



Report for the quarter &  
six months ended 30 June 2014

**LOTTE CHEMICAL**  **PAKISTAN LTD**

## Contents

Company Information	01
Directors' Report	02
Auditors' Report to the Members on Review of Interim Financial Information	05
Condensed Interim Balance Sheet	06
Condensed Interim Profit and Loss Account	07
Condensed Interim Statement of Comprehensive Income	08
Condensed Interim Cash Flow Statement	09
Condensed Interim Statement of Changes in Equity	10
Notes to the Condensed Interim Financial Information	11
 <b>Condensed Interim Consolidated Financial Information</b>	
Condensed Interim Consolidated Balance Sheet	18
Condensed Interim Consolidated Profit and Loss Account	19
Condensed Interim Consolidated Statement of Comprehensive Income	20
Condensed Interim Consolidated Cash Flow Statement	21
Condensed Interim Consolidated Statement of Changes in Equity	22
Notes to the Condensed Interim Consolidated Financial Information	23

# Company Information

As on 26 August 2014



## Board of Directors

Changgyou Kim	Chairman
Jung Neon Kim	Chief Executive
Hyun Chul Park	Non-executive
Hun Ki Lee	Non-executive
Oh Hun Im	Executive
Mohammad Qasim Khan	Independent
Pervaiz Akhtar	Independent
Istaqbal Mehdi	Non-executive

## Audit Committee

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

## HR & Remuneration Committee

Changgyou Kim	Chairman
Hun Ki Lee	Member
Oh Hun Im	Member

## Shares Sub Committee

Oh Hun Im	Chairman
Mohammad Qasim Khan	Member
Hun Ki Lee	Member

## Chief Financial Officer and Company Secretary

Adnan W Samdani

## Executive Management Team

Jung Neon Kim  
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 second quarter ended 30 June 2014

The Directors are pleased to present their report for the second quarter ended 30 June 2014 together with the un-audited condensed interim financial information of the Company and the Group for the second quarter and six months ended 30 June 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

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

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

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

### BUSINESS OVERVIEW

Crude oil (WTI) prices remained strong during the quarter on the back of continuing political turmoil in the Middle East and North Africa regions and the escalating tensions between Russia and USA over the Ukraine conflict. An additional risk premium was added in the Crude prices, as the upheaval in Iraq raised concerns of a possible supply disruption and pushed Crude Oil prices in June to their highest level this year.

Paraxylene (Px) prices after a steep decline during Q1 2014 due to reduced demand from the downstream PTA industry, stabilized near the end of Q2 2014 following curtailed Px operations and delay in the start-up of new Px capacities. This translated into panic for many Px traders in the region who scrambled to cover their short positions, thereby providing further impetus to the rising Px values.

The PTA producers in the region continued to face a challenging business environment with high Px costs and PTA oversupply. The tussle between the Px producers and the PTA producers resulted in the Px Asian Contract Price (ACP) from not being settled in the region throughout the quarter and as a result PTA producers were exposed to the Px spot market which further deteriorated the PTA industry's poor economics. As a result of the market conditions most PTA producers in the region, especially those outside China, struggled with negative margin and were left with no choice but to reduce their operating rates. Some Chinese producers were able to introduce a short term Px cost link in their pricing to ensure business continuity.

Steady demand from the downstream polyester sector in the region kept PTA prices stable through the quarter. PFY and PSF operating rates improved during the period. Moreover, PET operations were also stable which provided support to PTA operating rates.

The domestic Polyester industry struggled at the start of the quarter due to the energy crisis in Punjab. Moreover, one major PSF producer also faced some technical issues at its plant. Your Company therefore was required to explore export opportunities in the region. The demand for PET remained strong during the peak summer season.

### OPERATIONS

Production and sales volume during the quarter, at 125,691 tonnes and 125,778 tonnes respectively, remained 1% and 9% higher than the corresponding period last year.



As also witnessed in Q2 2013, the plant operating rates were reduced during the quarter due to the market slow down in the domestic PSF sector. As a result of this reduced demand from the local PSF sector, export sales of 26,554 tonnes were made to Oman, Saudi Arabia and UAE. Consequently, domestic PTA sales during the quarter accounted for 79% of total volume sold as compared to 95% in the corresponding period last year.

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

The financial performance of Lotte Powergen (Private) Limited together with Lotte Chemical Pakistan Limited is presented in the consolidated financial results for the quarter and six months ended 30 June 2014.

K Electric Limited (K-Electric) has filed a suit against the Company, its subsidiary and others alleging that the generation license and 2nd tier supply authorization granted by National Electric Power Regulatory Authority (NEPRA) to the subsidiary for the generation and supply of electric power to the Company is illegal and infringes K-Electric's statutory right to exclusively distribute electricity in its service territory, that is, the Port Qasim area. The Honorable High Court of Sindh at Karachi vide order dated 17 June 2014 had held that the generation license and 2nd tier supply authorization was ultra vires and therefore restrained the subsidiary from supplying power to the Company in reliance upon its generation license.

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

Subsequently, while the above mentioned litigations are on-going the Board of Directors in their meeting held on 26 August 2014 has decided to merge the operations of the Company and its subsidiary. The proposed merger will take place once required approvals are obtained and the related Scheme of Arrangement is sanctioned by the Honorable Sindh High Court.

