



**QUARTERLY REPORT
JAN-MAR 2014**

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



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Company Information

As on 24 April 2014

Board of Directors

Changgyou Kim	Chairman
M Asif Saad	Chief Executive
Sang Hyeon Lee	Non-executive
Jung Neon Kim	Executive
Oh Hun Im	Executive
Mohammad Qasim Khan	Independent
Aliya Yusuf	Independent
Istaqbal Mehdi	Non-executive

Audit Committee

Aliya Yusuf	Chairperson
Jung Neon Kim	Member
Istaqbal Mehdi	Member
Ashiq Ali	Secretary & Head of Internal Audit

HR & Remuneration Committee

Changgyou Kim	Chairman
Sang Hyeon Lee	Member
Jung Neon Kim	Member

Shares Sub Committee

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

Chief Financial Officer and Company Secretary

Adnan W Samdani

Executive Management Team

M Asif Saad
Chief Executive

Adnan W Samdani
Chief Financial Officer & Company Secretary

Mohammad Wasim
Director Manufacturing

Humair Ijaz
Director Commercial

Waheed U Khan
Corporate Human Resource Manager

Bankers

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

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder,
Chartered Accountants

External Auditors

A.F. Ferguson & Co.,
Chartered Accountants

Legal Advisor

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

Registered Office

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

Shares Registrar

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



Directors' Report

For the first quarter ended 31 March 2014

The Directors are pleased to present their report for the first quarter ended 31 March 2014 together with the un-audited condensed interim financial information of the Company and the Group as at and for the first quarter ended 31 March 2014. The Group results comprises of Lotte Chemical Pakistan Limited (Company) and Lotte Powergen (Private) Limited, a wholly owned subsidiary of the Company.

BOARD CHANGES

Mr M Asif Saad, will be stepping down as Chief Executive and Director of the Company and its subsidiary Lotte Powergen (Private) Limited with effect from close of business on 30 April 2014 and Mr Jung Neon Kim, Executive Director will be taking over as Chief Executive with effect from 1 May 2014 for the remainder of Mr Saad's term as director which expires on 22 June 2014.

This change is pursuant to Mr Saad's request for early retirement to which the Company has agreed. He joined the Company as a Commercial Manager in 2002 and was appointed Chief Executive of the Company in 2008. Under his leadership the Company has set new standards of performance and he has played a major role in making the Business self sufficient in all aspects of operations. The Company, its Board and employees wish to record their appreciation of Mr Saad's sterling performance in developing the Company over these years.

Mr Jung Neon Kim is currently an Executive Director and has been with the Company since its acquisition by Lotte Chemical Corporation, South Korea in 2009. His new appointment will ensure continuity and consolidation of gains that the Company has already achieved and will help to drive the business into the next phase of its development.

BUSINESS OVERVIEW

Crude oil (WTI) prices witnessed sharp decline at the start of the year as supply outpaced demand. However, an unusually harsh winter in the Northern Hemisphere, ongoing supply outages and fear of political instability in several key oil producing countries kept prices firm during the latter half of the quarter. Paraxylene (Px) prices, however, began to lose strength and continued to remain under pressure throughout the quarter due to reduced demand from the downstream PTA industry.

PTA producers in the region continued to face a challenging business environment and in an effort to minimize losses and balance the supply/demand, rationalized their operating rates through massive production cuts. The weakening sentiment and falling Px prices pushed the PTA prices lower. However, the decline in the PTA prices was not as steep as Px prices due to improved demand from the downstream polyester sector. This led to some improvement in the PTA margins towards the end of the quarter.

The reduction in feedstock costs improved the margins for the downstream polyester producers in the region thus improving their utilization rates during the quarter.

Domestic PSF and PFY operating rates were impacted by the energy shortfall in the Punjab region. This, together with increased import of PSF, further impacted their operations and consequently the demand for PTA. Domestic PET operations, during the quarter, remained stable.

OPERATIONS

Production during the quarter at 117,046 tonnes was 19% higher than the corresponding period last year due to 22 days planned shutdown for the plant overhaul in Q1 2013.

Sales volume for Q1 2014 at 114,581 tonnes was 7% higher than the corresponding quarter last year. Export sales to Oman during the quarter aggregated 1,760 tonnes.

