

LOTTE PTA QUARTERLY REPORT JAN – MAR 2010

A NEW
IDENTITY
BEGINNING



Lotte Pakistan PTA Ltd
Formerly Pakistan PTA Limited

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Company information

Board of Directors

Soon Hyo Chung	Chairman– Non executive	(Appointed w.e.f 5 April 2010)
Nak Yong Lee	Chairman– Non executive	(Resigned w.e.f 5 April 2010)
M Asif Saad	Chief Executive	
Soo Young Huh	Non-executive	(Appointed w.e.f 5 April 2010)
Byung Yun Lim	Non-executive	(Resigned w.e.f 5 April 2010)
Neon Jung Kim	Executive	
Oh Hun Im	Executive	
Mohammad Qasim Khan	Non-executive	
Aliya Yusuf	Non-executive	
Tajammal Hussain Bokharee	Non-executive	

Audit Committee

Tajammal Hussain Bokharee	Chairman
Neon Jung Kim	Member
Aliya Yusuf	Member

Senior Remuneration Sub Committee

Soon Hyo Chung	Chairman
Soo Young Huh	Member
Neon Jung Kim	Member
Oh Hun Im	Member

Shares Sub Committee

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

Chief Financial Officer and Company Secretary

Ali Aamir

Executive Management Team

M Asif Saad	Chief Executive
Ali Aamir	Chief Financial Officer & Company Secretary
Qamar Haris Manzoor	General Manager Manufacturing
Mohammad Wasim	General Manager Projects
Humair Ijaz	General Manager Commercial
Waheed U Khan	Corporate Human Resource Manager
Adnan W Samdani	Corporate Strategy Manager

Bankers

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

Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

External Auditors

A. F. Ferguson & Co.
Chartered Accountants

Legal Advisor

Djaleh Akber
148, 18th East Street, Phase 1, DHA, Karachi

Registered Office

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

Shares Registrar

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



Report of the Directors

For the first quarter ended 31 March 2010

The Directors are pleased to present their report for the first quarter ended 31 March 2010 together with the un-audited condensed interim financial statements of the Company for the first quarter ended 31 March 2010

BUSINESS OVERVIEW

The year started on an optimistic note in Asia with China and India continuing to post strong growth rates. Overall global demand is beginning to show signs of recovery as reflected by US economic data released at the end of Q1 2010. As a result of these developments, crude oil traded around the US\$ 80 per barrel rising from a low of US\$ 71 per barrel in February to a high of US\$ 83 per barrel in March.

The Paraxylene (Px) market remained well supplied during the quarter and the balance improved in the Asia Pacific region with the commissioning of new Px capacity in Kuwait. Spot prices averaged US\$ 1,055 per tonne CFR China for the quarter with a high of US\$ 1,160 per tonne CFR China in January and a low of US\$ 980 per tonne CFR China in March. Since most Px users had booked high contract volumes, spot trade in Q1 remained thin.

The downstream textile market remained lacklustre through most of Q1 2010, mainly due to a tightening monetary policy stance by the Chinese government. However, PTA spot prices remained buoyant around US\$ 950 per tonne CFR China level mainly due to high polyester staple fibre (PSF) operating rates in China which remained at 85% to 90% level throughout the quarter, in anticipation of improved conditions in the US market and increase in the local demand. Another reason for PTA prices remaining buoyant during the quarter was the imposition by the Chinese government of provisional anti-dumping duties on Korean and Thai PTA manufacturers (2% to 4% and 12% to 19% respectively). As a result, Taiwanese PTA commanded a premium of around US\$ 20 per tonne over other suppliers in the region. PSF prices averaged US\$ 1.30 per kg during the quarter, with a high of US\$ 1.32 per kg and a low of US\$ 1.21 per kg.

PET manufacturers in the region faced problems with the sudden appreciation of the US\$ against the Euro which increased the cost to the European end users, thus capping demand in the short run. PET prices averaged US\$ 1,272 per tonne FOB China during the quarter. In the local market, PET prices averaged Rs 130 per kg, with a high of Rs 132 per kg in March and a low of Rs 124 per kg in January.

Report of the Directors

For the first quarter ended 31 March 2010

OPERATIONS

Sales volume for Q1 at 108,262 tonnes was 13% lower than the corresponding quarter last year and included 96% domestic off-take. This was mainly due to a planned shutdown of the country's largest PSF producer and a slowdown in the domestic PFY market. This was, however, mitigated to a certain extent by export sales of 4,246 tonnes.

