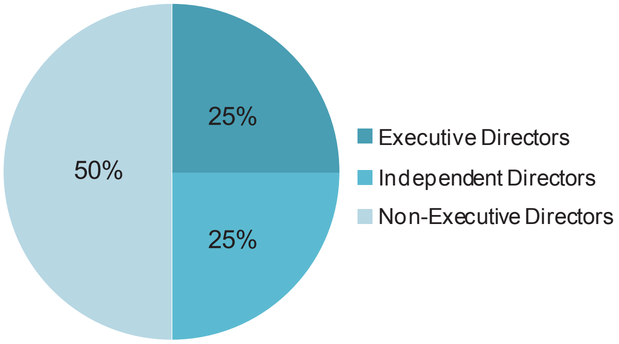
Board Composition, Size and Tenure

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. Moreover, 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, one Independent Director 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

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 towards the end of last year and was completed in 2015 using an external facilitator, PICG. The Board evaluation assessment covered specific areas of Board performance including Board Composition, Board & CE Compensation, Strategic Planning, Board Procedures, Board Interaction, Board Information, Board Committees and Board & CE Effectiveness.

During the year the suggestions of the review were implemented to further enhance and augment the effectiveness of the Board. The Board also regularly reviews the developments in Corporate Governance to ensure that the Company always remains aligned with the best practices.

CE Performance Review

The Board of Directors of Lotte Chemical Pakistan Limited regularly evaluates performance of the CE based on agreed financial and non-financial KPIs.

The Board has reviewed the performance of the CE for the current financial year and is satisfied with the achievements for the year. The Board has full confidence in his abilities to manage the affairs of the Company in the most professional and competent manner. The CE is also responsible for setting the objectives for his management team and regularly updates the Board about the performance of the management in achieving the desired goals.

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 32 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 initialed 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 2015 , is given on page 22 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). During the year no incidences were reported to the Speak Up Committee.

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 KPMG Taseer Hadi & Co., Chartered Accountants, 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.

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.

HR Policy & Succession Planning

A comprehensive HR policy is part of terms of employment and is applicable to all the permanent employees. The key objective of the HR policy is to develop a high performance culture providing a critical link between an employee's performance and Company's goals. The policy also supports in maintaining the desired organizational culture. In order to ensure continued business performance, the Company has developed a robust Succession Plan for the positions of Chief Executive, his direct reports in Executive Management Team and business critical roles.

Quality Policy Statement

Lotte Chemical Pakistan Limited operates in an environment, which is influenced by global trends. To remain competitive and retain its status as a preferred PTA supplier, it has to produce a world-class product that always meets the expectations of its customers, both local and overseas, in terms of price, product, quality and service.

The Company achieves the above mentioned objectives by delivering a quality service on the principle of "right first time every time".

To support the Quality Policy, the Company ensures ownership at all levels to continually improve the Quality System consistent with the latest standards and provides necessary training & resource to deliver added value to the business.

Risk Management

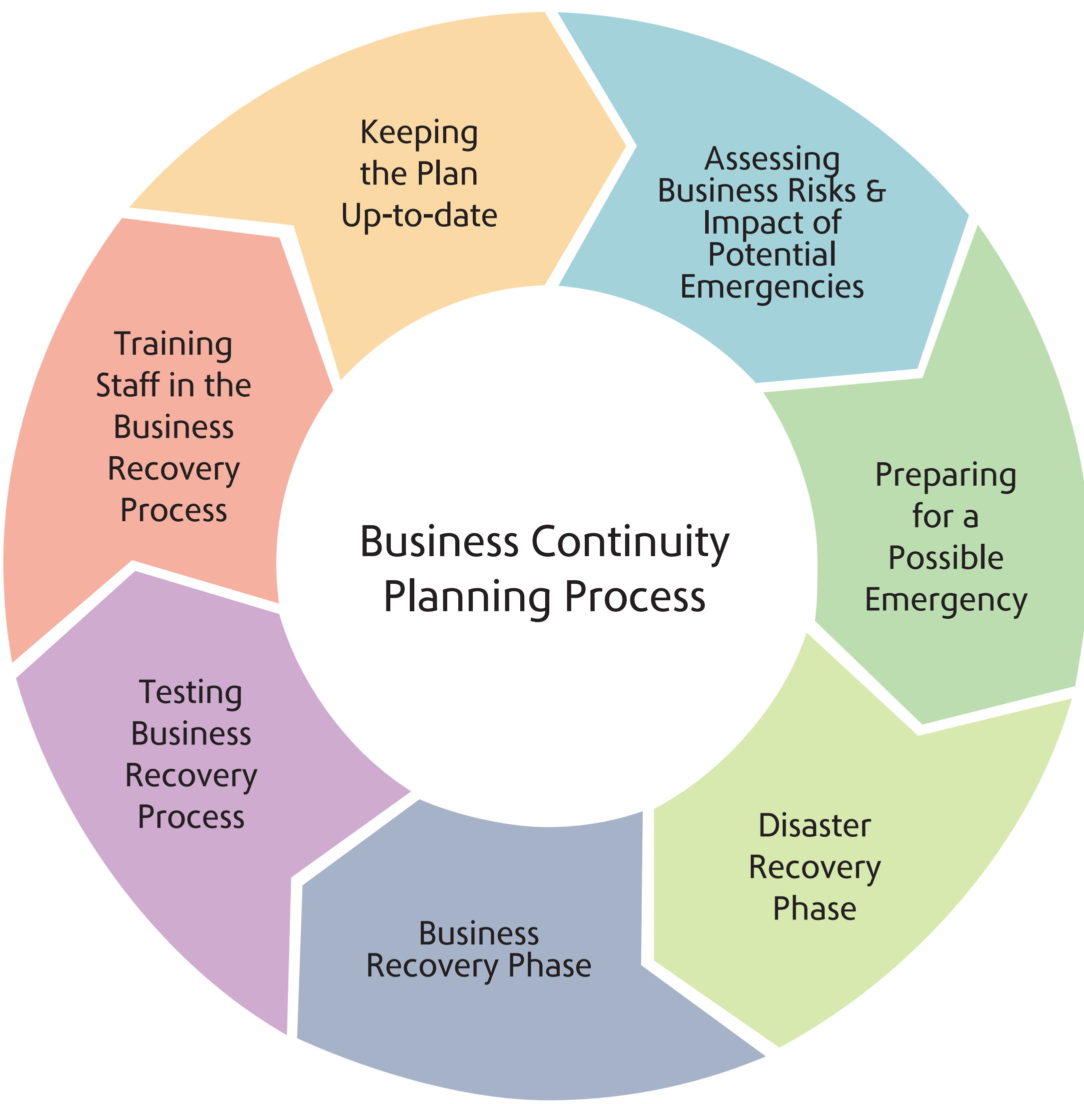
The Board has an overall responsibility for the risk management process and internal control procedures. The Audit Committee monitors the Company's risk management process quarterly or more frequently if required and reviews the adequacy of the risk management framework. The Company's documented and 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 Process 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.
	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.
	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.
	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 evident by an excellent safety record spread over 17 years without a Lost Time Injury – more than 48 million man-hours have been completed without a Lost Time Case.
	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.
	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.
	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.
	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.

Originality

The culture at LCPL nurtures originality and encourages defiance of convention. Our Team finds solutions to challenges by constant collaboration.

Business Review

2015 Performance against Key Objectives

In 2015, the Company was able to achieve most of its strategic objectives with the exception of those which were linked to the performance of the PTA industry as a whole. 2015 continued to be a tough year for the PTA industry globally in all aspects of its operations.

Key Objectives	Performance
Maintain high standard of HSE performance	Completed 48.9 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.
Maintain 95% PTA plant availability (excluding planned Overhaul)	The PTA plant production was managed extremely well and the Plant availability for the year was 96 % (excluding the planned Overhaul). The stable operations resulted in reliable supply to all customers and also provided savings in conversion costs.
Maintain 95% Cogeneration plant availability.	Cogeneration plant availability was impacted on account of mapping activity, replacement of valves and filters. As a result, the cogeneration plant availability remained at 88.9% against target of 95%.
Deliver business improvement plan and savings targets including the sale of surplus electricity.	The management maintained sharp 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. Sale of excess electricity could not be materialized as required NOC (to sell electricity) could not be obtained from SSGC.
Maximize domestic PTA sales	Increase in energy costs and taxation, higher PSF imports from China and the deteriorating textile exports adversely impacted the domestic downstream market and limited the improvement in operating rates. Despite these challenging conditions the Company was able to increase domestic sales to 463,137 MT compared to 439,256 MT last year. The Company achieved a domestic/export mix of 100% vs 92% achieved last year.
PTA import tariff	The Board and the management remained engaged with the Government of Pakistan for a competitive regional tariff protection. NTC after conducting a study recommended to maintain 4% tariff and has suggested to MoC to review in conjunction with other stakeholders.

Directors' Report

The Directors are pleased to present their report and the audited financial statements of the Company for the year ended 31 December 2015. .

Board Changes

Mr Hun Ki Lee resigned as Chairman and Director of the Company with effect from 10 April 2015 and Mr Kwan Ho Lee was appointed Chairman and Director with effect from the same day to fill the casual vacancy for the remainder of the term to expire on 22 June 2017.

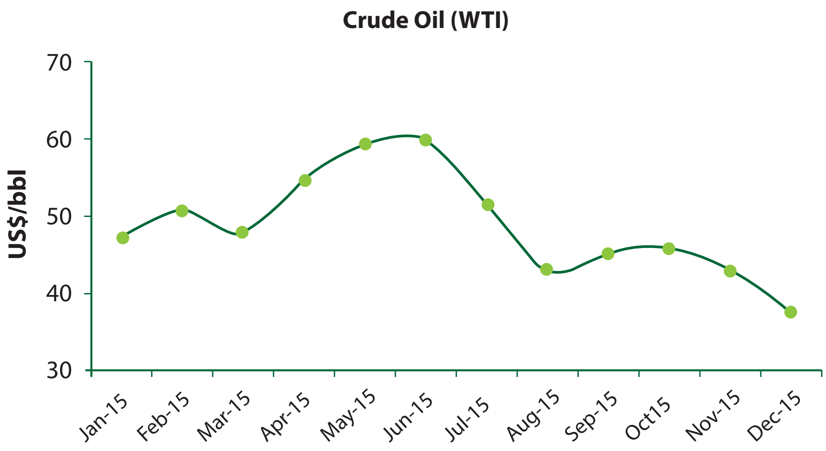
Mr Jung Neon Kim resigned as Chief Executive and Director of the Company with effect from 22 June 2015 and Mr Humair Ijaz was appointed as Chief Executive and Director with effect from 23 June 2015 for the remainder of Mr Kim's term as Director which expires on 22 June 2017.

The Board places on record its appreciation for the valuable contributions made by the outgoing Chairman, Mr Hun Ki Lee and Chief Executive, Mr Jung Neon Kim and welcomes Mr Kwan Ho Lee as the new Chairman and Mr Humair Ijaz as the new Chief Executive of the Company.

Business Overview

Crude Oil

Oil prices surged during the second quarter amid slowdown in U.S production and due to a modest improvement in demand. The uptrend was short-lived as OPEC members continued to pump oil at high rates and decided against any production cuts in order to retain their respective market shares. As a consequence, crude oil prices collapsed during the second half of 2015. Persistent supply overhang and swelling inventories pushed the crude oil price to its lowest levels in almost 9 years. Moreover, sustained production levels and subdued demand exasperated the situation.

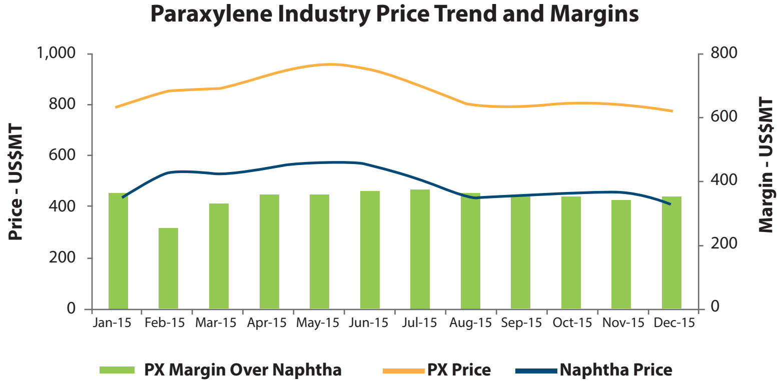


Paraxylene (PX) Industry

PX prices followed the trend in crude oil prices during the year. PX prices remained bullish in the middle of the year, due to strengthened crude oil prices and tight PX supply situation, caused by both planned and unplanned outages of PX plants.

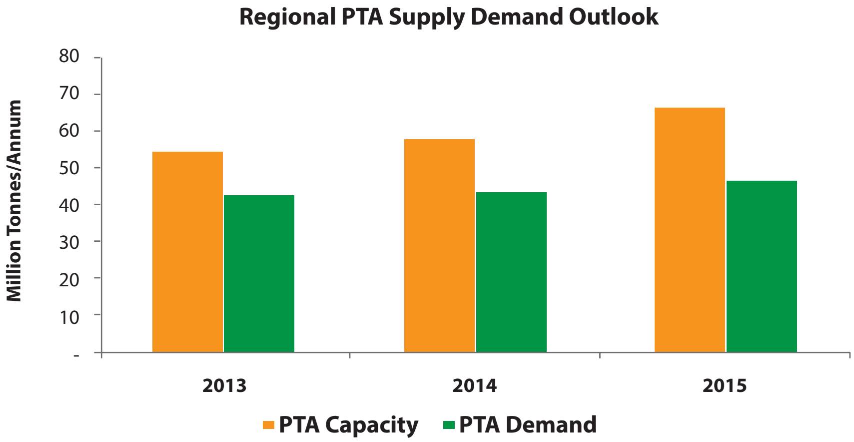
There was a modest increase in PX production capacity during the year in the region. The producers kept the PX market balanced during the year by curtailing operating rates, in line with the slowdown in the downstream PTA industry which supported the maintenance of a stable margin over Naptha for the PX Industry.

A modest increase in the demand from the downstream PET industry during the peak summer season provided support to PX prices. The positive sentiment lasted till the slump in the crude oil prices during the second half of the year, which exerted downward pressure on the entire petrochemical chain and sent the PX prices to multi-year lows by year end.



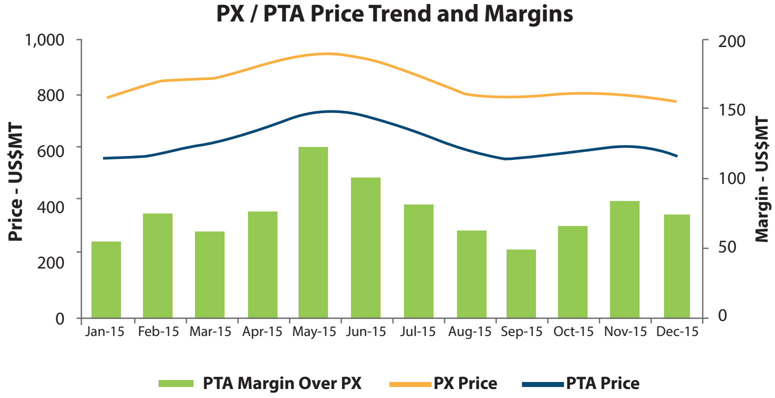
PTA Industry

The anemic market conditions in the PTA industry continued in 2015. According to market experts, around 13 million tonnes of PTA capacity remained offline in China during 2015 as a result of poor margins. However, despite the adverse market conditions, approximately 7 million tonnes of new PTA capacity was added in the region, mainly in China and India.



PTA prices were able to gain strength during H1 2015 supported by the increase in the upstream prices and healthy demand from the downstream PET industry. The PTA producers in China maintained a production discipline and rationalized their operating levels around 65-70% to balance the supply/demand equation, out of pure necessity. This was imperative in order to avoid a steep fall in PTA prices during H2 2015, as polyester demand turned lackluster, and crude oil prices collapsed. The average margin for the PTA producers during 2015 was around US$ 76 per tonne which was higher than last year but still below the breakeven level for the industry.

As China and India have become self reliant in PTA (due to capacity expansions), major PTA exporters are now aggressively focused on acquiring market share in the Middle East region, including Pakistan. Despite increased competition from foreign suppliers, your Company has been able to retain market share in the domestic market by maintaining competitive pricing and high service levels.



Domestic Polyester Industry

The local polyester industry continued operations in a very challenging business environment. Increase in taxation, higher energy prices, and deteriorating situation of the textile exports added significant pressure on polyester staple fibre (PSF) producers. PSF producers also faced intense price competition from imports which further eroded margins and profitability. These adverse factors limited improvement in the overall operating rates of the industry.

Towards the end of the year the domestic PSF industry was able to have provisional anti dumping duties levied on several Chinese PSF producers. This positive step is expected to reap benefits in the coming year once the definitive anti dumping duties are implemented.

The local PET industry was affected by a reduction in demand in 2015 caused by the introduction of lighter bottles (a cost saving measure) by the bottling industries. Furthermore the overall PET consumption remained low due to the holy month of Ramadan falling in summer which is normally the peak season for PET demand.

Operations

Sales volume, comprising of domestic sales only, during the year at 463,137 tonnes was 3% lower than last year. Very low industry margins and increased competition in the region did not allow your Company to export PTA and sales had to be restricted to the domestic market only.

The Board is pleased to report that the planned plant overhaul was successfully completed during March and April 2015, after a 25 month gap from the previous overhaul in January 2013.