LOTTE POWERGEN (PRIVATE) LIMITED

During the quarter the co-generation plant operated smoothly. The financial performance of Lotte Powergen (Private) Limited together with Lotte Chemical Pakistan Limited is presented in the consolidated financial results for the first quarter ended 31 March 2014.

PROFIT, FINANCE & TAXATION

Despite higher sales volume, revenue for the quarter was 5% lower than the corresponding period last year due to lower PTA price. Impact of lower PTA price resulted in a lower PTA margin over Px as compared to same period last year. As a result, your Company incurred a gross loss of Rs 629 million for the quarter as compared to gross loss of Rs 341 million during the same period last year.

Distribution and selling expenses were higher than the corresponding quarter last year mainly due to export sales on which freight and handling charges are borne by the Company. Administration expenses for the quarter were 7% higher than the corresponding quarter last year due to inflationary environment. Other income for the quarter was lower than the corresponding quarter last year due to dividend income received from Lotte Powergen (Private) Limited in Q1 2013. Finance costs for the quarter remained lower than the corresponding period last year.

Taxation for the quarter ended 31 March 2014, shows a credit of Rs 67 million. This is based on minimum turnover tax as reduced by the movement in the deferred tax account.

The loss after taxation for the Company for the quarter ended 31 March 2014 amounted to Rs 513 million as compared to loss after taxation of Rs 124 million in Q1 last year. On consolidated basis, the loss after taxation for the quarter ended 31 March 2014 amounted to Rs 284 million as compared to loss after taxation of Rs 164 million for Q1 2013.

FUTURE OUTLOOK

Crude oil (WTI) prices are expected to remain firm during 2014 as the supply/demand outlook remains balanced. Px prices are expected to remain subdued for the rest of the year. The planned Px capacity expansions during 2014 along with reduced operating rates of downstream PTA industry are expected to keep the Px prices in check.

PTA industry has been in a state of overcapacity since the past two years and margins for PTA producers will rely heavily on the overall PTA operating rates of the industry and the supply demand balance. Demand from downstream polyester industry is not expected to increase in the near term due to the current energy situation in the country.

Your Company also awaits the implementation of the NTC's recommendation on enhancement of PTA tariff.

Kimchanggyou
Changgyou Kim
Chairman

24 April 2014
Karachi

M Asif Saad
M Asif Saad
Chief Executive

Condensed Interim Balance Sheet

As at 31 March 2014



Amounts in Rs '000

	Note	31 March 2014 (Un-audited)	31 December 2013 (Audited)
Assets			
Non-current assets			
Fixed assets	5	4,706,869	4,975,814
Long-term investment - subsidiary		4,500,000	4,500,000
Long-term loans and advances		42,407	41,297
Long-term deposits and prepayments		64,255	64,011
		<u>9,313,531</u>	<u>9,581,122</u>
Current assets			
Stores and spares		798,370	794,770
Stock-in-trade		5,259,892	2,973,270
Trade debts		2,452,429	2,780,329
Loans and advances		25,740	24,644
Trade deposits and short-term prepayments		125,030	94,333
Mark-up accrued on bank deposits		-	4,940
Other receivables		207,855	87,140
Tax refunds due from government - sales tax	6	413,673	417,005
Taxation - payments less provision		1,115,007	858,864
Cash and bank balances	7	26,643	2,426,739
		<u>10,424,639</u>	<u>10,462,034</u>
Total assets		<u><u>19,738,170</u></u>	<u><u>20,043,156</u></u>
Equity			
Share capital and reserves			
Issued, subscribed and paid-up capital			
1,514,207,208 (31 December 2013: 1,514,207,208)			
ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserves		2,345	2,345
Accumulated losses		(4,080,031)	(3,567,158)
		<u>11,064,386</u>	<u>11,577,259</u>
Liabilities			
Non-current liabilities			
Long-term loan from subsidiary	8	400,000	400,000
Deferred tax		193,586	389,877
Retirement benefit obligation		45,190	45,002
		<u>638,776</u>	<u>834,879</u>
Current liabilities			
Trade and other payables		7,872,700	7,445,711
Interest accrued		162,308	185,307
		<u>8,035,008</u>	<u>7,631,018</u>
Total liabilities		<u>8,673,784</u>	<u>8,465,897</u>
Contingencies and commitments	9		
Total equity and liabilities		<u><u>19,738,170</u></u>	<u><u>20,043,156</u></u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Kimchangyou
Changgyou Kim
Chairman

