



PEOPLE
PASSION
PROGRESS

Table of Contents

About Us	02
Our Vision	04
Key Strategic Objectives	06
Code of Conduct	07
Management Policy	08
Core Values	09
About LOTTE	10
About LOTTE Chemical Corporation	11

Stakeholders Information

Company Information	14
Chief Executive's Message	15
2016 Highlights	16
SWOT Analysis	17
Awards & Accreditations	18
Financial Calendar	20
Share Price Analysis	21
Pattern of Shareholding	22

Corporate Governance

Board of Directors	28
Board Committees	30
Report of the Board Audit Committee	32
Executive Management Team	35
Management Committees	36
Organisational Structure	38
Corporate Governance & Compliance	39
Business Risk & Challenges	47

Business Review

2016 Performance against Key Objectives	50
Directors' Report	51
Statement of Compliance	58
Review Report to the Members	61

Functional & Operational Excellence

Human Resources	64
Information Technology	68
Manufacturing Excellence	70
Technical Training Centre	72
Total Productive Management	74



Photograph by: Humair Ijaz

Sustainability

Health, Safety and Environment	78
Energy Conservation	82
Environmental Protection	83
Societal Responsibility	85
Labour Relations	87
Product Stewardship	88
Economic Contribution	89

Financial Summary

Statement of Value Addition	92
Key Operational and Financial Data	93
Vertical Analysis	94
Horizontal Analysis	95
Graphical Presentation	96
DuPont Analysis	98
Quarterly Analysis	99

Financial Statements

Auditors' Report to the Members	103
Balance Sheet	104
Profit and Loss Account	106
Statement of Comprehensive Income	107
Cash Flow Statement	108
Statement of Changes in Equity	109
Notes to and Forming Part of the Financial Statements	110

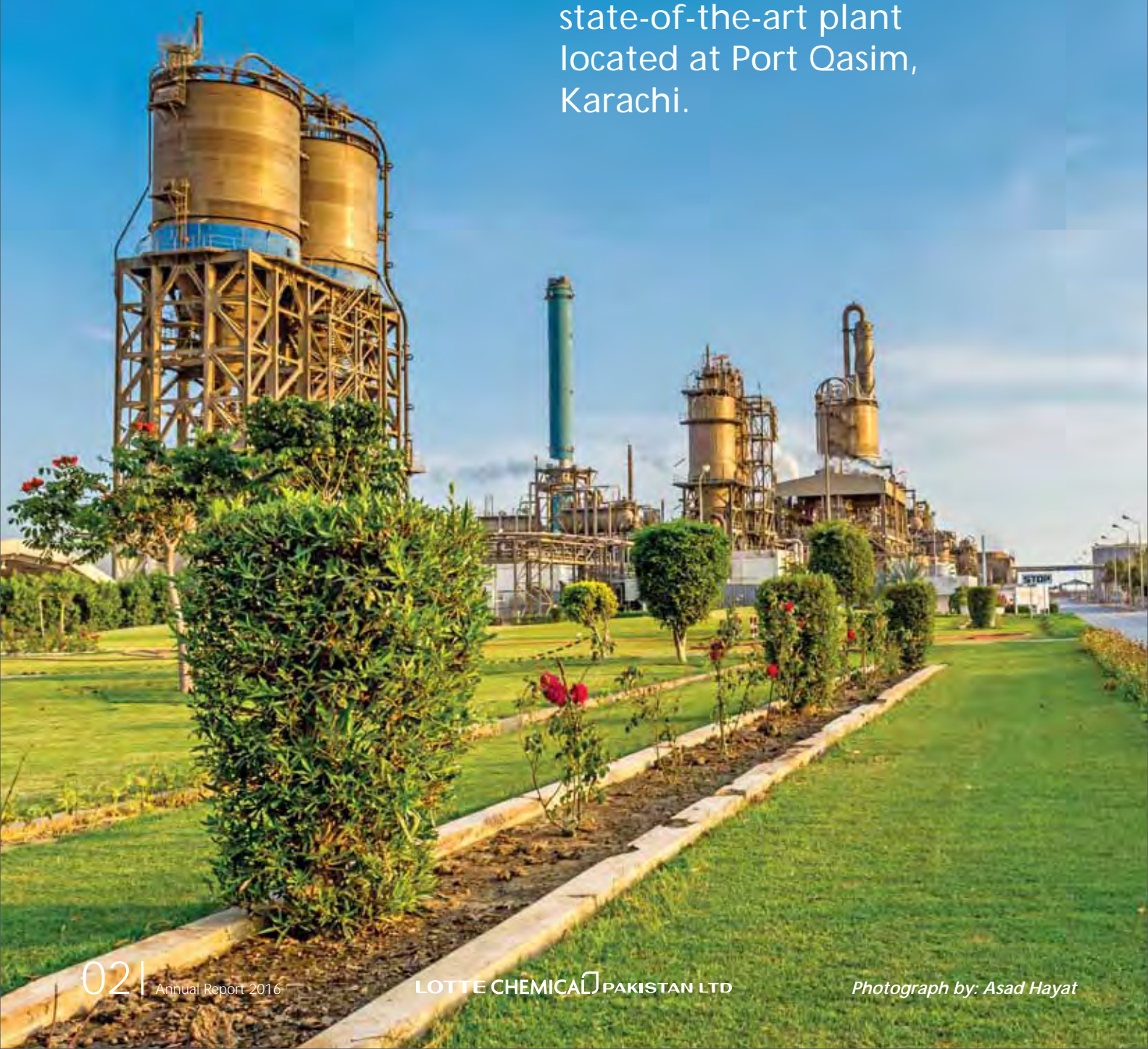
Others

Glossary	145
Notice of Meeting	146
ڈائریکٹرز کا چارٹر (پراکسی فارم)	154

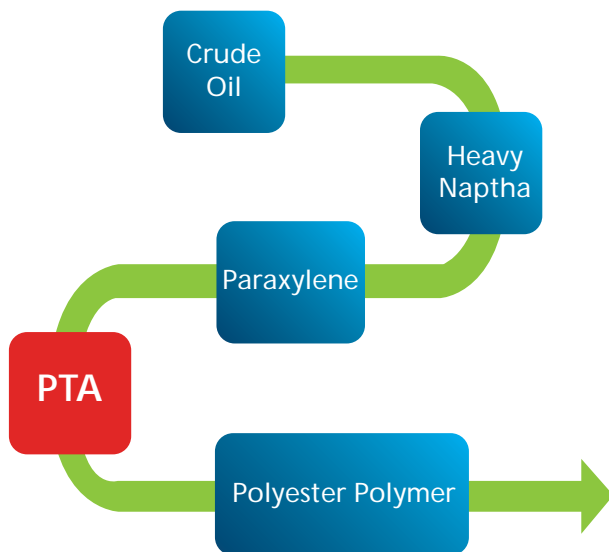


About Us

Lotte Chemical Pakistan Limited (LCPL) is the only world-class manufacturer and supplier of Purified Terephthalic Acid (PTA) in Pakistan. The Company has the capacity to produce 500,000 tonnes of PTA per year through its state-of-the-art plant located at Port Qasim, Karachi.