Production during the year at 458,487 tonnes was 6% lower than the corresponding period last year due to lower sales and consequent reduction in plant operating rates.

The Company continued to make investments in its production facility, aimed at sustaining continuous reliable operations and to improve plant efficiencies.

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 17 years without a lost time injury is a testimony in itself. The Directors are proud to report that by the end of 2015, the Company's employees and its contractors completed more than 48 million man-hours without Lost Time Case.

In recognition of this exemplary performance, the Company won the Environmental Excellence Award from the National Forum for Environment & Health (NFEH) and the Best Enterprise for Workplace Safety Award from the Employer Federation of Pakistan (EFP).

During the year, many external audits were carried out to verify compliance with regulations and standards. The audits brought forward no major concerns. 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 2015 is available on page 78 of the Annual Report.

Profit, Finance and Taxation

Revenue of Rs 33,863 million for the year was lower by 29% compared to Rs 47,800 million of previous year mainly due to significantly lower PTA prices. However, the PTA margin over PX for the year remained higher than last year. This together with lower variable conversion costs resulted in a gross loss of Rs 257 million for the year as compared to gross loss of Rs 1,969 million during the same period last year.

(Rs million)	2015	2014
Revenue	33,863	47,800
Gross loss	(257)	(1,969)
Loss before taxation	(628)	(2,364)
Loss after taxation	(748)	(1,100)
Loss per share (in Rupees)	(0.49)	(0.73)

Distribution and selling expenses were lower than last year mainly due to zero export sales. Administration expenses were also lower than last year. Other expenses for the year were higher than last year mainly due to provision for obsolete, slow moving and redundant stores and spare parts.

As a result, your Company incurred a loss before taxation of Rs 628 million for the year ended 31 December 2015 as compared to loss before taxation of Rs 2,364 million last year.

The taxation charge for the year ended 31 December 2015 consists of minimum tax charged under Section 113 of the Income Tax Ordinance, 2001 and tax under Final Tax Regime (FTR) as adjusted by the movement in the deferred tax account.

Loss after taxation for the Company for the year amounted to Rs 748 million as compared to loss after taxation of Rs 1,100 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.

The Company continues to maintain very cordial relations with all its employees. Negotiations on a new wage settlement with the CBA were concluded satisfactorily and a two year agreement effective 01 January 2015 was signed.

For the third year in running, Employers Federation of Pakistan honored the Company with prestigious awards for Best Enterprise for Human Resource Development, Best Enterprise for work place safety and Best CEO awards. Your Company secured 1st position in all three categories amongst medium sized companies.

A detailed report on human resource performance and development in 2015 is available on page 64 of the Annual Report.

Future Outlook

Economic conditions of China and Europe, coupled with surplus oil stock levels throughout the world, are expected to determine price sentiment in the Crude markets. Moreover, the tense geo political situation in the Middle East in relation to the Saudi Kingdom and Iran could also have an impact on Crude Oil price direction.

The oversupply in the PTA industry will continue in 2016 with around 2 million tonnes of new capacities expected to come online during the year. The market players will strive to strike some balance in the demand and supply equation. Therefore, operating rates and capacities going off line will play a pivotal role in determining margins and the general health of the PTA industry.

There is some optimism when it comes to the domestic polyester industry. The anti dumping duties on imports from China are expected to be finalized earlier next year. This is expected to have a positive impact on domestic PSF industry's operating rates. New legislation in terms of taxation and energy costs will also play a big role in the performance of the domestic industry.

Your Company will continue its efforts and maintain followup with the Government of Pakistan to increase the PTA import tariff in line with the region. The current tariff level does not provide the Company with the ability to sustain through major market downturns 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.

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 there from, if any, have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts on the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the Pakistan Stock Exchange 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 93 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 2014 is as follows:

	Value (Rs '000)
Lotte Chemical Pakistan Management Staff Provident Fund	323,374
Lotte Chemical Pakistan Management Staff Gratuity Fund	170,818
Lotte Chemical Pakistan Management Staff Defined Contribution Superannuation Fund	250,002
Lotte Chemical Pakistan Non-Management Staff Provident Fund	5,380
Lotte Chemical Pakistan Non-Management Staff Gratuity Fund	3,969

Pattern of Shareholding

The statement of Pattern of Shareholding in the Company as at 31 December 2015 is given on page 22 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. Kwan Ho Lee, Mr. Soo Chan Ko, Mr. Sang Hyeon Lee, Mr. Nak Sun Seong, and Mr. Humair Ijaz.

Holding Company

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

External Auditors

The present auditors Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Board has recommended the re-appointment of the retiring auditors for the year ending 31 December 2016, for approval of the shareholders in the forthcoming Annual General Meeting.

Acknowledgement

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

Kwan Ho Lee
Chairman

Humair Ijaz
Chief Executive

Date: 22 January 2016
Karachi

Statement of Compliance with the Code of Corporate Governance for the year ended 31 December 2015

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Clause No. 5.19 of Chapter 5 of the Rule Book of Pakistan Stock Exchange Limited, 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 2015, the Board was constituted as follows:

Category	Names
Independent Directors	Mohammad Qasim Khan, Pervaiz Akhtar
Executive Directors	Humair Ijaz, Sang Hyeon Lee
Non-Executive Directors	Kwan Ho Lee, Soo Chan Ko, Nak Sun Seong, Istaqbal Mehdi

   The Independent Directors meets the criteria of independence under clause 5.19.1 (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 as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Five casual vacancies occurred on the Board on 31 January 2015, 10 April 2015 and on 22 June 2015 and were filled up by the Directors on 1 February 2015, 10 April 2015 and 23 June 2015, respectively.

5. The Company has 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 appointment has been made during the year for Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit. However, as at 1 December 2015, the CFO and Company Secretary has resigned and the Company is in the process of filling up the said position.

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 independent Director has completed the Directors Training Course from Pakistan Institute of Corporate Governance (PICG). As at 31 December 2015, one Non-Executive Director and one Independent Director have the required certification of Directors Training Course from PICG. Certification for the remaining Directors will be obtained in accordance with the requirements of the Code.

12. The Directors' report for the year ended 31 December 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

14. 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.

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

16. 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.

17. 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.

18. The Board has formed a Human Resource and Remuneration Committee comprising of one Executive and two Non-Executive Directors. The Chairman of the committee is a Non-Executive Director.

19. The Board has outsourced the internal audit function to KPMG Taseer Hadi & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

20. 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.

21. 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.

22. 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.

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

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

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

Kwan Ho Lee
Chairman

Humair Ijaz
Chief Executive

Date: 22 January 2016
Karachi

Review Report to the Members on 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 2015 to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.23 (b) of the Code of Corporate Governance, where the Company is listed.

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 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.

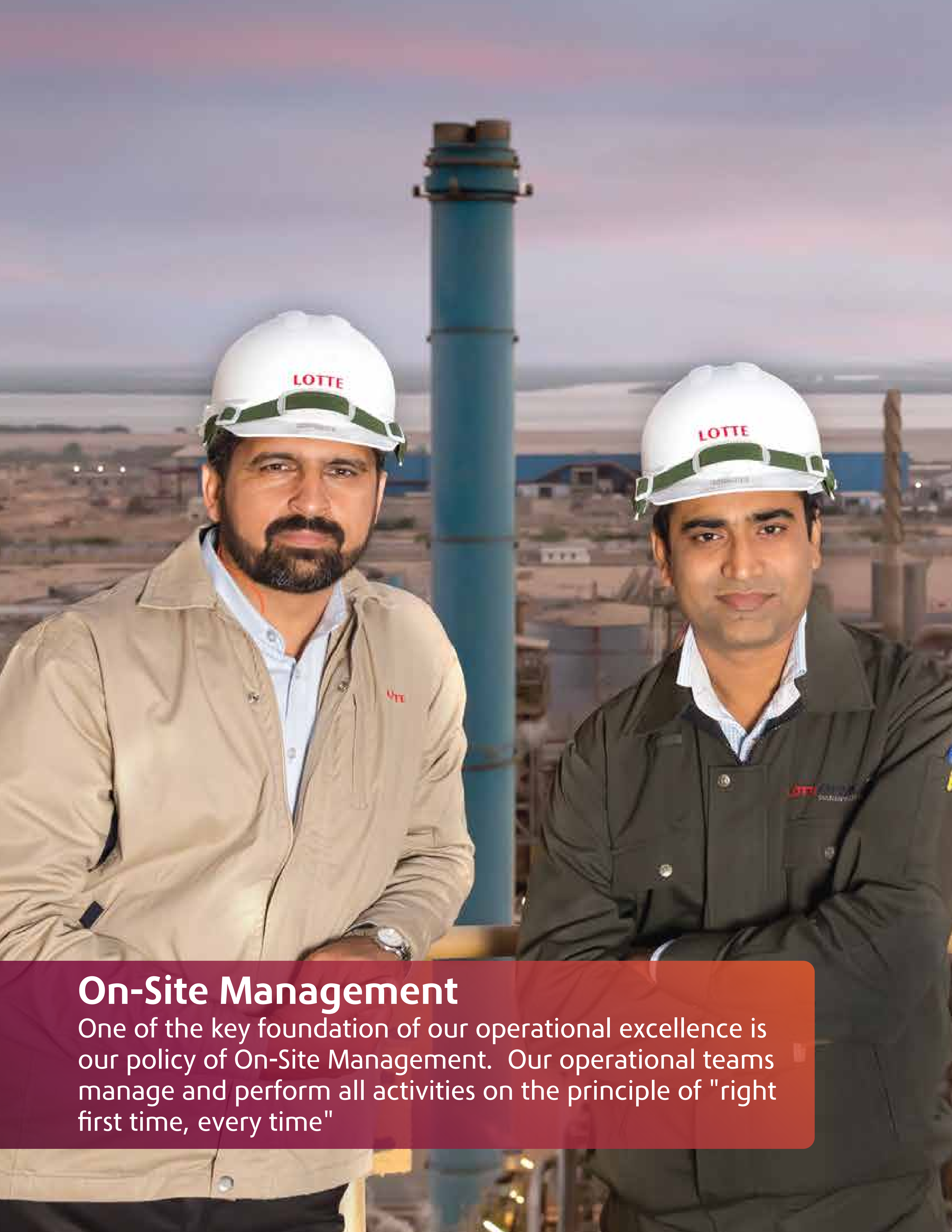
The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail 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 2015.

Ernst & Young Ford Rhodes Sidat Hyder

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Dated: 22 January 2016
Karachi



On-Site Management

One of the key foundation of our operational excellence is our policy of On-Site Management. Our operational teams manage and perform all activities on the principle of "right first time, every time"

Functional & Operational Excellence

Human Resources

Our employees are our greatest assets and the key strength of our business. We attract, develop 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 organisational culture is reflective of our flexible and innovative human resource policies. We treat all employees and contractors fairly, compensate them according to industry standards and provide them with a safe working environment. We also offer continuous development opportunities to our staff members so they develop personally as well as professionally.

Award Winning Year

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

- Best Enterprise for Human Resource Development
- Best Enterprise for Work place safety
- 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 amongst 36 contender companies.

In 2015, Human Resources department monitored the key HR areas and their trends and undertook initiatives to make further improvements.

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 Need Analysis. This process aligns employees' development in line with Company's strategies.

"Learning & Team Building" was the key focus area for 2015 because an organisation with a learning culture in place, provides employees means and opportunities to grow. Accordingly, to encourage a learning culture within the organization various learning events were organized throughout the year including a week long "Learning Fest". The central theme behind this Learning Fest was to enhance interpersonal skills of LCPL employees. Another facet of our learning culture is "Coaching". 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 (Result Coaching System) which is internationally recognized for worldwide Coaching.

A total of 586 Man-days of External Training was arranged during 2015. Inspiring internal 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 trainings are also encouraged to organize training sessions to share their learnings with others. This enhances 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 fresh 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 2015, 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. A number of our trainees have progressed, and some also hold key positions in other Pakistani and overseas companies.

Furthermore, our structured Apprenticeship Programme, under the guidelines of Government of Pakistan rules and regulations, is also one of the talent acquisition sources. 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 2015, 14% of apprentices were hired by the Company, compared to 9% 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 the Company, while working alongside highly professional and supportive staff. In 2015, we offered 39 internships.

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.

Dialogue Sessions

Regular 'Timeout' sessions were conducted. These sessions were 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 Timeout sessions, Chief Executive's Communication sessions & interdepartmental synergy meetings were also held periodically. These provided a platform for employees to interact with senior management which improved the communication and engagement.

Recreational Activities

In 2015, we organized a number of recreational activities for our employees to provide them an opportunity for teambuilding and enjoyment. Some of these initiatives included Eid Milan Party, seasonal fruit parties and an Iftar dinner. A photo contest was also organized to challenge hidden talents. Many employees enthusiastically participated in this event and winners were awarded prizes in recognition of their work.

A three day Team Building event at Bhurban was organized with aim to stimulate team spirit and increase the positive element of collaboration across the organization. At the end of the Team Building activity participants not only grew closer as a team by engaging in adventurous activities but also had useful conversations on how to collectively evolve and improve their work and life.

Sports Activities

In order to improve engagement and increase interaction amongst employees the Company arranges regular sporting events. During the year Night Cricket Matches, Table Tennis Championship, Yoga Classes and Swimming Competitions were held. In addition, the Company has also maintained a gymnasium at the plant site which is frequently used by employees after office hours.

Employee Satisfaction

We believe that employee satisfaction plays an important role in engagement with the Company. We carried out food and transport related surveys to get feedback on these services from the employees and improvement actions were implemented.

With time, we have established an online complaint system. The employees can log in and raise their concerns, which are immediately addressed and feedback is provided to the relevant employee. This fast track service helps us to take quick corrective actions and in turn increases their engagement with the Company.

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 2015, 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 2015, a total of 3,640 hours of instructor-led and online training was given to employees.

From numerous applicants, the Company hired 26 people in the workforce during the year.

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. 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.

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.

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.

Newsletter

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 connect with each other. 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.

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. Our 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 competitive business environment where efficient business processes are crucial for success, 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 controls. 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

Our "one team" attitude helps us to 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 and ready to tackle challenges with perseverance.

Major Projects / Improvements

During 2015, 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, we have, with time, managed to run our business on latest systems derived from industry's best practices. The key remains to deliver value, efficiency and control. As a part of this strategy, we have successfully upgraded the following systems during 2015:

Oracle Applications including database and all customized applications to version R12. The up gradation has enabled our business to run more efficiently, delivering value and strong controls. Further, the new version has enhanced functionality and user productivity.

IBM Notes Server and Clients were upgraded to the latest version. Predominantly, IBM Notes delivers a rich user experience, helping to accelerate business operations, connecting people and improve decision making.

The latest state of the art IT Infrastructure has increased the speed of data flow and has enhanced the network's security. This enables users to collaborate more effectively with tools for video conferencing and web meetings, among other advantages.

As an investment in IT infrastructure the IT server room was equipped with fire proof furniture in order to prevent any data losses that might occur by virtue of a fire hazard.

Besides above a number of developments have taken place to save time, reduce manual work and 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 maintaining robust data backup procedures including a new Disaster Recovery site.

Value Addition and Future Investment

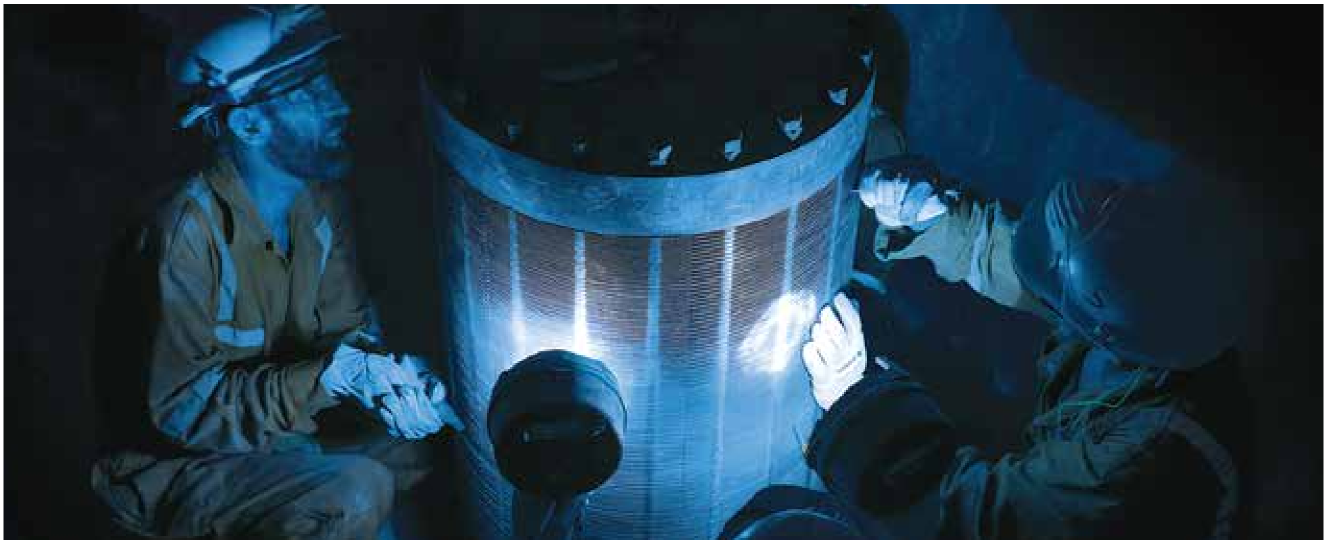
Our Company is committed to continuously improving its IT infrastructure, technologies, processes and procedures. This results in improved controls, enhanced reporting, optimized procedures and best overall performance.