M Asif Saad
M Asif Saad
Chief Executive

Condensed Interim Profit and Loss Account (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

	Note	Quarter ended 31 March	
		2014	2013
Revenue	10	12,389,036	13,031,852
Cost of sales	11	(13,017,903)	(13,372,573)
Gross loss		(628,867)	(340,721)
Distribution and selling expenses		(24,096)	(19,037)
Administrative expenses		(83,246)	(77,537)
Other expenses	12	(664)	(782)
Other income	13	176,289	287,348
Finance costs		(19,230)	(43,223)
Loss before taxation		(579,814)	(193,952)
Taxation	14	66,941	69,701
Loss after taxation		(512,873)	(124,251)
Earnings per share - basic and diluted (in Rupees)		(0.34)	(0.08)

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Kimchanggyou
Changgyou Kim
Chairman

M Asif Saad
M Asif Saad
Chief Executive

Condensed Interim Statement of Comprehensive Income (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

	Quarter ended 31 March	
	2014	2013
Loss after taxation	(512,873)	(124,251)
Other comprehensive income	-	-
Total comprehensive loss	<u>(512,873)</u>	<u>(124,251)</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Kimchanggyou
Changgyou Kim
Chairman

M Asif Saad
M Asif Saad
Chief Executive

Condensed Interim Cash Flow Statement (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

	Note	Quarter ended 31 March	
		2014	2013
Cash flows from operating activities			
Cash (used in) / generated from operations	15	(2,001,348)	162,627
Long-term loans and advances - net		(1,110)	(63)
Long-term deposits and prepayments - net		(244)	4,636
Finance costs paid		(30,882)	(32,085)
Payments to staff retirement benefit scheme - unfunded		(103)	(31)
Profit received on bank deposits		29,315	11,685
Taxes paid		(385,493)	(235,523)
Net cash used in operating activities		(2,389,865)	(88,754)
Cash flows from investing activities			
Payments for capital expenditure		(10,112)	(71,321)
Net cash used in investing activities		(10,112)	(71,321)
Cash flows from financing activities			
Long-term loan from subsidiary		-	400,000
Dividend paid		(119)	(17)
Net cash (used in) / generated from financing activities		(119)	399,983
Net (decrease) / increase in cash and cash equivalents		(2,400,096)	239,908
Cash and cash equivalents at 1 January		2,426,739	225,134
Cash and cash equivalents at 31 March		26,643	465,042

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Kimchanggyou
Changgyou Kim
Chairman

M Asif Saad
M Asif Saad
Chief Executive

Condensed Interim Statement of Changes in Equity (Un-audited)

For the first quarter ended 31 March 2014



Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total equity
Balance as at 1 January 2013 - re-stated	15,142,072	2,345	(3,023,864)	12,120,553
Total comprehensive loss for the three months ended 31 March 2013				
- Loss for the three months ended 31 March 2013	-	-	(124,251)	(124,251)
- Other comprehensive income for the three months ended 31 March 2013	-	-	-	-
	-	-	(124,251)	(124,251)
Balance as at 31 March 2013 - re-stated	<u>15,142,072</u>	<u>2,345</u>	<u>(3,148,115)</u>	<u>11,996,302</u>
Balance as at 1 January 2014	15,142,072	2,345	(3,567,158)	11,577,259
Total comprehensive loss for the three months ended 31 March 2014				
- Loss for the three months ended 31 March 2014	-	-	(512,873)	(512,873)
- Other comprehensive income for the three months ended 31 March 2014	-	-	-	-
	-	-	(512,873)	(512,873)
Balance as at 31 March 2014	<u>15,142,072</u>	<u>2,345</u>	<u>(4,080,031)</u>	<u>11,064,386</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Kimchanggyou
Changgyou Kim
Chairman

M Asif Saad
M Asif Saad
Chief Executive

Notes to the Condensed Interim Financial Information (Un-audited)

For the first quarter ended 31 March 2014

1. Status and Nature of Business

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

The Company is a subsidiary of Lotte Chemical Corporation and the ultimate parent company is South Korean conglomerate Lotte.

2. Basis of Preparation

This condensed interim financial information of the Company for the first quarter ended 31 March 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2013.

3. Significant Accounting Policies

The accounting policies and methods of computation used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended 31 December 2013.