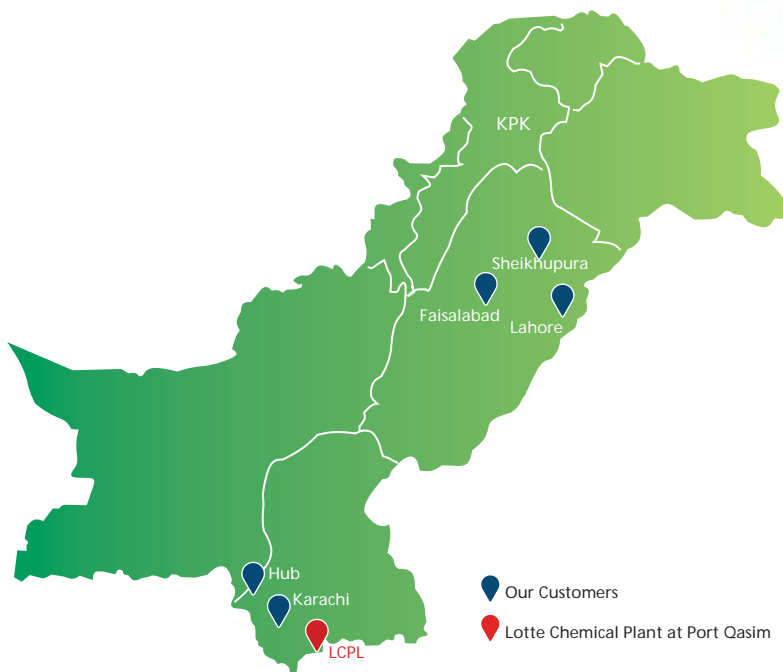


Purified Terephthalic Acid (PTA)



LCPL holds the foundation of the polyester chain in Pakistan and retains its edge by being a local PTA manufacturer and major supplier for the domestic Polyester and PET industries. We maintain major share of the domestic market, and remain the supplier of choice based on our short delivery time, consistent quality and excellent customer service.

For producing PTA we import our feedstock (Paraxylene) from reputable suppliers based in Asia and Middle-East region. Our plant operates under a technology license with IPT (Invista Performance Technologies) which is currently the leading global supplier of PTA technology.



Our Customers

Since its inception, the Company has focused on meeting Pakistan's PTA demand. However, if domestic demand slows down, the Company is well placed to export to other countries. Our product meets all international quality standards and is well accepted by Customers in Asia and Middle-East region. Our domestic Customers are located across Pakistan.



Our Vision The Spirit to Make a Difference through Value, Quality and Excellence

At Lotte Chemical Pakistan Limited, our customer's satisfaction is the driving force behind our spirit to meet challenges and achieve excellence in everything we do. We maximise operating efficiencies and demonstrate best practices in Safety, Health and Environment that add value to our quality product and make a difference in letter and in spirit.



Our Key Strategic Objectives



- Maintain a high standard of HSE performance.
- Develop and retain talent and maintain focus on employee engagement.
- Deliver business improvement plan targets.
- Achieve more than 95% availability of PTA plant and Cogeneration plant.
- Maximise domestic sales and market share.
- Optimise raw material procurement.
- Continue dialogue with policy makers in the overall interest of the domestic industries for an adequate PTA import tariff.



Our Code of Conduct

From the inception of the Company it has been and continues to be a policy that the Company and all its employees maintain the highest ethical standards in the conduct of the Company's business. Our Code of Conduct constitutes a set of standards and rules which form an integral part of our corporate culture and is a statement of *who we are and how we work*. They highlight *business principles*, the *Company's responsibilities* towards its employees, and *employee responsibilities* towards your Company. All standards ensure both management and staff work in cohesion towards the smooth functioning of the organisation.

Business Principles

These define our *management principles*, *core values* and other specific policy areas which help in creating long-term value with all stakeholders. Specific policy areas include supporting the principles of free enterprise, ethics, integrity and fairness in all aspects of operations, supporting community activities as a socially responsible corporate citizen, communications in an open, factual and timely manner, compliance with the laws in which we operate and protecting the environment with the commitment to contribute to sustainable development. It is the responsibility of the Board through the Chief Executive to ensure that the business principles are communicated to all employees and to oversee implementation thereof.

Company Responsibilities

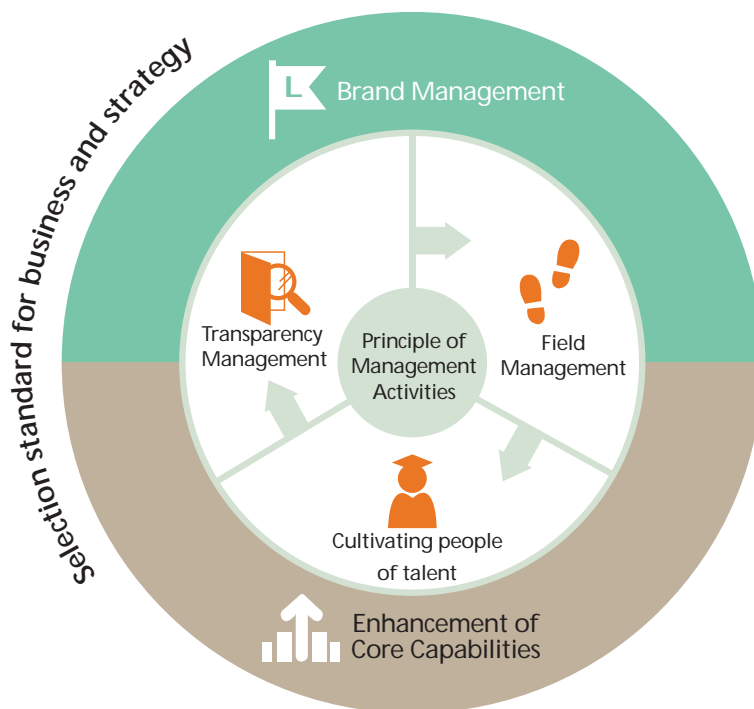
These define specific policy areas which include adopting a spirit of open communication, providing equal opportunities, a healthy, safe and secure environment, ensuring employee rights are exercised such as freedom to join unions and associations, protecting employees' personal data and engaging in an active performance management system.

Employee Responsibilities

The Code provides guidance to employees on their responsibilities towards media relations, disclosures, inside information, protecting intellectual property, information technology, code of conduct, compliance with business policies which ensure highest ethical standards in the conduct of the Company's business.

Our Management Policy

The management policy of Lotte means the standard of organization that the executives of the company must comply with when they make the existing business grow and develop more and unfold new business. All the leaders of Lotte who are responsible for the management, should select and unfold the business according to this management policy in order to accomplish the vision. Lotte management policy is based on following principles.



Transparency Management



We establish systems that our stakeholders can understand clearly and disclose information of the company correctly and transparently.

Enhancement of Core Capabilities



We recognize our strengths and focus on the core business that we can do best. We extend our business to the related business and create synergy.