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

We believe that our manufacturing excellence is an outcome of our attention to safety, detailed technical knowledge, high performance culture, state-of-the-art facilities and high standards of maintenance and process control. Our driven and passionate staff remains integral in achieving 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 attention to details and active process monitoring ensures that the product purity exceeds 99.97 percent, and the quality of our product is well accepted in both domestic and international market. We strive for excellence and innovation in all that we do, and our work culture is a testament to these goals.



2015 was a challenging year for our business. Despite adverse market situation, the performance of our manufacturing facilities remained excellent in all areas. The credit goes to our 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 2015 included;

Optimizing Variable Cost: Throughout the year, our focus remained on optimizing variable cost to maximize profitability. By putting a tight control on the process parameters, avoiding plant outages and implementing innovative ideas we achieved a 5% reduction in variable cost compared to the budget.

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.

Plant Availability - Plant availability is a very important index to gauge the effectiveness of the maintenance strategies that are in place in any manufacturing setup. By any global standard, plant availability of more than 90% in an Overhaul year in any petrochemical complex is a remarkable achievement and in comparison, your business was able to report an availability of 91% for the year 2015 which is yet another evidence of the technical and managerial capacity of the Manufacturing team and its ability to deliver world class performance.

Process Control Optimization - In a challenging era where reducing variable cost without spending capital is the utmost requirement. Our team carried out process control modifications which resulted in reduced consumption of paraxylene, catalyst and acetic acid. These control modifications were implemented without any capital expenditure.

Overhaul 2015 - Overhaul 2015 was perhaps the most significant event of the year as some of the most essential and business critical maintenance jobs were carried out to ensure smooth and reliable operation of plant till 2017. Conscious of the financial challenges that your business has been going through, the Manufacturing team took some very bold initiatives to save maintenance cost during the Overhaul however without compromising the quality. Our strong planning remained a pivotal factor leading to the success of the Overhaul. This included prior trainings, detailed job review of all major tasks for coordination among various stakeholders, developing comprehensive quality check sheets, isolation plans, safe job handover/takeover procedures, rescue plans and timely ordering of all required materials. During Overhaul 2015 our manufacturing team with the support of our contractors executed over 1,600 jobs in 19 days. As always safety was kept as top priority and the Overhaul was completed without any injury or incident.

Adapting a New Philosophy of Electrical Network – In line with our commitment for Manufacturing Excellence, this year your Company adopted, thermal imaging under predictive maintenance regime for critical electrical equipments. This technique has the capability of raising alerts before the occurrence of any fault. In the long run, this step will result in significant cost savings.

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.

Reducing GTG Outage Time - Co-Gen team realizes its utmost responsibility towards economic and reliable operation, and therefore, in 2015, embraced the challenge to even further optimize GTG operations. Through continuous deliberation by using in-house resources and effective time management we were able to reduce the water wash time and increase the interval between water washes. This resulted in savings for the Company while ensuring reliable operations.

Technical Training Centre

Since 2009, our Technical Training Centre (TTC) has provided a systematic method of training to all plant personnel working in various departments. TTC serves as an in-house training resource to enhance professional skills and competencies of all manufacturing staff and those of neighboring 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 can 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 KPIs

In 2015, the number and type of trainings increased compared to 2014. The number of Technical & HSE trainings conducted at the Company increased from 100 in 2014 to 109 in 2015. Similarly, training man- days (for both management and non-management staff as well as contractor staff) increased from 12.1 in 2014 to 13.7 in 2015.

External Training

In 2015, we also offered a wide range of external courses which helped our employees build their skills. Some of 2015's external courses included: Chemical Management & Risk Assessment, Bearing Maintenance & Technology, Radiation & Electrical Safety, Awareness & Transition to ISO 9001:2015, Piping Stress Analysis, Vibration Analysis, etc.

Training by Outside Bodies at TTC

In 2015, 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 plant before they start working. In 2015, 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 on different areas of the plant. In 2015, a new batch of 17 apprentices completed their classroom training at TTC.

HSE Awareness Sessions for Neighbouring Industries

In addition, TTC also organized HSE awareness sessions for other industries and organizations. In 2015 your Company organized HSE Awareness sessions for Pakistan International Container Limited, KOLSON Pakistan and Mehran University of Engineering and Technology Jamshoro.

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 instills a learning-culture based on knowledge sharing.

In 2015, our internal faculty conducted various trainings which included both technical and self development trainings. Some of 2015's trainings conducted under IFRP programme include Hazard Identification & Risk Assessment, Piping Stress Analysis, CEASER II Training, Contract Management etc.

Job Qualifying Programme (JQP)

Job Qualifying Programme is a structured training programme to enhance competency and skills of the 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 imparted with knowledge throughout this tranning, 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 to bring them in line with the Company's Standards and Practices. CDPE is geared for graduate engineers of all disciplines-ranging from chemical, mechanical and electrical - 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 environment 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.

Audit of 5S Blocks

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

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

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

Reward Distribution Ceremony

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

To keep employee motivated and to appreciate their contribution and hard work, the Sustainability department organized a Reward 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 2015, we arranged two award ceremonies.

The first ceremony, held in February 2015, honoured the efforts of employees who shared knowledge and displayed innovation. In all, 47 employees were rewarded for their valuable participation. In October 2015, a second Reward Distribution Ceremony was organized.

TPM Autonomous Maintenance

At LCPL we believe that excellence is not an option; it is vital for our success. Therefore, as a further step towards achieving operational excellence this year your Company adopted the second most important pillar of TPM the 'Autonomous Maintenance (AM)' AM is all about maintaining one's own equipment by oneself through collaborative cross functional team efforts.

With this philosophy in mind, the Company started focusing on TPM Autonomous Maintenance activities at the plant site. Before beginning 5S activities, Small Group Teams (SGTs) were formed and the plant was divided into 32 blocks. Each team was assigned specific blocks to complete TPM Autonomous Maintenance activities during the year.

SRS (Suggestion & 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 recorded 640 suggestions in the SRS database - ranging from developing solutions for problems to implementing a predetermined plan for change. So far, 54 suggestions have been implemented, resulting in cost savings of over Rs 200 million.

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.

Developing Talent

We believe that our future is contingent on nurturing and developing talent. We provide mentoring, training and challenging opportunities to our employees to enable them to grow as professionals and as responsible citizens.

Sustainability

Health, Safety and Environment

Our long-term objective of "zero accidents" remains unchanged, because every occupational accident is one too many. Our performance of 48 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 aspects of its operations. In its seventeen years of operation, our Company has sustained excellent safety standards and has achieved the landmark of 48.9 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 high safety standards 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, conduct regular medical examinations and focus on field monitoring so our workers remain free from occupational illnesses.

2015 HSE Highlights

- Completed 48.9 Million Man-Hours without Lost Time Case (LTC) for our employee and all contractors staff
- Completed 12 Million Man-Hours without Lost Time Case (LTC) for our employees
- Awarded Best Practice Award in category of ''Best Workplace Safety" from Employer Federation of Pakistan (EFP)
- Awarded 12th Environment Excellence Award from NFEH
- Awarded 4th Fire Safety Award and Certificate from NFEH & FPP
- Achieved "Zero Injury Target '' in Overhaul-2015
- Completed 2015 with ''No Workplace Injury''
- Conducted various emergency drills in coordination with external agencies
- Organized Contractor's HSE Improvement Training Week
- Fully compliant with IMS (OHSAS-18001, ISO-14001 & ISO-9001) surveillance audits
- Fully compliant in external audit of sealed radiation sources conducted by Pakistan Nuclear Regulatory Authority (PNRA)
- Fully compliant in external audit of "Fire Safety Insurance" conducted by external agency

Occupational Health and Safety Management System

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. Independent auditors from our internal HSE department, regularly monitor our compliance with the systems.

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 and tested 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. In 2015, 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.

Accident Prevention

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. 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.

Internal Audits

We have a thorough internal audit system which monitors activities during the day with the objective to ensure safety. Our safety officers conduct daily field audits ensuring workers are practicing 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 counseling the concerned individual. Unsafe acts are also brought forward in weekly meetings so they serve 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 is conducted before use to identify potential hazardous properties and to ensure safe handling.

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 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.

Training involves external as well as internal training. We have developed our internal faculty who are experts in delivering HSE training. Not only this but where necessary, external faculty members are invited to impart employee training.

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. During 2015, we conducted various trainings for field staff and management staff.

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 incidents. The system also helps us analyse data and determine the root cause of incidents facilitating taking necessary preventative measures and improvement actions. The statistics compiled with the help of this advanced system are analysed and reported to senior management on pre-defined frequency.

Energy Conservation

Green Office Certification

In 2015 we again 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.

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 lost 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.

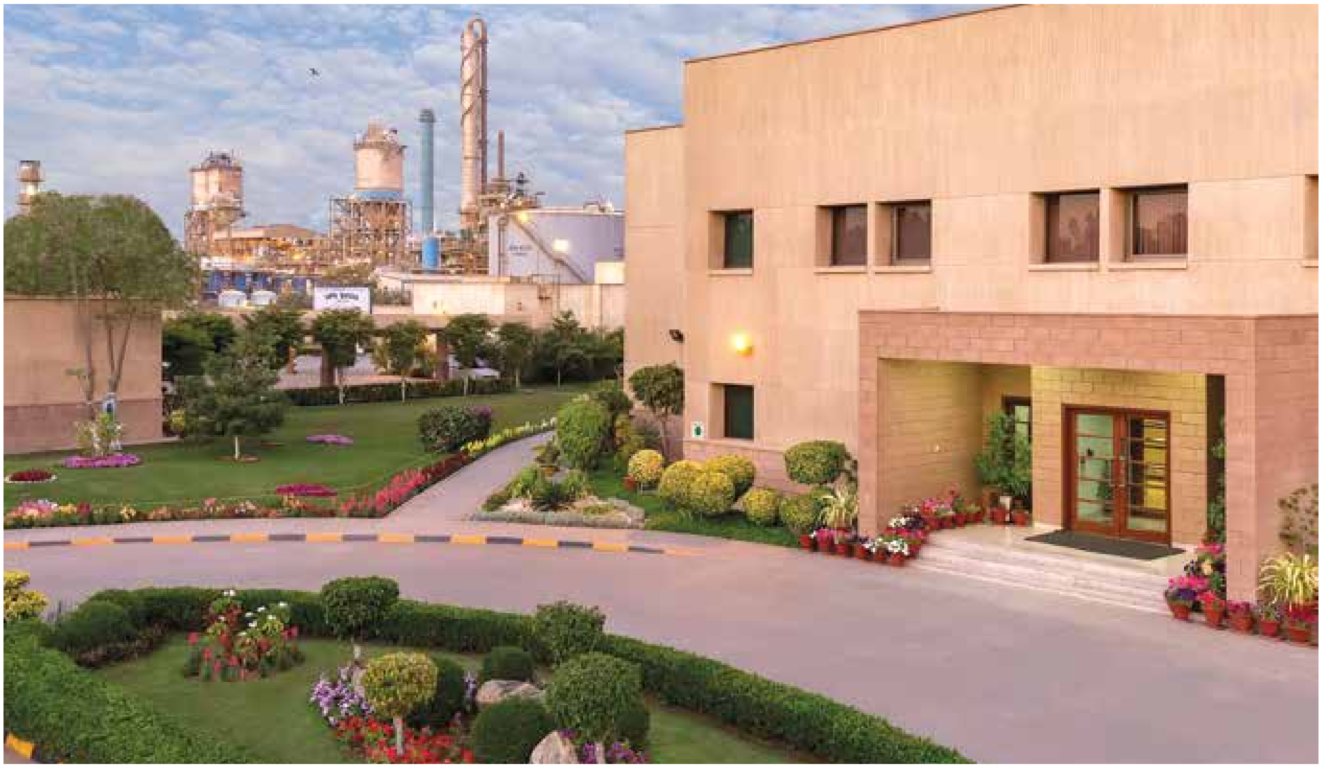
We observe and monitor energy consumption on a daily basis and report results to higher management at agreed frequency. We have also launched a Company-wide energy saving plan by creating awareness among employees on switching off their office lights and electronic gadgets when out of office and give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

Environment Protection

Protection of the environment 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 a state-of-the-art deep shaft technology Effluent Treatment Plant to treat liquid emissions. Additionally, we continue to invest in its operation, believing that it 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.



Waste Handling

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, waste water which was previously lost 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 to reduce our water usage by treating it to meet specific purposes within the manufacturing cycle, and recycling water where ever 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 related best practices help reduce:

- Cost of water and waste water 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, we try to provide a conducive environment for fauna and flora in surrounding areas.

In the past, we have been 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 around 2,500 trees around the premises and within the vicinity to provide nesting grounds to local birds and enhance greenery. Our plantation was also 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 have been involved in initiatives to establish organic farming by using waste water 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 have spent US$ 50 million in the co-generation power project, resulting in the shutdown of 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 all regulatory requirements related to the environment.

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.

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.

Health

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

During 2015 we participated in Philanthropy activities with the following Institutions:

Memon Medical Institute Hospital (MMIH), is a 332 bed tertiary care hospital project with state-of-the-art infrastructure that is designed according to the international standards. It is a not for profit set up. It is 100% donor funded project that aims to serve people regardless of their caste, creed, colour, religion or ability to pay. It has a Patients' Welfare Program to support the needy.

Aga Khan Hospital & Medical College Foundation, endeavors to provide access to its medical services to members of our society who cannot afford healthcare facilities.

Sindh Institute of Urology and Transplantation (SIUT), is one of the most reputed medical institutions in the South Asian region, providing specialized medical care to the population at large suffering from kidney, liver, related cancers and ethical transplant procedures "Free of Cost".

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 the past we have 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.

Furthermore through our Apprenticeship Programme, we are continuously adding value to Pakistan's skilled force. Under this programme we provide two year training and reasonable stipend to youth having Diploma or equivalent education. Upon completion of the training we try to absorb some of them in our organisation against vacancies, the remaining get jobs in other relevant industry based on their enhanced skill set.

Environment

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

Green Day: 2500th tree on site

Your Company is continually striving for the protection of nature and the environment and thus a Green Day was celebrated at our plant premises on 13 March 2015. The Company employees celebrated this day by planting more than 300 saplings at different locations in our plant at Port Qasim, Karachi. Our CEO, Mr. Jung Neon Kim planted the 2,500th tree to mark this auspicious event.

Children Art Competition

A drawing competition was organized for Company employees and their children, with an idea to raise awareness level of staff and their children about environmental issues. The children made spellbinding projects and were awarded gifts as a token of appreciation.

Earth Day: Beach Cleaning

On April 22, 2015, more than a billion people worldwide participated in the 45th anniversary of Earth Day by demonstrating their commitment to the planet and taking actions to protect it. Over a hundred enthusiastic employees of your Company celebrated Earth Day by organising a beach cleaning activity at Russian Beach, Port Qasim.

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.

We provide them an environment based on human equality. For this, our management and non-management use same basic facilities e.g food, travel etc. Senior management also provides an open door policy for any employee to discuss their issues and ideas. They are also part of our general events, where they can come freely as a team member of the organization.

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 2015, around 16 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. This year your Company successfully conducted negotiations on a new wage settlement with the CBA for the period 2015-2016. The whole activity was completed amicably, it was indeed a win-win situation.

Product Stewardship

Like our overall safety processes, we go above and beyond to ensure that we manufacture PTA that is safe for our employees to handle and for our customers to use. We believe 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 including manufacturing, packaging, distribution, usage and eventual disposal.

In order to fulfill our Product Stewardship responsibilities we ensure that appropriate training and information is provided to all our staff, contractors, hauliers and customers for handling of our products in a safe and responsible manner. Furthermore we ensure compliance with applicable laws, regulations and standards.

Product Safety

Our product is safe when used as intended. All raw materials and the finished product, are subjected to numerous assessments and tests to ensure that safety is maintained during manufacturing, packaging, distribution, usage and eventual disposal.

All customers and hauliers are provided with MSDS (Material Safety Data Sheet) which consists of comprehensive information on the physical and chemical properties of the product, handling instructions, hazards, risks and precautionary measures in case of any mishaps during distribution and usage. This product literature is reviewed periodically and new information on adverse effects, types of use and circumstances of misuse are taken into account.

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.