#### **PROFIT, FINANCE & TAXATION**

Despite higher sales volume and improved PTA/Px margin compared to the corresponding quarter last year, your Company incurred a gross loss of Rs 315 million for the quarter as compared to gross loss of Rs 227 million during the same period last year mainly due to lower PTA prices and higher conversion costs.

Distribution and selling expenses were higher than the corresponding quarter last year mainly due to higher export sales. Administration expenses for the quarter were higher than the corresponding quarter last year due to ex-gratia payment made to the out-going chief executive of the Company. Other income for the quarter was significantly higher than the corresponding quarter last year due to final dividend income of Rs 243 million, in respect of the year ended 31 December 2013 and interim dividend income of Rs 207 million, in respect of the quarter ended 31 March 2014 received from the Lotte Powergen (Private) Limited. Finance costs were higher than Q2 2013 mainly on account of net exchange loss due to adverse impact of Rs/USD parity.

Taxation for the quarter ended 30 June 2014, shows a credit of Rs 58 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 30 June 2014 amounted to Rs 147 million as compared to loss after taxation of Rs 299 million in Q2 last year. On consolidated basis, the loss after taxation amounted to Rs 339 million for the quarter ended 30 June 2014.

## **FUTURE OUTLOOK**

The high level of risk associated to global oil supply is likely to continue to support Crude Oil (WTI) prices in the near future. Px supply will increase from the new capacities set to come online during the next quarter. This, coupled with subdued demand from the PTA industry is expected to keep Px prices in check. However, the timing of the Px startups and the operating rates of the existing plants will play an important role in determining the price direction.

PTA manufacturers are most likely to operate at low rates to avoid an oversupply situation. However, the increase in the Px supply will limit an upside in the raw material cost. Margins are expected to remain range bound.

The domestic market conditions remain challenging, amidst the political and security situation in the country, and the overall energy shortfall. The demand for PET is most likely to remain stable in the coming months, as glass substitution continues in the beverage industry.

The GoP has increased the PTA tariff from 3% to 4% as per the recommendation of the National Tariff Commission (NTC). The increase in the tariff structure is applicable from 01 July 2014. However, the full impact of PTA tariff enhancement will not be visible as energy costs will increase on account of a significant increase in Gas Infrastructure Development Cess (GIDC) as enacted through the Finance Act 2014.

  
Changgyou Kim  
Chairman

  
Jung Neon Kim  
Chief Executive

26 August 2014  
Karachi

# Auditors' Report to the Members on Review of Interim Financial Information



## Introduction

We have reviewed the accompanying condensed interim balance sheet of **Lotte Chemical Pakistan Limited** as at 30 June 2014 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended 30 June 2014 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2014.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months period ended 30 June 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A.F. Ferguson & Co.  
Chartered Accountants  
Karachi

Date: 29 August 2014

Name of the engagement Partner: Farrukh Rehman

## Condensed Interim Balance Sheet

As at 30 June 2014

Amounts in Rs '000

	Note	30 June 2014 (Un-audited)	31 December 2013 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	5	4,441,981	4,975,814
Long-term investment - subsidiary		4,500,000	4,500,000
Long-term loans and advances		42,941	41,297
Long-term deposits and prepayments		64,271	64,011
		<u>9,049,193</u>	<u>9,581,122</u>
<b>Current assets</b>			
Stores and spares		801,087	794,770
Stock-in-trade		4,205,789	2,973,270
Trade debts		2,736,593	2,780,329
Loans and advances		27,729	24,644
Trade deposits and short-term prepayments		92,954	94,333
Mark-up accrued on bank deposits		824	4,940
Other receivables		105,728	87,140
Tax refunds due from government - sales tax	6	404,119	417,005
Taxation - payments less provision		1,269,163	858,864
Cash and bank balances	7	410,639	2,426,739
		<u>10,054,625</u>	<u>10,462,034</u>
<b>Total assets</b>		<u><u>19,103,818</u></u>	<u><u>20,043,156</u></u>
<b>Equity</b>			
<b>Share capital and reserves</b>			
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		(4,227,403)	(3,567,158)
		<u>10,917,014</u>	<u>11,577,259</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loan from subsidiary	8	900,000	400,000
Deferred tax		5,468	389,877
Retirement benefit obligation		45,491	45,002
		<u>950,959</u>	<u>834,879</u>
<b>Current liabilities</b>			
Trade and other payables		7,048,707	7,445,711
Interest accrued		187,138	185,307
		<u>7,235,845</u>	<u>7,631,018</u>
<b>Total liabilities</b>		<u>8,186,804</u>	<u>8,465,897</u>
<b>Contingencies and commitments</b>	9		
<b>Total equity and liabilities</b>		<u><u>19,103,818</u></u>	<u><u>20,043,156</u></u>