Field Management



We evaluate the business progress through direct communication in the field with customer, executives, partner companies and include their ideas and suggestions in our strategy.

Cultivating people of talent



We recruit talented people and develop them as talented global human resource (HR) equipped with best capabilities.

Brand Management



We provide differentiated products and services and maintain high level of customer satisfaction to increase the brand value.

Our Core Values

We believe that the core values of Lotte are the rules of success of Lotte. These core values have developed over time based on our experiences and have now become a part of our DNA.



Customer Focus

We identify clearly what our customers want and provide the best products and services in a honest manner in order to maintain the trust of our customers. We strive to keep our promise with our customers.



Originality

We create the differentiated value and new business opportunity through ceaseless innovation and development of new ideas. We maintain a culture that encourages employees to take on new challenges.



Partnership

We carry out our duties to pursue mutual profits (Win-Win) with Customers and Partner Companies and maintain a labor-management culture based on trust. We cooperate to increase the synergy of the group rather than individual profit.



Responsibility

We take full ownership of our work and always conduct our business based on legal, ethical and social standards. We fulfill our societal responsibilities with sincerity.



Passion

With the conviction that nothing is impossible we aim high and maintain a challenging spirit. It is our passion to be the best in the industry. We develop expertise and technology through continuous learning.

About LOTTE

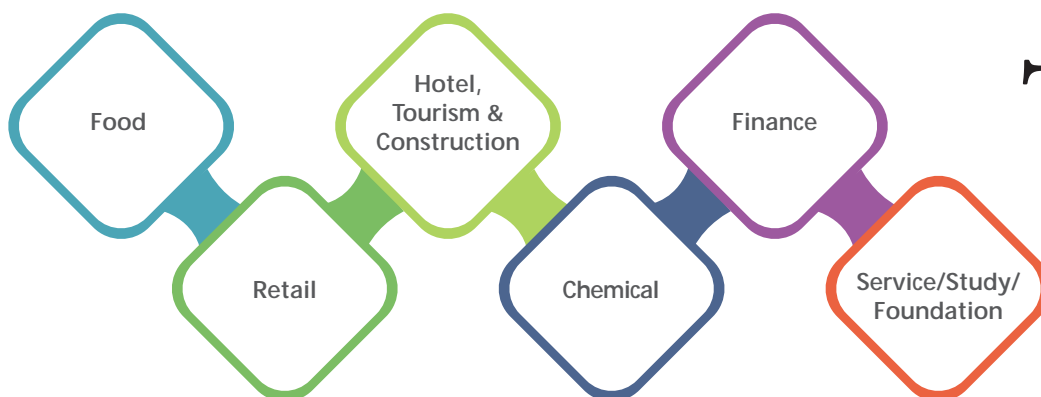
LOTTE started its business in 1967 with confectionary. Since then LOTTE has grown into one of Korea's largest conglomerate and is trusted by customers all over the world. Currently, LOTTE with a turnover in excess of \$92 billion is engaged in over 20 businesses in 19 countries worldwide.

Mission

We enrich people's lives by providing superior products and services that our customers love and trust.



Global Businesses of LOTTE



AsIA
Top10
GLOBAL GROUP

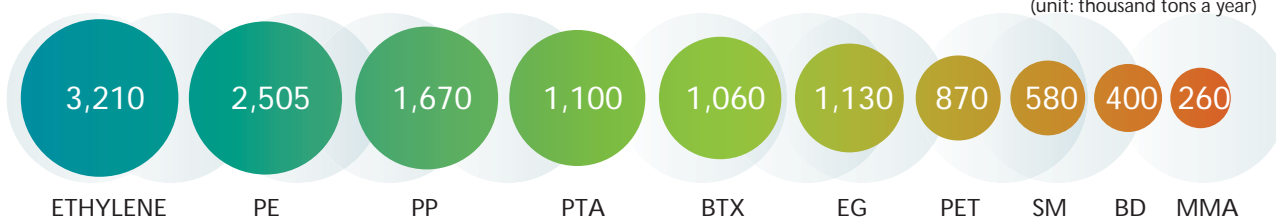
About LOTTE Chemical Corporation

Since its foundation in 1976, LOTTE Chemical, as a general petrochemical Company, has localized cutting-edge petrochemical technologies and has led Korea's heavy and chemical industry technology development. With the vision of growing into a Top-tier Asian Chemical Company, LOTTE Chemical is endeavouring to become a Company that ensures stable growth and contributes to human society.

Production Capacity of Major Products including Overseas Subsidiaries

With the production of the following chemical products, LOTTE Chemical has established a strong foundation overseas in the petrochemical industry.

(unit: thousand tons a year)



Usage of Major Products

PE Household item, toy, wire clothing, vessel for chemicals, car's fuel tank	PP Auto material, home appliances, disposable syringe, transparent vessel, hygienic non-woven fabric, film for packing	PET Container for beverages, cosmetics and food items	PC Optic disc (CD, DVD), sunglasses, lens, car lamp, home appliances
Performance material Auto interior material, bumper, electronic part, building material	EG Polyester fibre, antifreeze	GE Cleansing agent, machine lubricating oil, break oil, antifreeze	EOA Detergent, shampoo, concrete compound
PIA PET resin, special paint, unsaturated resin	PTA Polyester fibre, PET, PET film, paint	MMA Adhesive for medical use, acryl film, artificial marvel	BD ABS, raw material for synthetic rubber (SBR, BR)
SM PS, ABS, raw material for synthetic rubber	BZ Agricultural chemicals, photo chemicals, explosives, insect repellent, SM raw material	TL Medical supplies, paint, ink material, dye, aromatics, gunpowder	XL Organic pigment, paint, aromatics, agricultural chemicals, general solvent





Partnership

We highly value the trust and collaboration with all our stakeholders. This provides us with strength to move forward and strive for further excellence.



Stakeholders Information

Company Information	14
Chief Executive's Message	15
2016 Highlights	16
SWOT Analysis	17
Awards & Accreditations	18
Financial Calendar	20
Share Price Analysis	21
Pattern of Shareholding	22



Company Information

Board of Directors

Jung Neon Kim	Chairman
Humair Ijaz	Chief Executive
Soo Chan Ko	Non-Executive
Nak Sun Seong	Non-Executive
Sang Hyeon Lee	Executive
M Qasim Khan	Independent
Pervaiz Akhtar	Independent
Istaqbal Mehdi	Non-Executive

Audit Committee

Pervaiz Akhtar	Chairman
Jung Neon Kim	Member
Istaqbal Mehdi	Member
Faisal Abid	Secretary

HR & Remuneration Committee

Jung Neon Kim	Chairman
Sang Hyeon Lee	Member
Nak Sun Seong	Member

Shares Sub Committee

Sang Hyeon Lee	Chairman
M Qasim Khan	Member
Jung Neon Kim	Member

Executive Management Team

Humair Ijaz	Chief Executive
Tariq Nazir Virk	General Manager
	Manufacturing
Waheed U Khan	General Manager
	HR & IT

Chief Financial Officer

Ashiq Ali

Company Secretary

Faisal Abid

Bankers

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

Internal Auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

External Auditors

EY Ford Rhodes
Chartered Accountants

Legal Advisor

Nida Salim Rais
148, 18th East Street,
Phase 1, DHA, Karachi

Registered Office

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

Shares Registrar

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

Chief Executive's Message to the Stakeholders

As 2016 draws to a close, I am extremely pleased with all that we have achieved. Despite challenging market conditions and continued depressed margins, we have been able to turn around the business into a profitable one through persistent and diligent efforts.