Production during the quarter at 116,393 tonnes was 9% lower than the corresponding period last year mainly due to a planned plant outage of 4 days in February 2010 for routine maintenance work. Conversion efficiencies generally remained at the same level as last year.

PROFIT, FINANCE & TAXATION

With the higher PTA margin over Px in Q1 2010 as compared to the same period last year, the Company generated a gross profit of Rs 1.3 billion during the quarter as compared to Rs 0.8 billion in Q1 2009, despite lower sales volume.

Other operating income was higher than Q1 2009 mainly due to interest income of Rs 177 million earned during the quarter on surplus cash generated from operations and an exchange gain of Rs 80 million due to the appreciation of the Rupee versus the US\$ in the quarter.

Other operating expenses for the quarter were lower than Q1 2009 mainly due to a reduction in exchange loss as a result of the favourable movement in the Rupee/US\$ exchange rate.

The taxation charge for the quarter is based on the estimated annual tax rate expected for the full financial year 2010.

FUTURE OUTLOOK

The economic forecast for 2010 remains optimistic, with China spearheading the revival of the worldwide economy. However, the financial crisis in Greece is likely put a strain on the recovery as it has negatively impacted the entire European Union (EU) economy.

Report of the Directors

For the first quarter ended 31 March 2010

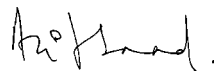
Px is expected to remain balanced given the new capacities in the Middle East and another one million tonnes plant expected to come online in China in Q4 2010. The anti dumping duties imposed by the Chinese government on Thai and Korean PTA manufacturers are expected to have a negative impact on regional markets as Thai PTA producers may start selling their product at reduced prices in the near term.

The Company would once again like to inform all its stakeholders that the PTA industry is highly capital intensive and continuation of the existing tariff structure (customs duty on PTA at 7.5%, Px at 0% and acetic acid at 0%) is vital for its long term sustainability and development and also to mitigate the impact of high infrastructure and other costs of doing business in Pakistan. In the event the existing tariff structure is changed to the detriment of the PTA industry, future profitability of the Company will be significantly impaired. Furthermore, the Company has consistently explained to the Government of Pakistan (GoP) at various forums that a policy framework for the PTA tariff structure which is in line with successful industry models in comparable countries, should be put in place. Such a policy framework should recognise the high infrastructure and other costs of doing business in Pakistan. The Company's major shareholder has keen interest to invest in a second PTA production line worth approximately US\$ 500 million, but will evaluate this investment on the basis of GoP's long term policy outlook for this industry.



Soon Hyo Chung
Chairman

Karachi: 22 April 2010



M Asif Saad
Chief Executive

Condensed interim balance sheet (unaudited)

As at 31 March 2010

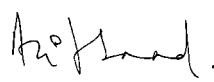
Amounts in Rs '000

	Note	31 March 2010	31 December 2009
Non-current assets			
Property, plant and equipment	5	9,079,009	9,335,514
Long-term loans and advances		41,296	34,497
Long-term deposits and prepayments		62,476	62,586
Deferred tax asset - net		2,226	-
Total non-current assets		9,185,007	9,432,597
Current assets			
Stores and spares		415,835	400,715
Stock-in-trade		3,253,829	1,273,922
Trade debts		1,610,339	1,800,772
Loans and advances		26,574	26,233
Deposits and short-term prepayments		127,045	49,150
Other receivables		908,236	555,031
Cash and bank balances	6	7,054,378	5,437,940
Total current assets		13,396,236	9,543,763
Total assets		22,581,243	18,976,360
Share capital and reserves			
Authorised capital 2,000,000,000 (31 December 2009: 2,000,000,000) ordinary shares of Rs 10 each		20,000,000	20,000,000
Issued, subscribed and paid-up capital 1,514,207,208 (31 December 2009: 1,514,207,208) ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserves		2,345	2,345
Accumulated loss		(7,578,035)	(7,694,009)
Total equity		7,566,382	7,450,408
Surplus on revaluation of property, plant and equipment		85,992	85,992
Non-current liabilities			
Long-term loans	7	5,314,522	5,322,397
Liability against assets subject to finance lease		300,186	351,796
Deferred tax liability		-	5,141
Deferred liability		9,956	9,999
Total non-current liabilities		5,624,664	5,689,333
Current liabilities			
Trade and other payables		7,758,130	4,972,671
Accrued interest / mark-up on loans		156,926	137,175
Unclaimed dividend		2,374	2,374
Taxation payable		511,647	519,114
Dividend payable		757,104	-
Current portion of liability against assets subject to finance lease	8	118,024	119,293
Total current liabilities		9,304,205	5,750,627
Contingencies and commitments	9		
Total equity and liabilities		22,581,243	18,976,360