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

*Kimchanggyon*  
Changyou Kim  
Chairman

*Jung Neon Kim*  
Jung Neon Kim  
Chief Executive

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

For the quarter and six months ended 30 June 2014



Amounts in Rs '000

	Note	Quarter ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
Revenue	10	12,415,311	12,861,059	24,804,347	25,892,911
Cost of sales	11	(12,730,333)	(13,087,847)	(25,748,236)	(26,460,420)
<b>Gross loss</b>		<u>(315,022)</u>	<u>(226,788)</u>	<u>(943,889)</u>	<u>(567,509)</u>
Distribution and selling expenses		(84,393)	(35,165)	(108,489)	(54,202)
Administrative expenses		(141,118)	(73,987)	(224,364)	(151,524)
Other expenses	12	(6,098)	(3,283)	(6,762)	(4,065)
Other income	13	464,896	20,888	569,212	308,236
Finance costs		(123,301)	(64,277)	(70,558)	(107,500)
<b>Loss before taxation</b>		<u>(205,036)</u>	<u>(382,612)</u>	<u>(784,850)</u>	<u>(576,564)</u>
Taxation	14	57,664	83,943	124,605	153,644
<b>Loss after taxation</b>		<u><u>(147,372)</u></u>	<u><u>(298,669)</u></u>	<u><u>(660,245)</u></u>	<u><u>(422,920)</u></u>

Amount in Rupees

Earnings per share - basic and diluted	<u>(0.10)</u>	<u>(0.20)</u>	<u>(0.44)</u>	<u>(0.28)</u>
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The annexed notes 1 to 20 form an integral part of this condensed interim financial information.

*Kimchanggyou*  
Changgyou Kim  
Chairman

*Jung Neon Kim*  
Jung Neon Kim  
Chief Executive

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

For the quarter and six months ended 30 June 2014

Amounts in Rs '000

	Quarter ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
Loss after taxation	(147,372)	(298,669)	(660,245)	(422,920)
Other comprehensive income	-	-	-	-
Total comprehensive loss	<u>(147,372)</u>	<u>(298,669)</u>	<u>(660,245)</u>	<u>(422,920)</u>

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

*Kimchanggyou*  
Changgyou Kim  
Chairman

*Jung Neon Kim*  
Jung Neon Kim  
Chief Executive

## Condensed Interim Cash Flow Statement (Un-audited)

For the six months ended 30 June 2014



Amounts in Rs '000

	Note	Six months ended 30 June	
		2014	2013
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	15	(1,788,291)	1,206,460
Long-term loans and advances - net		(1,644)	(1,206)
Long-term deposits and prepayments - net		(260)	4,714
Finance costs paid		(68,727)	(92,231)
Payments to staff retirement benefit scheme - unfunded		(780)	(118)
Mark-up received from bank deposits		37,555	28,088
Taxes paid		(670,103)	(391,950)
Net cash (used in) / generated from operating activities		(2,492,250)	753,757
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		(25,028)	(98,872)
Proceeds from sale of fixed assets		1,200	-
Net cash used in investing activities		(23,828)	(98,872)
<b>Cash flows from financing activities</b>			
Long-term loan from subsidiary		500,000	400,000
Dividend paid		(22)	(76)
Net cash generated from financing activities		499,978	399,924
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(2,016,100)</b>	<b>1,054,809</b>
Cash and cash equivalents at 1 January		2,426,739	225,134
<b>Cash and cash equivalents at 30 June</b>		<b>410,639</b>	<b>1,279,943</b>

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

*Kimchanggyou*  
**Changgyou Kim**  
 Chairman

*Jung Neon Kim*  
**Jung Neon Kim**  
 Chief Executive

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

For the six months ended 30 June 2014

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total
Balance as at 1 January 2014	15,142,072	2,345	(3,567,158)	11,577,259
Total comprehensive loss for the six months ended 30 June 2014				
- Loss for the six months ended 30 June 2014	-	-	(660,245)	(660,245)
- Other comprehensive loss for the six months ended 30 June 2014	-	-	-	-
	-	-	(660,245)	(660,245)
Balance as at 30 June 2014	<u>15,142,072</u>	<u>2,345</u>	<u>(4,227,403)</u>	<u>10,917,014</u>
Balance as at 1 January 2013	15,142,072	2,345	(3,023,864)	12,120,553
Total comprehensive loss for the six months ended 30 June 2013				
- Loss for the six months ended 30 June 2013	-	-	(422,920)	(422,920)
- Other comprehensive loss for the six months ended 30 June 2013	-	-	-	-
	-	-	(422,920)	(422,920)
Balance as at 30 June 2013	<u>15,142,072</u>	<u>2,345</u>	<u>(3,446,784)</u>	<u>11,697,633</u>

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

*Kimchanggyou*  
Changgyou Kim  
Chairman

*Jung Neon Kim*  
Jung Neon Kim  
Chief Executive

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

For the six months ended 30 June 2014



## 1. General information

Lotte Chemical Pakistan 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 - South Korea and its ultimate parent company is South Korean conglomerate Lotte.

The Company owns a wholly owned Subsidiary, Lotte Powergen (Private) Limited, engaged in the generation and sale of electricity and steam to the Company.

2. This condensed interim financial information of the Company for the six months ended 30 June 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

The following fixed assets have been added / disposed of during the six months ended 30 June :

	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	2,234	766	40,707	-
Furniture and equipment	7,289	200	2,550	106
Motor vehicles	-	-	432	-
Capital work-in-progress	15,480	-	55,183	-
Intangible assets	25	-	-	-

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

For the six months ended 30 June 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 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 approached Federal Tax Ombudsman for resolution of the matter which in its order dated 2 May 2013 directed FBR, with certain recommendations, to resolve the issue. Subsequently, FBR via SRO 212 / 2014 dated 26 March 2014 notified that provincial sales tax on services is available for adjustment as input tax under the Sales Tax Act 1990, effective from 01 July 2013. However, the outstanding receivable pertains to the period from 01 July 2011 till 28 February 2013 which remains unresolved. The Company is maintaining close focus with the relevant authorities for early resolution of the matter.

