

# LOTTE PAKISTAN PTA LTD

*Report for the quarter &  
Nine months ended 30 September 2012*





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## Company information

### Board of Directors

Soon Hyo Chung	Chairman–Non executive
M Asif Saad	Chief Executive
Changgyou Kim	Non-executive
Jung Neon Kim	Executive
Oh Hun Im	Executive
Mohammad Qasim Khan	Non-executive / Independent
Aliya Yusuf	Non-executive / Independent
Manzoor Ahmed	Non-executive

### Audit Committee

Aliya Yusuf	Chairperson
Jung Neon Kim	Member
Manzoor Ahmed	Member
Ashiq Ali	Secretary & Head of Internal Audit

### Senior Remuneration Sub Committee

Soon Hyo Chung	Chairman	
Changgyou Kim	Member	(appointed w.e.f. 22 October 2012)
Jung Neon Kim	Member	
Oh Hun Im	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
Qamar Haris Manzoor	General Manager Manufacturing
Mohammad Wasim	General Manager Projects
Humair Ijaz	General Manager Commercial
Waheed U Khan	Corporate Human Resource Manager

### Bankers

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

### Internal Auditors

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

### External Auditors

A.F. Ferguson & Co.,  
Chartered Accountants

### Legal Advisor

Fehem Ahson Hashmi  
148, 18th East Street, Phase 1, DHA, Karachi

### Registered Office

EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi  
UAN: +92(0)21 111-782-111 Fax: +92(0)21 3472-6041

### Shares Registrar

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

## Directors' report

For the third quarter ended 30 September 2012

The Directors are pleased to present their report for the third quarter ended 30 September 2012 together with the un-audited condensed interim financial information of the Company and the Group for the third quarter and nine months ended 30 September 2012. The Group results comprises of Lotte Pakistan PTA Limited (Company) and Lotte Powergen (Private) Limited, a wholly owned subsidiary of the Company.

### BUSINESS OVERVIEW

Crude oil prices remained strong during the quarter on the back of the Middle East turmoil, rising tensions between Iran and the West and stimulus measures from central banks in the US, China, Europe and Japan.

PTA producers continued to face a very challenging market, where Paraxylene (Px) is becoming increasingly tight, and the downstream demand is unable to absorb the production from the new PTA capacities. In China, start-ups of 3.7 million tonnes per annum capacities of PTA increased the demand for Px. As a result, Px supplies remained tight and Px prices remained bullish during the quarter.

Meanwhile, the global PTA downstream industry continued to struggle, in tandem with the poor economic conditions in Europe and the US.

As a result of the market conditions, PTA producers struggled with negative margins and were left with no choice but to reduce operating rates and cut production levels.

However in Pakistan, the domestic PSF industry operated at high rates as a result of an easing in energy availability and healthy downstream demand. The PET industry also operated at high levels throughout the quarter.

### OPERATIONS

Sales volume, comprising of domestic sales only, for Q3 2012 at 129,028 tonnes was 4% higher than the corresponding quarter last year.

Production during the quarter at 126,308 tonnes was 3% higher than the corresponding period last year due to production outages on account of persistent dips in the supply of electric power to the plant during July 2011.

### LOTTE POWERGEN (PRIVATE) LIMITED

Lotte Powergen (Private) Limited, a wholly owned subsidiary of Lotte Pakistan PTA Limited, started its commercial production on 17 July 2012. As mentioned in the previous Director reports, the successful commissioning of the co-generation project has minimised the risk of electric supply fluctuations/outages to the PTA plant.

The co-generation plant operated smoothly since commencement of commercial operations. Financial performance of Lotte Powergen (Private) Limited together with the Company is presented in the condensed interim consolidated results for the nine months ended 30 September 2012.

## PROFIT, FINANCE & TAXATION

Despite higher sales volume, revenue for the quarter was lower than the corresponding period last year mainly due to lower PTA prices. Impact of lower PTA prices resulted in a reduction in PTA margin over Px as compared to same period last year. As a result, your Company posted a gross loss of Rs 62 million for Q3 2012 as compared to gross profit of Rs 1,340 million during the same period last year. However on consolidated basis, the Group earned a gross profit of Rs 120 million for the quarter.

Distribution and selling expenses for the quarter were lower than the corresponding quarter last year due to no export sales. Other operating expenses were significantly lower than the corresponding quarter last year mainly due to no provision for Workers' Profit Participation Fund due to operating loss.

Finance income was lower than Q3 2011 mainly due to reduction in average cash surplus levels on the back of lower cash generation. Finance costs were higher than Q3 2011 mainly on account of net exchange loss due to adverse impact of Rs/Euro parity.

The taxation charge for the quarter is based on minimum turnover tax as reduced by the movement in the deferred tax account.

## FUTURE OUTLOOK

The weak global economic conditions, particularly the slowing Chinese and other Asian economies are expected to continue having a negative impact on the overall polyester chain.

Px prices are expected to remain strong in the last quarter of the year, as the new mega PTA plants in China, increase their production rates. The incremental PTA supply is expected to outrun the demand from the polyester sector and therefore continue to put downward pressure on PTA margins.