The Asian PTA market remained hugely oversupplied which forced PTA producers to curtail production. Consequently, the average operating rate of the Asian PTA Industry remained at a low level of 77%. In contrast, the improved power availability to Pakistan's industry and the imposition of anti dumping duties on PSF provided support to the domestic PTA demand and we were able to maintain our operations at 97%.

In these challenging times the Company's Management remained focused and continued to manage the business in a sustainable manner. Our commitment to Health, Safety and Environment (HSE) remained our top priority and I am proud to report that on 25th May 2016 we completed 50 million man-hours without any injury to own or contractor's employee. Our stellar record in this area is a source of immense pride for our teams, our stakeholders, and myself. We shall stay committed to achieving more milestones in this very important area in the years to come.

In addition to excellent plant operations our manufacturing team was able to deliver a number of key initiatives to improve efficiencies and reduce costs. Our commercial team was able to source raw materials at very competitive pricing. Despite very strong competition from foreign PTA suppliers we were also able to achieve the highest ever domestic sale and remained the supplier of choice due to our consistent quality and strong service level to our esteemed customers.

Another key achievement this year was that after strong follow-up by the Management, the Government of Pakistan increased the import tariff on PTA and PSF. This has positively impacted the business and I would like to thank the Government of Pakistan for their support and understanding.

The market is expected to pose several more challenges next year, as the focus for many foreign PTA producers becomes the Middle East and Pakistan for their product destinations, especially after the imposition of Anti Dumping Duty in India. Furthermore, the wave of new and technologically advanced PTA plants in China and India with relatively lower conversion costs is setting up a tough landscape for us to compete in.

Despite these conditions, I remain optimistic about what the future holds for our business. Our strategy remains to maintain operational excellence, reduce costs and continue to provide high quality product and services to our customers. We are also in constant discussions with SSGC, KE and GoP, and are striving hard to capitalize on the true potential of our Co-Gen Power Plant by pursuing the possibility to sell excess power. Moreover, with the PTA/PSF tariff increase and PSF anti dumping duty in place, the domestic demand is expected to remain strong.

I take this opportunity to express my commitment and gratitude to all employees and their families, our customers, suppliers, business partners and stakeholders for their kind support and trust.

I look forward to your continued collaboration with the Company as we charge forward to another year.

Sincerely yours,



Humair Ijaz



2016 Highlights

Quarter 1

- CE communication session was held with all the employees and 2016 targets were agreed.
- Free Eye Medical Camp was organised at Abdullah Goth, near National Highway, Karachi.
- Short Shut down was carried out successfully and safely with 'zero injury'.
- 28,000 hours preventive maintenance of gas turbine and natural gas booster compressor was carried out successfully.
- HR & Remuneration Committee, Audit Committee and Board meetings were held.

Quarter 2

- Completed 50 million man-hours without LTC (Lost Time Case) for LCPL employees & all contractors on 25th May 2016.
- Received 6th Fire & Safety Award from National Forum for Environment and Health (NFEH) and Fire Protection Association of Pakistan (FPAP).
- Won Best IR Practicing Company Award from Employers' Federation of Pakistan (EFP).
- Achieved 100% compliance in IMS Surveillance external audit.
- Free Eye Medical Camp was organised at Ghaghar Phattak, Port Qaim, Karachi.
- Celebrated 'Earth Day' with tree plantation at Port Qasim.
- Audit Committee and Board meetings were held.
- 18th Annual General Meeting was held.

Quarter 3

- CE communication session was held with all the employees to review progress on 2016 targets.
- Completed 13 million man-hours without LTC (Lost Time Case) for LCPL employees.
- LCPL's 2015 Annual Report was awarded third position by the Committee of ICAP-ICMAP.
- Won 3rd prize in Employer of the Year Award 2015 organised by Employers' Federation of Pakistan.
- Won 13th Annual Environment Excellence Award from National Forum for Environment and Health (NFEH).
- Free Medical Camp was organised at Mosa Goth, Razzaqabad, Bin Qasim Town Karachi.
- Fresh batch of Trainee Engineers and Apprentices were recruited from all over Pakistan.
- Audit Committee and Board meetings were held.

Quarter 4

- Successful conclusion of all sales and feed-stock supply contracts for 2017.
- Won 2nd prize for "Excellence in Best HR Practices 2016" in Employer of the Year Awards organised by Employers' Federation of Pakistan.
- Organised a comprehensive "Learning Carnival" to promote a learning culture across the organisation.
- Free Eye Screening Camp was organised at Haji Ibrahim Goth, Bin Qasim Town, Karachi.
- 32,000 hours preventive maintenance of gas turbine and natural gas booster compressor was carried out successfully.
- Audit Committee and Board meetings were held.

SWOT Analysis

S

Strengths

- Sole PTA producer in the Country.
- Highly skilled and professional team.
- Competitive raw material sourcing.
- Ability to provide better services to customers opposite imports.
- Strong maintenance and HSE systems.



W

Weaknesses

- Dependence on international raw material.
- Single product business.
- Overcapacity in Asian market leading to depressed margins.
- Using older technology of PTA manufacturing.
- Aging plant machinery and equipment.



O

Opportunities

- Improving power and economic situation of the country.
- Trends in packaging, directly affecting downstream demand.
- Strategic alliance with LOTTE global affiliates for further business development, diversification.



T

Threats

- Volatility in crude oil and raw material pricing.
- Reduction in import tariff.
- Increased price competition with imports due to regional oversupply.



Awards & Accreditations

ISO 9001 – 2008 Certification

We are ISO 9001 – 2008 certified Company. Accreditation to this system has provided the foundation for better customer satisfaction, staff motivation and for the continual improvement of our processes. There was no major Non-Conformity reported in the surveillance audit conducted in 2016.

OSHAS 18001 - 2007 and ISO 14001 - 2004 Certifications

Our Company is OSHAS 18001 - 2007 and ISO 14001 - 2004 certified since 2012. We got this accreditation in the shortest time period as our pre-certification HSE systems were very detailed and comprehensive. This is also demonstrated in our various surveillance audits that have never captured any major non-conformity. We continuously strive to improve our systems based on internal and external audits.

Employer of the Year Award 2015 & Excellence in Best HR Practices Award 2016

The Company won Employer of the Year award 2015 and ranked 3rd amongst the multinational category and also won the second prize for “Excellence in Best HR Practices”. These awards are an acknowledgement of our implementation of best practices in the following areas:

- Management, HR Management & Employment practices.
- Industrial Relations Practices.
- Working Conditions, Health & Safety at work.
- Corporate Social Responsibility.
- Skills and Vocational Training Initiatives.
- Company's ingenious Human Resource processes and its implementation across the organisation.