	30 June 2014	31 December 2013
<b>7. Cash and bank balances</b>		
Short-term fixed deposits	382,100	2,401,350
Current accounts	19,649	17,271
Cash in hand	8,890	8,118
	<u>410,639</u>	<u>2,426,739</u>

### 8. Long-Term Loan from Subsidiary

Lender	Installments payable	Interest rate	Repayment month	30 June 2014	31 December 2013
Loan from subsidiary company					
Loan agreement entered on:					
24 January 2013	full payment on maturity	3% p.a above 6 months KIBOR	January 2018	400,000	400,000
02 May 2014	full payment on maturity	3% p.a above 6 months KIBOR	May 2019	500,000	-
				<u>900,000</u>	<u>400,000</u>

### 9. Contingencies and commitments

**9.1** Outstanding guarantees and letters of credit issued on behalf of the Company as at 30 June 2014 were Rs 1.31 billion (31 December 2013: Rs 1.21 billion) and Rs 0.71 billion (31 December 2013: Rs 1.28 billion), respectively.

**9.2** Commitments in respect of capital expenditure as at 30 June 2014 amount to Rs 8.9 million (31 December 2013: Rs 16.87 million).

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

Year	30 June 2014	31 December 2013
2014	11,247	20,570
2015	21,396	19,189
2016	16,753	14,215
2017	9,674	6,369
2018	1,009	-
	<u>60,079</u>	<u>60,343</u>

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

For the six months ended 30 June 2014



Amounts in Rs '000

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

Year	30 June 2014	31 December 2013
2014	252,963	587,174
2015	548,873	598,917
2016	559,851	610,896
2017	523,461	571,188
	<u>1,885,148</u>	<u>2,368,175</u>

- 9.5** The Income Tax Appellate Tribunal (ITAT) vide order no ITA.No.111/KB/2006 dated 20 April 2006 had set aside the taxation officer's assessment order for the assessment year 2002-2003 (income year ending 31 December 2001) whereby the assessing officer had been directed to re-examine the issue of allocation of cost of goods sold to export sales, strictly in accordance with Rule 216 of the Income Tax Rules, 1982. The taxation officer vide order no. DC20/106 dated 29 June 2007 had used volume basis to determine the allocation of cost of goods sold to export sales, against which the Company had filed an appeal. The Commissioner Inland Revenue (Appeals) vide order numbers 153 and 391 dated 31 January 2011 (received by the Company on 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 vide number 01/171 dated 25 June 2012 (received by the Company in July 2012) has maintained the above basis of allocation to export sales. The Company filed an appeal against the said order in August 2012. The Commissioner Inland Revenue (Appeals-I) [CIR(A)] vide its order dated 29 May 2013 has disagreed with 'basis of dual allocation' as per taxation officer's assessment order and has directed the officer to accordingly determine the amount on the basis of "sales" and finalise the assessment on such basis. However, the department has filed an appeal against the said order on 15 August 2013. Considering the earlier clear directions in the prior orders of both Appellate Tribunal Inland Revenue and CIR(A), the Company's management is of the view that ultimate decision in the said appeal will likely be in the Company's favour and, therefore no provision has been made in these condensed interim financial information for the potential liability of Rs 326.12 million.

	Quarter ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
<b>10. Revenue</b>				
Manufactured goods				
Local sales	10,584,885	12,544,336	23,920,650	26,028,159
Export sales	2,446,563	657,256	2,605,995	657,256
	<u>13,031,448</u>	<u>13,201,592</u>	<u>26,526,645</u>	<u>26,685,415</u>
Less: Sales tax	(602,895)	(368,872)	(1,345,285)	(499,325)
Price settlements and discounts	(199,636)	(320,289)	(733,281)	(892,287)
	<u>12,228,917</u>	<u>12,512,431</u>	<u>24,448,079</u>	<u>25,293,803</u>
Trading goods				
Local sales	205,045	382,830	392,920	639,176
Less: Sales tax	(12,533)	(4,769)	(25,358)	(7,437)
Price settlements and discounts	(6,118)	(29,433)	(11,294)	(32,631)
	<u>186,394</u>	<u>348,628</u>	<u>356,268</u>	<u>599,108</u>
	<u>12,415,311</u>	<u>12,861,059</u>	<u>24,804,347</u>	<u>25,892,911</u>