**Soon Hyo Chung**  
Chairman

Karachi: 22 October 2012



**M Asif Saad**  
Chief Executive

# Condensed interim balance sheet

As at 30 September 2012

Amounts in Rs '000

	Note	30 September 2012 (Un-audited)	31 December 2011 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	5	6,311,699	9,852,587
Long-term investment	6	4,500,000	-
Long-term loans and advances		48,546	46,937
Long-term deposits and prepayments		86,493	100,212
		<b>10,946,738</b>	<b>9,999,736</b>
<b>Current assets</b>			
Stores and spares		716,089	694,745
Stock-in-trade		3,988,764	4,669,004
Trade debts		3,430,435	3,143,244
Loans and advances		40,201	40,603
Trade deposits and short-term prepayments		78,577	159,398
Interest accrued on bank deposits		8,607	12,831
Other receivables		23,581	209,420
Tax refunds due from government - sales tax	7	528,296	288,872
Taxation - payments less provision		711,392	177,264
Cash and bank balances		1,968,311	4,505,251
		<b>11,494,253</b>	<b>13,900,632</b>
<b>Total assets</b>		<b>22,440,991</b>	<b>23,900,368</b>
<b>Equity</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital 1,514,207,208 (31 December 2011: 1,514,207,208) ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserves		2,345	2,345
Accumulated losses		(3,241,119)	(2,061,717)
		<b>11,903,298</b>	<b>13,082,700</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Liability against assets subject to finance lease		-	38,039
Deferred tax		868,385	1,142,646
Retirement benefit obligation		26,132	20,787
		<b>894,517</b>	<b>1,201,472</b>
<b>Current liabilities</b>			
Trade and other payables		8,442,051	7,479,634
Current maturity of long-term loan	8	949,875	1,801,150
Interest accrued / mark-up on loans		150,248	140,074
Current portion of liability against assets subject to finance lease		101,002	195,338
		<b>9,643,176</b>	<b>9,616,196</b>
<b>Total liabilities</b>		<b>10,537,693</b>	<b>10,817,668</b>
<b>Contingencies and commitments</b>	9		
<b>Total equity and liabilities</b>		<b>22,440,991</b>	<b>23,900,368</b>

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

  
**Soon Hyo Chung**  
 Chairman

  
**M Asif Saad**  
 Chief Executive

# Condensed interim profit and loss account (un-audited)

For the quarter and nine months ended 30 September 2012

Amounts in Rs '000

	Note	Quarter ended 30 September		Nine months ended 30 September	
		2012	2011 (Re-stated)	2012	2011 (Re-stated)
<b>Revenue</b>	10	<b>13,543,251</b>	14,154,597	<b>40,081,644</b>	44,815,635
Cost of sales	11	<b>(13,605,611)</b>	(12,814,807)	<b>(40,317,934)</b>	(37,819,816)
<b>Gross (loss) / profit</b>		<b>(62,360)</b>	1,339,790	<b>(236,290)</b>	6,995,819
Distribution and selling expenses		<b>(21,966)</b>	(44,768)	<b>(112,892)</b>	(138,379)
Administrative expenses		<b>(74,082)</b>	(74,764)	<b>(226,636)</b>	(240,246)
Other operating expenses	12	<b>(5,602)</b>	(110,228)	<b>(17,045)</b>	(521,321)
Other operating income	13	<b>7,069</b>	255	<b>37,415</b>	17,085
		<b>(94,581)</b>	(229,505)	<b>(319,158)</b>	(882,861)
Operating (loss) / profit		<b>(156,941)</b>	1,110,285	<b>(555,448)</b>	6,112,958
Finance income	14	<b>62,027</b>	181,832	<b>241,399</b>	660,431
Finance costs		<b>(103,514)</b>	(39,788)	<b>(139,079)</b>	(136,847)
<b>(Loss) / profit before taxation</b>		<b>(198,428)</b>	1,252,329	<b>(453,128)</b>	6,636,542
Taxation	15	<b>70,542</b>	(363,460)	<b>30,830</b>	(2,050,267)
<b>(Loss) / profit after taxation</b>		<b>(127,886)</b>	888,869	<b>(422,298)</b>	4,586,275
<b>Amount in Rupees</b>					
<b>Earnings per share - basic and diluted</b>		<b>(0.08)</b>	0.59	<b>(0.28)</b>	3.03

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

  
**Soon Hyo Chung**  
 Chairman

  
**M Asif Saad**  
 Chief Executive



Condensed interim statement of comprehensive income (un-audited)

For the quarter and nine months ended 30 September 2012

Amounts in Rs '000

	Quarter ended 30 September		Nine months ended 30 September	
	2012	2011 (Re-stated)	2012	2011 (Re-stated)
<b>(Loss) / profit after taxation</b>	<b>(127,886)</b>	888,869	<b>(422,298)</b>	4,586,275
Other comprehensive income	-	-	-	-
<b>Total comprehensive (loss) / income</b>	<b>(127,886)</b>	888,869	<b>(422,298)</b>	4,586,275

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



**Soon Hyo Chung**  
Chairman



**M Asif Saad**  
Chief Executive

# Condensed interim cash flow statement (un-audited)

For the nine months ended 30 September 2012

	Note	Amounts in Rs '000	
		<b>Nine months ended</b>	
		<b>30 September</b>	
		<b>2012</b>	2011
<b>Cash flows from operating activities</b>			
Cash generated from operations	16	<b>1,924,623</b>	2,936,766
Long-term loans and advances - net		<b>(1,609)</b>	(4,376)
Long-term deposits and prepayments - net		<b>13,719</b>	(1,471)
Finance costs paid		<b>(126,383)</b>	(111,203)
Payments to staff retirement benefit scheme - unfunded		<b>(182)</b>	(47)
Profit received on bank deposits		<b>245,623</b>	608,184
Taxes paid		<b>(777,559)</b>	(2,321,221)
Net cash generated from operating activities		<b>1,278,232</b>	1,106,632
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		<b>(1,639,290)</b>	(1,771,129)
Redemption of investment in financial assets		-	202,415
Investment in financial assets		-	(650,000)
Long-term investment		<b>(346,922)</b>	-
Net cash used in investing activities		<b>(1,986,212)</b>	(2,218,714)
<b>Cash flows from financing activities</b>			
Payments for liability against assets subject to finance lease		<b>(154,981)</b>	(117,775)
Repayment of long-term loan		<b>(919,150)</b>	(859,600)
Dividend paid		<b>(754,829)</b>	(754,722)
Net cash used in financing activities		<b>(1,828,960)</b>	(1,732,097)
<b>Net decrease in cash and cash equivalents</b>		<b>(2,536,940)</b>	(2,844,179)
Cash and cash equivalents at 1 January		<b>4,505,251</b>	6,910,308
<b>Cash and cash equivalents at 30 September</b>		<b>1,968,311</b>	4,066,129