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Soon Hyo Chung
Chairman



M Asif Saad
Chief Executive



Condensed interim profit and loss account (unaudited)

For the first quarter ended 31 March 2010

		Amounts in Rs '000	
	Note	Quarter ended 31 March	
		2010	2009
Turnover	10	9,737,405	8,200,388
Price settlements and discounts		(414,505)	(1,084,660)
Net sales		9,322,900	7,115,728
Cost of sales	11	(7,972,957)	(6,361,797)
Gross profit		1,349,943	753,931
Distribution and selling expenses		(23,771)	(16,851)
Administration expenses		(59,357)	(53,898)
Other operating income	12	257,904	5,713
Other operating expenses	13	(41,624)	(101,391)
		133,152	(166,427)
Financial charges		1,483,095	587,504
		(58,528)	(108,068)
Profit before taxation		1,424,567	479,436
Taxation	14	(551,489)	44,113
Profit after taxation		873,078	523,549
		Amount in rupees	
Earnings per share – basic and diluted		0.58	0.35

Statement of comprehensive income (unaudited)

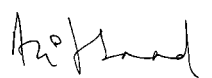
For the first quarter ended 31 March 2010

		Amounts in Rs '000	
Profit after taxation		873,078	523,549
Other comprehensive income		-	-
Total comprehensive income		873,078	523,549

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Soon Hyo Chung
Chairman



M Asif Saad
Chief Executive

Condensed interim cash flow statement (unaudited)

For the first quarter ended 31 March 2010

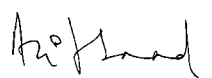
Amounts in Rs '000

	Quarter ended 31 March	
	2010	2009
Cash flows from operating activities		
Profit before taxation	1,424,567	479,436
Adjustments for:		
Depreciation	310,008	304,137
Loss on sale/retirement of property, plant & equipment	17	-
Financial charges	58,528	108,068
Unrealised exchange (gain) / loss	(34,801)	85,754
Profit on bank deposits	(177,110)	-
	1,581,209	977,395
Movement in:		
Working capital	578,433	749,050
Long-term loans and advances	(6,799)	(2,372)
Long-term deposits and prepayments	110	50
	571,744	746,728
Cash generated from operations	2,152,953	1,724,123
Payments for:		
Financial charges	(34,723)	(253,094)
Staff retirement benefit scheme - unfunded	(43)	(23)
Taxation	(566,323)	(100,670)
	(601,089)	(353,787)
Profit received on bank deposits	148,101	-
Net cash generated from operating activities	1,699,965	1,370,336
Cash flows from investing activities		
Payments for capital expenditure	(53,520)	(7,854)
Net cash used in investing activities	(53,520)	(7,854)
Cash flows from financing activities		
Payment for liability against assets subject to finance lease	(30,007)	(19,069)
Dividend paid	-	(4)
Net cash used in financing activities	(30,007)	(19,073)
Net increase in cash and cash equivalents	1,616,438	1,343,409
Cash and cash equivalents at 1 January	5,437,940	(1,238,178)
Cash and cash equivalents at 31 March	7,054,378	105,231
Movement in working capital		
(Increase) / decrease in current assets:		
Stores and spares	(15,120)	(759)
Stock-in-trade	(1,979,907)	399,583
Trade debts	190,433	(1,111,232)
Loans and advances	(341)	(4,241)
Deposits and short-term prepayments	(77,895)	20,001
Other receivables	(324,196)	857,551
	(2,207,026)	160,903
Increase in current liabilities:		
Trade and other payables	2,785,459	588,147
	578,433	749,050

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Soon Hyo Chung
Chairman



M Asif Saad
Chief Executive



Condensed interim statement of changes in equity (unaudited)

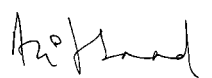
For the first quarter ended 31 March 2010