	Rupees'000
Suppliers Cost of material, services and facilities	32,005,872
Employees Cost of employees' salaries and benefits	623,381
Government Tax paid, including remittance taxes and excise taxes	2,978,526
Community Voluntary contributions and investment of funds in the broader community	1,406
Retained with in the Company Depreciation, amortisation and retained earnings	661, 967
Total Economic Contribution	36,271,152

Transparent Approach to Taxation

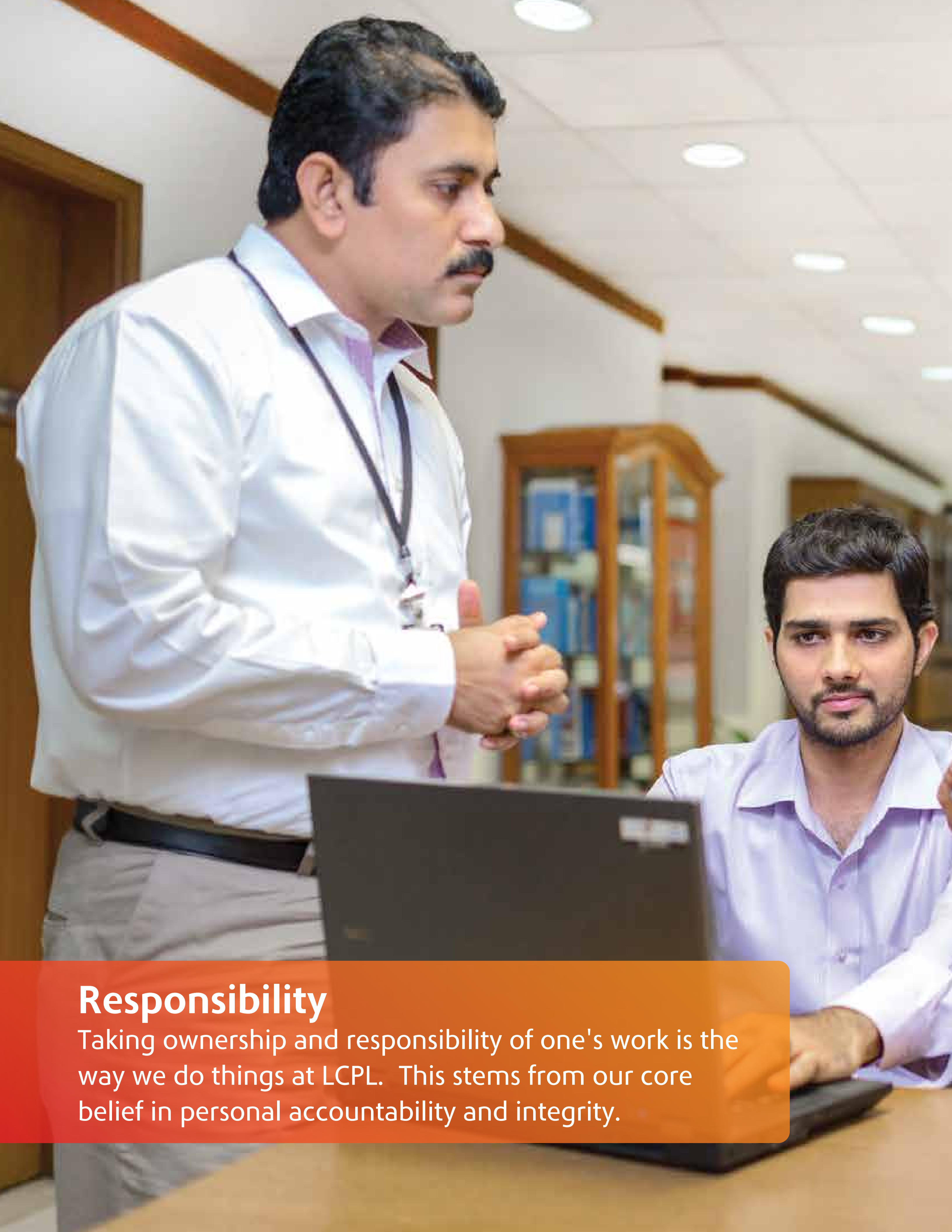
We recognize the growing interest in the level of taxes paid by multinational companies. We remain transparent in our dealings and pay appropriate amount of taxes according to country-specific laws and regulations.

In the year, the total taxes borne and collected by Company amounted to Rupees 3 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 long-term 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



Responsibility

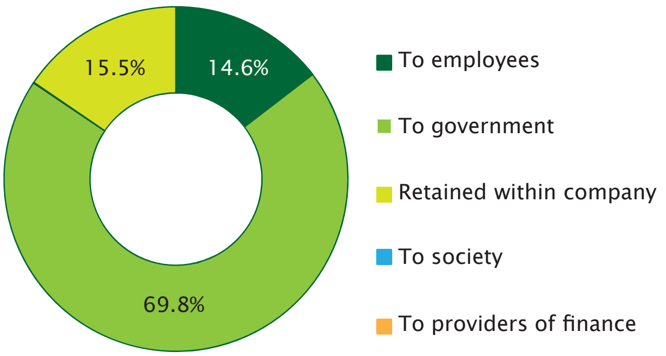
Taking ownership and responsibility of one's work is the way we do things at LCPL. This stems from our core belief in personal accountability and integrity.

Financial Summary

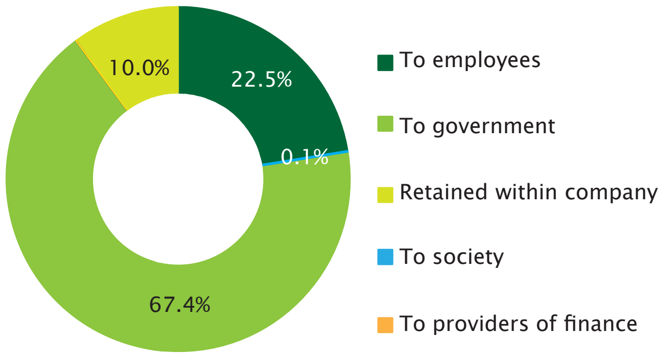
Statement of Value Addition and Its Distribution

	2015 Rs ('000)	%	2014 Rs ('000)	%
Wealth generated				
Total revenue (including other income)	36,271,152		50,585,847	
Bought-in material and services	(32,005,872)		(47,679,030)	
	4,265,280	100.0%	**2,906,817**	100.0%
Wealth distribution				
To employees				
Salaries, wages and other benefits	623,381	14.6%	653,552	22.5%
To government				
Income tax, sales tax, excise duty,WWF and WPPF	2,978,526	69.8%	1,958,761	67.4%
To shareholders				
Dividend	-	0.0%	-	0.0%
To providers of finance				
Finance costs	-	0.0%	38	0.0%
To society as donations				
Donations towards education,health and environment	1,406	0.0%	4,289	0.1%
Retained within Company				
Depreciation, amortisation and retained earnings	661,967	15.5%	290,177	10.0%
	4,265,280	100.0%	**2,906,817**	100.0%

Wealth Distribution 2015



Wealth Distribution 2014



Key Operational and Financial Data | Six Years at a Glance

		2015	2014	2013	2012	2011	2010
Balance Sheet Summary							
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	(5,188)	(4,439)	(3,335)	(2,839)	(2,062)	(5,482)
Long term loans	Rs m	-	-	-	-	-	3,438
Current liabilities	Rs m	7,229	6,133	7,652	7,947	9,616	8,054
Fixed assets	Rs m	6,127	7,380	8,714	10,066	9,853	8,754
Current assets	Rs m	9,601	8,470	11,078	10,867	13,901	13,897
Profit and Loss Account Summary							
Revenue	Rs m	33,863	47,800	57,070	52,823	57,577	42,402
Cost of sales	Rs m	(34,119)	(49,769)	(56,921)	(52,614)	(50,915)	(35,372)
Gross profit / (loss)	Rs m	(257)	(1,969)	149	209	6,663	7,030
Profit / (loss) before taxation	Rs m	(628)	(2,364)	(300)	(58)	6,209	6,710
Profit / (loss) after taxation	Rs m	(748)	(1,100)	(498)	4	4,178	4,525
EBITDA	Rs m	807	(1,052)	1,286	1,592	7,758	8,185
Cash Flow Summary							
Net cash generated from operating activities	Rs m	918	(1,987)	2,339	946	2,209	5,631
Net cash used in investing activities	Rs m	(155)	(56)	(150)	(1,721)	(1,956)	(1,305)
Net cash used in financing activities	Rs m	(0)	(1)	(0)	(2,851)	(2,658)	(2,853)
Cash and cash equivalents at year end	Rs m	1,789	1,026	3,069	880	4,505	6,910
Key Ratios							
Gross profit ratio	%	(0.76)	(4.12)	0.26	0.40	11.57	16.58
EBITDA margin to sales	%	2.38	(2.20)	2.25	3.01	13.47	19.30
Net profit margin	%	(2.21)	(2.30)	(0.87)	0.01	7.26	10.67
ROE	%	(7.51)	(10.28)	(4.22)	0.03	31.93	46.83
ROCE	%	(7.51)	(10.28)	(4.22)	0.03	31.84	33.99
Inventory turnover	times	11.46	17.33	15.38	11.55	13.90	18.00
Inventory turnover in days	days	31.84	21.07	23.73	31.60	26.25	20.27
Debtors turnover	times	21.88	23.33	18.77	16.40	18.94	17.90
Average collection period	days	16.68	15.64	19.45	22.26	19.27	20.40
Creditors turnover	times	11.06	13.10	11.10	10.22	11.03	10.50
Payable turnover in days	days	33.00	27.87	32.87	35.72	33.09	34.76
Operating cycle	days	15.52	8.84	10.31	18.14	12.44	5.91
Total asset turnover	times	1.98	2.60	2.79	2.35	2.47	2.04
Fixed asset turnover	times	5.01	5.94	6.08	5.30	6.19	4.72
Current ratio	times	1.33	1.38	1.45	1.37	1.45	1.73
Quick ratio	times	0.76	0.75	0.95	0.72	0.89	1.33
Cash to current liabilities	times	0.25	0.17	0.40	0.11	0.47	0.86
Cash flow from operation to sales	times	0.03	(0.04)	0.04	0.02	0.04	0.13
Interest cover	times	(15.44)	(28.83)	(4.75)	0.24	38.37	31.48
Debt equity ratio	times	1.00	1.00	1.00	1.00	1.14	1.38
Price earnings ratio	times	(13.16)	(9.44)	(22.32)	3,101.85	3.36	4.58
EPS	Rs	(0.49)	(0.73)	(0.33)	0.00	2.76	2.99
Cash dividend per share	Rs	-	-	-	-	0.50	0.50
Dividend yield ratio	%	-	-	-	-	5.39	3.65
Dividend payout ratio	%	-	-	-	-	18.12	16.73
Dividend cover ratio	times	-	-	-	-	5.52	5.98
Breakup value per share	Rs	6.58	7.07	7.80	8.13	8.64	6.38
Market value per share - 31 December	Rs	6.50	6.86	7.34	7.35	9.27	13.70
Market value per share – High	Rs	9.43	8.40	9.13	10.78	17.36	14.11
Market value per share – Low	Rs	5.10	6.15	6.20	6.70	8.31	6.75
Market capitalization	Rs m	9,842.35	10,387.46	11,114.28	11,129.42	14,036.70	20,744.64

Vertical Analysis

	2015	2014	2013	2012	2011	2010
			%			
Balance Sheet						
Fixed assets	35.5	43.7	43.8	47.8	41.2	38.5
Other non-current assets	8.8	6.2	0.5	0.6	0.6	0.5
Current assets	55.7	50.1	55.7	51.6	58.2	61.1
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0
Shareholders equity	57.7	63.4	59.4	58.4	54.7	42.5
Non-current liabilities	0.4	0.3	2.2	3.8	5.0	22.2
Current liabilities	41.9	36.3	38.5	37.7	40.2	35.4
Total Equity and Liabilities	100.0	100.0	100.0	100.0	100.0	100.0

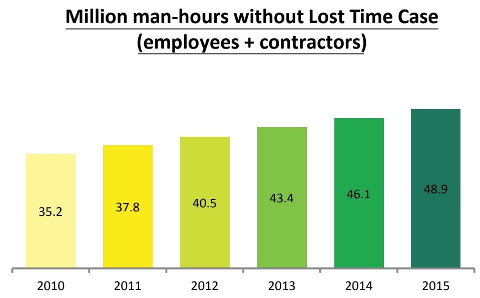
	2015	2014	2013	2012	2011	2010
			%			
Profit and Loss Account						
Revenue	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(100.8)	(104.1)	(99.7)	(99.6)	(88.4)	(83.4)
Gross profit / (loss)	(0.8)	(4.1)	0.3	0.4	11.6	16.6
Distribution and selling expenses	(0.2)	(0.4)	(0.2)	(0.3)	(0.3)	(0.3)
Administration expenses	(1.0)	(0.8)	(0.6)	(0.6)	(0.6)	(0.6)
Other expenses	(0.1)	(0.0)	(0.2)	(0.1)	(0.9)	(1.4)
Other income	0.3	0.2	0.3	0.7	1.4	2.1
Finance (costs) / income	(0.1)	0.2	(0.1)	(0.3)	(0.4)	(0.5)
Profit / (loss) before taxation	(1.9)	(4.9)	(0.5)	(0.1)	10.8	15.8
Taxation	(0.4)	2.6	(0.3)	0.1	(3.5)	(5.2)
Profit / (loss) after taxation	(2.2)	(2.3)	(0.9)	0.0	7.3	10.7

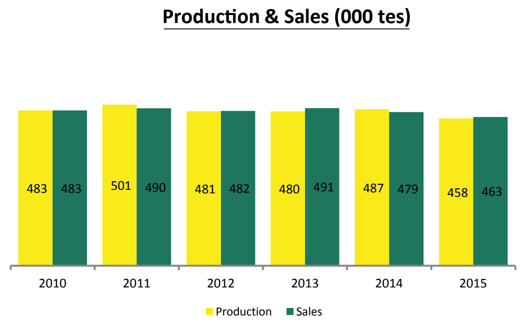
Horizontal Analysis

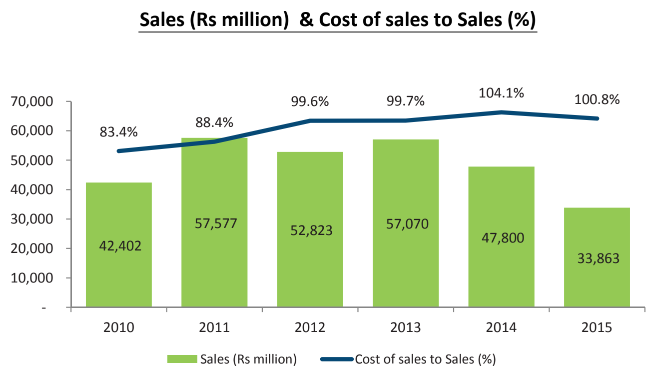
	2015 over 2014	2014 over 2013	2013 over 2012	2012 over 2011	2011 over 2010	2010 over 2009
	%					
Balance Sheet						
Fixed assets	(17.0)	(15.3)	(13.4)	2.2	12.5	(4.9)
Other non-current assets	45.4	891.5	(16.6)	(14.2)	35.2	12.1
Current assets	13.4	(23.5)	1.9	(21.8)	0.0	45.6
Total Assets	2.1	(15.1)	(5.5)	(11.9)	5.0	20.8
Shareholders equity	(7.0)	(9.4)	(4.0)	(5.9)	35.4	63.9
Non-current liabilities	12.6	(87.5)	(46.1)	(32.9)	(76.2)	(29.9)
Current liabilities	17.9	(19.8)	(3.7)	(17.4)	19.4	40.1
Total Equity and Liabilities	2.1	(15.1)	(5.5)	(11.9)	5.0	20.8

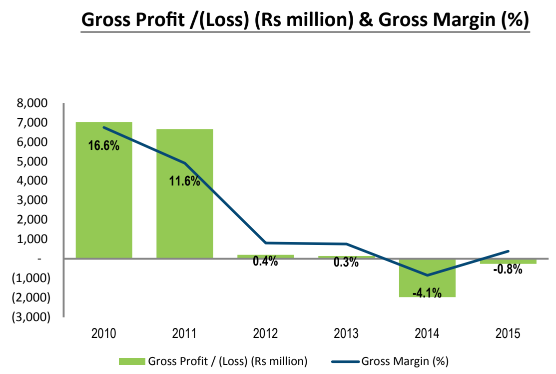
	2015 over 2014	2014 over 2013	2013 over 2012	2012 over 2011	2011 over 2010	2010 over 2009
	%					
Profit and Loss Account						
Revenue	(29.2)	(16.2)	8.0	(8.3)	35.8	12.0
Cost of sales	(31.4)	(12.6)	8.2	3.3	43.9	10.7
Gross profit / (loss)	(87.0)	(1,420.5)	(28.6)	(96.9)	(5.2)	19.2
Distribution and selling expenses	(54.9)	50.1	(9.1)	(33.0)	79.3	(9.3)
Administration expenses	(13.7)	19.8	9.3	(8.1)	23.2	24.4
Other expenses	49.3	(85.6)	101.8	(90.7)	(17.1)	11.5
Other income	(16.0)	(34.5)	(50.2)	(55.2)	(9.5)	95.2
Finance (costs) / income	(132.8)	(194.3)	(42.7)	(37.2)	1.4	(69.6)
Profit / (Loss) before taxation	(73.4)	687.8	421.8	(100.9)	(7.5)	42.2
Taxation	(109.4)	(738.2)	(424.0)	(103.0)	(7.0)	90.7
Profit / (Loss) after taxation	(32.1)	121.0	(13,979.2)	(99.9)	(7.7)	26.6

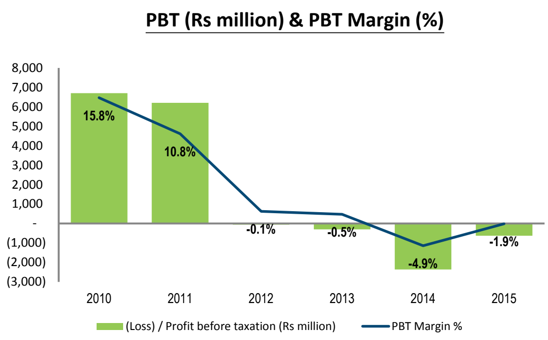
Key Operational and Financial Data Graphical Presentation