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

  
**Soon Hyo Chung**  
 Chairman

  
**M Asif Saad**  
 Chief Executive

## Condensed interim statement of changes in equity (un-audited)

For the nine months ended 30 September 2012

	Amounts in Rs '000			
	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total
<b>Balance as on 1 January 2011</b>	15,142,072	2,345	(5,482,144)	9,662,273
Final cash dividend @ Rs 0.50 per share relating to 2010	-	-	(757,104)	(757,104)
Total comprehensive income for the nine months ended 30 September 2011	-	-	4,586,275	4,586,275
<b>Balance as on 30 September 2011</b>	<u>15,142,072</u>	<u>2,345</u>	<u>(1,652,973)</u>	<u>13,491,444</u>
<b>Balance as on 1 January 2012</b>	15,142,072	2,345	(2,061,717)	13,082,700
Final cash dividend @ Rs 0.50 per share relating to 2011	-	-	(757,104)	(757,104)
Total comprehensive loss for the nine months ended 30 September 2012	-	-	(422,298)	(422,298)
<b>Balance as at 30 September 2012</b>	<u>15,142,072</u>	<u>2,345</u>	<u>(3,241,119)</u>	<u>11,903,298</u>

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



**Soon Hyo Chung**  
Chairman



**M Asif Saad**  
Chief Executive

## Notes to the condensed interim financial information (un-audited)

For the quarter and nine months ended 30 September 2012

1. 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 KP Chemical Corporation - Korea and its ultimate parent company is South Korean conglomerate Lotte.

2. This condensed interim financial information of the Company for the nine months ended 30 September 2012 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 2011.

### 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 2011.

The figures of the condensed interim profit and loss account for the nine months and quarter ended 30 September 2011 have been re-stated to incorporate the effect of re-statement arising due to change in accounting policy relating to Fixed Assets made in the annual financial statements for the year ended 31 December 2011.

Amounts in Rs '000

	For the nine months ended 30 September 2011		
	As previously reported	As re-stated	Re-statement Increase / (decrease)
<b>Effect on profit and loss account</b>			
Cost of goods sold / manufacturing costs	(37,818,387)	(37,819,816)	1,429
Taxation	(2,049,861)	(2,050,267)	406
Decrease in profit after taxation			1,835
<b>Effect on earnings per share</b>			
	<b>Amount in Rupees</b>		
Earnings per share - basic and diluted	3.03	3.03	-

### 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 2011.

Notes to the condensed interim financial information (un-audited)

For the quarter and nine months ended 30 September 2012

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 2011.

5. Fixed assets

5.1 The following fixed assets have been added / disposed of during the nine months ended 30 September :

Amounts in Rs '000

	2012		2011	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
<b>Operating assets / property, plant and equipment</b>				
Buildings on leasehold land	910	-	1,100	1,123
Plant and machinery	122,493	3,431	149,622	5,505
Furniture and equipment	45,011	209	8,537	1,163
Motor vehicles	-	-	155	-
<b>Capital work-in-progress</b>	<b>1,469,723</b>	-	1,610,860	-
<b>Intangible assets</b>	<b>1,153</b>	-	855	-

5.2 The investment for plant and machinery of the power project amounting to Rs 4,153 million was undertaken for the wholly own subsidiary company, Lotte Powergen (Private) Limited. These assets are now held by the subsidiary company.

6. Long-term investment - unquoted

30 September 2012 31 December 2011

At Cost

Lotte Powergen (Private) Limited -wholly owned subsidiary  
450,000,000 ordinary shares of Rs 10 each  
(31 December 2011: Nil)

4,500,000 -

This represents investment made in the power generation project, the breakup of which is as under:

30 September 2012	31 December 2011		30 September 2012	31 December 2011
Number of shares			(Amounts in Rs '000)	
415,307,819	-	Ordinary share of Rs 10 each (Issued against plant and machinery)	4,153,078	-
34,692,181	-	Ordinary share of Rs 10 each (Issued against cash consideration)	346,922	-
450,000,000	-		4,500,000	-

7. Tax refunds due from government - sales tax

This includes Rs 205.3 million (31 December 2011: Rs 77.6 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.

## Notes to the condensed interim financial information (un-audited)

For the quarter and nine months ended 30 September 2012

Amounts in Rs '000

**8. Current maturity of long-term loan - unsecured**

Lender	Installments payable	Interest rate	Repayment month	30 September 2012	31 December 2011
<b>Loan from parent company</b>					
KP Chemical Corporation	full	1% p.a.	November		
USD 10 million	payment on	above	2012	<b>949,875</b>	<b>1,801,150</b>
(31 December 2011:	maturity	6 months			
USD 20 million)		LIBOR			

**9. Contingencies and commitments**

- 9.1** The Income Tax Appellate Tribunal (ITAT) vide order no ITA.No.111/KB/2006 dated 20 April 2006 had set aside the Taxation Officer's assessment order for the assessment year 2002-2003 (income year ending 31 December 2001) whereby the assessing officer had been directed to re-examine the issue of allocation of cost of goods sold to export sales, strictly in accordance with Rule 216 of the Income Tax Rules, 1982. The Taxation Officer vide order no. DC20/106 dated 29 June 2007 had used volume basis to determine the allocation of cost of goods sold to export sales, against which the Company had filed an appeal. The Commissioner Inland Revenue (Appeals) vide order numbers 153 and 391 dated 31 January 2011 (received by the Company on 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. Company has filed an appeal against the said order in August 2012. No provision has been made in these financial statements for the potential liability of Rs 903.01 million as the Company is confident of a favourable outcome from the appeal process.
- 9.2** ICI Pakistan Limited has issued a guarantee in respect of operational obligations of the Company amounting to Rs 2.01 billion (31 December 2011: Rs 2.10 billion) against which the Company has issued a counter guarantee to ICI Pakistan Limited.
- 9.3** Outstanding guarantees and letters of credit issued on behalf of the Company as at 30 September 2012 were Rs 1,350 million (31 December 2011: Rs 1.09 billion) and Rs 124 million (31 December 2011: Rs 2.33 billion), respectively.
- 9.4** Commitments in respect of capital expenditure as at 30 September 2012 amount to Rs 100.08 million (31 December 2011: Rs 1.68 billion).
- 9.5** Commitments for rentals under operating lease agreements / Ijarah contracts in respect of vehicles are as follows:

Year	30 September 2012	31 December 2011
2012	<b>5,016</b>	18,443
2013	<b>16,929</b>	13,769
2014	<b>13,374</b>	10,214
2015	<b>8,750</b>	3,833
2016	<b>2,162</b>	-
	<b>46,231</b>	46,259

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

Year	30 September 2012	31 December 2011
2012	<b>487,674</b>	1,367,902
2013	<b>53,198</b>	47,267
	<b>540,872</b>	1,415,169

## Notes to the condensed interim financial information (un-audited)

For the quarter and nine months ended 30 September 2012

- 9.7** 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.

Amounts in Rs '000

### 10. Revenue

	Quarter ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
<b>Manufactured goods</b>				
Local sales	<b>13,284,893</b>	12,919,486	<b>37,944,411</b>	40,447,499
Export sales	-	1,312,459	<b>2,033,562</b>	4,198,417
	<b>13,284,893</b>	14,231,945	<b>39,977,973</b>	44,645,916
Less:				
Sales tax and excise duty	<b>(61)</b>	-	<b>(61)</b>	(52,254)
Price settlements and discounts	<b>155,253</b>	(134,352)	<b>(151,668)</b>	79,344
	<b>13,440,085</b>	14,097,593	<b>39,826,244</b>	44,673,006
<b>Trading goods</b>				
Local sales	<b>105,221</b>	59,694	<b>261,264</b>	148,832
Less: Sales tax and excise duty	<b>(2,055)</b>	(2,690)	<b>(5,864)</b>	(6,203)
	<b>103,166</b>	57,004	<b>255,400</b>	142,629
	<b>13,543,251</b>	14,154,597	<b>40,081,644</b>	44,815,635

	Quarter ended 30 September		Nine months ended 30 September	
	2012	2011 (Re-stated)	2012	2011 (Re-stated)
<b>11. Cost of sales</b>				
<b>Manufactured goods</b>				
Opening stock of raw and packing materials	<b>2,610,582</b>	2,427,988	<b>3,334,047</b>	2,442,186
Purchases	<b>12,647,140</b>	14,037,228	<b>35,951,826</b>	38,386,963
Closing stock of raw and packing materials	<b>(3,332,871)</b>	(4,989,170)	<b>(3,332,871)</b>	(4,989,170)
Raw and packing materials consumed	<b>11,924,851</b>	11,476,046	<b>35,953,002</b>	35,839,979
Manufacturing costs	<b>1,314,227</b>	1,224,585	<b>3,441,963</b>	3,525,353
Cost of goods manufactured	<b>13,239,078</b>	12,700,631	<b>39,394,965</b>	39,365,332
Opening stock of finished goods	<b>901,640</b>	1,895,586	<b>1,332,340</b>	176,291
	<b>14,140,718</b>	14,596,217	<b>40,727,305</b>	39,541,623
Closing stock of finished goods	<b>(626,624)</b>	(1,826,650)	<b>(626,624)</b>	(1,826,650)
	<b>13,514,094</b>	12,769,567	<b>40,100,681</b>	37,714,973
<b>Trading goods</b>				
Opening stock	<b>10,069</b>	32,779	<b>2,617</b>	36,726
Purchases	<b>110,716</b>	23,740	<b>243,904</b>	79,396
Closing stock	<b>(29,268)</b>	(11,279)	<b>(29,268)</b>	(11,279)
	<b>91,517</b>	45,240	<b>217,253</b>	104,843
	<b>13,605,611</b>	12,814,807	<b>40,317,934</b>	37,819,816

## Notes to the condensed interim financial information (un-audited)

For the quarter and nine months ended 30 September 2012

Amounts in Rs '000

	Quarter ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
<b>12. Other operating expenses</b>				
Workers' profit participation fund	-	67,207	-	356,939
Workers' welfare fund	(371)	26,453	2,946	143,067
Donations	1,012	1,647	4,059	5,656
Loss on retirement of property, plant and equipment	-	2,833	3,640	2,971
Provision for obsolete, slow moving & rejected items	4,771	11,888	4,771	11,888
Others	190	200	1,629	800
	<b>5,602</b>	<b>110,228</b>	<b>17,045</b>	<b>521,321</b>

**13. Other operating income**

Scrap sales	2,869	480	15,910	15,532
Mark-up on deposit	-	-	1,092	1,214
Reversal of provision for sales tax receivable	-	-	15,569	-
Service income - note 13.1	4,200	-	4,200	-
Others	-	(225)	644	339
	<b>7,069</b>	<b>255</b>	<b>37,415</b>	<b>17,085</b>

**13.1** This represents income from certain technical and administrative services rendered by the Company to Lotte Powergen (Private) Limited under a Service Level Agreement.

	Quarter ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
<b>14. Finance income</b>				
Profit on bank deposits	62,027	126,767	241,399	579,442
Increase in fair value of financial assets - investment	-	30,078	-	80,989
Exchange gain - net	-	24,987	-	-
	<b>62,027</b>	<b>181,832</b>	<b>241,399</b>	<b>660,431</b>

**15. Taxation**

The tax charge for the quarter and nine months ended 30 September 2012 is based on the minimum turnover tax as reduced by the movement in the deferred tax account.