Best IR Practicing Company Award 2016

The Employees' Federation of Pakistan (EFP) announced recognition awards for Best IR Practicing Companies. With 15 other nominated companies in contention for the award, we secured 1st position. This exhibits the high standards of IR practices implemented in the Company.



13th Annual Environment Excellence Award 2016

Health, Safety & Environment (HSE) management forms an integral part of our core values and protecting the environment and preserving natural resources has always remained a top priority for us.

The Company in a ceremony organised by the National Forum for Environment & Health (NFEH) won the 13th Annual Environment Excellence Award 2016. It was a great achievement for the Company to be amongst the top 10 award-winning companies.

The Company had also won this award in 2013, 2014 and 2015.



6th Fire and Safety Award

Our Company this year received the 6th Fire & Safety Excellence Award from National Forum for Environment and Health (NFEH) & Fire Association of Pakistan (FPAP).



Best Corporate Report Award 2015

The Company received accreditation for ranking third in the Best Corporate Report Awards-Chemical Sector, for its 2015 Annual Report by the Joint Evaluation Committee of ICAP - ICMAP.

The Annual Report is the Company's most important strategic communications document and this certificate is the symbol of pride and honour for the Company and the corporate sector. It represents the Company's commitment and transparency in financial reporting for the benefit of all stakeholders of the Company. The evaluation committee's criterion was based on the transparent disclosure of information regarding financial statements, directors' report and corporate governance.



Financial Calendar

22 January 2016 Announcement of results for the Year ended 31 December 2015	21 April 2016 18th Annual General Meeting was held	21 April 2016 Announcement of results for the 1st Quarter ended 31 March 2016
23 August 2016 Announcement of results for the 2nd Quarter ended 30 June 2016	25 October 2016 Announcement of results for the 3rd Quarter ended 30 September 2016	08 February 2017 Announcement of results for the Year ended 31 December 2016

Tentative dates for the announcement of 2017 financial results:

25 April 2017 19th Annual General Meeting will be held	25 April 2017 Announcement of results for the 1st Quarter ended 31 March 2017	22 August 2017 Announcement of results for the 2nd Quarter ended 30 June 2017
24 October 2017 Announcement of results for the 3rd Quarter ended 30 September 2017	February 2018 Announcement of results for the Year ended 31 December 2017	

The Company reserves the right to change any of the above dates.

All annual / quarterly reports are regularly posted at the Company's website: www.lottechem.pk

Annual General Meeting

The 19th annual shareholders meeting will be held at 11:00 am on 25 April 2017 at the Institute of Chartered Accountants of Pakistan (ICAP) Auditorium, Chartered Accountants Avenue, Clifton, Karachi.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the Company at least 48 hours before the meeting date.

CDC shareholders or their proxies are requested to bring with them copies of their Computerized National Identity Card along with Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

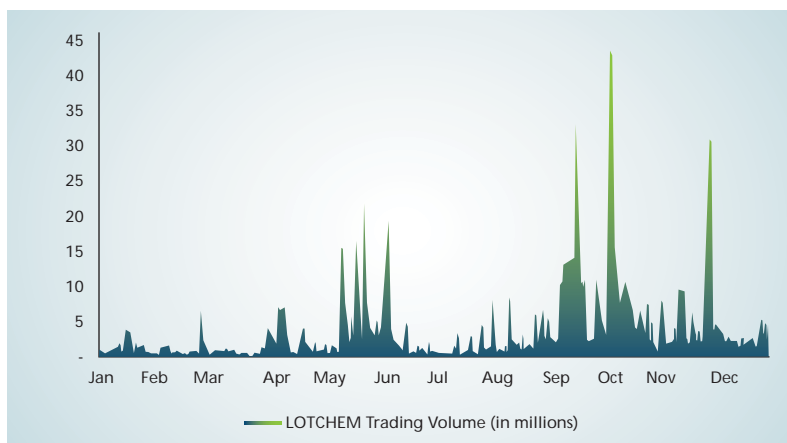
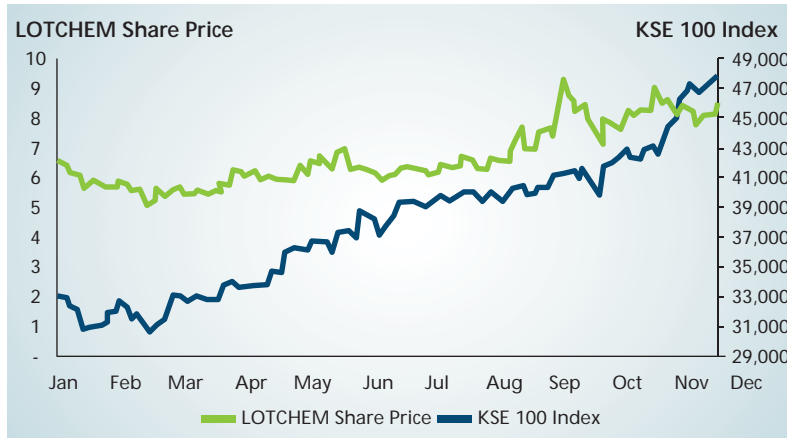


Share Price Analysis

On 31 December 2016 there were 16,854 members on the record of the Company's ordinary shares. Market capitalisation of the Company's stock as at 31 December 2016 was recorded at Rs 12.60 billion (2015: Rs 9.84 billion) with the price per share fluctuating from a high of Rs 9.49 to a low of Rs 5.00 and closing the year at Rs 8.32.

Trading volumes for the Company's shares remained consistently high during the year and 893.5 million shares were traded at the Pakistan Stock Exchange. The stock posted a gain of 28.0% during the year as against 45.7% gain of PSX 100 index.

Closely held shares (i.e. those held by the sponsors, investment companies, financial institutions, foreign investors and other corporate bodies) amounted to 81.67% of the total share capital including 75.01% held by the foreign shareholders.