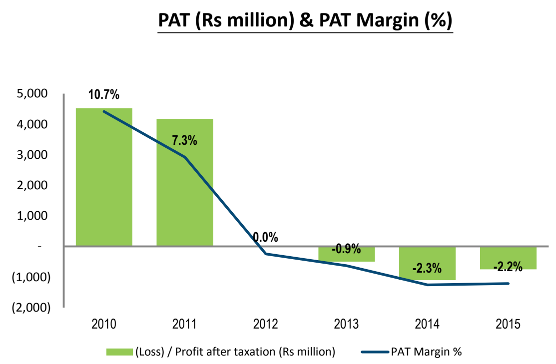






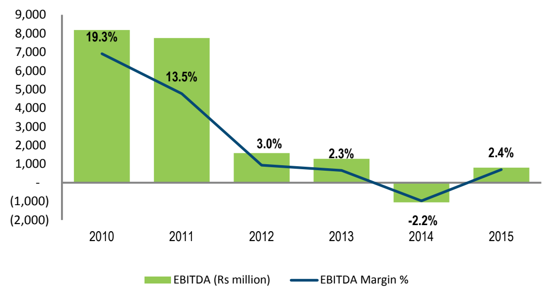




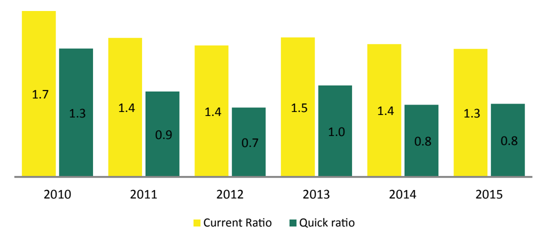


Key Operational and Financial Data Graphical Presentation

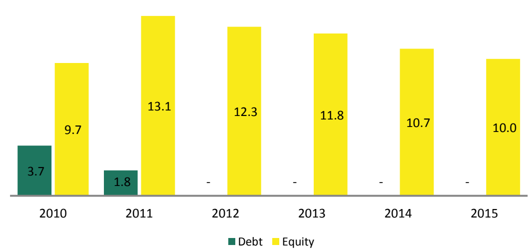
EBITDA (Rs million) & EBITDA Margin (%)



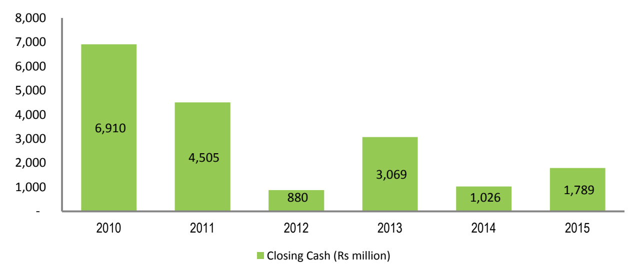
Liquidity Ratios



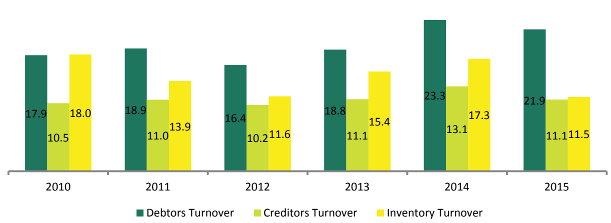
Debt Equity (Rs billion)



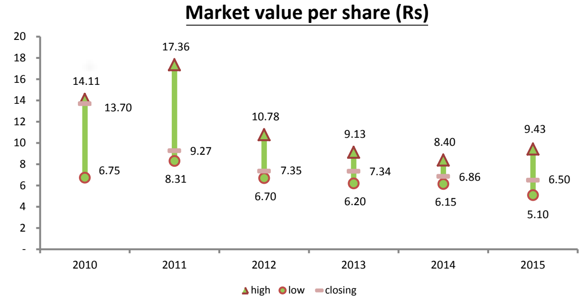
Cash & cash equivalents at year end (Rs million)



Debtors, Creditors & Inventory Turnover (times)

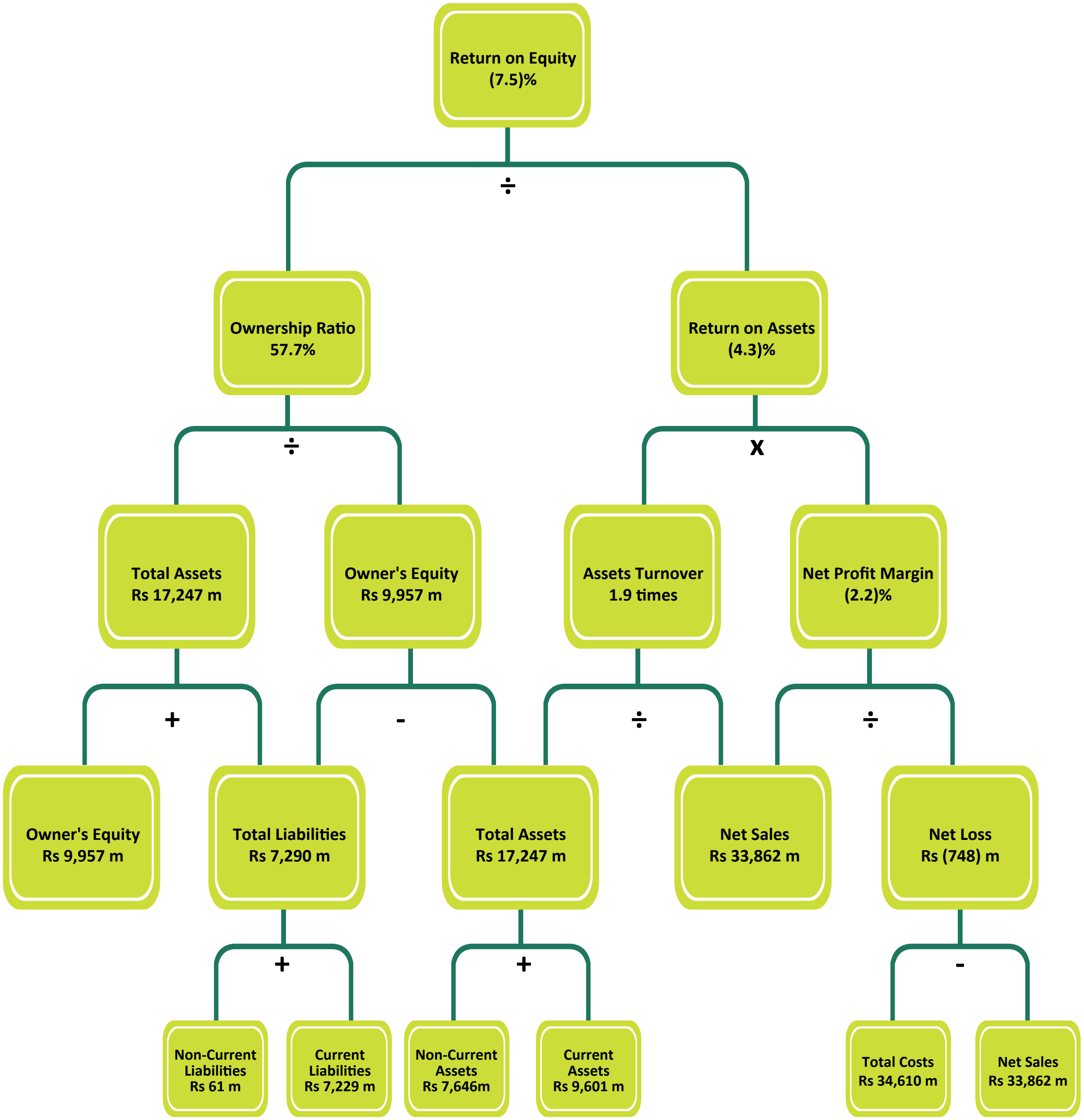


Market value per share (Rs)



Financial Summary

DuPont Analysis 2015



2015 Quarterly Analysis

(Amount in Rs.'000)

	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Revenue	7,890,331	10,386,897	7,357,304	8,228,035
Gross profit / (loss)	(186,894)	231,388	(249,160)	(52,067)
Profit / (loss) before taxation	(299,678)	163,001	(345,845)	(145,814)
Profit / (loss) after taxation	(305,567)	69,019	(268,085)	(243,017)

Q1 2015

- Crude oil prices fell below the US$ 50/bbl level and exerted downward pressure on the entire Petrochemical chain pushing PX spot prices to a five year low in January.
- PTA producers continued to face pressure from the prevailing oversupply situation and volatility in the upstream PX prices. PTA inventories in China were at record levels during Q1 2015.
- Domestic Polyester industry operated at healthy rates supported by the improved energy situation in Punjab. PET operations were also stable during the quarter.
- Production during the quarter was higher than the corresponding period last year.
- Sales volume, comprising of domestic sales only, was marginally lower than the corresponding period last year.
- Due to continued adverse trading conditions, the Company incurred gross loss for the quarter.

Q2 2015

- The outlook for PX remained bullish during the quarter supported by the increase in the crude oil prices.
- PTA producers in China maintained a production discipline and rationalized their operating rates. Both prices and margins for the PTA producers improved during the quarter amid healthy demand.
- Domestic Polyester and PET operating rates remained healthy during the quarter. As a result, sales volume remained higher than the corresponding quarter last year.
- Production during the quarter was lower than the corresponding period last year due to planned shutdown for the PTA plant overhaul.
- Higher PTA margin over Px and lower variable conversion cost resulted in gross profit for the quarter.

Q3 2015

- Crude oil prices plummeted to the lowest levels since 2009 during the quarter. PX prices followed the same trend. However, limited supply situation of PX kept prices range bound.
- The PTA industry struggled during the quarter and the margins remained much lower than previous quarter.
- Energy short-fall coupled with the increase in the power tariff and taxes impacted the productivity of the entire domestic Polyester sector.
- Sales volume was lower than the corresponding quarter last year due to weak demand from the domestic PSF and PET industries.
- The plant operating rate was curtailed during August and September to match sales so as to avoid PTA inventory buildup.
- Due to lower sales volume and lower PTA margin over PX, the Company incurred a gross loss during Q3.

Q4 2015

- Crude oil prices exacerbated losses and continued to fall sharply during the last quarter.
- PX prices could not sustain the losses in the upstream markets and lost strength during the quarter.
- The PTA industry struggled with poor margins due to the weakness in the upstream markets and subdued demand from the downstream sectors.
- Production and Sales volume remained lower than the same period last year due to market slow down.
- Slightly improved PTA margin over PX led to a lower gross loss during the quarter.

PASSION

LCPL team members approach every day with a sense of excitement and enthusiasm. Their passion results in operational excellence in all aspects of the business.

Financial Statements

Auditors' report to the members

We have audited the annexed balance sheet of **Lotte Chemical Pakistan Limited** (the Company) as at **31 December 2015** 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. The financial statements of the Company for the year ended 31 December 2014 were audited by another firm of chartered accountants who expressed an unqualified opinion on those financial statements in their audit report dated 06 March 2015.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.2 to the accompanying financial statements with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **31 December 2015** and of the loss, its total comprehensive loss, 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).

Ernst & Young Ford Rhodes Sidat Hyder

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Shariq Ali Zaidi
Date: 22 January 2016
Karachi

Balance Sheet
As at 31 December 2015

Amounts in Rs '000

	Note	2015	2014
Assets			
Non-current assets			
Fixed assets	4	**6,127,374**	7,379,579
Long-term loans and advances	5	**63,883**	61,086
Long-term deposits and prepayments	6	**44,232**	43,968
Deferred tax asset	7	**1,410,238**	939,035
		7,645,727	8,423,668
Current assets			
Stores and spare parts	8	**966,659**	1,057,920
Stock-in-trade	9	**3,168,280**	2,784,277
Trade debts	10	**1,778,079**	1,316,984
Loans and advances	11	**24,233**	28,092
Trade deposits and short-term prepayments	12	**101,176**	27,462
Interest accrued on short-term fixed deposits		**3,385**	2,242
Other receivables	13	**119,136**	145,128
Tax refunds due from government - sales tax	14	**411,580**	423,847
Taxation - payments less provision		**1,239,740**	1,657,673
Cash and bank balances	15	**1,789,081**	1,025,890
		9,601,349	8,469,515
Total assets		**17,247,076**	16,893,183

Amounts in Rs '000

	Note	2015	2014
Equity			
Share capital and reserves			
Share capital	16	**15,142,072**	15,142,072
Capital reserves	17	**2,345**	2,345
Accumulated losses		**(5,187,612)**	(4,438,899)
		9,956,805	10,705,518
Liabilities			
Non-current liabilities			
Retirement benefit obligations	18	**61,436**	54,540
Current liabilities			
Trade and other payables	19	**7,069,252**	5,980,316
Accrued interest	20	**159,583**	152,809
		7,228,835	6,133,125
Total liabilities		**7,290,271**	6,187,665
Total equity and liabilities		**17,247,076**	16,893,183
Contingencies and commitments	21		

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

Kwan Ho Lee
Chairman

Humair Ijaz
Chief Executive

Profit and Loss Account
For the year ended 31 December 2015

Amounts in Rs '000

	Note	2015	2014
Revenue	22	**33,862,567**	47,800,070
Cost of sales	23	**(34,119,300)**	(49,769,239)
Gross loss		**(256,733)**	(1,969,169)
Distribution and selling expenses	24	**(81,272)**	(180,268)
Administrative expenses	25	**(343,434)**	(397,737)
Other expenses	26	**(20,212)**	(13,540)
Other income	27	**99,183**	118,079
Finance (costs) / income	28	**(25,868)**	78,887
Loss before taxation		**(628,336)**	(2,363,748)
Taxation	29	**(119,314)**	1,263,277
Loss after taxation		**(747,650)**	(1,100,471)
		Rupees	
(Loss) / earnings per share - basic and diluted	31	**(0.49)**	(0.73)

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

Kwan Ho Lee
Chairman

Humair Ijaz
Chief Executive

Statement of Comprehensive Income
For the year ended 31 December 2015

Amounts in Rs '000

	Note	2015	2014
Loss after taxation		**(747,650)**	(1,100,471)
Other comprehensive loss:			
Other comprehensive loss not to be reclassified to profit and loss account in the subsequent periods			
Remeasurement loss on defined benefit plans	18	**(1,518)**	(5,843)
Impact of deferred tax		**455**	1,943
Net comprehensive loss not to be reclassified to profit and loss account in the subsequent periods		**(1,063)**	(3,900)
Total comprehensive loss for the year		**(748,713)**	(1,104,371)

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

Kwan Ho Lee
Chairman

Humair Ijaz
Chief Executive

Cash Flow Statement
For the year ended 31 December 2015

Amounts in Rs '000

	Note	2015	2014
Cash flows from operating activities			
Cash generated from / (used in) operations	30	**1,051,732**	(1,145,239)
Long-term loans and advances - net		**(2,797)**	(19,789)
Long-term deposits and prepayments - net		**(264)**	20,043
Finance costs paid		**(31,448)**	(87,480)
Payments to retirement benefit obligations		**(15,696)**	(15,129)
Taxes paid		**(161,433)**	(852,874)
Interest received from short-term fixed deposits		**77,776**	113,572
Net cash generated from / (used in) operating activities		**917,870**	(1,986,896)
Cash flows from investing activities			
Payments for capital expenditure		**(157,528)**	(57,609)
Proceeds from disposal of property, plant and equipment		**2,895**	1,776
Net cash used in investing activities		**(154,633)**	(55,833)
Cash flows from financing activities			
Dividend paid		**(46)**	(54)
Net cash used in financing activities		**(46)**	(54)
Net increase / (decrease) in cash and cash equivalents		**763,191**	(2,042,783)
Cash and cash equivalents at the beginning of the year		**1,025,890**	3,068,673
Cash and cash equivalents at the end of the year		**1,789,081**	1,025,890

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

Kwan Ho Lee
Chairman

Humair Ijaz
Chief Executive

Statement of Changes in Equity

For the year ended 31 December 2015

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated losses	Total equity
Balance at 01 January 2014	**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 01 January 2015	**15,142,072**	**2,345**	**(4,438,899)**	**10,705,518**
Total comprehensive loss for the year ended 31 December 2015				
- Loss for the year ended 31 December 2015	-	-	(747,650)	(747,650)
- Other comprehensive loss for the year ended 31 December 2015	-	-	(1,063)	(1,063)
	-	-	(748,713)	(748,713)
Balance as at 31 December 2015	**15,142,072**	**2,345**	**(5,187,612)**	**9,956,805**

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

Kwan Ho Lee
Chairman

Humair Ijaz
Chief Executive

Notes to and Forming Part of the Financial Statements
For the year ended 31 December 2015

1. Status and nature of business

Lotte Chemical Pakistan Limited ("the Company") was incorporated in Pakistan on 30 May 1998 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.

The Company is a subsidiary of Lotte Chemical Corporation, South Korea and its ultimate parent company is South Korean Conglomerate Lotte.

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Statement of compliance

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

2.1.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for retirement benefit obligations, which have been measured at the present value.

2.2 Changes in accounting standards, interpretations and pronouncements

Standards, amendments and interpretations adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows:

The Company has adopted the following revised standards and amendments of IFRSs which became effective for the current year:

New and amended standards

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

IAS 19 – Employee Benefits (Amendment)

Improvements to standards issued by the IASB

IFRS 2 – Share-based Payment – Definitions of vesting conditions

IFRS 3 – Business Combinations – Accounting for contingent consideration in a business combination

IFRS 3 – Business Combinations – Scope exceptions for joint ventures

IFRS 8 – Operating Segments – Aggregation of operating segments

IFRS 8 – Operating Segments – Reconciliation of the total of the reportable segments' assets to the entity's asset

IFRS 13 – Fair Value Measurement – Scope of paragraph 52 (portfolio exception)

IAS16 – Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation

IAS 24 – Related Party Disclosures – Key management personnel

IAS 40 – Investment Property – Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above standards, amendments and improvements does not have any material effect on these financial statements.