	Amounts in Rs '000			
	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total
Balance as on 1 January 2009	15,142,072	2,345	(11,077,282)	4,067,135
Total comprehensive income for the three months ended 31 March 2009	-	-	523,549	523,549
Balance as on 31 March 2009	15,142,072	2,345	(10,553,733)	4,590,684
Total comprehensive income for the nine months ended 31 December 2009	-	-	2,859,724	2,859,724
Balance as on 31 December 2009	15,142,072	2,345	(7,694,009)	7,450,408
Dividend @ Rs 0.50 per share relating to 2009 - note 8	-	-	(757,104)	(757,104)
Total comprehensive income for the three months ended 31 March 2010	-	-	873,078	873,078
Balance as on 31 March 2010	15,142,072	2,345	(7,578,035)	7,566,382

The annexed notes 1 to 17 form an integral part of these condensed interim financial statements.



Soon Hyo Chung
Chairman



M Asif Saad
Chief Executive

Notes to the condensed interim financial statements (unaudited)

For the first quarter ended 31 March 2010

1. Lotte Pakistan PTA Limited, formerly Pakistan PTA Limited, ("the company") is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The company is engaged in the manufacture and sale of Pure Terephthalic Acid (PTA). The company's registered office is situated at EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi.
2. These interim financial statements are presented in condensed form in accordance with approved accounting standards applicable for interim financial reporting and are being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984.

These condensed interim financial statements do 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 2009.

3. Significant accounting policies

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are the same as those applied in preparation of the financial statements for the preceding year ended 31 December 2009.

4. Accounting estimates, judgements and financial risk management

- 4.1 The preparation of these condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements 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 these condensed interim financial statements are the same as those that were applied to the financial statements as at and for the year ended 31 December 2009.

- 4.2 The company's financial risk management objective and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2009.

5. Property, plant and equipment

The following property, plant and equipment have been added / disposed of during the quarter ended 31 March:

	2010		2009	
	Additions	Disposals	Additions	Disposals
Buildings on leasehold land	-	-	2,001	-
Plant and machinery	3,324	-	71,854	-
Furniture and equipment	2,711	109	3,097	-

Notes to the condensed interim financial statements (unaudited)

For the first quarter ended 31 March 2010

Amounts in Rs '000

6. Cash and bank balances

	31 March 2010	31 December 2009
Short-term fixed deposits	6,906,000	5,324,300
Current accounts	140,988	106,697
Cash in hand	7,390	6,943
	7,054,378	5,437,940

7. Long-term loans – unsecured

Lender	Installments payable	Interest rate	Repayment period	31 March 2010	31 December 2009
Loans from associated company					
KP Chemical Corporation USD 63 million (31 December 2009: USD 63 million)	full payment on maturity	1% per annum above 6 months LIBOR	2012	5,314,522	5,322,397
				5,314,522	5,322,397

8. Dividend payable

Dividend of Rs 0.50 per ordinary share of Rs 10 each of the company, that is, a dividend of 5% on the nominal value of the shares of the company was declared and approved in respect of the year ended 31 December 2009.

9. Contingencies and commitments

9.1 Commitments in respect of capital expenditure as at 31 March 2010 – Rs 255.915 million (31 December 2009: Rs 48.443 million).

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

Year	31 March 2010	31 December 2009
2010	11,016	14,236
2011	14,016	13,563
2012	11,551	10,838
2013	5,158	4,358
2014	200	-
	41,941	42,995

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

Year	31 March 2010	31 December 2009
2010	845,402	1,114,832
2011	1,160,099	1,147,107
2012	1,035,911	1,023,364
2013	8,142	6,932
	3,049,554	3,292,235

Notes to the condensed interim financial statements (unaudited)