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

For the six months ended 30 June 2014

Amounts in Rs '000

	Quarter ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
<b>11. Cost of sales</b>				
<b>Manufactured goods</b>				
Opening stock of raw and packing materials	4,293,313	4,896,874	2,166,141	2,802,171
Purchases	9,937,209	11,663,671	23,721,092	24,644,002
Closing stock of raw and packing materials	(3,232,470)	(4,050,304)	(3,232,470)	(4,050,304)
Raw and packing materials consumed	10,998,052	12,510,241	22,654,763	23,395,869
Manufacturing costs	1,502,842	1,361,244	2,917,386	2,784,721
Cost of goods manufactured	12,500,894	13,871,485	25,572,149	26,180,590
Opening stock of finished goods	935,013	713,393	735,540	1,538,654
Closing stock of finished goods	(870,397)	(1,839,716)	(870,397)	(1,839,716)
	<u>12,565,510</u>	<u>12,745,162</u>	<u>25,437,292</u>	<u>25,879,528</u>
<b>Trading goods</b>				
Opening stock	31,565	2,248	71,589	139,691
Purchases	236,180	396,655	342,277	497,419
Closing stock	(102,922)	(56,218)	(102,922)	(56,218)
	<u>164,823</u>	<u>342,685</u>	<u>310,944</u>	<u>580,892</u>
	<u>12,730,333</u>	<u>13,087,847</u>	<u>25,748,236</u>	<u>26,460,420</u>
<b>12. Other expenses</b>				
Workers' welfare fund	2,106	812	2,370	1,015
Donations	3,228	497	3,543	803
Loss on retirement of operating assets / property, plant and equipment	-	106	-	106
Others	764	1,868	849	2,141
	<u>6,098</u>	<u>3,283</u>	<u>6,762</u>	<u>4,065</u>
<b>13. Other income</b>				
Scrap sales	1,398	(1,111)	4,543	6,130
Dividend received from subsidiary	450,000	-	450,000	220,500
Finance lease liability no longer payable	-	-	-	42,659
Service income	4,200	4,200	8,400	8,400
Gain on disposal of fixed assets	234	-	234	-
Interest on bank deposits	9,064	17,739	33,439	29,845
Exchange gain - net	-	-	72,596	-
Others	-	60	-	702
	<u>464,896</u>	<u>20,888</u>	<u>569,212</u>	<u>308,236</u>
<b>14. Taxation</b>				
The tax charge for the six months ended 30 June 2014 consists of tax charged under Final Tax Regime (FTR) and minimum tax calculated on turnover as adjusted by movement in deferred tax.				

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

For the six months ended 30 June 2014



Amounts in Rs '000

	Six months ended 30 June	
	2014	2013
<b>15. Cash (used in) / generated from operations</b>		
Loss before taxation	(784,850)	(576,564)
<b>Adjustments for non cash charges and other items:</b>		
Depreciation and amortisation	557,895	674,948
(Gain) / loss on retirement of plant and equipment	(234)	106
Provision for staff retirement benefit scheme - unfunded	1,269	3,239
Finance costs	70,558	107,500
Interest on bank deposits	(33,439)	(29,845)
Provision for infrastructure cess	96,394	92,065
	<u>692,443</u>	<u>848,013</u>
	(92,407)	271,449
<b>Effect on cashflows due to working capital changes</b>		
(Increase) / decrease in current assets:		
Stores and spares	(6,317)	26,278
Stock-in-trade	(1,232,519)	(1,465,722)
Trade debts	43,736	(10,000)
Loans and advances	(3,085)	3,446
Deposits and short-term prepayments	1,379	(51,904)
Other receivables and refunds from government	(5,702)	(348,752)
	<u>(1,202,508)</u>	<u>(1,846,654)</u>
(Decrease) / increase in trade and other payables	(493,376)	2,781,665
Cash (used in) / generated from operations	<u>(1,788,291)</u>	<u>1,206,460</u>

## 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 30 June		Six months ended 30 June	
		2014	2013	2014	2013
Subsidiary company	Interest on loan	<u>23,937</u>	<u>12,296</u>	<u>36,897</u>	<u>21,349</u>
	Purchase of goods	<u>852,082</u>	<u>738,233</u>	<u>1,607,847</u>	<u>1,279,467</u>
	Sale of spares	<u>22,171</u>	<u>12,082</u>	<u>68,542</u>	<u>35,349</u>
	Fee for providing services to subsidiary company	<u>4,200</u>	<u>4,200</u>	<u>8,400</u>	<u>8,400</u>
	Dividend received	<u>450,000</u>	<u>-</u>	<u>450,000</u>	<u>220,500</u>
Key management personnel	Salaries and other short-term benefits	<u>17,311</u>	<u>19,619</u>	<u>34,101</u>	<u>38,171</u>
	Ex gratia to Ex Chief Executive	<u>59,645</u>	<u>-</u>	<u>59,645</u>	<u>-</u>
	Post employment benefits	<u>2,851</u>	<u>3,066</u>	<u>5,340</u>	<u>5,960</u>
Staff retirement benefit funds	Payments to staff retirement benefit funds	<u>14,575</u>	<u>13,366</u>	<u>27,274</u>	<u>26,173</u>

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

For the six months ended 30 June 2014

Amounts in Rs '000

### 17. Event occurring after the reporting period

The Board of Directors in their meeting held on 26 August 2014, have decided to propose the amalgamation of the Company's wholly owned subsidiary with and into the Company. The proposed amalgamation will take effect once requisite approvals are taken and the related Scheme of Arrangement is sanctioned by the Honorable Sindh High Court.

### 18. General

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

### 19. Corresponding figures

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

Reclassification from component	Reclassification to component	Quarter ended	Six months ended
Finance income	Other income		
- Return on bank deposits	- Return on bank deposits	17,739	29,845

### 20. Date of authorisation

This condensed interim financial information was authorised for issue in the Board of Directors meeting held on 26 August 2014.