2.3 Fixed assets

2.3.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. 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 rates of depreciation are disclosed in note 4.1 to these financial statements. The cost of leasehold land is amortised in equal installments over the lease period.

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 profit and loss account during the financial period in which they are incurred.

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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of assets are taken to the profit and loss account.

2.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, and consists of expenditure incurred and advances made in respect of operating fixed assets and intangible assets in the course of their acquisition, erection, construction and installation. The assets are transferred to relevant category of operating fixed assets or intangible assets when they are available for use.

2.3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, 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.

2.4 Stores and spare parts

Stores and spare parts are valued at lower of weighted average cost and net realisable value. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale and is also adjusted through systematic provision for damaged, obsolete and slow moving items.

2.5 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 and is also adjusted through systematic provision for damaged, obsolete and slow moving items.

2.6 Trade debts and other receivables

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

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

2.7 Cash and cash equivalents

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

2.8 Impairment

2.8.1 Financial assets

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

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

2.8.2 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, or when annual impairment testing for an asset is required, then an asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. 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. Value in use is ascertained through discounting of the estimated future cash flows using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. The fair value less costs to sell calculation is based on the available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs to sell of the asset. 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.

2.9 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 received, whether or not billed to the Company.

2.10 Provisions

A provision is recognised when the Company has a present 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. Provisions are reviewed at each balance sheet date and accordingly adjusted to reflect current best estimate.

2.11 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. Income and expenses arising from such assets and liabilities are also offset accordingly.

2.12 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.

2.13 Staff retirement benefits

2.13.1 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 has an unfunded medical scheme to provide post retirement medical benefits for all of its full-time management staff, who joined the Company on or before 01 October 2012 and 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.

Remeasurement 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 and are not reclassified to profit and loss account in the subsequent periods.

Past-service costs are recognised immediately in profit and loss account.

2.13.2 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 before 01 October 2012. Contributions are made at the rate of 10.6 percent of basic salary of the members of the fund.

2.14 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividend is approved. However, if these are approved after the reporting period but before the financial statements are authorised for issue, they are disclosed in the notes to the financial statements.

2.15 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.

2.15.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any, in accordance with the Income Tax Ordinance, 2001. The charge for current tax includes adjustments to charge for prior years, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

2.15.2 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 as of the balance sheet date.

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

2.16 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Pakistani 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 Pakistani 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 property, plant and equipment, the exchange differences on principal amount upto 4 July 2004 were included in the cost of relevant property, plant and equipment. All exchange differences, effective 5 July 2004, are taken to the profit and loss account, due to amendments in the Fourth Schedule to the Companies Ordinance, 1984.

2.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates, and sales tax or duty. The following are the specific recognition criteria that must be met before revenue is recognised:

a) 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.

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

2.18 Borrowings and their cost

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

2.19 Functional and presentation currency

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

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

2.21 Standards, amendments and improvements to approved accounting standards that are not yet effective

The following revised standards, amendments and improvements with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standards		Effective date (annual periods beginning on or after)
IFRS 10 –	Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)	01 January 2016
IFRS 10 –	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Yet not finalised
IFRS 11 –	Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)	01 January 2016
IAS 1 –	Presentation of Financial Statements: Disclosure Initiative (Amendment)	01 January 2016
IAS 16 –	Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	01 January 2016
IAS 16 –	Property, Plant and Equipment and IAS 41 Agriculture: Agriculture - Bearer Plants (Amendment)	01 January 2016
IAS 27 –	Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)	01 January 2016

The Company expects that the adoption of the above standards and amendments will not have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after

01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standards	**IASB Effective date (annual periods beginning on or after)**
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

3. Critical accounting estimates and judgments

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

3.1 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.

3.1.1 Property, plant and equipment and intangible assets

The Company reviews the useful lives, method of depreciation / amortisation and residual values of property, plant and equipment on the balance sheet date. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation / amortisation charge and impairment.

3.1.2 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.

3.1.3 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 brought forward relating to the pre de-merger period. This treatment was apparently made as a consequence of the action undertaken to effect the amendment of assessment for the Tax Year 2003 in the case of ICI Pakistan Limited. In that case the tax department had taken certain actions in the order, considered by the department as "protective assessment", on the matter of unabsorbed depreciation carried forward by ICI Pakistan Limited relating to assets of the PTA business as of the date of de-merger. The Company's position under the tax law is that such depreciation should be allowed to ICI Pakistan Limited and a writ petition was, therefore, filed jointly with ICI Pakistan Limited in the High Court of Sindh challenging this rectification. 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 ICI Pakistan Limited, the availability of the said depreciation loss from the year 2001-2002 has attained finality after the decision of the Appellate Tribunal Inland Revenue (ATIR). 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 (ACIT) and Commissioner Inland Revenue (Appeals) [CIR (Appeals)] respectively. During 2011, the CIR (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 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.

3.1.4 Defined benefit plans

The Company has adopted certain actuarial assumptions as disclosed in note 18 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets, based on actuarial advice.

3.2 No critical judgment has been used in applying the accounting policies.

Amounts in Rs '000

		2015	2014
4.	**Fixed assets**		
	Property, plant and equipment		
	Operating fixed assets - note 4.1	**6,061,577**	7,347,819
	Capital work-in-progress - note 4.2	**63,562**	30,868
		6,125,139	7,378,687
	Intangible assets - note 4.4	**2,235**	892
		6,127,374	7,379,579

4.1 Operating fixed assets

The following is a statement of operating fixed assets:

	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 2015							
Opening net book value (NBV)	47,650	117,206	7,122,003	-	598	60,362	7,347,819
Additions (at cost)	-	5,188	110,214	-	762	6,846	123,010
Disposals (at NBV)	-	-	-	-	(24)	(91)	(115)
Depreciation charge	(1,422)	(25,081)	(1,367,859)	-	(305)	(14,470)	(1,409,137)
Closing net book value (NBV)	**46,228**	**97,313**	**5,864,358**	**-**	**1,031**	**52,647**	**6,061,577**
Gross carrying value basis at 31 December 2015							
Cost	90,278	995,486	31,162,210	395,543	57,808	202,025	32,903,350
Accumulated depreciation	(44,050)	(696,462)	(24,039,738)	(395,543)	(56,777)	(149,378)	(25,381,948)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	-	(1,459,825)
Net book value (NBV)	**46,228**	**97,313**	**5,864,358**	**-**	**1,031**	**52,647**	**6,061,577**
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
Depreciation rate % per annum	2	5	5 - 20	6.67	25	10 - 33	

Notes to and Forming Part of the Financial Statements
For the year ended 31 December 2015

Amounts in Rs '000

		2015	2014
4.2	**Capital work-in-progress**		
	Civil works and buildings	67	4,663
	Plant and machinery	61,838	24,297
	Miscellaneous equipments	328	1,908
	Advances to suppliers	1,329	-
		63,562	30,868
4.3	**Capital work-in-progress - movement**		
	Opening balance	30,868	9,352
	Capital expenditure	148,095	50,312
	Transferred to operating fixed assets	(115,401)	(28,796)
	Closing balance	63,562	30,868
4.4	**Intangible assets**		
4.4.1	**Net carrying value basis**		
	Opening net book value	892	1,390
	Additions during the year	1,823	25
	Amortisation charge	(480)	(523)
	Closing net book value	2,235	892
4.4.2	**Gross carrying value basis**		
	Cost	215,950	214,127
	Accumulated amortisation	(213,715)	(213,235)
	Net book value	2,235	892
	Amortisation rate % per annum	20	20

4.5 The details of operating fixed assets disposed during the year are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of buyers / others
Furniture and equipment						
Dell Notebook	131	40	91	80	Theft	Insurance claim received from insurance company
Dell Laptop	102	102	-	-	Theft	-
	233	142	91	80		
Motor vehicles						
Items having book value upto Rs. 50,000	465	441	24	2,815	Tender	Various
2015	**698**	**583**	**115**	**2,895**		
2014	5,557	4,591	966	1,776		

Amounts in Rs '000

5. Long-term loans and advances - considered good

	2015				2014
	Motor car	**House building assistance**	**Others**	**Total**	Total
Due from executives - note 5.1	**39,481**	**12,152**	**53**	**51,686**	49,375
Less: receivable within one year - note 11	**(5,631)**	**(4,798)**	**(33)**	**(10,462)**	(12,150)
	33,850	**7,354**	**20**	**41,224**	37,225
Due from employees	**21,980**	**835**	**4,126**	**26,941**	28,214
Less: receivable within one year - note 11	**(3,221)**	**(296)**	**(765)**	**(4,282)**	(4,353)
	18,759	**539**	**3,361**	**22,659**	23,861
	52,609	**7,893**	**3,381**	**63,883**	61,086

5.1 Reconciliation of carrying amount of loans to executives

	2015			2014		
	Key management personnel	**Executives**	**Total**	Key management personnel	Executives	Total
Balance at 1 January	**3,387**	**45,988**	**49,375**	4,698	35,441	40,139
Disbursement	**-**	**27,722**	**27,722**	-	22,594	22,594
Repayments	**(3,387)**	**(22,024)**	**(25,411)**	(1,311)	(12,047)	(13,358)
Balance at 31 December	**-**	**51,686**	**51,686**	3,387	45,988	49,375

5.2 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.

5.3 The maximum aggregate amount of loans and advances due from Executives at the end of any month during the year was Rs 51.69 million (2014: Rs 42.98 million).

6. Long-term deposits and prepayments

	2015	2014
Deposits - unsecured and considered good - note 6.1	**40,374**	40,524
Prepayments	**3,858**	3,444
	44,232	43,968

6.1 These include Rs 14.42 million (2014: Rs 14.42 million) paid to Pakistan Steel Mills Corporation for emergency back-up supply of water and Rs 24.27 million (2014: Rs 24.27 million) paid to K-Electric Limited.

Amounts in Rs '000

		2015	2014
7.	**Deferred tax asset**		
	(Credit) balance arising in respect of property, plant and equipment	**(943,182)**	(1,399,827)
	Debit balances arising in respect of:		
	- provisions for:		
	- sales tax refundable	**25,651**	31,258
	- retirement benefit obligations	**27,484**	24,555
	- slow moving, obsolete and rejected items of stores and spare parts	**9,924**	6,936
	- unpaid liabilities	**414,339**	451,503
	- carry forward of minimum tax - notes 7.2 and 7.3	**1,070,118**	744,954
	- taxable losses - notes 7.1 and 7.2	**805,904**	1,079,656
	Deferred tax asset	**1,410,238**	939,035

7.1 This includes the impact of carried forward tax losses of Lotte Powergen (Private) Limited as a result of its amalgamation with and into the Company in the year 2014. The carried forward losses in respect of Lotte Powergen (Private) Limited have been accounted for tax purpose in line with the provisions of Section 97A of the Income Tax Ordinance, 2001.

7.2 The management carries periodic assessment to assess the benefit of the unavailed tax credits in respect of minimum tax and taxable losses as the Company would be able to set off the taxable profit earned in future years against them. Based on such assessment, the management has recognised a deferred tax debit balance amounting to Rs 1,070 million on account of unavailed tax credits in respect of minimum tax and Rs 806 million in respect of taxable losses, which are determined on the basis of 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. Accordingly, any significant change in the key assumptions may have an effect on the realisability of deferred tax asset.

7.3 The Honourable High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of taxable loss for the year or carried forward losses. The Company's management based on the view of its tax advisor believes that there are reasonable basis to argue the Company's case as the above order would not be maintainable by the Honourable Supreme Court of Pakistan (SCP), which the Company intends to approach, if required. Accordingly, the Company has accounted for the deferred tax on minimum tax for tax year 2016 amounted to Rs 325 million in these financial statements.

		2015	2014
8.	**Stores and spare parts**		
	Stores	**27,918**	35,293
	Spare parts	**973,563**	1,043,487
		1,001,481	1,078,780
	Provision for slow moving, obsolete, and rejected items - note 8.1	**(34,822)**	(20,860)
		966,659	1,057,920
8.1	**Provision for slow moving, obsolete and rejected items**		
	Provision at 1 January	**20,860**	20,860
	Charge for the year	**15,497**	-
		36,357	20,860
	Write-offs	**(1,535)**	-
	Provision at 31 December	**34,822**	20,860

Notes to and Forming Part of the Financial Statements
For the year ended 31 December 2015

Amounts in Rs '000

		2015	2014
9.	**Stock-in-trade**		
	Raw and packing materials [including in-transit Rs 512.5 million (2014: Rs 99.0 million)]	**2,460,103**	1,590,090
	Finished goods		
	- Manufactured goods	**692,038**	1,031,428
	- Trading goods [including in-transit Rs 7.7 million (2014: 48.0 million)]	**16,139**	162,759
		708,177	1,194,187
		3,168,280	2,784,277
9.1	Cost of stock-in-trade held with the third parties include the following:		
	Paraxylene and Acetic acid held for consumption		
	- Engro Vopak Terminal Limited	**1,490,953**	1,201,524
	Acetic acid held for trading		
	- Chempro Pakistan (Private) Limited	**2,125**	4,449
	- Engro Vopak Terminal Limited	**6,300**	110,464
		8,425	114,913
		1,499,378	1,316,437

10. Trade debts

10.1 All of the Company's trade debts are secured by letters of credit of 30 to 90 days issued by various banks.

10.2 These balances are neither past due nor impaired and are considered good.

		2015	2014
11.	**Loans and advances - considered good**		
	Loans due from:	**10,462**	12,150
	- Executives - note 5	**4,282**	4,353
	- Employees - note 5	**14,744**	16,503
	Advances to:		
	- Executives	**6,508**	4,352
	- Employees	**1,196**	1,286
	- Contractors and suppliers	**1,785**	5,951
		9,489	11,589
		24,233	28,092

11.1 The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs 6.28 million (2014: Rs 6.33 million).

11.2 All of the above loans and advances are secured except for advances to contractors and suppliers.

Notes to and Forming Part of the Financial Statements
For the year ended 31 December 2015

Amounts in Rs '000

		2015	2014
12.	**Trade deposits and short-term prepayments**		
	Deposits	**1,194**	1,299
	Margin on import letters of credit	**2,692**	715
	Short-term prepayments	**97,290**	25,448
		101,176	27,462
13.	**Other receivables**		
	Rebates receivable - note 13.1	**118,088**	112,659
	Insurance claims receivable	**-**	32,128
	Others	**1,048**	341
		119,136	145,128

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

		2015	2014
14.	**Tax refunds due from government - sales tax**		
		501,584	517,855
	Sales tax refundable	**(90,004)**	(94,008)
	Provision for doubtful receivables	**411,580**	423,847

14.1 This includes Rs 301.3 million (2014: 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 Sindh High Court (SHC) to resolve this issue as per the prevailing Sales Tax Law. The SHC passed an order dated 14 January 2015 directing the FBR to verify exact amount of refund of sales tax to which plantiff is entitled and submit their report accordingly.

		2015	2014
15.	**Cash and bank balances**		
	Short-term fixed deposits - note 15.1	**1,762,100**	1,001,000
	With banks in current accounts	**20,862**	18,677
	Cash in hand	**6,119**	6,213
		1,789,081	1,025,890

15.1 During the year ended 31 December 2015, the mark-up rates on term deposits ranged from 5.00% to 9.00% (2014: 7.00% to 10.30%) per annum and had maturities of less than three months.

Amounts in Rs '000

		2015	2014
16.	**Share capital**		
16.1	Authorised capital 2,000,000,000 ordinary shares of Rs 10 each	**20,000,000**	20,000,000
16.2	504,735,636 ordinary shares of Rs 10 each fully paid-up issued pursuant to the Scheme for consideration other than cash - note 16.3	**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

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

16.4 At 31 December 2015 and 2014, Lotte Chemical Corporation, South Korea held 1,135,860,105 ordinary shares of Rs 10 each representing 75.01% shareholding of the Company.

17. 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.

18. Retirement benefit obligations

18.1 Staff retirement benefits

18.1.1 As stated in note 2.13.1, 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 these plans is carried out every year and the latest actuarial valuation was carried out as at 31 December 2015.

18.1.2 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.