4. Accounting Estimates, Judgments and Financial Risk Management

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

Judgments and estimates made by the management in the preparation of this condensed interim financial information are the same as those that were applied to the financial statements as at and for the year ended 31 December 2013.

4.2 The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2013.

5. Fixed Assets

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

	Amounts in Rs '000			
	2014		2013	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
Operating assets / property, plant and equipment				
Plant and machinery	972	-	290	-
Furniture and equipment	4,874	-	1,044	-
Motor vehicles	-	-	432	-
Capital work-in-progress	4,241	-	69,555	-
Intangible assets	25	-	-	-

Notes to the Condensed Interim Financial Information (Un-audited)

For the first quarter ended 31 March 2014



Amounts in Rs '000

6. Tax Refunds due from Government - Sales Tax

This includes Rs 301.3 million (31 December 2013: Rs 301.3 million) on account of input tax arising from sales tax charged to the Company under the Sindh Sales Tax 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 for resolution of the matter. The FTO in its order dated 2 May 2013 have directed FBR, with certain recommendations, to resolve the issue. The Company is maintaining close focus with the relevant authorities for early resolution for the same. The FBR recently notified that the provincial sales tax on services is available for adjustment as input tax under the sales tax Act 1990, effective 01 July 2013. However, the Company's outstanding receivable pertains to the period from 01 July 2011 till 28 February 2013 which remains unresolved.

	31 March 2014	31 December 2013
7. Cash and Bank Balances		
Short-term fixed deposits	-	2,401,350
Current accounts	18,475	17,271
Cash in hand	8,168	8,118
	<u>26,643</u>	<u>2,426,739</u>

8. Long-Term Loan from Subsidiary

Lender	Installments payable	Interest rate	Repayment month	31 March 2014	31 December 2013
Loan from subsidiary company					
Lotte Powergen (Private) Limited Rs 400 million (31 December 2013: Rs 400 million)	Full payment on maturity	3% p.a above 6 months KIBOR	January 2018	<u>400,000</u>	<u>400,000</u>

9. Contingencies and Commitments

9.1 Commitments in respect of capital expenditure as at 31 March 2014 amount to Rs 9.63 million (31 December 2013: Rs 16.87 million).

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

Year	31 March 2014	31 December 2013
2014	16,805	20,570
2015	21,185	19,189
2016	16,549	14,215
2017	8,928	6,369
2018	485	-
	<u>63,952</u>	<u>60,343</u>

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

Year	31 March 2014	31 December 2013
2014	401,258	587,174
2015	545,710	598,917
2016	556,625	610,896
2017	520,444	571,188
	<u>2,024,037</u>	<u>2,368,175</u>

Notes to the Condensed Interim Financial Information (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

- 9.4 Commitments for rentals under operating lease agreements in respect of goods and services are stated at minimum lease payments. These are priced in foreign currency and payable in Pakistan Rupees, converted at exchange rates applicable on the date of payment.
- 9.5 Outstanding guarantees and letters of credit issued on behalf of the Company as at 31 March 2014 were Rs 1.26 billion (31 December 2013: Rs 1.21 billion) and Rs 0.77 billion (31 December 2013: Rs 1.28 billion), respectively.

	Quarter ended 31 March	
	2014	2013
10. Revenue		
Manufactured goods		
Local sales	13,335,765	13,483,823
Export sales	159,432	-
	<u>13,495,197</u>	<u>13,483,823</u>
Less: Sales tax	(742,390)	(130,453)
Price settlements and discounts	(533,645)	(571,998)
	<u>12,219,162</u>	<u>12,781,372</u>
Trading goods		
Local sales	187,875	256,346
Less: Sales tax	(12,825)	(2,668)
Price settlements and discounts	(5,176)	(3,198)
	<u>169,874</u>	<u>250,480</u>
	<u>12,389,036</u>	<u>13,031,852</u>
11. Cost of Sales		
Manufactured goods		
Opening stock of raw and packing materials	2,166,141	2,802,171
Purchases	13,783,883	12,980,331
Closing stock of raw and packing materials	(4,293,313)	(4,896,874)
Raw and packing materials consumed	<u>11,656,711</u>	<u>10,885,628</u>
Manufacturing costs	1,414,544	1,423,477
Cost of goods manufactured	<u>13,071,255</u>	<u>12,309,105</u>
Opening stock of finished goods	735,540	1,538,654
	<u>13,806,795</u>	<u>13,847,759</u>
Closing stock of finished goods	(935,013)	(713,393)
	<u>12,871,782</u>	<u>13,134,366</u>
Trading goods		
Opening stock	71,589	139,691
Purchases	106,097	100,764
Closing stock	(31,565)	(2,248)
	<u>146,121</u>	<u>238,207</u>
	<u>13,017,903</u>	<u>13,372,573</u>