Notes to the condensed interim financial information (un-audited)

For the quarter and nine months ended 30 September 2012

Amounts in Rs '000

<b>Nine months ended 30 September</b>	
<b>2012</b>	2011 (Re-stated)

**16. Cash generated from operations**

(Loss) / profit before taxation **(453,128)** 6,636,542

**Adjustments for non cash charges and other items:**

Depreciation and amortisation	<b>1,023,460</b>	985,835
Loss on retirement of property, plant and equipment	<b>3,640</b>	2,971
Provision for staff retirement benefit scheme - unfunded	<b>5,527</b>	-
Finance costs	<b>139,079</b>	136,847
Unrealised exchange loss on current maturity of long-term loan and current portion of liability against assets subject to finance lease	<b>87,959</b>	61,808
Interest accrued on bank deposits	<b>(241,399)</b>	(579,442)
Provision for infrastructure cess	<b>145,091</b>	290,930
Increase in fair value of financial assets - investment	<b>-</b>	(80,989)
	<b>1,163,357</b>	817,960
	<b>710,229</b>	7,454,502

**Effect on cashflows due to working capital changes**

Decrease / (increase) in current assets:

Stores and spares	<b>(21,344)</b>	(150,958)
Stock-in-trade	<b>680,240</b>	(4,169,559)
Trade debts	<b>(287,191)</b>	(1,781,705)
Loans and advances	<b>402</b>	1,208
Deposits and short-term prepayments	<b>80,821</b>	(50,371)
Other receivables and refunds from government	<b>(53,585)</b>	11,634
	<b>399,343</b>	(6,139,751)

Increase in trade and other payables **815,051** 1,622,015

Cash generated from operations **1,924,623** 2,936,766

## Notes to the condensed interim financial information (un-audited)

For the quarter and nine months ended 30 September 2012

Amounts in Rs '000

### 17. 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 September		Nine months ended 30 September	
		2012	2011	2012	2011
<b>Parent company</b>	Repayment of loan	-	-	<b>919,150</b>	859,600
	Payment of interest on loan	-	1,178	<b>15,687</b>	27,160
<b>Subsidiary company</b>	Purchase of shares against transfer of asset	-	-	<b>4,153,078</b>	-
	Purchase of shares against cash	-	-	<b>346,922</b>	-
	Purchase of goods	<b>619,728</b>	-	<b>619,728</b>	-
	Sale of services	<b>4,200</b>	-	<b>4,200</b>	-
<b>Associates</b>	Purchase of services	<b>33</b>	-	<b>33</b>	-
<b>Key management personnel</b>	Salaries and other short-term benefits	<b>25,594</b>	21,693	<b>64,184</b>	63,622
	Post employment benefits	<b>3,435</b>	1,568	<b>10,556</b>	4,581
<b>Staff retirement benefit funds</b>	Payment to staff retirement benefit funds	<b>15,217</b>	9,663	<b>44,353</b>	27,914

### 18. General

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

### 19. Date of authorisation

This condensed interim financial information was authorised for issue in the Board of Directors meeting held on 22 October 2012.

  
**Soon Hyo Chung**  
 Chairman

  
**M Asif Saad**  
 Chief Executive

**Condensed interim consolidated  
financial information**

**Lotte Pakistan PTA Limited  
and its Subsidiary Company**

# Condensed interim consolidated balance sheet

As at 30 September 2012

		Amounts in Rs '000	
	Note	<b>30 September 2012 (Un-audited)</b>	31 December 2011 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	5	<b>10,395,559</b>	9,852,587
Long-term loans and advances		<b>48,546</b>	46,937
Long-term deposits and prepayments		<b>86,493</b>	100,212
		<b>10,530,598</b>	9,999,736
<b>Current assets</b>			
Stores and spares		<b>716,089</b>	694,745
Stock-in-trade		<b>3,976,646</b>	4,669,004
Trade debts		<b>3,430,435</b>	3,143,244
Loans and advances		<b>40,201</b>	40,603
Trade deposits and short-term prepayments		<b>78,577</b>	159,398
Interest accrued on bank deposits		<b>10,705</b>	12,831
Other receivables		<b>22,181</b>	209,420
Tax refunds due from government - sales tax	6	<b>494,713</b>	288,872
Taxation - payments less provision		<b>708,530</b>	177,264
Cash and bank balances	7	<b>2,511,167</b>	4,505,251
		<b>11,989,244</b>	13,900,632
<b>Total assets</b>		<b>22,519,842</b>	23,900,368
<b>Equity</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital 1,514,207,208 (31 December 2011: 1,514,207,208) ordinary shares of Rs 10 each		<b>15,142,072</b>	15,142,072
Capital reserves		<b>2,345</b>	2,345
Accumulated losses		<b>(3,065,836)</b>	(2,061,717)
		<b>12,078,581</b>	13,082,700
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Liability against assets subject to finance lease		<b>-</b>	38,039
Deferred tax		<b>868,385</b>	1,142,646
Retirement benefit obligation		<b>26,132</b>	20,787
		<b>894,517</b>	1,201,472
<b>Current liabilities</b>			
Trade and other payables		<b>8,345,619</b>	7,479,634
Current maturity of long-term loan	8	<b>949,875</b>	1,801,150
Interest accrued / mark-up on loans		<b>150,248</b>	140,074
Current portion of liability against assets subject to finance lease		<b>101,002</b>	195,338
		<b>9,546,744</b>	9,616,196
<b>Total liabilities</b>		<b>10,441,261</b>	10,817,668
<b>Contingencies and commitments</b>	9		
<b>Total equity and liabilities</b>		<b>22,519,842</b>	23,900,368

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



**Soon Hyo Chung**  
Chairman



**M Asif Saad**  
Chief Executive

Condensed interim consolidated profit and loss account (un-audited)

