

LOTTE PPTA  
REPORT FOR THE QUARTER &  
NINE MONTHS ENDED 30 SEPTEMBER 2011



**Lotte Pakistan PTA Ltd**

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## Company information

### Board of Directors

Soon Hyo Chung	Chairman-Non executive
M Asif Saad	Chief Executive
Soo Young Huh	Non-executive
Jung Neon Kim	Executive
Oh Hun Im	Executive
Mohammad Qasim Khan	Non-executive
Aliya Yusuf	Non-executive
Istaqbal Mehdi	Non-executive

### Audit Committee

Istaqbal Mehdi	Chairman
Jung Neon Kim	Member
Aliya Yusuf	Member

### Senior Remuneration Sub Committee

Soon Hyo Chung	Chairman
Soo Young Huh	Member
Jung Neon Kim	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	KASB Bank Limited
Citibank NA	MCB Bank Limited
Deutsche Bank AG	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 third quarter ended 30 September 2011

The Directors are pleased to present their report for the third quarter ended 30 September 2011 together with the un-audited condensed interim financial information of the Company for the third quarter and nine months ended 30 September 2011

## BUSINESS OVERVIEW

The price of crude oil maintained a downward trajectory throughout the quarter starting from a high of US\$ 99.87 per barrel in July and going down to a low of US\$ 79.20 in September, with an average for Q3 of US\$ 89.32 per barrel. This was mainly due to depressed global economic conditions and, in particular, the European debt crisis which kept a curb on overall demand for crude oil.

Paraxylene (Px) market dynamics, on the other hand remained volatile during the quarter. Unplanned shutdowns and outages at major Px manufacturing facilities in China and Taiwan caused sudden spikes in demand as traders and end-users rushed to secure material. Px spot prices kept increasing each month, before retreating somewhat by the end of the quarter due to non-sustainability of the high price by the PTA industry. The spot Px price averaged US\$ 1,598 per tonne CFR Taiwan during the quarter, starting from a low of US\$ 1,532 per tonne CFR Taiwan in July and rising to a high of US\$ 1,735 per tonne CFR Taiwan in September.

High feedstock costs and lacklustre demand in the downstream sector kept the PTA market under pressure. Moreover, major new PTA plants which came on-stream in China during the previous quarter increased supply of the molecule in an already demand strained market. As a result, spot PTA prices averaged US\$ 1,250 per tonne CFR China during the quarter rising from a low of US\$ 1,148 per tonne CFR China in July to a high of US\$ 1,368 per tonne CFR China in September.

The polyester chain was also adversely affected by a number of factors which included a tight monetary policy and electric power usage restrictions in China and weak economic conditions in Europe and the US. PET demand, in particular, remained even more constrained due to the unusually extreme wet weather conditions in Europe accompanied with the overall bleak economic scenario. The price of PET averaged US\$ 1,647 per tonne FOB China during the quarter rising from a low of US\$ 1,555 per tonne FOB China to a high of US\$ 1,760 per tonne FOB China. Polyester staple fibre (PSF) demand and prices also followed a similar trend and averaged US\$ 1,645 per tonne CFR China during the quarter, starting from a low of US\$ 1,558 per tonne CFR China in July and rising to a high of US\$ 1,752 per tonne CFR China in September.

## Report of the Directors

For the third quarter ended 30 September 2011

The domestic market was influenced mainly by falling cotton prices and the persisting energy crisis. From a high of over Rs 13,000 per maund (Rs 348 per kg) earlier in the year cotton prices slumped to under Rs 6,000 per maund (Rs 161 per kg) in Q3. Moreover, natural gas and electricity shortages in the summer months adversely affected the textile spinning sector in the country, as a result of which the domestic price of PSF remained under pressure and averaged Rs 175 per kg during Q3.

## OPERATIONS

Sales volume for Q3 2011 at 123,511 tonnes was marginally higher than the corresponding quarter last year, despite falling cotton prices and energy shortages. Export sales to China and India during the quarter aggregated 12,122 tonnes.

Production during Q3 2011 at 122,515 tonnes was 3% lower than the corresponding period last year mainly due to unprecedented production outages on account of persistent dips in the supply of electric power to the plant during the month of July.