Notes to the Condensed Interim Financial Information (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

	Quarter ended 31 March	
	2014	2013
12. Other Expenses		
Workers' welfare fund	264	203
Donations	315	306
Others	85	273
	<u>664</u>	<u>782</u>
13. Other Income		
Scrap sales	3,145	7,241
Dividend received from subsidiary	-	220,500
Service fee from subsidiary	4,200	4,200
Liabilities no longer payable written back	-	42,659
Return on bank deposits	24,375	12,106
Exchange gain - net	144,569	-
Others	-	642
	<u>176,289</u>	<u>287,348</u>
14. Taxation		
The tax charge for the quarter ended 31 March 2014 is based on the minimum tax calculated on turnover as reduced by movement in deferred tax.		
	Quarter ended 31 March	
	2014	2013
15. Cash generated from Operations		
Loss before taxation	(579,814)	(193,952)
Adjustments for non cash charges and other items:		
Depreciation and amortisation	279,057	339,655
Provision for staff retirement benefit scheme - unfunded	291	1,590
Finance costs	19,230	43,223
Unrealised exchange gain on interest payable and finance lease	(11,347)	(42,659)
Return on bank deposits	(24,375)	(12,106)
Provision for infrastructure cess	55,289	53,940
	<u>318,145</u>	<u>383,643</u>
	(261,669)	189,691
Effect on cashflows due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(3,600)	44,587
Stock-in-trade	(2,286,622)	(1,365,551)
Trade debts	327,900	843,645
Loans and advances	(1,096)	5,406
Deposits and short-term prepayments	(30,697)	(72,330)
Other receivables and refunds from government	(117,383)	(158,159)
	<u>(2,111,498)</u>	<u>(702,402)</u>
Increase in trade and other payables	371,819	675,338
Cash (used in) / generated from operations	<u>(2,001,348)</u>	<u>162,627</u>

Notes to the Condensed Interim Financial Information (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

16. Transactions with Related Parties

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

Relationship	Nature of transaction	Quarter ended 31 March	
		2014	2013
Subsidiary company	Purchase of goods	<u>755,765</u>	<u>541,234</u>
	Transfer of spares	<u>46,371</u>	<u>23,267</u>
	Fee for providing services to subsidiary company	<u>4,200</u>	<u>4,200</u>
Key management personnel	Salaries and other short-term benefits	<u>16,790</u>	<u>18,552</u>
	Post employment benefits	<u>2,489</u>	<u>2,894</u>
Others	Payments to staff retirement benefit funds	<u>12,699</u>	<u>12,807</u>

17. General

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

18. Corresponding Figures

Corresponding figures have been re-arranged wherever necessary for purposes of better presentation as follows:

Reclassification from component	Reclassification to component	Amount in Rs'000
Finance income - Return on bank deposits	Other income - Return on bank deposits	12,106

19. Date of Authorisation

This condensed interim financial information was authorised for issue in the Board of Directors meeting held on 24 April 2014.