Investor Relation Contact

Mr Waseem Ahmed Siddiqui (Manager Shares & Secretarial)
 Email: waseem.siddiqui@lottechem.pk
 UAN: +92(0)21 111-568-782
 Fax: +92(0)21 34169126

Enquiries concerning cost of share certificate, dividend payments, change of address, verification of transfer deeds and shares transfers should be directed to the Shares Registrar at the following address:

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

Pattern of Shareholding

As at 31 December 2016

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
2,866	1	100	94,139
4,178	101	500	1,210,765
2,393	501	1,000	1,991,894
3,927	1,001	5,000	10,714,041
1,247	5,001	10,000	10,272,504
432	10,001	15,000	5,639,115
334	15,001	20,000	6,256,801
230	20,001	25,000	5,484,033
171	25,001	30,000	4,921,878
81	30,001	35,000	2,722,381
85	35,001	40,000	3,309,901
47	40,001	45,000	2,046,195
153	45,001	50,000	7,590,417
36	50,001	55,000	1,921,275
35	55,001	60,000	2,073,534
24	60,001	65,000	1,523,464
30	65,001	70,000	2,070,244
29	70,001	75,000	2,150,312
24	75,001	80,000	1,885,392
13	80,001	85,000	1,080,631
6	85,001	90,000	533,000
12	90,001	95,000	1,110,762
92	95,001	100,000	9,191,426
17	100,001	105,000	1,750,916
12	105,001	110,000	1,309,486
8	110,001	115,000	909,599
15	115,001	120,000	1,778,690
14	120,001	125,000	1,735,185
7	125,001	130,000	897,000
6	130,001	135,000	802,376
13	135,001	140,000	1,803,316
6	140,001	145,000	860,500
22	145,001	150,000	3,297,800
6	150,001	155,000	923,500
7	155,001	160,000	1,115,075
5	160,001	165,000	823,000
4	165,001	170,000	668,361
3	170,001	175,000	523,256
1	175,001	180,000	176,500
1	180,001	185,000	183,000
7	190,000	195,000	1,337,000
42	195,001	200,000	8,388,450
7	200,001	205,000	1,419,973
5	205,001	210,000	1,042,000
3	210,001	215,000	641,184
3	215,001	220,000	649,000
4	220,001	225,000	897,500
2	230,001	235,000	465,000
3	235,001	240,000	713,848
2	240,001	245,000	482,000
9	245,001	250,000	2,246,000
2	250,001	255,000	501,024
4	255,001	260,000	1,035,100
5	265,000	270,000	1,338,500
3	270,001	275,000	822,096
2	275,001	280,000	555,532
4	285,001	290,000	1,146,654
8	295,001	300,000	2,397,000
2	300,001	305,000	609,000
1	305,001	310,000	305,500
1	320,001	325,000	320,341
1	330,000	335,000	330,000
4	350,000	355,000	1,407,000
1	355,001	360,000	358,121
3	365,000	370,000	1,100,500
2	375,000	380,000	750,000
5	400,000	405,000	2,000,000
2	405,001	410,000	815,570
2	420,000	425,000	845,000
1	425,001	430,000	429,000
2	450,001	455,000	906,000

No. of Shareholders	Size of Holding		No. of Shares held
	From	To	
1	465,000	470,000	465,000
1	475,000	480,000	475,000
2	480,001	485,000	967,000
1	485,001	490,000	488,716
3	490,001	495,000	1,479,065
13	500,000	505,000	6,500,000
1	510,000	515,000	510,000
2	515,001	520,000	1,037,174
1	520,001	525,000	522,500
3	540,000	545,000	1,624,500
1	545,001	550,000	546,000
2	560,000	565,000	1,120,000
3	595,000	600,000	1,795,000
4	600,001	605,000	2,415,100
1	605,001	610,000	605,514
1	610,001	615,000	610,100
1	625,000	630,000	625,000
1	635,001	640,000	639,500
1	650,001	655,000	650,375
2	660,001	665,000	1,326,500
1	670,001	675,000	671,500
1	695,000	700,000	695,000
1	700,001	705,000	701,500
1	715,001	720,000	719,500
2	735,000	740,000	1,475,000
1	740,001	745,000	743,000
1	750,000	755,000	750,000
2	775,000	780,000	1,553,000
1	780,001	785,000	782,526
1	790,000	795,000	790,000
2	800,000	805,000	1,600,000
1	810,001	815,000	813,500
1	840,000	845,000	840,000
1	850,000	855,000	850,000
2	855,001	860,000	1,718,572
2	900,000	905,000	1,800,000
1	970,001	975,000	970,711
15	995,001	1,000,000	14,999,116
1	1,050,000	1,055,000	1,050,000
1	1,055,001	1,060,000	1,058,203
2	1,205,000	1,210,000	2,411,602
1	1,300,000	1,305,000	1,300,000
1	1,370,001	1,375,000	1,370,500
1	1,470,001	1,475,000	1,472,500
2	1,500,000	1,505,000	3,000,000
2	1,505,001	1,510,000	3,019,500
1	1,600,001	1,605,000	1,604,500
2	1,700,000	1,705,000	3,404,778
1	1,765,000	1,770,000	1,765,000
1	1,810,001	1,815,000	1,814,893
1	1,875,001	1,880,000	1,877,200
1	1,900,000	1,905,000	1,900,000
3	2,000,000	2,005,000	6,000,000
1	2,230,001	2,235,000	2,233,500
1	2,250,000	2,255,000	2,250,000
1	2,270,001	2,275,000	2,274,000
1	2,420,000	2,425,000	2,420,000
1	2,600,000	2,605,000	2,600,000
1	2,640,001	2,645,000	2,641,000
1	3,830,001	3,835,000	3,834,500
1	3,850,000	3,855,000	3,850,000
1	4,880,001	4,885,000	4,881,200
1	5,680,001	5,685,000	5,684,901
1	7,000,000	7,005,000	7,000,000
1	8,800,000	8,805,000	8,800,000
1	10,000,000	10,005,000	10,000,000
1	11,985,001	11,990,000	11,987,500
1	26,360,001	26,365,000	26,361,300
1	50,000,000	50,005,000	50,000,000
1	1,135,860,001	1,135,865,000	1,135,860,105
16,854			1,514,207,208

Pattern of Shareholding

As at 31 December 2016

Information required under code of corporate governance

S.No	Shareholders Category	No. of Shareholders	No. of Shares held
1	Associated Companies, Undertakings and Related Parties: Lotte Chemical Corporation	1	1,135,860,105
2	NIT and ICP CDC - Trustee National Investment (Unit) Trust CDC - Trustee NIT-Equity Market Opportunity Fund	1 1	858,572 78,157
3	Mutual Funds CDC - Trustee First Capital Mutual Fund CDC - Trustee Hbl Mustahekum Sarmaya Fund 1 CDC - Trustee Picic Growth Fund CDC - Trustee Picic Investment Fund CDC - Trustee Picic Islamic Stock Fund CDC - Trustee Picic Stock Fund Dominion Stock Fund Limited Golden Arrow Selected Stocks Fund Safeway Mutual Fund Limited Security Stock Fund Limited	1 1 1 1 1 1 1 1 1 1 1	100,000 735,000 8,800,000 3,850,000 750,000 695,000 690 30 1,050 150
4	Directors, CEO and their spouse and minor children Jung Neon Kim Humair Ijaz Nak Sun Seong Mohammad Qasim Khan Sang Hyeon Lee Soo Chan Ko Pervaiz Akhtar Istaqbal Mehdi	1 1 1 1 1 1 1 1 1	1 1 1 1 1 1 1 1 1
5	Executives	2	309
6	Public Sector Companies and Corporations	3	2,268,345
7	Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	43	10,118,820
8	Others	166	72,562,795
9	Individuals	16,619	277,528,177
		16,854	1,514,207,208