## PROFIT, FINANCE & TAXATION

Despite higher sales revenue, gross profit for the quarter was 6% lower than the same period last year due to lower PTA/Px margin and higher cost of acetic acid and electricity.

Distribution and selling expenses for Q3 2011 were higher than the corresponding quarter last year mainly due to higher export sales on which outward freight and handling charges are borne by the Company. Administrative expenses were also higher than the corresponding quarter last year due to overall impact of a high inflation rate and resultant increase in payroll and other costs. Finance income was lower than Q3 2010 mainly due to the reduction in average cash surplus levels on the back of outflows for partial repayment of the parent company loan, capital expenditure for the under construction cogeneration power plant and taxation payments. Finance costs were lower than the corresponding quarter last year mainly due to the net exchange loss incurred in Q3 2010 as compared to a net exchange gain in Q3 2011 on account of the rupee depreciation versus the US dollar and its impact on the net dollar denominated working capital which was higher than the corresponding quarter last year. As a result of the above, the Company generated profit before taxation of Rs 1,253 million compared to Rs 1,231 million in Q3 last year.

## Report of the Directors

For the third quarter ended 30 September 2011

The taxation charge for the quarter is based on the statutory tax rate, as reduced by certain tax credits allowed under the law.

## FUTURE OUTLOOK

Deteriorating economic conditions in the US and EU are expected to continue exerting negative influence on the price of crude oil. Coupled with the overall slowing down of the global economy, crude oil prices are expected to remain under pressure in the foreseeable future.

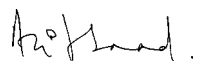
In view of the overall deteriorating industry conditions coupled with high inventory levels and new PTA capacities of around 8 million tonnes expected to come on-stream in China in 2012-13, the PTA market will remain oversupplied through Q4 2011 and beyond. On the other hand, Px supply is expected to remain constrained through this period thereby exerting downward pressure on PTA margins. These factors could force a slowdown in production rates of PTA plants in the region and bring about a long drawn out trough in the PTA profitability cycle.

In order to remain profitable through these difficult trading conditions, PTA import tariff granted by China and India to their many times larger PTA industries @ 6.5% and 5% respectively, will be a critical factor. By comparison, in Pakistan, the PTA import tariff of 3% may not only be insufficient to sustain the relatively small and nascent PTA industry through this difficult period, but will also be a major disincentive for further growth of this vital industry for the polyester/textile chain. In light of these developments and to promote major investment in this highly capital intensive industry, it is imperative that the government reconsiders its position on the PTA tariff and reinstates it to the previous level of 7.5%.

Domestic PSF demand is also expected to remain subdued since cotton output in the country has not been as significantly affected as originally feared by the recent floods in the province of Sindh. Domestic PET production, on the other hand, is expected to maintain normal operating levels in Q4 2011.



Soon Hyo Chung  
Chairman



M Asif Saad  
Chief Executive

Karachi: 26 October 2011

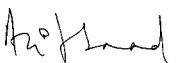
# Condensed interim balance sheet

## As at 30 September 2011

		Amounts in Rs '000	
	Note	30 September 2011 (Un-audited)	31 December 2010 (Audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets	5	9,674,067	8,890,314
Long-term loans and advances		43,036	38,660
Long-term deposits and prepayments		71,619	70,148
		9,788,722	8,999,122
<b>Current assets</b>			
Stores and spares		645,189	494,231
Stock-in-trade		6,824,762	2,655,203
Trade debts		4,719,521	2,937,816
Loans and advances		30,988	32,196
Deposits and short-term prepayments		120,217	69,846
Accrued profit on bank deposits		15,119	43,861
Other receivables		108,388	67,007
Financial assets - investment	6	893,218	364,644
Sales tax refunds due from government - net		268,781	321,796
Cash and bank balances	7	4,066,129	6,910,308
		17,692,312	13,896,908
<b>Total assets</b>		<b>27,481,034</b>	<b>22,896,030</b>
<b>Equity</b>			
<b>Share capital and reserves</b>			
Authorised capital 2,000,000,000 (31 December 2010: 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 2010: 1,514,207,208) ordinary shares of Rs 10 each		15,142,072	15,142,072
Capital reserves		2,345	2,345
Accumulated loss		(1,711,021)	(5,542,027)
		13,433,396	9,602,390
Surplus on revaluation of fixed assets		85,992	85,992
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long-term loans	8	2,626,875	3,437,500
Liability against assets subject to finance lease		89,346	214,445
Deferred tax		1,317,694	1,486,476
Retirement benefit obligation		14,702	14,749
		4,048,617	5,153,170
<b>Current liabilities</b>			
Trade and other payables		9,567,692	7,652,365
Accrued interest / mark-up on loans		148,143	136,942
Current portion of liability against assets subject to finance lease		181,177	146,577
Taxation - provision less payments	9	16,017	118,594
		9,913,029	8,054,478
Contingencies and commitments	10		
<b>Total equity and liabilities</b>		<b>27,481,034</b>	<b>22,896,030</b>