Kimchanggyou
Changgyou Kim
Chairman

M Asif Saad
M Asif Saad
Chief Executive



Condensed Interim Consolidated Financial Information

LOTTE CHEMICAL  PAKISTAN LTD

(Formerly Lotte Pakistan PTA Limited)
and its Subsidiary Company

Condensed Interim Consolidated Balance Sheet

As at 31 March 2014

Amounts in Rs '000

	Note	31 March 2014 (Un-audited)	31 December 2013 (Audited)
Assets			
Non-current assets			
Fixed assets	5	8,375,421	8,713,584
Long-term loans and advances		42,407	41,297
Long-term deposits and prepayments		64,255	64,011
		<u>8,482,083</u>	<u>8,818,892</u>
Current assets			
Stores and spares		864,311	840,720
Stock-in-trade		5,252,111	2,961,089
Trade debts		2,452,429	2,780,329
Loans and advances		25,740	24,644
Trade deposits and short-term prepayments		130,155	94,333
Mark-up accrued on bank deposits		2,838	7,020
Other receivables		121,511	33,846
Tax refunds due from government - sales tax	6	420,434	398,784
Taxation - payments less provision		1,126,394	868,491
Cash and bank balances	7	1,061,536	3,068,673
		<u>11,457,459</u>	<u>11,077,929</u>
Total assets		<u><u>19,939,542</u></u>	<u><u>19,896,821</u></u>
Equity			
Share capital and reserves			
Issued, subscribed and paid-up capital			
1,514,207,208 (31 December 2013: 1,514,207,208)			
ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserves		2,345	2,345
Accumulated losses		(3,618,486)	(3,334,528)
		<u>11,525,931</u>	<u>11,809,889</u>
Liabilities			
Non-current liabilities			
Deferred tax		193,586	389,877
Retirement benefit obligation		45,190	45,002
		<u>238,776</u>	<u>434,879</u>
Current liabilities			
Trade and other payables		8,025,487	7,490,992
Interest accrued		149,348	161,061
		<u>8,174,835</u>	<u>7,652,053</u>
Total liabilities		<u>8,413,611</u>	<u>8,086,932</u>
Contingencies and commitments	8		
Total equity and liabilities		<u><u>19,939,542</u></u>	<u><u>19,896,821</u></u>

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

Kimchanggyou
Changgyou Kim
Chairman

M Asif Saad
M Asif Saad
Chief Executive

Condensed Interim Consolidated Profit and Loss Account (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

	Note	Quarter ended 31 March	
		2014	2013
Revenue	9	12,389,036	13,031,852
Cost of sales	10	(12,799,186)	(13,186,751)
Gross loss		(410,150)	(154,899)
Distribution and selling expenses		(24,096)	(19,037)
Administrative expenses		(83,246)	(77,537)
Other expenses	11	(17,582)	(12,212)
Other income	12	190,449	69,267
Finance costs		(6,274)	(34,170)
Loss before taxation		(350,899)	(228,588)
Taxation	13	66,941	64,216
Loss after taxation		(283,958)	(164,372)
Earnings per share - basic and diluted (in Rupees)		(0.19)	(0.11)

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

Kimchanggyou
Changgyou Kim
Chairman

M Asif Saad
M Asif Saad
Chief Executive

Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

	Quarter ended 31 March	
	2014	2013
Loss after taxation	(283,958)	(164,372)
Other comprehensive income	-	-
Total comprehensive loss	<u>(283,958)</u>	<u>(164,372)</u>

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

Kimchanggyou
Changgyou Kim
Chairman

M Asif Saad
M Asif Saad
Chief Executive

Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

	Note	Quarter ended 31 March	
		2014	2013
Cash flows from operating activities			
Cash (used in) / generated from operations	14	(1,648,473)	179,422
Long-term loans and advances - net		(1,110)	(63)
Long-term deposits and prepayments - net		(244)	4,636
Finance costs paid		(6,640)	(32,085)
Payments to staff retirement benefit scheme - unfunded		(103)	(31)
Profit received on bank deposits		46,917	17,776
Taxes paid		(387,253)	(236,132)
Net cash used in operating activities		(1,996,906)	(66,477)
Cash flows from investing activities			
Payments for capital expenditure		(10,112)	(71,321)
Net cash used in investing activities		(10,112)	(71,321)
Cash flows from financing activities			
Dividend paid		(119)	(17)
Net cash used in financing activities		(119)	(17)
Net decrease in cash and cash equivalents		(2,007,137)	(137,815)
Cash and cash equivalents at 1 January		3,068,673	879,990
Cash and cash equivalents at 31 March		<u>1,061,536</u>	<u>742,175</u>

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

Kimchanggyou
Changgyou Kim
Chairman

M Asif Saad
M Asif Saad
Chief Executive

Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total equity
Balance as at 1 January 2013 - re-stated	15,142,072	2,345	(2,839,352)	12,305,065
Total comprehensive loss for the three months ended 31 March 2013				
- Loss for the three months ended 31 March 2013	-	-	(164,372)	(164,372)
- Other comprehensive income for the three months ended 31 March 2013	-	-	-	-
	-	-	(164,372)	(164,372)
Balance as at 31 March 2013 - re-stated	<u>15,142,072</u>	<u>2,345</u>	<u>(3,003,724)</u>	<u>12,140,693</u>
Balance as at 1 January 2014	15,142,072	2,345	(3,334,528)	11,809,889
Total comprehensive loss for the three months ended 31 March 2014				
- Loss for the three months ended 31 March 2014	-	-	(283,958)	(283,958)
- Other comprehensive income for the three months ended 31 March 2014	-	-	-	-
	-	-	(283,958)	(283,958)
Balance as at 31 March 2014	<u>15,142,072</u>	<u>2,345</u>	<u>(3,618,486)</u>	<u>11,525,931</u>