18.1.3 The latest actuarial valuation of the Fund as at 31 December 2015 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:

Amounts in Rs '000

		2015			2014		
		Funded Gratuity	**Unfunded Medical**	**Total**	Funded Gratuity	Unfunded Medical	Total
18.1.4	**Balance sheet reconciliation**						
	Present value of defined benefit obligation at 31 December - note 18.1.5	**(199,926)**	**(59,107)**	**(259,033)**	(181,415)	(41,855)	(223,270)
	Fair value of plan assets at 31 December note 18.1.6	**197,597**	**-**	**197,597**	168,730	-	168,730
		(2,329)	**(59,107)**	**(61,436)**	(12,685)	(41,855)	(54,540)
18.1.5	**Movement in the present value of defined benefit obligations**						
	Balances as at 1 January	**181,415**	**41,855**	**223,270**	161,337	38,362	199,699
	Benefits paid by the plan	**(15,446)**	**(857)**	**(16,303)**	(26,335)	(1,083)	(27,418)
	Current service costs	**13,349**	**2,121**	**15,470**	12,121	2,189	14,310
	Interest cost	**20,843**	**4,971**	**25,814**	19,262	4,917	24,179
	Remeasurement loss / (gain)	**(235)**	**11,017**	**10,782**	15,030	(2,530)	12,500
	Balance as at 31 December	**199,926**	**59,107**	**259,033**	181,415	41,855	223,270
18.1.6	**Movement in the fair value of plan assets**						
	Fair value of plan assets at 1 January	**168,730**	**-**	**168,730**	162,144	-	162,144
	Contributions paid into the plan	**14,838**	**-**	**14,838**	12,659	-	12,659
	Benefits paid by the plan	**(15,446)**	**-**	**(15,446)**	(26,335)	-	(26,335)
	Interest income	**20,211**	**-**	**20,211**	20,190	-	20,190
	Remeasurement (loss) / gain	**9,264**	**-**	**9,264**	72	-	72
	Fair value of plan assets at 31 December	**197,597**	**-**	**197,597**	168,730	-	168,730
18.1.7	**Expense recognised in profit and loss account**						
	Current service costs	**13,349**	**2,121**	**15,470**	12,121	2,189	14,310
	Net interest cost	**632**	**4,971**	**5,603**	(928)	4,917	3,989
	Expense recognised in profit and loss account	**13,981**	**7,092**	**21,073**	11,193	7,106	18,299
18.1.8	**Remeasurement loss / (gain) recognised in other comprehensive income**						
	Loss from changes in demographic assumptions	**-**	**-**	**-**	-	-	-
	Experience losses / (gains)	**(235)**	**11,017**	**10,782**	15,030	(2,530)	12,500
	Remeasurement of fair value of plan assets	**(9,264)**	**-**	**(9,264)**	(72)	-	(72)
	Remeasurement loss / (gain)	**(9,499)**	**11,017**	**1,518**	14,958	(2,530)	12,428

Amounts in Rs '000

	2015			2014		
	Funded Gratuity	**Unfunded Medical**	**Total**	Funded Gratuity	Unfunded Medical	Total
18.1.9 Net recognised liability / (asset)						
Net liability at beginning of the year	**12,685**	**41,855**	**54,540**	(807)	38,362	37,555
Charge for the year	**13,981**	**7,092**	**21,073**	11,193	7,106	18,299
Contribution made during the year to the fund	**(14,838)**	**(857)**	**(15,695)**	(12,659)	(1,083)	(13,742)
Remeasurement loss recognised in other comprehensive income	**(9,499)**	**11,017**	**1,518**	14,958	(2,530)	12,428
Recognised liability / (asset) as at 31 December	**2,329**	**59,107**	**61,436**	12,685	41,855	54,540
18.1.10 Actuarial assumptions						
Discount rate at 31 December	**9.75%**	**9.75%**		12.00%	12.00%	
Future salary increases	**7.75%**	**-**		9.75%	-	
Medical cost trend rate	**-**	**4.50%**		-	6.75%	

	2015	2014
18.1.11 Plan assets comprises of following		
Unaudited		
Government bonds	**71,402**	78,657
Other bonds (TFCs)	**82,105**	56,141
Shares	**36,825**	24,267
Term deposits	**7,265**	-
Cash at bank	**-**	9,665
Total as at 31 December	**197,597**	168,730

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

18.1.13 In case of the funded plans, 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 2015 consists of government bonds and national savings deposits. The Company believes that government bond offer the best returns over the long term with an acceptable level of risk.

18.1.14 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 2016 is expected to amount to Rs 13.7 million.

The actuary conducts valuations 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 reported in this note are based on the latest actuarial valuation carried out as at 31 December 2015.

Amounts in Rs '000

18.2 Sensitivity analysis for actuarial assumptions

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

	Impact on retirement benefit obligations		
	Change in assumptions	**Increase in assumptions**	**Decrease in assumptions**
Discount rate at 31 December	1%	(26,188)	30,911
Future salary increases	1%	19,744	(17,634)
Medical cost trend	1%	11,890	(9,500)

If longevity increases by 1 year, obligation increases by Rs 274.75 thousands.

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.

18.3 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.

18.4 The Company's contributions towards the provident fund and defined contribution superannuation fund for the year ended 31 December 2015 amounted to Rs 21.18 million (2014: Rs 19.77 million) and Rs 19.10 million (2014: Rs 18.80 million).

18.5 The weighted average duration of the defined benefit obligations is 12.6 years.

Expected maturity analysis of undiscounted retirement benefit plans.

At 31 December 2015	**Less than a year**	**Between 1-2 years**	**Between 2-5 years**	**Over 5 years**	**Total**
Retirement benefit plans	**13,648**	**5,525**	**30,129**	**188,219**	**237,521**

Amounts in Rs '000

	2015	2014
19. Trade and other payables		
Trade creditors including bills payable	**3,489,503**	2,679,960
Accrued expenses	**833,270**	1,076,777
Advances from customer	**23**	23
Unclaimed dividend	**12,162**	12,208
Infrastructure cess - note 19.1	**1,802,330**	1,660,976
Gas infrastructure development cess - note 19.2	**891,365**	483,468
Workers' Welfare Fund	**23,073**	33,206
Others	**17,526**	33,698
	7,069,252	5,980,316

19.1 The Company (along with a number of other parties) had challenged the levy of infrastructure cess on cost and freight value of goods entering the province of Sindh. According to a decision of the Honourable Sindh High Court (SHC), 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 Honourable Supreme Court of Pakistan (SCP) both by the companies and the Government of Sindh in respect of the aforesaid judgement of the SHC. During the year 2011, the SCP referred the case back to the SHC.

The SHC vide its order dated 02 June 2011 provided for an interim arrangement reached through a joint statement filed with the SHC by the counsels of the petitioners and respondent of the case. As per the said 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 SHC may uphold the validity of the law against the Company upon its re-filing since the matter has been referred back to the SHC by the SCP, 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.

	2015	2014
Balance as at 1 January	**1,660,976**	1,453,826
Charge for the year	**141,354**	207,150
Balance as at 31 December	**1,802,330**	1,660,976

19.2 In accordance with the Gas Infrastructure Development Cess Act, 2011 (GIDC Act, 2011) , the Company was required to pay GIDC to applicable supplier of Gas, as specified in the First Schedule and at rates specified in the Second Schedule to the GIDC Act, 2011. The provisions of the GIDC Act 2011 were amended through subsequent notifications. The Honourable Sindh High Court (SHC) restrained Sui Southern Gas Company Limited (SSGCL) from charging GIDC above Rs 13 per MMBTU and accordingly the Company paid GIDC at the reduced rate. On 22 August 2014, the Honorable Supreme Court of Pakistan (SCP) struck down the GIDC Act, 2011 on the grounds of it being unconstitutional. In response, the President of Pakistan promulgated the GIDC Ordinance, 2014 on 25 September 2014 with retrospective effect, to ensure the levy of applicable GIDC on companies by the applicable suppliers of gas. On 29 September 2014, the SHC issued an interim order restraining the defendants such as SSGCL from raising demand or issuing gas bills in pursuance of the GIDC Ordinance, 2014. The SSGCL has not levied GIDC since August 2014 in its monthly gas bills. However, the Company has, on prudence basis, provided for the full amount of the applicable GIDC in these financial statements. The approval of the GIDC Ordinance, 2014 is awaited from the National Assembly. On 22 May 2015 the Gas Infrastructure Development Cess Act, 2015 (GIDC Act 2015) was promulgated and was made applicable with immediate effect superseding GIDC Act, 2011. The matter regarding levy of the GIDC prior to promulgation of the GIDC Act, 2015 is presently indeterminate and subjudice. Further, a committee has been formed by the Federal Government to review the anomalies of GIDC Act, 2015. The Company, on 23 July 2015 has obtained stay order against GIDC Act, 2015 from SHC, which has restrained SSGCL from charging and recovering the cess under GIDC Act, 2015 till the final decision on this matter.

Amounts in Rs '000

		2015	2014
20.	**Accrued interest**		
	Long-term loans - note 20.1	**159,583**	152,809

20.1 This represents interest payable to Mortar Investments International Limited amounting to USD 1.52 million (2014: 1.52 million) on long-term loans previously repaid. The amount is still unpaid due to certain legal and procedural complexities with respect to foreign remittance.

21. Contingencies and commitments

21.1 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 ended 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) [CIR(Appeals)] vide order numbers 153 and 391 dated 31 January 2011 (received by the Company on 4 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 (DCIR) vide order number 01/171 dated 25 June 2012 (received by the Company in July 2012) has maintained the above basis of allocation to export sales. The Company filed an appeal against the said order in August 2012. The CIR(Appeals) 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. The department filed an appeal against the said order on 15 August 2013. The ITAT vide order no. ITA No.744/KB-2013 dated 27 August 2015 has rejected the department appeal and the matter has now been taken up with the taxation officer for rectification as per the recent order passed. Accordingly, no provision has been made for the potential liability amounting to Rs 149.69 million (2014: Rs 149.69 million) in these financial statements.

21.2 Commitments in respect of capital expenditure as at 31 December 2015 amount to Rs 121.85 million (2014: Rs 39.78 million).

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

Year	2015	2014
2015	**-**	24,771
2016	**19,379**	21,005
2017	**13,827**	14,857
2018	**6,505**	5,892
2019	**4,110**	-
2020	**2,837**	-
	46,658	66,525

Amounts in Rs '000

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

Year	2015	2014
2015	-	578,648
2016	604,310	611,679
2017	585,572	592,714
	1,189,882	1,783,041

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

21.5 Outstanding guarantees and letters of credit issued on behalf of the Company as at 31 December 2015 were Rs 1.98 billion (2014: Rs 1.84 billion) and Rs 0.61 billion (2014: Rs 1.40 billion), respectively.

22. Revenue

	2015			2014		
	Manufactured goods	Trading goods	Total	Manufactured goods	Trading goods	Total
Local sales	36,703,516	260,128	36,963,644	47,936,781	667,542	48,604,323
Export sales	-	-	-	3,684,695	-	3,684,695
	36,703,516	260,128	36,963,644	51,621,476	667,542	52,289,018
Less:						
Sales tax and excise duty	(2,296,797)	(12,605)	(2,309,402)	(2,626,763)	(40,935)	(2,667,698)
Price settlements and discounts	(788,164)	(3,511)	(791,675)	(1,803,719)	(17,531)	(1,821,250)
	33,618,555	244,012	33,862,567	47,190,994	609,076	47,800,070

22.1 Three (2014: Four) of the Company's customers contributed towards 86% (2014: 87%) of the revenue during the year amounting to Rs 29.5 billion (2014: Rs 42.7 billion) and each customer individually exceeded 10% of the revenue.

Amounts in Rs '000

	2015	2014
23. Cost of sales		
Raw and packing materials consumed:		
Opening stock - note 9	**1,590,090**	2,166,141
Purchases	**29,315,184**	43,966,429
Closing stock - note 9	**(2,460,103)**	(1,590,090)
	28,445,171	44,542,480
Salaries, wages and benefits - note 23.1	**422,566**	400,198
Stores and spares consumed	**198,999**	207,287
Lease rentals / Ijarah arrangements	**11,085**	12,239
Insurance	**70,413**	95,433
Oil, gas and electricity	**2,279,984**	2,486,131
Travelling	**59,446**	65,005
Depreciation and amortisation	**1,409,617**	1,390,648
Repairs and maintenance	**589,165**	289,856
Others	**53,547**	51,128
Cost of goods manufactured	**33,539,993**	49,540,405
Opening stock of manufactured goods - note 9	**1,031,428**	723,359
	34,571,421	50,263,764
Closing stock of manufactured goods - note 9	**(692,038)**	(1,031,428)
	33,879,383	49,232,336
Trading goods		
Opening stock - note 9	**162,759**	71,589
Purchases	**93,297**	628,073
Closing stock - note 9	**(16,139)**	(162,759)
	239,917	536,903
	34,119,300	49,769,239

23.1 Salaries, wages and benefits include Rs 13.96 million (2014: Rs 16.76 million) and Rs 26.73 million (2014: Rs 25.73 million) in respect of defined benefit and defined contribution plans respectively.

	2015	2014
24. Distribution and selling expenses		
Outward freight and handling	**10,087**	102,706
Salaries and benefits - note 24.1	**51,144**	52,381
Lease rentals / Ijarah arrangements	**2,547**	3,829
Repairs and maintenance	**3,539**	3,789
Travelling	**4,207**	5,333
Postage and telephone	**1,320**	1,284
Advertising and sales promotion	**239**	579
Others	**8,189**	10,367
	81,272	180,268

24.1 Salaries and benefits include Rs 2.26 million (2014: Rs 3.25 million) and Rs 4.42 million (2014: Rs 4.55 million) in respect of defined benefit plans and defined contribution plans respectively.

Amounts in Rs '000

	2015	2014
25. Administrative expenses		
Salaries and benefits - note 25.1	**149,671**	200,973
Legal, professional and consultancy	**18,871**	27,443
Lease rentals / Ijarah arrangements	**6,968**	4,873
Travelling	**16,582**	21,066
Repairs and maintenance	**25,764**	20,664
Expenses on information technology	**14,110**	14,466
Security	**19,544**	18,355
Rent, rates and taxes	**28,026**	26,926
Publication and subscriptions	**2,289**	2,257
Postage and telephone	**7,557**	8,760
Printing and stationary	**6,078**	7,998
Others	**47,974**	43,956
	343,434	397,737

25.1 Salaries and benefits include Rs 4.85 million (2014: Nil) and Rs 9.12 million (2014: Rs 8.30 million) in respect of defined benefit plans and defined contribution plans respectively.

	2015	2014
26. Other expenses		
Auditors' remuneration - note 26.1	**2,750**	5,553
Donations - note 26.2	**1,406**	4,289
Provision for obsolete stores and spare parts	**15,497**	-
Workers' Welfare Fund	**559**	3,435
Others	**-**	263
	20,212	13,540
26.1 Auditors' remuneration		
Audit fee	**2,000**	2,500
Taxation	**-**	1,036
Limited reviews, group reporting package, and various certifications	**550**	1,668
Out of pocket expenses	**200**	349
	2,750	5,553

26.2 Donations include payments in respect of the following:

	2015	2014
Community services	**74**	1,656
Education	**832**	1,333

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

Notes to and Forming Part of the Financial Statements
For the year ended 31 December 2015

Amounts in Rs '000

		2015	2014
27.	**Other income**		
	Scrap sales	**5,362**	5,144
	Gain on disposal of property, plant and equipment	**2,780**	810
	Income from short-term fixed deposits	**78,919**	108,794
	Liabilities no longer payable written back	**4,011**	-
	Sales tax refunds	**4,005**	-
	Others	**4,106**	3,331
		99,183	118,079
28.	**Finance costs / (income)**		
	Discounting charges on trade debts	**18,057**	70,011
	Short-term financing	**-**	38
	Exchange (gain) / loss - net	**(12,354)**	(158,115)
	Bank and other charges	**20,165**	9,179
		25,868	(78,887)
29.	**Taxation**		
	Current - for the year - note 29.1	**332,362**	63,692
	- for prior year	**257,700**	-
		590,062	63,692
	Deferred	**(470,748)**	(1,326,969)
		119,314	(1,263,277)

29.1 Current taxation expense consists of minimum tax charged under Section 113 of the Income Tax Ordinance, 2001 and tax under Final Tax Regime (FTR).

		2015	2014
29.2	**Reconciliation of income tax expense for the year**		
	Loss before taxation	**(628,336)**	(2,363,748)
	Applicable tax rate	**32%**	33%
	Tax calculated at the applicable tax rate	**(201,068)**	(780,037)
	Tax effect of :		
	- permenant differences	**1,205**	1,305
	- deferred tax on minimum tax pertaining to prior years tax	**-**	(509,504)
	- infrastructure cess pertaining to prior years	**-**	(188,969)
	- amalgamation with wholly owned subsidiary	**-**	134,658
	- tax credits	**-**	(2,410)
	- income chargeable to tax under FTR basis	**6,074**	128,078
	- prior year tax charge	**257,700**	-
	- change in tax rate	**54,673**	(43,117)
	- others	**730**	(3,281)
		119,314	(1,263,277)

Notes to and Forming Part of the Financial Statements
For the year ended 31 December 2015

Amounts in Rs '000

29.3 The Finance Act, 2015 has introduced certain amendments relating to taxation of companies. As per these amendments, one-time super tax at the rate of 3 percent of the taxable income has been levied and applies retrospectively for the tax year 2015. In addition, a tax on every public company at the rate of 10 percent of such undistributed reserves which exceed the amount of its paid up capital has also been levied. However, this tax shall not apply in case of a public company which distributes cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid up capital, within the prescribed time after the end of the relevant tax year.

The Company is not liable to pay any tax in respect of aforementioned taxes introduced by Finance Act, 2015, as the required criteria for taxability is not applicable, in case of the Company.