Shareholders holding five percent or more voting rights

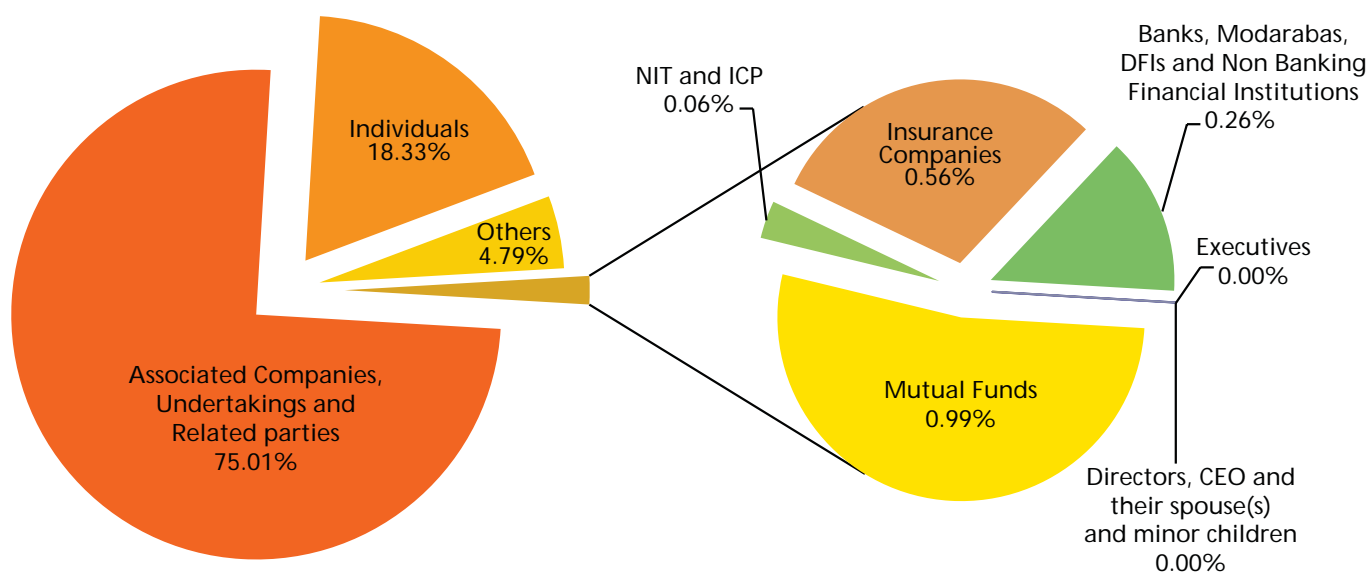
Lotte Chemical Corporation	1	1,135,860,105
----------------------------	---	---------------

Categories of Shareholding

As at 31 December 2016

S.No	Shareholders Category	No. of Shareholders	No. of Shares	Percentage (%)
1	Associated Companies, Undertakings and Related parties	1	1,135,860,105	75.01
2	NIT and ICP	2	936,729	0.06
3	Mutual Funds	10	14,931,920	0.99
4	Directors, CEO and their spouse(s) and minor children	8	8	0.00
5	Executives	2	309	0.00
6	Banks, Modarabas, Development Financial Institutions and Non Banking Financial Institutions	36	3,931,949	0.26
7	Insurance Companies	10	8,455,216	0.56
8	Others	166	72,562,795	4.79
9	Individuals	16,619	277,528,177	18.33
Total		16,854	1,514,207,208	100.00

Shareholders Categorisation 2016





Transparency Management

We establish systems that our stakeholders can understand clearly and disclose information of the Company correctly and transparently.



Corporate Governance

Board of Directors	28
Board Committees	30
Report of the Board Audit Committee	32
Executive Management Team	35
Management Committees	36
Organisational Structure	38
Corporate Governance and Compliance	39
Business Risk & Challenges	47

Board of Directors

As at 07 February 2017



Jung Neon Kim
Chairman

Tenure

Appointed to the Board on 23 February 2016 for the term expiring 22 June 2017.

Board and Committee Activities

Chairman
Chairman HR & Remuneration Committee
Member Audit Committee
Member Shares Sub Committee

Outside Interests

Director KP Chemtech Korea
Director KP Chemtech UK
Director Lotte Chemical UK Limited

Career

Mr Kim has been with the Company since the acquisition by LOTTE Chemical Corporation, South Korea in 2009. He was appointed as Executive Director on the Board in 2009 and was re-elected in June 2011. In 2014, he was appointed Chief Executive of the Company. Mr Kim holds a Bachelor's Degree in Economics from Pusan National University in Korea and has also completed a short MBA programme at Seoul National University. Mr Kim has been working with LOTTE Chemical Corporation, South Korea since 1991. He stayed in the Singapore Branch from 1996 to 2000. He's been in the PET business since 2001 and in PTA sales for more than ten years with LOTTE Chemical Corporation, South Korea. He is a certified Director of Corporate Governance from Pakistan Institute of Corporate Governance (PICG).



Humair Ijaz
Chief Executive

Tenure

Appointed to the Board on 23 June 2015 for the term to expire on 22 June 2017.

Outside Interests

Director Lotte Kolson (Pvt) Limited

Career

Mr Humair Ijaz has over 23 years of experience. After working for Siemens for a year, he joined ICI in 1993 as Management Trainee and worked in various businesses including Paints, Soda Ash and Pharmaceuticals. He was transferred to the PTA

Business in 1998 as Logistics Manager and was promoted as IT Manager in the same year. He made significant contribution in setting up the business processes and systems of the PTA Plant. In 2004, he was promoted as Supply Chain Manager and then Commercial Manager in 2008. He has played an instrumental role in reshaping the Company's Commercial activities and based on his continued commitment, he was promoted as Director Commercial in 2013 and was appointed as the CE in June 2015.

He did his Bachelor's in Electrical Engineering and MBA (Finance) from Virginia Tech, USA and possesses a wide range of experience in the areas of Supply Chain, Sales and Information Technology.



Soo Chan Ko
Non-Executive Director

Tenure

Appointed to the Board on 1 February 2015 to fill the casual vacancy created on 31 January 2015 for the term to expire on 22 June 2017.

Outside Interests

Managing Director Strategic Planning & Coordination, LOTTE Corporate Headquarters
Director LOTTE Glory Properties (Shenyang) Limited
Director LOTTE Engineering & Construction India Private Limited

Director of Lotte International Co., Ltd
Director of Hyundai Information Technology
Director of LOTTE Chemical USA Corporation

Career

Mr Ko is the Managing Director of Strategic Planning & Coordination at LOTTE Corporate Head Office. Mr Ko holds a Bachelor's Degree in Food Technology from Kangwon National University, South Korea. He joined the LOTTE Group in 1987 and after spending 8 years with LOTTE Ham and Milk marketing section, he moved to LOTTE Engineering & Construction Asset Management section where he was involved in Overseas Development and Strategic Planning.



Nak Sun Seong
Non-Executive Director

Tenure

Appointed to the Board on 1 February 2015 to fill the casual vacancy created on 31 January 2015 for the term to expire on 22 June 2017.