  
Changgyou Kim  
Chairman

  
Jung Neon Kim  
Chief Executive



**Condensed Interim Consolidated  
Financial Information**

**LOTTE CHEMICAL**  **PAKISTAN LTD**  
and its Subsidiary Company

# Condensed Interim Consolidated Balance Sheet

As at 30 June 2014

Amounts in Rs '000

	Note	30 June 2014 (Un-audited)	31 December 2013 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	5	8,041,315	8,713,584
Long-term loans and advances		42,941	41,297
Long-term deposits and prepayments		64,271	64,011
		<u>8,148,527</u>	<u>8,818,892</u>
<b>Current assets</b>			
Stores and spares		876,189	840,720
Stock-in-trade		4,200,213	2,961,089
Trade debts		2,736,593	2,780,329
Loans and advances		27,729	24,644
Trade deposits and short-term prepayments		96,157	94,333
Mark-up accrued on bank deposits		1,848	7,020
Other receivables		26,667	33,846
Tax refunds due from government - sales tax	6	403,909	398,784
Taxation - payments less provision		1,281,697	868,491
Cash and bank balances	7	784,159	3,068,673
		<u>10,435,161</u>	<u>11,077,929</u>
<b>Total assets</b>		<u><u>18,583,688</u></u>	<u><u>19,896,821</u></u>
<b>Equity</b>			
<b>Share capital and reserves</b>			
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		(3,957,569)	(3,334,528)
		<u>11,186,848</u>	<u>11,809,889</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax		5,468	389,877
Retirement benefit obligation		45,491	45,002
		<u>50,959</u>	<u>434,879</u>
<b>Current liabilities</b>			
Trade and other payables		7,195,640	7,490,992
Interest accrued		150,241	161,061
		<u>7,345,881</u>	<u>7,652,053</u>
<b>Total liabilities</b>		<u>7,396,840</u>	<u>8,086,932</u>
Contingencies and commitments	8		
<b>Total equity and liabilities</b>		<u><u>18,583,688</u></u>	<u><u>19,896,821</u></u>

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

*Kimchanggyou*  
**Changgyou Kim**  
 Chairman

*Jung Neon Kim*  
**Jung Neon Kim**  
 Chief Executive

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

For the quarter and six months ended 30 June 2014



	Note	Amounts in Rs '000			
		Quarter ended 30 June		Six months ended 30 June	
		2014	2013	2014	2013
Revenue	9	12,415,311	12,861,059	24,804,347	25,892,911
Cost of sales	10	(12,479,674)	(12,861,961)	(25,278,860)	(26,048,712)
Gross loss		(64,363)	(902)	(474,513)	(155,801)
Distribution and selling expenses		(84,393)	(35,165)	(108,489)	(54,202)
Administrative expenses		(143,618)	(73,993)	(226,864)	(151,530)
Other expenses	11	(25,356)	(21,316)	(42,938)	(33,528)
Other income	12	20,347	25,482	138,823	94,749
Finance costs		(99,364)	(54,511)	(33,665)	(88,681)
Loss before taxation		(396,747)	(160,405)	(747,646)	(388,993)
Taxation	13	57,664	76,929	124,605	141,145
Loss after taxation		(339,083)	(83,476)	(623,041)	(247,848)
		Amount in Rupees			
Earnings per share - basic and diluted		(0.22)	(0.06)	(0.41)	(0.16)

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

*Kimchanggyon*  
Changgyou Kim  
Chairman

*Jung Neon Kim*  
Jung Neon Kim  
Chief Executive

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

For the quarter and six months ended 30 June 2014

	Amounts in Rs '000			
	Quarter ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
Loss after taxation	(339,083)	(83,476)	(623,041)	(247,848)
Other comprehensive income	-	-	-	-
Total comprehensive loss	<u>(339,083)</u>	<u>(83,476)</u>	<u>(623,041)</u>	<u>(247,848)</u>

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

*Kimchanggyou*  
Changgyou Kim  
Chairman

*Jung Neon Kim*  
Jung Neon Kim  
Chief Executive

# Condensed Interim Consolidated Cash Flow Statement (Un-audited)

For the six months ended 30 June 2014



Amounts in Rs '000

	Note	Six months ended 30 June	
		2014	2013
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	14	(1,607,107)	1,556,194
Long-term loans and advances - net		(1,644)	(1,206)
Long-term deposits and prepayments - net		(260)	4,714
Finance costs paid		(44,485)	(85,708)
Payments to staff retirement benefit scheme - unfunded		(780)	(118)
Mark-up received from bank deposits		66,622	42,218
Taxes paid		(673,010)	(393,363)
Net cash (used in) / generated from operating activities		(2,260,664)	1,122,731
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		(25,028)	(98,872)
Proceeds from sale of fixed assets		1,200	-
Net cash used in investing activities		(23,828)	(98,872)
<b>Cash flows from financing activities</b>			
Dividend paid		(22)	(76)
Net cash used in financing activities		(22)	(76)
Net (decrease) / increase in cash and cash equivalents		(2,284,514)	1,023,783
Cash and cash equivalents at 1 January		3,068,673	879,990
Cash and cash equivalents at 30 June		784,159	1,903,773