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

  
Soon Hyo Chung  
Chairman

  
M Asif Saad  
Chief Executive

  
Ali Aamir  
Chief Financial Officer

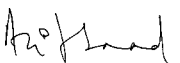
## Condensed interim profit and loss account (unaudited)

### For the quarter and nine months ended 30 September 2011

	Note	Amounts in Rs '000			
		Quarter ended 30 September		Nine months ended 30 September	
		2011	2010	2011	2010
Revenue	11	14,154,597	9,816,149	44,815,635	30,612,317
Cost of sales	12	(12,814,331)	(8,389,521)	(37,818,387)	(25,900,828)
Gross profit		1,340,266	1,426,628	6,997,248	4,711,489
Distribution and selling expenses		(44,768)	(33,016)	(138,379)	(88,447)
Administrative expenses		(74,164)	(65,106)	(240,246)	(189,995)
Other operating expenses	13	(110,828)	(179,984)	(521,321)	(340,186)
Other operating income	14	255	319	17,085	6,133
		(229,505)	(277,787)	(882,861)	(612,495)
Operating profit		1,110,761	1,148,841	6,114,387	4,098,994
Finance income	15	181,832	234,203	660,431	599,993
Finance costs		(39,788)	(151,780)	(136,847)	(237,774)
Profit before taxation		1,252,805	1,231,264	6,637,971	4,461,213
Taxation	16	(363,325)	(220,829)	(2,049,861)	(1,274,699)
Profit after taxation		889,480	1,010,435	4,588,110	3,186,514
		Amount in Rupees			
Earnings per share - basic and diluted		0.59	0.67	3.03	2.10

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

  
Soon Hyo Chung  
Chairman

  
M Asif Saad  
Chief Executive

  
Ali Aamir  
Chief Financial Officer



# Condensed interim statement of comprehensive income (unaudited)

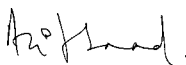
## For the quarter and nine months ended 30 September 2011

	Amounts in Rs '000			
	Quarter ended 30 September		Nine months ended 30 September	
	2011	2010	2011	2010
Profit after taxation	889,480	1,010,435	4,588,110	3,186,514
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>889,480</u>	<u>1,010,435</u>	<u>4,588,110</u>	<u>3,186,514</u>

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.



Soon Hyo Chung  
Chairman



M Asif Saad  
Chief Executive



Ali Aamir  
Chief Financial Officer

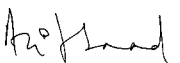
## Condensed interim cash flow statement (unaudited)

### For the quarter and nine months ended 30 September 2011

		Amounts in Rs '000	
		Nine months ended 30 September	
	Note	2011	2010
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	2,936,766	4,702,383
Long-term loans and advances		(4,376)	(7,083)
Long-term deposits and prepayments		(1,471)	(5,209)
Finance costs paid		(111,203)	(136,280)
Payments to staff retirement benefit scheme - unfunded		(47)	(43)
Profit received on bank deposits		608,184	557,194
Taxes paid		(2,321,221)	(1,217,054)
Net cash generated from operating activities		1,106,632	3,893,908
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		(1,771,129)	(809,066)
Redemption of investment in financial assets		202,415	-
Investment in financial assets		(650,000)	(200,000)
Net cash used in investing activities		(2,218,714)	(1,009,066)
<b>Cash flows from financing activities</b>			
Payments for liability against assets subject to finance lease		(117,775)	(87,686)
Repayment of long-term loans		(859,600)	-
Dividends paid		(754,722)	(749,683)
Net cash used in financing activities		(1,732,097)	(837,369)
Net (decrease) / increase in cash and cash equivalents		(2,844,179)	2,047,473
Cash and cash equivalents at 1 January		6,910,308	5,437,940
Cash and cash equivalents at 30 September		4,066,129	7,485,413