	2015	2014
30. Cash generated from / (used in) operations		
Loss before taxation	(628,336)	(2,363,748)
Adjustments for non cash charges and other items:		
Depreciation and amortisation	1,409,617	1,390,648
Provision for obsolete stores and spare parts	15,497	-
Gain on disposal of property, plant and equipment	(2,780)	(810)
Provision for retirement benefit obligations	21,073	19,631
Finance costs	38,222	79,228
Interest accrued on short-term fixed deposits	(78,919)	(108,794)
Infrastructure cess	141,354	207,150
Gas infrastructure development cess	407,897	343,755
	1,951,961	1,930,808
	1,323,625	(432,940)
Effect on cashflows due to working capital changes		
Decrease / (increase) in current assets		
Stores and spare parts	75,764	(217,200)
Stock-in-trade	(384,003)	176,812
Trade debts	(461,095)	1,463,345
Loans and advances	3,859	(3,448)
Trade deposits and short-term prepayments	(73,714)	66,871
Other receivables and tax refunds due from government	38,259	(137,152)
	(800,930)	1,349,228
Increase / (decrease) in trade and other payables	529,037	(2,061,527)
Cash generated from / (used in) operations	1,051,732	(1,145,239)

Amounts in Rs '000

	2015	2014
31. Earnings per share - basic and diluted		
Loss after taxation	**(747,650)**	(1,100,471)
	Number of shares	
Weighted average ordinary shares in issue during the year	**1,514,207,208**	1,514,207,208
	Rupees	
(Loss) / earnings per share	**(0.49)**	(0.73)

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

32. Remuneration of chief executive, directors and executives

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

	Chief Executive		Executive Director		Executives	
	2015	2014	**2015**	2014	**2015**	2014
Managerial remuneration	**15,101**	14,452	**4,869**	7,979	**215,251**	198,679
Retirement benefits	**1,251**	2,035	**-**	-	**54,680**	55,388
Ex-gratia to Ex-Chief Executive	**-**	59,645	**-**	-	**-**	-
Group insurance	**29**	25	**4**	-	**759**	535
Rent and house maintenance	**1,642**	1,683	**2,041**	2,514	**67,540**	61,516
Utilities	**-**	-	**-**	-	**14,615**	13,747
Medical expenses	**62**	67	**-**	4	**14,496**	12,735
Adjustment*	**-**	(5,253)	**-**	-	**-**	-
	18,085	72,654	**6,914**	10,497	**367,341**	342,600
Number of persons	**1**	1	**1**	1	**122**	129

*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.

32.1 In addition to the above, amount charged in these financial statements for remuneration and fee to the non-executive directors, were Rs Nil (2014: Rs 0.3 million) and Rs 0.083 million (2014: Rs 0.083 million) respectively.

32.2 An amount of Rs 61.25 million (2014: Rs 50 million) on account of variable pay has been recognised in these financial statements. This amount is payable in 2016 after verification of target achievements.

Out of variable pay recognised for 2014 and 2013, following payments were made:

	Paid in 2015 relating to 2014	Paid in 2014 relating to 2013
Chief Executive	**-**	3,136
Executives	**35,291**	43,033
Other employees	**2,515**	4,081
	37,806	50,250

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

Amounts in Rs '000

33. 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 Transactions	2015	2014
Parent company	Services received	-	90
Key management personnel	Salaries and other short term benefits	62,253	66,488
	Ex-gratia to Ex-Chief Executive	-	59,645
	Post employment benefit	6,276	1,429
Others	Payment to retirement benefit funds	44,757	59,061

34. Capacity and production / generation

	Annual name plate capacity		Actual production / generation	
	2015	2014	2015	2014
Pure Terephthalic Acid - in metric tonnes - note 34.1	506,750	506,750	458,487	487,039
Electricity - in thousands of Kw - note 34.2	421,356	421,356	205,395	193,649

34.1 The current production is based on 90% plant availability.

34.2 Actual generation of electricity is as per the requirement of the Company.

35. 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 other 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.

Notes to and Forming Part of the Financial Statements
For the year ended 31 December 2015

Amounts in Rs '000

35.1 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

	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	-	-	-	24,233	63,883	88,116	88,116
Deposits	-	24,272	24,272	3,886	16,102	19,988	44,260
Trade debts	-	-	-	1,778,079	-	1,778,079	1,778,079
Interest accrued on short-term fixed deposits	-	-	-	3,385	-	3,385	3,385
Other receivables	-	-	-	119,136	-	119,136	119,136
Cash and bank balances	1,762,100	-	1,762,100	26,981	-	26,981	1,789,081
December 31, 2015	**1,762,100**	**24,272**	**1,786,372**	**1,955,700**	**79,985**	**2,035,685**	**3,822,057**
December 31, 2014	1,001,000	24,272	1,025,272	1,519,350	77,338	1,596,688	2,621,960
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	7,046,179	-	7,046,179	7,046,179
Accrued interest	-	-	-	159,583	-	159,583	159,583
December 31, 2015	**-**	**-**	**-**	**7,205,762**	**-**	**7,205,762**	**7,205,762**
December 31, 2014	-	-	-	6,099,919	-	6,099,919	6,099,919
On balance sheet date gap							
December 31, 2015	**1,762,100**	**24,272**	**1,786,372**	**(5,250,062)**	**79,985**	**(5,170,077)**	**(3,383,705)**
December 31, 2014	1,001,000	24,272	1,025,272	(4,580,569)	77,338	(4,503,231)	(3,477,959)
Off balance sheet items							
Letter of credits / guarantees							**1,210,669**
Operating lease and Ijarah contracts liability							**1,236,540**
December 31, 2014							3,855,829

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

Amounts in Rs '000

35.2 Credit risk

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

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To reduce exposure to credit risk, substantially all the sales are made against letters of credit. Approximately 35 percent (2014: 32 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 85% of the revenue and losses have occurred infrequently.

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

	2015	2014
Financial assets		
Loans and advances - note 5 and 11	**88,116**	89,178
Deposits - note 6 and 12	**44,260**	42,538
Trade debts	**1,778,079**	1,316,984
Interest accrued on short-term fixed deposits	**3,385**	2,242
Other receivables - note 13	**119,136**	145,128
Bank balances - note 15	**1,782,962**	1,019,677
	3,815,938	2,615,747
Secured	**1,778,079**	1,316,984
Unsecured	**2,037,859**	1,298,763
	3,815,938	2,615,747
Not past due	**3,815,938**	2,615,747

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

	2015	2014
Domestic	**1,778,079**	1,316,984

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

Amounts in Rs '000

35.3 Liquidity risk

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

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the maturity date.

	31 December					
	Carrying amount	**Contractual cash flows**	**Less than one year**	**1-2 years**	**2-3 years**	**3-5 years**
Financial Liabilities						
Trade and other payables	7,046,179	7,046,179	7,046,179	-	-	-
Accrued interest	159,583	159,583	159,583	-	-	-
Off balance sheet						
Operating lease and ijarah contracts liability	-	1,236,540	623,689	599,399	6,505	6,947
2015	**7,205,762**	**8,442,302**	**7,829,451**	**599,399**	**6,505**	**6,947**
2014	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 2015, the Company had financial assets of Rs 3.82 billion (2014: Rs 2.62 billion), which include Rs 1.78 billion (2014: Rs 1.02 billion) of cash placed in bank accounts.

As at balance sheet date, the facilities amounting to Rs 2.18 billion (2014: Rs 1.68 billion) for running finance available from various banks remain unutilised. These facilities carry mark-up at rates ranging from 1 month KIBOR plus 1.0 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.

As at balance sheet date, the foreign currency import and export finance facilities available from a local bank amounting to USD 28.6 million (2014: USD 10.0 million) remain unutilised. 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 the Company.

35.4 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.

Amounts in Rs '000

35.4.1 Currency risk

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

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

	2015			2014		
	GBP	Euro	US$	GBP	Euro	US$
	---------- Equivalent Rs '000 ----------					
Financial liabilities						
Trade payables	**(4,731)**	**(7,638)**	**(3,327,830)**	(4,602)	(159)	(2,500,339)
Operating lease liability (off balance sheet)	**-**	**-**	**(1,189,882)**	-	-	(1,783,041)

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at 31 December	
	2015	2014	**2015**	2014
	Rupees		Rupees	
US Dollar	**103.0**	101.3	**105.1**	100.6
Great Britain Pound Sterling	**157.6**	166.5	**155.8**	156.6
Euro	**114.1**	133.8	**114.9**	122.4

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 33.40 million (2014: Rs 25.05 million).

Amounts in Rs '000

35.4.2 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.

As at the balance sheet date, the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2015	2014
Fixed rate instruments		
Financial assets	**1,786,372**	1,025,272

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 balance sheet date would not materially affect profit and loss account.

Sensitivity analysis for variable rate instruments

If KIBOR had been 10% higher / lower with all other variables held constant, the impact on the profit and loss account would not have been material.

35.4.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investments securities. As at balance sheet date, the Company is not exposed to other price risk.

36. 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 2015.

37. Information about operating segment

For management purposes, the activities of the Company are organised into one operating segment i.e. manufacture and sale of chemicals. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organisational and management structure and internal financial reporting systems. The operating interests of the Company are confined to Pakistan in terms of production/generation capacity. Accordingly, the information and figures reported in these financial statements are related to the Company’s only reportable segment in Pakistan.

The geographical breakup of the Company’s gross turnover is disclosed in note 22 to these financial statements.

The revenue information is based on the location of the customer. The details of customers with whom the revenue from sales transactions amount to 10% or more of the Company’s overall revenue related to manufactured and sale of chemicals are disclosed in note 22 to these financial statements.

Non-current assets of the Company are confined within Pakistan and consist of property, plant and equipment, intangible asset, long-term loans, advances and deposits.

Amounts in Rs '000

38. Provident fund related disclosures

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

	2015	2014
Size of the fund - total assets	322,718	323,507
Percentage of investments made	89%	92%
Fair value of investments	287,135	297,090

The cost of above investments amounted to Rs 249.08 million (2014: Rs. 261.44 million).

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

	2015	2014	2015	2014
	Percentage		Rupees ' 000	
Shares in listed companies	21.4%	19.3%	61,585	57,441
Bank deposits	3.2%	3.1%	9,150	9,188
Government securities	75.4%	77.6%	216,400	230,461
	100%	100%	287,135	297,090

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.

39. Number of employees

	2015	2014
Number of employees at 31 December	239	240
Average number of employees during the year	236	236

Amounts in Rs '000

40. Corresponding figures

Certain corresponding figures have been reclassified for the purpose of better presentation and comparison. Significant reclassification made during the year is as follows:

Component	From	Notes to the financial statements 2014	To	Rupees
Balance Sheet	**Long-term deposits and prepayments**		**Long-term loans and advances**	
	Prepayments	7	Loans	19,550

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 22 January 2016.

Kwan Ho Lee
Chairman

Humair Ijaz
Chief Executive

Glossary / List of Abbreviations

AGM	Annual General Meeting
ATIR	Appellate Tribunal Inland Revenue
ATL	Active Tax Payer List
BCP	Business Continuity Planning
Board	Board of Directors
CDC	Central Depository Company of Pakistan
CFO	Chief Financial Officer
CIR	Commissioner Inland Revenue
CIT	Commissioner Income Tax
COLA	Cost of Living Allowance
The Company	Lotte Chemical Pakistan Limited
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
GIDC	Gas Infrastructure Development Cess
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
MoC	Ministry of Commerce
NBV	Net Book Value
NRV	Net Realisable Value
NFEH	National Forum for Environment and Health
NOC	No Objection Certificate
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
SSGC	Sui Southern Gas Company Limited
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

Notice of Meeting

Notice is hereby given that the Eighteenth Annual General Meeting of Lotte Chemical Pakistan Limited will be held on Thursday, 21 April 2016 at 10:30 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 2015.

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

SPECIAL BUSINESS

3. To consider and, if thought fit, to pass the following resolution as a Special Resolution:

RESOLVED as and by way of Special Resolution **THAT** the Articles of Association of the Company, be amended as follows:

(a) by inserting the following new article immediately after Article 53 as Article 53A, namely:

53A. "Subject to any rules or regulations that may be made from time to time by the Commission in this regard, Members may exercise voting rights at general meeting through electronic means if the Company receives the requisite demand for poll in accordance with the applicable laws. The Company shall facilitate the voting by electronic means in the manner and in accordance with the requirements prescribed by the Commission".

(b) by substituting for Article 60, the following new Article 60, namely:

60. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his Attorney duly authorised in writing or if such appointor is a corporation under its common seal or signed by an officer or an Attorney duly authorised by it. A proxy who is appointed for a specified meeting only shall be called a Special Proxy. Any other proxy shall be called a General Proxy. Save as provided by Article 67, no person shall be appointed a proxy who is not a member of the Company and qualified to vote. Notwithstanding the above, in case of voting by electronic means, both members and non-members can be appointed as proxy.

(c) by substituting for Article 63, the following new Article 63, namely:

63. Every instrument appointing a Special Proxy shall, as nearly as circumstances will admit, be in the form or to the effect following and shall be retained by the Company:

Lotte Chemical Pakistan Limited

I, ………………………………………….. of ……………………………………, being a member of Lotte Chemical Pakistan Limited, hereby appoint ………………………………………… of ……………………………….. (or failing him ……………………………………… of ………………………………………. or failing him ……………… of …………………..) as my Proxy in my absence to attend and vote for me and on my behalf at the (Annual or Extraordinary, as the case may be) General Meeting of the Company to be held on the ………………… day of ……………….. 20…… and at any adjournment thereof.

As witness my hand this …………… day of …………………. 20…………

Signed by the said…………………………….

In the presence of…………………………….

Notice of Meeting

Provided always that an instrument appointing a Special Proxy may be in the form set out in Regulation 39 of Table A of the First Schedule to the Ordinance.

Notwithstanding the above, in case of voting by electronic means, in default, the instrument of proxy shall not be treated as valid. For the purposes of voting by electronic means, the instrument appointing the proxy shall be in such form and provided to the Company in the manner stipulated under the applicable laws.

A statement as required by Section 160(1)(b) of the Companies Ordinance, 1984, in respect of the special business to be considered at the AGM is annexed.

By Order of the Board

25 March 2016
Karachi

Faisal Abid
Company Secretary

Notes:

1. The Register of Members and the Share Transfer Books of the Company will be closed from Tuesday, 12 April 2016 to Thursday, 21 April 2016 (both days inclusive). Transfers received in order at the office of Company's Share 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 11 April 2016, will be treated in time to attend the Annual General Meeting.

2. Only those persons whose names appear in the Register of Members of the Company as at 12 April 2016 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 undermentioned guidelines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

a) For Attending the Meeting:

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

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

b) For Appointing Proxies:

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

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

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

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

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

3. 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.

4. Pursuant to the Finance Act, 2015, effective July 01, 2015, 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 12.5%.
(b) Rate of tax deduction for non filer of income tax returns 17.5%.

To enable the Company to make tax deduction on the amount of cash dividend @12.5% instead of 17.5% all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of the Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%.

Further, according to clarification received from FBR, withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal Shareholder as well as Joint-holder(s) based on their shareholding proportions in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to Company's Share Registrar, in writing as follows.

Folio/CDC Account No.	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding proportion (No. of Shares)

Shareholders are advised to ensure that they have provided their CNIC/NTN to their respective Participant/CDC Investor Account Services (if shareholding in Book Entry Form) or Company Share Registrar (if shareholding in physical Form) for checking the tax status as per the ATL issued by FBR from time to time.

5. Pursuant to notification vide SRO. 787(I)/2014 dated 8 September 2014, the SECP has allowed the circulation of Audited Financial Statements and notice of AGM to the shareholders via email. Accordingly, Members of the Company who want to receive a soft copy of the Annual Report along with notice of AGM through email are requested to convey their written consent duly signed by them, their particulars, i.e. Name, Folio/CDC A/c No., E-mail Address, Contact Number, CNIC Number (attach copy). Shareholders are also requested to notify immediately any change in their e-mail address to the Company's Share Registrar, FAMCO Associates (Pvt) Ltd.

6. Pursuant to the directives of the SECP, CNIC/NTN is mandatorily required to be mentioned on Dividend Warrants; therefore, all Members are requested to submit a copy of valid CNIC/NTN. In case of non-receipt of the copy of valid CNIC/NTN, the Company 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.

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

8. Audited accounts of the Company for the year ended 31 December 2015 have been provided on the Company website.

Statement under Section 160(1)(b) Of the Companies Ordinance, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the company to be held on Thursday, 21 April 2016.

Item (3) of the Agenda:

The Companies (E-Voting) Regulations, 2016 provides the members of the company an option to vote electronically and a member may in this regard appoint another member or a non-member as their proxy to vote on their behalf through electronic voting. As such, in order to enable electronic voting and to allow non-members to be appointed as a proxy for electronic voting shareholders' approval is being sought to amend the Articles of Association of the Company.

The resolution required for the above purpose is set forth in the notice convening the Annual General Meeting and that resolution will be proposed and passed as a Special Resolution.

None of the directors of the Company have any direct or indirect interest in the above said special business.

Lotte Chemical Pakistan Limited

Admission Slip

The Eighteenth Annual General Meeting of Lotte Chemical Pakistan Limited will be held on Thursday, 21 April 2016 at 10:30 a.m. at the Institute of Chartered Accountants of Pakistan (ICAP) auditorium, Chartered Accountants Avenue, Clifton, Karachi.

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

Company Secretary

Name ____

Shareholder No. ____________________ Signature ____________________

Note:

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

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

CDC Account Holders / Proxies / Corporate Entities:

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

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

This Admission Slip is Not Transferable

Form of Proxy

18th 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 Eighteenth Annual General Meeting of the Company to be held on 21 April 2016 and at any adjournment thereof.

As witness my / our hand / seal this ______________ day of ______________ 2016

Signed by the said ______________________________

in the presence of 1. ______________________________

____

2. ______________________________

____

Folio / CDC Account No.

Signature on
Revenue Stamp of
Appropriate Value

This Signature should agree with the specimen registered with the Company

Important:

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

For CDC Account Holders / Corporate Entities:

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

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

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

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

iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) 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-74200

Registered Office
EZ/1/P-4, Eastern Industrial Zone, Port Qasim,
P.O.Box 723, Karachi - 74200, Pakistan
UAN: +92 (0) 21 111 782 111
Fax: +92 (0) 21 3472 6004
URL: www.lottechem.pk

City Office
Al-Tijarah Centre, 14th Floor, 32/1-A, Main Shahrah-e-Faisal,
Block 6, P.E.C.H.S., Karachi-75400, Pakistan
UAN: +92 (0) 111 568 782
Fax: +92 (0) 21 3416 9119

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