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

*Kimchanggyon*  
Changgyou Kim  
Chairman

*Jung Neon Kim*  
Jung Neon Kim  
Chief Executive

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

For the six months ended 30 June 2014

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total
Balance as at 1 January 2014	15,142,072	2,345	(3,334,528)	11,809,889
Total comprehensive loss for the six months ended 30 June 2014				
- Loss for the six months ended 30 June 2014	-	-	(623,041)	(623,041)
- Other comprehensive loss for the six months ended 30 June 2014	-	-	-	-
	-	-	(623,041)	(623,041)
Balance as at 30 June 2014	<u>15,142,072</u>	<u>2,345</u>	<u>(3,957,569)</u>	<u>11,186,848</u>
Balance as at 1 January 2013	15,142,072	2,345	(2,839,352)	12,305,065
Total comprehensive loss for the six months ended 30 June 2013				
- Loss for the six months ended 30 June 2013	-	-	(247,848)	(247,848)
- Other comprehensive loss for the six months ended 30 June 2013	-	-	-	-
	-	-	(247,848)	(247,848)
Balance as at 30 June 2013	<u>15,142,072</u>	<u>2,345</u>	<u>(3,087,200)</u>	<u>12,057,217</u>

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

*Kimchanggyon*  
Changgyou Kim  
Chairman

*Jung Neon Kim*  
Jung Neon Kim  
Chief Executive

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

For the six months ended 30 June 2014



## 1. General information

The Group consists of:

- i) Lotte Chemical Pakistan 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 - South Korea and its 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 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 six months ended 30 June 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.

**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.

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

For the six months ended 30 June 2014

Amounts in Rs '000

### 5. Fixed assets

The following fixed assets have been added / disposed of during the six months ended 30 June:

	2014		2013	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
Operating assets / property, plant and equipment				
Plant and machinery	2,234	766	40,707	-
Furniture and equipment	7,289	200	2,550	106
Motor vehicles	-	-	432	-
Capital work-in-progress	15,480	-	55,183	-
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 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 Group approached Federal Tax Ombudsman for resolution of the matter which in its order dated 2 May 2013 directed FBR, with certain recommendations, to resolve the issue. Subsequently, FBR via SRO 212 / 2014 dated 26 March 2014 notified that provincial sales tax on services is available for adjustment as input tax under the Sales Tax Act 1990, effective from 01 July 2013. However, the outstanding receivable pertains to the period from 01 July 2011 till 28 February 2013 which remains unresolved. The Group is maintaining close focus with the relevant authorities for early resolution of the matter.

	30 June 2014	31 December 2013
<b>7. Cash and bank balances</b>		
Short-term fixed deposits	755,600	3,043,250
Current accounts	19,669	17,305
Cash in hand	8,890	8,118
	<u>784,159</u>	<u>3,068,673</u>

### 8. Contingencies and commitments

**8.1** Outstanding guarantees and letters of credit issued on behalf of the Group as at 30 June 2014 were Rs 1.76 billion (31 December 2013: Rs 1.66 billion) and Rs 0.71 billion (31 December 2013: Rs 1.28 billion), respectively.

**8.2** Commitments in respect of capital expenditure as at 30 June 2014 amount to Rs 8.9 million (31 December 2013: Rs 16.87 million).

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

For the six months ended 30 June 2014



Amounts in Rs '000

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

Year	30 June 2014	31 December 2013
2014	11,247	20,570
2015	21,396	19,189
2016	16,753	14,215
2017	9,674	6,369
2018	1,009	-
	<u>60,079</u>	<u>60,343</u>

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

Year	30 June 2014	31 December 2013
2014	252,963	587,174
2015	548,873	598,917
2016	559,851	610,896
2017	523,461	571,188
	<u>1,885,148</u>	<u>2,368,175</u>

- 8.5** The Income Tax Appellate Tribunal (ITAT) vide order no ITA.No.111/KB/2006 dated 20 April 2006 had set aside the taxation officer's assessment order for the assessment year 2002-2003 (income year ending 31 December 2001) whereby the assessing officer had been directed to re-examine the issue of allocation of cost of goods sold to export sales, strictly in accordance with Rule 216 of the Income Tax Rules, 1982. The taxation officer vide order no. DC20/106 dated 29 June 2007 had used volume basis to determine the allocation of cost of goods sold to export sales, against which the Group had filed an appeal. The Commissioner Inland Revenue (Appeals) vide order numbers 153 and 391 dated 31 January 2011 (received by the Group 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 vide number 01/171 dated 25 June 2012 (received by the Group in July 2012) has maintained the above basis of allocation to export sales. The Group filed an appeal against the said order in August 2012. The Commissioner Inland Revenue (Appeals-I) [CIR(A)] vide its order dated 29 May 2013 has disagreed with 'basis of dual allocation' as per taxation officer's assessment order and has directed the officer to accordingly determine the amount on the basis of "sales" and finalise the assessment on such basis. However, the department has filed an appeal against the said order on 15 August 2013. Considering the earlier clear directions in the prior orders of both Appellate Tribunal Inland Revenue and CIR(A), the Group's management is of the view that ultimate decision in the said appeal will likely be in the Group's favour and, therefore no provision has been made in these condensed interim financial information for the potential liability of Rs 326.12 million.