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

  
Soon Hyo Chung  
Chairman

  
M Asif Saad  
Chief Executive

  
Ali Aamir  
Chief Financial Officer

## Condensed interim statement of changes in equity (unaudited)

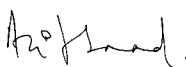
### For the quarter and nine months ended 30 September 2011

	Amounts in Rs '000			
	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total
Balance as on 1 January 2010	15,142,072	2,345	(9,312,691)	5,831,726
Dividend @ Rs 0.50 per share relating to 2009	-	-	(757,104)	(757,104)
Total comprehensive income for the nine months ended 30 September 2010	-	-	3,186,514	3,186,514
Balance as on 30 September 2010	<u>15,142,072</u>	<u>2,345</u>	<u>(6,883,281)</u>	<u>8,261,136</u>
Balance as on 1 January 2011	15,142,072	2,345	(5,542,027)	9,602,390
Dividend @ Rs 0.50 per share relating to 2010	-	-	(757,104)	(757,104)
Total comprehensive income for the nine months ended 30 September 2011	-	-	4,588,110	4,588,110
Balance as on 30 September 2011	<u>15,142,072</u>	<u>2,345</u>	<u>(1,711,021)</u>	<u>13,433,396</u>

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.



Soon Hyo Chung  
Chairman



M Asif Saad  
Chief Executive



Ali Aamir  
Chief Financial Officer

## Notes to the condensed interim financial information (unaudited) For the nine months ended 30 September 2011

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 the South Korean conglomerate Lotte.

2. This condensed interim financial information of the Company for the nine months ended 30 September 2011 has been prepared in accordance with the requirements of 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 2010.

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 2010.

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 2010.

- 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 2010.

5. Fixed assets

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

	2011		2010	
	Additions cost	Disposals net book value	Additions cost	Disposals net book value
Operating assets / property, plant and equipment				
Buildings on leasehold land	1,100	1,123	-	-
Plant and machinery	149,622	5,505	74,512	9,511
Furniture and equipment	8,537	1,163	12,249	18
Motor vehicles	155	-	12,357	-
Intangible assets	855	-	17	-
Capital work-in progress	1,610,860		709,931	

- 5.2 Included in fixed assets as at 30 September 2011 is capital work-in-progress comprising of plant and machinery and advances to suppliers of Rs 2.09 billion (31 December 2010: Rs 57.76 million) and Rs 438.99 million (31 December 2010: Rs 359.93 million) respectively in relation to the co-generation power plant which is being set up by the Company.

# Notes to the condensed interim financial information (unaudited)

## For the nine months ended 30 September 2011

Amounts in Rs '000

	30 September 2011	31 December 2010
6. Financial assets - investment		
At fair value through profit and loss		
Investment in units of money market fund	<u>893,218</u>	<u>364,644</u>

These have been valued by using published net asset value (NAV). Number of units held by the Company as at 30 September 2011 is 87,665,757.1425 units (31 December 2010: 35,362,847.9225 units).

	30 September 2011	31 December 2010
7. Cash and bank balances		
Short-term fixed deposits	3,780,624	6,882,500
Current accounts	273,548	18,086
Cash in hand	11,957	9,722
	<u>4,066,129</u>	<u>6,910,308</u>

	30 September 2011	31 December 2010			
8. Long-term loans (unsecured)					
Lender	Installments payable	Interest rate	Repayment period	30 September 2011	31 December 2010
Loans from parent company					
KP Chemical Corporation	full	1% p.a above	2012	<u>2,626,875</u>	<u>3,437,500</u>
USD 30 million	payment on	6 months			
(31 December 2010:	maturity	LIBOR			
USD 40 million)					

The Company has prepaid USD 10 million (equivalent to Rs 859.60 million) on 27 June 2011.