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

Kimchanggyou
Changgyou Kim
Chairman

M Asif Saad
M Asif Saad
Chief Executive

Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the first quarter ended 31 March 2014



1. Status and Nature of Business

The Group consists of:

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

The Subsidiary is a wholly owned subsidiary of the Company. The Parent company of the Group is Lotte Chemical Corporation and the ultimate parent company of the Group is South Korean conglomerate Lotte.

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

The Subsidiary is engaged in generation and sale of electricity and steam to the Company. The Subsidiary was incorporated in Pakistan on 29 February 2012. National Electric Power Regulatory Authority had issued generation license to the Subsidiary on 26 November 2013.

2. Basis of Consolidation

The consolidated financial statements include the financial statements of Lotte Chemical Pakistan Limited (formerly Lotte Pakistan PTA Limited) and Lotte Powergen (Private) Limited. The financial statements of the Subsidiary have been consolidated on a line by line basis.

All inter-company transactions have been eliminated.

This condensed interim consolidated financial information of the Group for the first quarter ended 31 March 2014 has been prepared in accordance with the requirements of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

This condensed interim consolidated financial information does not include all the information required for full financial statements and should be read in conjunction with the annual financial statements of the Parent company as at and for the year ended 31 December 2013.

3. Significant Accounting Policies

The accounting policies and methods of computation used in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements for the preceding year ended 31 December 2013.

4. Accounting Estimates, Judgments and Financial Risk Management

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

Judgments and estimates made by the management in the preparation of this condensed interim consolidated financial information are the same as those that were applied to the financial statements of the Parent company as at and for the year ended 31 December 2013.

Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

4.2 The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2013.

5. Fixed Assets

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

	2014		2013	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
Operating assets / property, plant and equipment				
Plant and machinery	972	-	290	-
Furniture and equipment	4,874	-	1,044	-
Motor vehicles	-	-	432	-
Capital work-in-progress	4,241	-	69,555	-
Intangible assets	25	-	-	-

6. Tax Refunds due from Government - Sales Tax

This includes Rs 301.3 million (31 December 2013: Rs 301.3 million) on account of input tax arising from sales tax charged to the Group under the Sindh Sales Tax Act, 2011 which is administered by the Sindh Revenue Board with effect from 01 July 2011. This is being deferred due to procedural issues between Federal and Provincial Tax collecting agencies, resulting in lack of verification by the refund issuing authority i.e. the Federal Board of Revenue (FBR). The Group had approached Federal Tax Ombudsman for resolution of the matter. The FTO in its order dated 2 May 2013 have directed FBR, with certain recommendations, to resolve the issue. The Group is maintaining close focus with the relevant authorities for early resolution for the same. The FBR recently notified that the provincial sales tax on services is available for adjustment as input tax under the sales tax Act 1990, effective 01 July 2013. However, the Group's outstanding receivable pertain to the period from 01 July 2011 till 28 February 2013 which remains unresolved.

	31 March 2014	31 December 2013
7. Cash and Bank Balances		
Short-term fixed deposits	1,034,850	3,043,250
Current accounts	18,518	17,305
Cash in hand	8,168	8,118
	<u>1,061,536</u>	<u>3,068,673</u>

8. Contingencies and Commitments

8.1 Commitments in respect of capital expenditure as at 31 March 2014 amount to Rs 9.63 million (31 December 2013: Rs 16.87 million).

Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

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

Year	31 March 2014	31 December 2013
2014	16,805	20,570
2015	21,185	19,189
2016	16,549	14,215
2017	8,928	6,369
2018	485	-
	<u>63,952</u>	<u>60,343</u>

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

Year	31 March 2014	31 December 2013
2014	401,258	587,174
2015	545,710	598,917
2016	556,625	610,896
2017	520,444	571,188
	<u>2,024,037</u>	<u>2,368,175</u>

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

8.5 Outstanding guarantees and letters of credit issued on behalf of the Group as at 31 March 2014 were Rs 1.71 billion (31 December 2013: Rs 1.66 billion) and Rs 0.77 billion (31 December 2013: Rs 1.28 billion), respectively.