For the first quarter ended 31 March 2010

Amounts in Rs '000

- 9.3.1** Commitments for rentals under operating lease agreements in respects of goods and services are stated at minimum lease payments. Some of these are linked to consumer price index (CPI) of UK / Pakistan, priced in foreign currency and payable in Pakistan rupees, converted at the exchange rates applicable on the date of payment.
- 9.4** ICI Pakistan Limited has issued a guarantee in respect of operational obligations of the company amounting to Rs 2,280 million (31 December 2009: Rs 2,280 million) against which the company has issued a counter guarantee to ICI Pakistan Limited.
- 9.5** Outstanding guarantees and letters of credit issued on behalf of the company as at 31 March 2010 were Rs 1,157.494 million (31 December 2009: Rs 1,057.494 million) and Rs 1,941 million (31 December 2009: Rs 2,151 million), respectively.
- 9.6** The Income Tax Appellate Tribunal (ITAT) vide order no ITA.No.111/KB/2006 dated 20 April 2006 has set aside the Taxation Officer's assessment order for the assessment year 2002-2003 (income year ending 31 December 2001) whereby the assessing officer has 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 has used volume basis to determine the allocation of cost of goods sold to export sales. The company has filed an appeal against the assessment. No provision has been made in these financial statements for the potential liability of Rs 799.459 million as the company is still confident of a favourable outcome from the appeal process and considers that the allocation basis used by the company is strictly in accordance with Rule 216 of Income Tax Rules 1982.

10. Turnover

Turnover includes export sales amounting to Rs 340.7 million (31 March 2009: Rs 266.11 million).

	Quarter ended 31 March	
	2010	2009
11. Cost of sales		
Opening stock of raw and packing materials	1,141,278	1,189,050
Purchases	8,997,391	5,050,735
Closing stock of raw and packing materials	(2,546,416)	(661,498)
Raw and packing materials consumed	7,592,253	5,578,287
Manufacturing costs	955,473	911,478
Cost of goods manufactured	8,547,726	6,489,765
Opening stock of finished goods	132,644	55,263
Closing stock of finished goods	8,680,370 (707,413)	6,545,028 (183,231)
	7,972,957	6,361,797
12. Other operating income		
Scrap sales	599	-
Exchange gain	80,195	-
Profit on bank deposits	177,110	4,127
Others	-	1,586
	257,904	5,713

Notes to the condensed interim financial statements (unaudited)

For the first quarter ended 31 March 2010

Amounts in Rs '000

	Quarter ended 31 March	
	2010	2009
13. Other operating expenses		
Donations	9,022	503
Exchange loss	-	90,017
Provision for obsolete, slow moving & rejected items	-	10,871
Loss on sale / retirement of property, plant & equipment	17	-
Workers' profit participation fund	22,165	-
Workers' welfare fund	10,420	-
	41,624	101,391

14. Taxation

The tax charge for the three months ended 31 March 2010 is based on estimated annual effective tax rate expected for the full financial year.

The unamortised deferred tax balance of the initial difference between the carrying value and tax base of property, plant & equipment as at 31 March 2010 amounts to Rs 1,571 million (31 December 2009: Rs 1,619 million)

15. Transactions with related parties

Related parties comprise parent company, related group companies, directors of the company, companies where directors also hold directorships, key management personnel and staff retirement funds. The prices of these transactions are determined on a commercial basis, where applicable. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	Quarter ended 31 March	
	2010	2009
Associates		
Sale of goods, materials and services	-	1,812,260
Purchase of goods	161	-
Financial charges to group company	19,751	51,592
Purchase of services	2,205	6,122
Others		
Payment to staff retirement benefit funds	7,852	8,597
	31 March 2010	31 December 2009
Balances		
Payable to associates	156,926	137,175
Receivable from staff retirement benefit funds	33,321	30,826

Notes to the condensed interim financial statements (unaudited)

For the first quarter ended 31 March 2010

15.1 Transactions with key management personnel

Loans to key management personnel as at 31 March 2010 amounted to Rs 3,927 million (31 December 2009: Rs 4,796 million) and are included in "loans and advances". No interest is payable on these loans in accordance with their terms of employment.

Key management personnel received compensation in the form of remuneration and short-term benefits of Rs 13,022 million (31 March 2009: Rs 10,049 million), expenses on company maintained cars of Rs 2,546 million (31 March 2009: Rs 3,176 million) and post-employment benefits of Rs 1,207 million (31 March 2009: Rs 0,866 million).

16. General

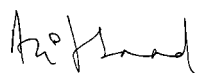
Figures have been rounded-off to the nearest thousand rupees except where stated otherwise.

17. Date of authorisation

These condensed interim financial statements were authorised for issue in the Board of Directors meeting held on 22 April 2010.



Soon Hyo Chung
Chairman



M Asif Saad
Chief Executive





Lotte Pakistan PTA Ltd

Formerly Pakistan PTA Limited

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