### 9. Taxation - payments less provision

The taxation officer has amended the assessment orders for the tax years 2005 to 2010 and has disallowed unrealised exchange losses on foreign currency loans obtained by the Company in previous years and certain other expenses claimed in the income tax returns. This has resulted in an aggregate tax demand of Rs 857.54 million of which the Company has paid Rs 635.92 million (after claiming certain deductions relating to prior years) and subsequently filed appeals with the Commissioner Inland Revenue (Appeals). The Company is confident of a favorable action from the appeal process and maintains that the expenses claimed are in accordance with the income tax laws. Therefore, payments made in this regard have been accounted for as recoverable and no provision for this amount has been made in the condensed interim financial information.

### 10. Contingencies and commitments

10.1 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. No provision has been made in the condensed interim financial information for the potential liability of Rs 910.258 million as the Company is confident of a favourable outcome from the appeal process.

10.2 ICI Pakistan Limited has issued a guarantee in respect of operational obligations of the Company amounting to Rs 2.10 billion (31 December 2010: Rs 2.19 billion) against which the Company has issued a counter guarantee to ICI Pakistan Limited.

## Notes to the condensed interim financial information (unaudited)

### For the nine months ended 30 September 2011

Amounts in Rs '000

10.3 Outstanding bank guarantees and letters of credit issued on behalf of the Company as at 30 September 2011 were Rs 1.01 billion (31 December 2010: Rs 1.26 billion) and Rs 1.31 billion (31 December 2010: Rs 5.43 billion), respectively.

10.4 Commitments in respect of capital expenditure as at 30 September 2011 amount to Rs 1.52 billion (31 December 2010: Rs 3.07 billion).

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

Year	30 September 2011	31 December 2010
2011	4,786	15,357
2012	18,421	13,392
2013	13,295	7,356
2014	8,822	2,046
2015	2,677	-
	<u>48,001</u>	<u>38,151</u>

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

Year	30 September 2011	31 December 2010
2011	316,966	1,165,019
2012	986,148	1,040,016
2013	43,636	7,241
	<u>1,346,750</u>	<u>2,212,276</u>

10.7 Commitments for rentals under operating lease agreements in respect 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.

#### 11. Revenue

	Quarter ended 30 September		Nine months ended 30 September	
	2011	2010	2011	2010
<b>Manufactured goods</b>				
Local sales	12,919,486	9,188,135	40,447,499	30,037,144
Export sales	1,312,459	606,452	4,198,417	1,364,092
	<u>14,231,945</u>	<u>9,794,587</u>	<u>44,645,916</u>	<u>31,401,236</u>
Less: Price settlements and discounts	(134,352)	(13,403)	79,344	(906,351)
Sales tax and excise duty	-	-	(52,254)	-
	<u>14,097,593</u>	<u>9,781,184</u>	<u>44,673,006</u>	<u>30,494,885</u>
<b>Trading goods</b>				
Local sales	59,694	34,965	148,832	117,432
Less: Sales tax and excise duty	(2,690)	-	(6,203)	-
	<u>57,004</u>	<u>34,965</u>	<u>142,629</u>	<u>117,432</u>
	<u>14,154,597</u>	<u>9,816,149</u>	<u>44,815,635</u>	<u>30,612,317</u>