For the quarter and nine months ended 30 September 2012

Amounts in Rs '000

	Note	Quarter ended 30 September		Nine months ended 30 September	
		2012	2011 (Re-stated)	2012	2011 (Re-stated)
<b>Revenue</b>	10	<b>13,543,251</b>	14,154,597	<b>40,081,644</b>	44,815,635
Cost of sales	11	<b>(13,422,964)</b>	(12,814,807)	<b>(40,135,287)</b>	(37,819,816)
<b>Gross profit / (loss)</b>		<b>120,287</b>	1,339,790	<b>(53,643)</b>	6,995,819
Distribution and selling expenses		<b>(21,966)</b>	(44,768)	<b>(112,892)</b>	(138,379)
Administrative expenses		<b>(74,082)</b>	(74,764)	<b>(226,636)</b>	(240,246)
Other operating expenses	12	<b>(15,661)</b>	(110,228)	<b>(27,104)</b>	(521,321)
Other operating income	13	<b>2,869</b>	255	<b>33,215</b>	17,085
		<b>(108,840)</b>	(229,505)	<b>(333,417)</b>	(882,861)
Operating profit / (loss)		<b>11,447</b>	1,110,285	<b>(387,060)</b>	6,112,958
Finance income	14	<b>72,635</b>	181,832	<b>252,007</b>	660,431
Finance costs		<b>(103,514)</b>	(39,788)	<b>(139,079)</b>	(136,847)
<b>(Loss) / profit before taxation</b>		<b>(19,432)</b>	1,252,329	<b>(274,132)</b>	6,636,542
Taxation	15	<b>66,829</b>	(363,460)	<b>27,117</b>	(2,050,267)
<b>Profit / (loss) after taxation</b>		<b>47,397</b>	888,869	<b>(247,015)</b>	4,586,275
<b>Amount in Rupees</b>					
<b>Earnings per share - basic and diluted</b>		<b>0.03</b>	0.59	<b>(0.16)</b>	3.03

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

  
**Soon Hyo Chung**  
 Chairman

  
**M Asif Saad**  
 Chief Executive

## Condensed interim consolidated statement of comprehensive income (un-audited)

For the quarter and nine months ended 30 September 2012

Amounts in Rs '000

	Quarter ended 30 September		Nine months ended 30 September	
	2012	2011 (Re-stated)	2012	2011 (Re-stated)
<b>Profit / (loss) after taxation</b>	<b>47,397</b>	888,869	<b>(247,015)</b>	4,586,275
Other comprehensive income	-	-	-	-
<b>Total comprehensive income / (loss)</b>	<b>47,397</b>	888,869	<b>(247,015)</b>	4,586,275

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



**Soon Hyo Chung**  
Chairman



**M Asif Saad**  
Chief Executive

Condensed interim consolidated cash flow statement (un-audited)

For the nine months ended 30 September 2012

	Note	Amounts in Rs '000	
		Nine months ended	
		2012	2011
<b>Cash flows from operating activities</b>			
Cash generated from operations	16	2,112,898	2,936,766
Long-term loans and advances - net		(1,609)	(4,376)
Long-term deposits and prepayments - net		13,719	(1,471)
Finance costs paid		(126,383)	(111,203)
Payments to staff retirement benefit scheme - unfunded		(182)	(47)
Profit received on bank deposits		254,133	608,184
Taxes paid		(778,410)	(2,321,221)
Net cash generated from operating activities		1,474,166	1,106,632
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		(1,639,290)	(1,771,129)
Redemption of investment in financial assets		-	202,415
Investment in financial assets		-	(650,000)
Net cash used in investing activities		(1,639,290)	(2,218,714)
<b>Cash flows from financing activities</b>			
Payments for liability against assets subject to finance lease		(154,981)	(117,775)
Repayment of long-term loan		(919,150)	(859,600)
Dividend paid		(754,829)	(754,722)
Net cash used in financing activities		(1,828,960)	(1,732,097)
<b>Net decrease in cash and cash equivalents</b>		<b>(1,994,084)</b>	<b>(2,844,179)</b>
Cash and cash equivalents at 1 January		4,505,251	6,910,308
<b>Cash and cash equivalents at 30 September</b>		<b>2,511,167</b>	<b>4,066,129</b>

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

  
**Soon Hyo Chung**  
 Chairman

  
**M Asif Saad**  
 Chief Executive

## Condensed interim consolidated statement of changes in equity (un-audited)

For the nine months ended 30 September 2012

	Amounts in Rs '000			
	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total
<b>Balance as on 1 January 2011</b>	15,142,072	2,345	(5,482,144)	9,662,273
Final cash dividend @ Rs 0.50 per share relating to 2010	-	-	(757,104)	(757,104)
Total comprehensive income for the nine months ended 30 September 2011	-	-	4,586,275	4,586,275
<b>Balance as on 30 September 2011</b>	<u>15,142,072</u>	<u>2,345</u>	<u>(1,652,973)</u>	<u>13,491,444</u>
<b>Balance as on 1 January 2012</b>	15,142,072	2,345	(2,061,717)	13,082,700
Final cash dividend @ Rs 0.50 per share relating to 2011	-	-	(757,104)	(757,104)
Total comprehensive loss for the nine months ended 30 September 2012	-	-	(247,015)	(247,015)
<b>Balance as at 30 September 2012</b>	<u>15,142,072</u>	<u>2,345</u>	<u>(3,065,836)</u>	<u>12,078,581</u>

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



**Soon Hyo Chung**  
Chairman



**M Asif Saad**  
Chief Executive



# Notes to the condensed interim consolidated financial information (un-audited)

For the quarter and nine months ended 30 September 2012

## 1. The Group consists of:

- i) Lotte Pakistan PTA Limited (the 'Parent Company')
- ii) Lotte Powergen (Private) Limited (the 'Subsidiary')

Lotte Pakistan PTA Limited 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).

Lotte Powergen (Private) Limited is a wholly owned subsidiary of Lotte Pakistan PTA Limited. Lotte Powergen (Private) Limited is engaged in production and selling of electricity and steam to the parent company. The subsidiary was incorporated on 29 February 2012 and has started commercial production in July 2012.

The holding company of the group is KP Chemical Corporation - Korea and its ultimate parent company is South Korean conglomerate Lotte.