	Quarter ended 31 March	
9. Revenue	2014	2013
Manufactured goods		
Local sales	13,335,765	13,483,823
Export sales	159,432	-
	<u>13,495,197</u>	<u>13,483,823</u>
Less: Sales tax	(742,390)	(130,453)
Price settlements and discounts	(533,645)	(571,998)
	<u>12,219,162</u>	<u>12,781,372</u>
Trading goods		
Local sales	187,875	256,346
Less: Sales tax	(12,825)	(2,668)
Price settlements and discounts	(5,176)	(3,198)
	<u>169,874</u>	<u>250,480</u>
	<u>12,389,036</u>	<u>13,031,852</u>

Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

	Quarter ended 31 March	
	2014	2013
10. Cost of Sales		
Manufactured goods		
Opening stock of raw and packing materials	2,166,141	2,802,171
Purchases	13,783,883	12,980,331
Closing stock of raw and packing materials	(4,293,313)	(4,896,874)
Raw and packing materials consumed	11,656,711	10,885,628
Manufacturing costs	1,200,227	1,265,781
Cost of goods manufactured	12,856,938	12,151,409
Opening stock of finished goods	723,359	1,499,015
	13,580,297	13,650,424
Closing stock of finished goods	(927,232)	(701,880)
	12,653,065	12,948,544
Trading goods		
Opening stock	71,589	139,691
Purchases	106,097	100,764
Closing stock	(31,565)	(2,248)
	146,121	238,207
	12,799,186	13,186,751
11. Other Expenses		
Workers' profit participation fund	12,072	8,468
Workers' welfare fund	5,110	3,365
Donations	315	306
Others	85	73
	17,582	12,212
12. Other Income		
Scrap sales	3,145	7,241
Liabilities no longer payable written back	-	42,659
Return on bank deposits	42,735	18,725
Exchange gain - net	144,569	-
Others	-	642
	190,449	69,267
13. Taxation		

The tax charge for the quarter ended 31 March 2014 is based on the minimum tax calculated on turnover as reduced by the movement in the deferred tax.

Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the first quarter ended 31 March 2014

Amounts in Rs '000

	Quarter ended 31 March	
	2014	2013
14. Cash generated from Operations		
Loss before taxation	(350,899)	(228,588)
Adjustments for non cash charges and other items:		
Depreciation and amortisation	348,275	408,873
Provision for staff retirement benefit scheme - unfunded	291	1,590
Finance costs	6,274	34,170
Unrealised exchange gain on interest payable and finance lease	(11,347)	(42,659)
Return on bank deposits	(42,735)	(18,725)
Provision for infrastructure cess	55,289	53,940
	<u>356,047</u>	<u>437,189</u>
	5,148	208,601
Effect on cashflows due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(23,591)	29,643
Stock-in-trade	(2,291,022)	(1,393,677)
Trade debts	327,900	843,645
Loans and advances	(1,096)	5,406
Deposits and short-term prepayments	(35,822)	(74,562)
Other receivables and refunds from government	(109,315)	(146,565)
	<u>(2,132,946)</u>	<u>(736,110)</u>
Increase in trade and other payables	479,325	706,931
Cash (used in) / generated from operations	<u>(1,648,473)</u>	<u>179,422</u>

15. Transactions with Related Parties

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

Relationship	Nature of transaction	Quarter ended 31 March	
		2014	2013
Key management personnel	Salaries and other short-term benefits	<u>16,790</u>	<u>18,552</u>
	Post employment benefits	<u>2,489</u>	<u>2,894</u>
Others	Payments to staff retirement benefit funds	<u>12,699</u>	<u>12,807</u>

Notes to the Condensed Interim Consolidated Financial Information (Un-audited)

For the first quarter ended 31 March 2014

16. General

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

17. Corresponding Figures

Corresponding figures have been re-arranged wherever necessary for purposes of better presentation as follows:

Reclassification from component	Reclassification to component	Amount in Rs'000
Finance income	Other income	
- Return on bank deposits	- Return on bank deposits	18,725

18. Date of Authorisation

This condensed interim consolidated financial information was authorised for issue in the Board of Directors meeting held on 24 April 2014.


Changgyou Kim
Chairman


M Asif Saad
Chief Executive

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