# Notes to the condensed interim financial information (unaudited)

## For the nine months ended 30 September 2011

Amounts in Rs '000

	Quarter ended 30 September		Nine months ended 30 September	
	2011	2010	2011	2010
12. Cost of sales				
Manufactured goods				
Opening stock of raw and packing materials	2,427,988	2,123,814	2,442,186	1,108,875
Purchases	14,037,228	7,041,537	38,386,963	23,600,066
Closing stock of raw and packing materials	(4,989,170)	(1,613,422)	(4,989,170)	(1,613,422)
Raw and packing materials consumed	11,476,046	7,551,929	35,839,979	23,095,519
Manufacturing costs	1,224,109	1,057,428	3,523,924	3,018,600
Cost of goods manufactured	12,700,155	8,609,357	39,363,903	26,114,119
Opening stock of finished goods	1,895,586	188,601	176,291	132,644
Closing stock of finished goods	14,595,741	8,797,958	39,540,194	26,246,763
	(1,826,650)	(434,689)	(1,826,650)	(434,689)
	12,769,091	8,363,269	37,713,544	25,812,074
Trading goods				
Opening stock	32,779	62,857	36,726	32,403
Purchases	23,740	(12,481)	79,396	80,475
Closing stock	(11,279)	(24,124)	(11,279)	(24,124)
	45,240	26,252	104,843	88,754
	12,814,331	8,389,521	37,818,387	25,900,828
13. Other operating expenses				
Workers' profit participation fund	67,207	148,530	356,939	238,096
Workers' welfare fund	26,453	19,663	143,067	70,056
Donations	1,647	11,786	5,656	22,500
Loss on retirement of operating assets / property, plant and equipment	2,833	-	2,971	9,529
Provision for obsolete, slow moving & rejected items	11,888	-	11,888	-
Others	800	5	800	5
	110,828	179,984	521,321	340,186
14. Other operating income				
Scrap sales	480	219	15,532	4,254
Mark-up on deposit	-	-	1,214	1,214
Others	(225)	100	339	665
	255	319	17,085	6,133
15. Finance income				
Profit on bank deposits	126,767	229,478	579,442	595,268
Increase in fair value of financial assets - investments	30,078	4,725	80,989	4,725
Exchange gain - net	24,987	-	-	-
	181,832	234,203	660,431	599,993
16. Taxation				

The tax charge for the nine months ended 30 September 2011 is based on the statutory income tax rate, as reduced by certain tax credits allowed under the law.

# Notes to the condensed interim financial information (unaudited)

## For the nine months ended 30 September 2011

	Amounts in Rs '000	
	Nine months ended 30 September	
	2011	2010
17. Cash generated from operations		
Profit before taxation	6,637,971	4,461,213
Adjustments for non cash charges and other items:		
Depreciation and amortisation	984,406	935,517
Loss on retirement of operating assets / property, plant and equipment	2,971	9,529
Finance costs	136,847	177,947
Exchange loss	61,808	129,576
Profit on bank deposits	(579,442)	(595,268)
Provision for infrastructure cess	290,930	200,544
Increase in fair value of investment	(80,989)	(4,725)
	816,531	853,120
	7,454,502	5,314,333
Effect on cashflows due to working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	(150,958)	(132,876)
Stock-in-trade	(4,169,559)	(794,886)
Trade debts	(1,781,705)	(355,566)
Loans and advances	1,208	(38,583)
Deposits and short-term prepayments	(50,371)	(32,914)
Other receivables and refunds from government	11,634	90,693
	(6,139,751)	(1,264,132)
Increase in trade and other payables	1,622,015	652,182
Cash generated from operations	2,936,766	4,702,383

### 18. 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	
		2011	2010	2011	2010
Parent company	Repayment of loan	-	-	859,600	-
	Payment of Interest on loan	1,178	-	27,160	40,468
Associates	Purchase of goods	-	-	-	161
	Purchase of services	-	-	-	5,017
Key management personnel	Salaries and other short-term benefits	21,693	18,159	63,622	51,528
	Post employment benefits	1,568	1,531	4,581	4,234
Staff retirement benefit funds	Payment to staff retirement benefit funds	9,663	8,963	27,914	25,836



# Notes to the condensed interim financial information (unaudited)

## For the nine months ended 30 September 2011

Amounts in Rs '000

Balances	30 September 2011	31 December 2010
Accrued Interest / mark-up on loans - payable to parent company	<u>148,143</u>	<u>136,942</u>
Loans and advances - receivable from key management personnel	<u>1,252</u>	<u>2,011</u>
Other receivables - receivable from staff retirement benefit funds	<u>24,659</u>	<u>24,178</u>

### 19. Corresponding figures

Corresponding figures have been reclassified / rearranged for purposes of comparison, better presentation and to bring in line with annual financial statement as follows:

Reclassification from component	Reclassification to component	Quarter ended 30 September 2010	Nine months ended 30 September 2010
Other operating income - Profit on bank deposits	Finance income - Profit on bank deposits	234,203	599,993
Other operating expenses - Exchange loss	Finance costs - Exchange loss	103,045	59,827

### 20. General

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

### 21. Date of authorisation

This condensed interim financial information was authorised for issue in the Board of Directors meeting held on 26 October 2011.



Soon Hyo Chung  
Chairman



M Asif Saad  
Chief Executive



Ali Aamir  
Chief Financial Officer



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