## 2. Basis of Consolidation

The consolidated financial statements include the financial statements of Lotte Pakistan PTA Limited and Lotte Powergen (Private) Limited. The financial statements of the subsidiary company have been consolidated on line by line basis.

All intercompany balances and transactions have been eliminated.

This condensed interim consolidated financial information of the group for the nine months ended 30 September 2012 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 2011.

## 3. Significant accounting policies

The accounting policies and methods of computation used in the preparation of this condensed interim consolidated financial information are the same as those applied in preparation of the financial statements of the parent company for the preceding year ended 31 December 2011.

## 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 2011.

- 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 2011.

## Notes to the condensed interim consolidated financial information (un-audited)

For the quarter and nine months ended 30 September 2012

### 5. Fixed assets

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

Amounts in Rs '000

	2012		2011	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
<b>Operating assets / property, plant and equipment</b>				
Buildings on leasehold land	910	-	1,100	1,123
Plant and machinery	122,493	3,431	149,622	5,505
Furniture and equipment	45,011	209	8,537	1,163
Motor vehicles	-	-	155	-
<b>Capital work-in-progress</b>	<b>1,469,723</b>	<b>-</b>	<b>1,610,860</b>	<b>-</b>
<b>Intangible assets</b>	<b>1,153</b>	<b>-</b>	<b>855</b>	<b>-</b>

### 6. Tax refunds due from government - sales tax

This includes Rs 205.3 million (31 December 2011: Rs 77.6 million) on account of input tax arising from sales tax charged to the parent 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.

	30 September 2012	31 December 2011
<b>7. Cash and bank balances</b>		
Short-term fixed deposits	2,384,009	4,291,194
Current accounts	118,334	200,431
Cash in hand	8,824	13,626
	<b>2,511,167</b>	<b>4,505,251</b>

### 8. Current maturity of long-term loan - unsecured

Lender	Installments payable	Interest rate	Repayment month	30 September 2012	31 December 2011
<b>Loans from holding company of the group</b>					
KP Chemical Corporation	full	1% p.a.	November		
USD 10 million	payment on	above	2012	949,875	1,801,150
(31 December 2011:	maturity	6 months			
USD 20 million)		LIBOR			

### 9. Contingencies and commitments

9.1 The Income Tax Appellate Tribunal (ITAT) vide order no ITA.No.111/KB/2006 dated 20 April 2006 had set aside the Taxation Officer's assessment order for the assessment year 2002-2003 (income year ending 31 December 2001) whereby the assessing officer had been directed to re-examine the issue of allocation of cost of goods sold to export sales, strictly in accordance

## Notes to the condensed interim consolidated financial information (un-audited)

For the quarter and nine months ended 30 September 2012

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 parent company had filed an appeal. The Commissioner Inland Revenue (Appeals) vide order numbers 153 and 391 dated 31 January 2011 (received by the parent 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 parent company in July 2012) has maintained the above basis of allocation to export sales. Parent company has filed an appeal against the said order in August 2012. No provision has been made in these financial statements for the potential liability of Rs 903.01 million as the parent company is confident of a favourable outcome from the appeal process.

- 9.2 ICI Pakistan Limited has issued a guarantee in respect of operational obligations of the parent company amounting to Rs 2.01 billion (31 December 2011: Rs 2.10 billion) against which the parent company has issued a counter guarantee to ICI Pakistan Limited.
- 9.3 Outstanding guarantees and letters of credit issued on behalf of the parent company as at 30 September 2012 were Rs 1,350 million (31 December 2011: Rs 1.09 billion) and Rs 124 million (31 December 2011: Rs 2.33 billion), respectively.
- 9.4 Commitments in respect of capital expenditure as at 30 September 2012 amount to Rs 100.08 million (31 December 2011: Rs 1.68 billion).
- 9.5 Commitments for rentals under operating lease agreements / Ijarah contracts in respect of vehicles are as follows:

Amounts in Rs '000

Year	30 September 2012	31 December 2011
2012	5,016	18,443
2013	16,929	13,769
2014	13,374	10,214
2015	8,750	3,833
2016	2,162	-
	<b>46,231</b>	<b>46,259</b>

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

Year	30 September 2012	31 December 2011
2012	487,674	1,367,902
2013	53,198	47,267
	<b>540,872</b>	<b>1,415,169</b>

- 9.7 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.

# Notes to the condensed interim consolidated financial information (un-audited)

For the quarter and nine months ended 30 September 2012

Amounts in Rs '000

## 10. Revenue

	Quarter ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
<b>Manufactured goods</b>				
Local sales	<b>13,284,893</b>	12,919,486	<b>37,944,411</b>	40,447,499
Export sales	-	1,312,459	<b>2,033,562</b>	4,198,417
	<b>13,284,893</b>	14,231,945	<b>39,977,973</b>	44,645,916
Less:				
Sales tax and excise duty	<b>(61)</b>	-	<b>(61)</b>	(52,254)
Price settlements and discounts	<b>155,253</b>	(134,352)	<b>(151,668)</b>	79,344
	<b>13,440,085</b>	14,097,593	<b>39,826,244</b>	44,673,006
<b>Trading goods</b>				
Local sales	<b>105,221</b>	59,694	<b>261,264</b>	148,832
Less: Sales tax and excise duty	<b>(2,055)</b>	(2,690)	<b>(5,864)</b>	(6,203)
	<b>103,166</b>	57,004	<b>255,400</b>	142,629
	<b>13,543,251</b>	14,154,597	<b>40,081,644</b>	44,815,635