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

For the six months ended 30 June 2014

Amounts in Rs '000

	Quarter ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
<b>9. Revenue</b>				
Manufactured goods				
Local sales	10,584,885	12,544,336	23,920,650	26,028,159
Export sales	2,446,563	657,256	2,605,995	657,256
	13,031,448	13,201,592	26,526,645	26,685,415
Less: Sales tax	(602,895)	(368,872)	(1,345,285)	(499,325)
Price settlements and discounts	(199,636)	(320,289)	(733,281)	(892,287)
	12,228,917	12,512,431	24,448,079	25,293,803
Trading goods				
Local sales	205,045	382,830	392,920	639,176
Less: Sales tax	(12,533)	(4,769)	(25,358)	(7,437)
Price settlements and discounts	(6,118)	(29,433)	(11,294)	(32,631)
	186,394	348,628	356,268	599,108
	12,415,311	12,861,059	24,804,347	25,892,911
<b>10. Cost of sales</b>				
Manufactured goods				
Opening stock of raw and packing materials	4,293,313	4,896,874	2,166,141	2,802,171
Purchases	9,937,209	11,663,671	23,721,092	24,644,002
Closing stock of raw and packing materials	(3,232,470)	(4,050,304)	(3,232,470)	(4,050,304)
Raw and packing materials consumed	10,998,052	12,510,241	22,654,763	23,395,869
Manufacturing costs	1,254,388	1,112,898	2,454,615	2,378,679
Cost of goods manufactured	12,252,440	13,623,139	25,109,378	25,774,548
Opening stock of finished goods	927,232	701,880	723,359	1,499,015
	13,179,672	14,325,019	25,832,737	27,273,563
Closing stock of finished goods	(864,821)	(1,805,743)	(864,821)	(1,805,743)
	12,314,851	12,519,276	24,967,916	25,467,820
Trading goods				
Opening stock	31,565	2,248	71,589	139,691
Purchases	236,180	396,655	342,277	497,419
Closing stock	(102,922)	(56,218)	(102,922)	(56,218)
	164,823	342,685	310,944	580,892
	12,479,674	12,861,961	25,278,860	26,048,712

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

For the six months ended 30 June 2014



Amounts in Rs '000

	Quarter ended 30 June		Six months ended 30 June	
	2014	2013	2014	2013
<b>11. Other expenses</b>				
Workers' profit participation fund	13,767	13,137	25,839	21,605
Workers' welfare fund	7,597	5,748	12,707	9,113
Donations	3,228	497	3,543	803
Loss on retirement of operating assets / property, plant and equipment	-	106	-	106
Others	764	1,828	849	1,901
	<u>25,356</u>	<u>21,316</u>	<u>42,938</u>	<u>33,528</u>
<b>12. Other income</b>				
Scrap sales	1,398	(1,111)	4,543	6,130
Finance lease liability no longer payable	-	-	-	42,659
Gain on disposal of fixed assets	234	-	234	-
Interest on bank deposits	18,715	26,533	61,450	45,258
Exchange gain - net	-	-	72,596	-
Others	-	60	-	702
	<u>20,347</u>	<u>25,482</u>	<u>138,823</u>	<u>94,749</u>
<b>13. Taxation</b>				

The tax charge for the six months ended 30 June 2014 consists of tax charged under Final Tax Regime (FTR) and minimum tax calculated on turnover as adjusted by movement in deferred tax.

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

For the six months ended 30 June 2014

Amounts in Rs '000

	Six months ended 30 June	
	2014	2013
<b>14. Cash (used in) / generated from operations</b>		
Loss before taxation	(747,646)	(388,993)
Adjustments for non cash charges and other items:		
Depreciation and amortisation	696,331	813,384
(Gain) / loss on retirement of plant and equipment	(234)	106
Provision for staff retirement benefit scheme - unfunded	1,269	3,239
Finance costs	33,665	88,681
Interest on bank deposits	(61,450)	(45,258)
Provision for infrastructure cess	96,394	92,065
	<u>765,975</u>	<u>952,217</u>
	18,329	563,224
Effect on cashflows due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(35,469)	(1,779)
Stock-in-trade	(1,239,124)	(1,471,388)
Trade debts	43,736	(10,000)
Loans and advances	(3,085)	3,446
Deposits and short-term prepayments	(1,824)	(53,299)
Other receivables and refunds from government	2,054	(332,880)
	<u>(1,233,712)</u>	<u>(1,865,900)</u>
(Decrease) / increase in trade and other payables	(391,724)	2,858,870
Cash (used in) / generated from operations	<u>(1,607,107)</u>	<u>1,556,194</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 30 June		Six months ended 30 June	
		2014	2013	2014	2013
Key management personnel	Salaries and other short-term benefits	<u>17,311</u>	<u>19,619</u>	<u>34,101</u>	<u>38,171</u>
	Ex gratia to Ex Chief Executive	<u>59,645</u>	<u>-</u>	<u>59,645</u>	<u>-</u>
	Post employment benefits	<u>2,851</u>	<u>3,066</u>	<u>5,340</u>	<u>5,960</u>
Staff retirement benefit funds	Payments to staff retirement benefit funds	<u>14,575</u>	<u>13,366</u>	<u>27,274</u>	<u>26,173</u>

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

For the six months ended 30 June 2014



Amounts in Rs '000

## 16. Event occurring after the reporting period

The Board of Directors in their meeting held on 26 August 2014, have decided to propose the amalgamation of the Group's wholly owned subsidiary with and into the Company. The proposed amalgamation will take effect once requisite approvals are taken and the related Scheme of Arrangement is sanctioned by the Honorable Sindh High Court.

## 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	Quarter ended	Six months ended
Finance income	Other income		
- Return on bank deposits	- Return on bank deposits	26,533	45,258

## 19. Date of authorisation

This condensed interim consolidated financial information was authorised for issue in the Board of Directors meeting held on 26 August 2014.

*Kimchanggyou*  
Changgyou Kim  
Chairman

*Jung Neon Kim*  
Jung Neon Kim  
Chief Executive

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