	Quarter ended 30 September		Nine months ended 30 September	
	2012	2011 (Re-stated)	2012	2011 (Re-stated)
<b>11. Cost of sales</b>				
<b>Manufactured goods</b>				
Opening stock of raw and packing materials	<b>2,610,582</b>	2,427,988	<b>3,334,047</b>	2,442,186
Purchases	<b>12,647,140</b>	14,037,228	<b>35,951,826</b>	38,386,963
Closing stock of raw and packing materials	<b>(3,332,871)</b>	(4,989,170)	<b>(3,332,871)</b>	(4,989,170)
Raw and packing materials consumed	<b>11,924,851</b>	11,476,046	<b>35,953,002</b>	35,839,979
Manufacturing costs	<b>1,119,462</b>	1,224,585	<b>3,247,198</b>	3,525,353
Cost of goods manufactured	<b>13,044,313</b>	12,700,631	<b>39,200,200</b>	39,365,332
Opening stock of finished goods	<b>901,640</b>	1,895,586	<b>1,332,340</b>	176,291
	<b>13,945,953</b>	14,596,217	<b>40,532,540</b>	39,541,623
Closing stock of finished goods	<b>(614,506)</b>	(1,826,650)	<b>(614,506)</b>	(1,826,650)
	<b>13,331,447</b>	12,769,567	<b>39,918,034</b>	37,714,973
<b>Trading goods</b>				
Opening stock	<b>10,069</b>	32,779	<b>2,617</b>	36,726
Purchases	<b>110,716</b>	23,740	<b>243,904</b>	79,396
Closing stock	<b>(29,268)</b>	(11,279)	<b>(29,268)</b>	(11,279)
	<b>91,517</b>	45,240	<b>217,253</b>	104,843
	<b>13,422,964</b>	12,814,807	<b>40,135,287</b>	37,819,816

Notes to the condensed interim consolidated financial information (un-audited)

For the quarter and nine months ended 30 September 2012

Amounts in Rs '000

	Quarter ended 30 September		Nine months ended 30 September	
	2012	2011	2012	2011
<b>12. Other operating expenses</b>				
Workers' profit participation fund	10,059	67,207	10,059	356,939
Workers' welfare fund	(371)	26,453	2,946	143,067
Donations	1,012	1,647	4,059	5,656
Loss on retirement of property, plant and equipment	-	2,833	3,640	2,971
Provision for obsolete, slow moving & rejected items	4,771	11,888	4,771	11,888
Others	190	200	1,629	800
	<u>15,661</u>	<u>110,228</u>	<u>27,104</u>	<u>521,321</u>
<b>13. Other operating income</b>				
Scrap sales	2,869	480	15,910	15,532
Mark-up on deposit	-	-	1,092	1,214
Reversal of provision for sales tax receivable	-	-	15,569	-
Others	-	(225)	644	339
	<u>2,869</u>	<u>255</u>	<u>33,215</u>	<u>17,085</u>
<b>14. Finance income</b>				
Profit on bank deposits	72,635	126,767	252,007	579,442
Increase in fair value of financial assets - investment	-	30,078	-	80,989
Exchange gain - net	-	24,987	-	-
	<u>72,635</u>	<u>181,832</u>	<u>252,007</u>	<u>660,431</u>
<b>15. Taxation</b>				

The tax charge for the quarter and nine months ended 30 September 2012 is based on the minimum turnover tax as reduced by the movement in the deferred tax account.

## Notes to the condensed interim consolidated financial information (un-audited)

For the quarter and nine months ended 30 September 2012

Amounts in Rs '000

	<b>Nine months ended 30 September</b>	
	<b>2012</b>	2011 (Re-stated)
<b>16. Cash generated from operations</b>		
(Loss) / profit before taxation	<b>(274,132)</b>	6,636,542
<b>Adjustments for non cash charges and other items:</b>		
Depreciation and amortisation	<b>1,092,678</b>	985,835
Loss on retirement of property, plant and equipment	<b>3,640</b>	2,971
Provision for staff retirement benefit scheme - unfunded	<b>5,527</b>	-
Finance costs	<b>139,079</b>	136,847
Unrealised exchange loss on current maturity of long-term loan and current portion of liability against assets subject to finance lease	<b>87,959</b>	61,808
Interest accrued on bank deposits	<b>(252,007)</b>	(579,442)
Provision for infrastructure cess	<b>145,091</b>	290,930
Increase in fair value of financial assets - investment	<b>-</b>	(80,989)
	<b>1,221,967</b>	817,960
	<b>947,835</b>	7,454,502
<b>Effect on cashflows due to working capital changes</b>		
Decrease / (increase) in current assets:		
Stores and spares	<b>(21,344)</b>	(150,958)
Stock-in-trade	<b>692,358</b>	(4,169,559)
Trade debts	<b>(287,191)</b>	(1,781,705)
Loans and advances	<b>402</b>	1,208
Deposits and short-term prepayments	<b>80,821</b>	(50,371)
Other receivables and refunds from government	<b>(18,602)</b>	11,634
	<b>446,444</b>	(6,139,751)
Increase in trade and other payables	<b>718,619</b>	1,622,015
Cash generated from operations	<b>2,112,898</b>	2,936,766

## Notes to the condensed interim consolidated financial information (un-audited)

For the quarter and nine months ended 30 September 2012

Amounts in Rs '000

### 17. 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 September		Nine months ended 30 September	
		2012	2011	2012	2011
<b>Holding company</b>	Repayment of loan	-	-	<b>919,150</b>	859,600
	Payment of interest on loan	-	1,178	<b>15,687</b>	27,160
<b>Associates</b>	Purchase of services	<b>33</b>	-	<b>33</b>	-
<b>Key management personnel</b>	Salaries and other short-term benefits	<b>25,594</b>	21,693	<b>64,184</b>	63,622
	Post employment benefits	<b>3,435</b>	1,568	<b>10,556</b>	4,581
<b>Staff retirement benefit funds</b>	Payment to staff retirement benefit funds	<b>15,217</b>	9,663	<b>44,353</b>	27,914

### 18. General

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

### 19. Date of authorisation

This condensed interim consolidated financial information was authorised for issue in the Board of Directors meeting held on 22 October 2012.

  
**Soon Hyo Chung**  
 Chairman

  
**M Asif Saad**  
 Chief Executive

## **LOTTE PAKISTAN PTA LTD**

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