Board and Committee Activities

Member HR & Remuneration Committee

Outside Interests

General Manager Global Management Team LOTTE Chemical Corporation
Director LOTTE Chemical UK Limited
Director LOTTE Chemical Jiaxing EP Corporation
Director LOTTE Chemical Hefei EP Corporation

Career

Mr Seong joined LOTTE Chemical Corporation in 1997 and has held various roles within the Group including Manager Corporate Planning and Senior Manager Audit LOTTE Corporate Head Office and Team Leader Global Management Team in LOTTE Chemical Corporation. He is currently working as General Manager Global Management Team at LOTTE Chemical Corporation, South Korea.

Mr Seong holds a Bachelor's Degree in Accounting from Pusan National University and an MBA from Yonsei University, South Korea.

Sang Hyeon Lee

Executive Director

Tenure

Appointed to the Board on 1 February 2015 to fill the casual vacancy created on 31 January 2015 for the term to expire on 22 June 2017.

Board and Committee Activities

Chairman Shares Sub Committee
Member HR & Remuneration Committee

Outside Interests

None.

Career

Mr Lee has been working with LOTTE Chemical Corporation, South Korea since 1992, spending his first twelve years in the Production Control Team in the Ulsan Plant, where he was in charge of Planning, Budgeting, Cost Accounting, and Decision Making Support. He graduated from Hanyang University, majoring in Business Administration in 1989.

Mr Lee has previously served as a Non-Executive Director on the Company's Board from April 2013 to June 2014.

He is certified Director of Corporate Governance from Pakistan Institute of Corporate Governance (PICG).



Mohammad Qasim Khan

Independent Director

Tenure

Appointed to the Board on 23 June 2014 for the term to expire on 22 June 2017.

Board and Committee Activities

Member Shares Sub Committee

Outside Interests

Director Pepsi-Cola Products Philippines, Inc.
Director Pepsi-Cola Korea Co. Limited
Director Pepsi-Cola Far East Trade Development Co. Inc.

Career

Mr Khan is currently Business Unit President for PepsiCo International in Bangkok. He is responsible for PepsiCo's beverage and food businesses in Japan, Korea, Philippines and Pakistan. He has been with the company since 1986, serving diverse roles in Australia, New Zealand, Vietnam, Malaysia, Singapore, Thailand and the Pacific Islands.

Prior to PepsiCo, Mr Khan worked for Procter & Gamble based in Geneva, Switzerland, where he was responsible for the Arabian Gulf markets. Mr Khan has an MBA in Marketing from the USA.

Mr Khan is the longest serving Board member of the Company. He was first appointed as Director in 2009 and was re-elected in 2011.



Pervaiz Akhtar

Independent Director

Tenure

Appointed to the Board 23 June 2014 for the term to expire on 22 June 2017.

Board and Committee Activities

Chairman Audit Committee

Outside Interests

Director METRO – Habib Cash & Carry Pakistan (Pvt) Ltd
Director German Pakistan Trade & Investment Ltd
Director Star Farm Pakistan (Pvt) Limited

Career

Mr Akhtar graduated in 1976 from University of Punjab with majors in Economics. He later attended an MBA programme at School of Business and Commerce Islamabad and secured distinction in Business Policy &

Strategy and Human Resource Management. He completed his professional training with Klynveld Peat Marwick Goerdeler (KPMG) and passed Institute of Chartered Accountants of Pakistan (Inter) examination in 1981.

In 1989, Mr Akhtar was awarded a USAID scholarship and he completed Petroleum Management Program at Arthur D. Little Inc Boston, U.S.A.

He is responsible for METRO's Corporate Affairs since 2007. Being part of the senior management team, he has contributed towards successfully establishing the METRO Cash & Carry's business in Pakistan.

Mr Akhtar has a versatile experience of more than 30 years of working with local and multinational companies in Pakistan. During this period, he served in senior management positions in the fields of Finance, Human Resources, Procurement and Corporate Affairs.

He is a certified Director of Corporate Governance from Pakistan Institute of Corporate Governance (PICG).



Istaqbal Mehdi

Non-Executive Director

Tenure

Appointed to the Board 23 June 2014 for the term to expire on 22 June 2017.

Board and Committee Activities

Member Audit Committee

Outside Interests

Chairman / Chief Executive of Al-Aman Holding (Pvt) Ltd

Career

He has held several roles throughout his professional career. From 2009 onwards, he served as Chairman and Chief Executive of Al-Aman Holding (Pvt) Ltd. Prior to that, he was a Managing Director at Pakistan Kuwait Investment Company

(Private) Limited. Some of his other roles include: serving as President and Chief Executive Officer at Zarai Taraqati Bank Limited, Chairman and Chief Executive Officer at Agriculture Development Bank of Pakistan and Managing Director at Investment Corporation of Pakistan. He began his career in 1967 as a Research Assistant at USAID Lahore. He holds a Master of Philosophy in Financial Economics from the University of Leeds, UK. He also holds Bachelor and Master of Arts degrees in Economics from Government College, Lahore. In 1982, Mr Mehdi completed a course in Public Enterprise Policy in Developing Countries from Harvard University.

Mr Mehdi has previously served as a Director on the Company's Board from January 2011 to April 2012 and was re-appointed in June 2013.

He is a certified Director of Corporate Governance from Pakistan Institute of Corporate Governance (PICG).



Board Committees

with brief terms of reference

HR and Remuneration Committee



Mr Nak Sung Seong, Member

Mr Jung Neon Kim, Chairman

Mr Sang Hyeon Lee, Member

The HR and Remuneration Committee assists the Company's Board of Directors to administer and develop a fair and transparent procedure for establishing human resource management policies. The Committee is responsible for reviewing the remuneration and benefits of the Chief Executive, Executive Directors and senior managers. Consisting of two Non-Executives and one Executive Director, the Committee is also responsible for reviewing the remuneration budget.

The General Manager HR & IT acts as the Secretary and the Committee meets at least once a year.

Shares Sub Committee



Mr Mohammad Qasim Khan, Member

Mr Jung Neon Kim, Member

Mr Sang Hyeon Lee, Chairman

The Shares Sub Committee consists of one Executive and two Non-Executive Directors. This Committee approves registrations, transfers and transmission of the Company's shares. Resolutions passed by this Committee are subsequently placed at Board meetings for ratification.

Audit Committee



Mr Istaqbal Mehdi, Member

Mr Pervaiz Akhtar, Chairman

Mr Jung Neon Kim, Member

Chairman's Introduction

The work of the Audit Committee in 2016 has been focused mainly on the integrity of financial statements, effectiveness of the overall control environment, review of key risks, compliance with legal & regulatory requirements, Board's policies & directives and regular reports which assist the Committee in maintaining assurance over the management of financial risk and in overseeing the performance of the internal and external auditors.

As Chair of the Audit Committee, I reported after each meeting to the Board on the main matters discussed in our meeting to ensure all directors were informed of the committee's work. I believe the mix of skills and experience amongst the Committee's members, together with the ability to discuss issues directly with management has led to an effective performance from the Committee over the year.

Pervaiz Akhtar
Chairman - Board Audit Committee

Role of the Committee

The Audit Committee assists the Board in effectively discharging its responsibilities with regard to corporate governance, financial reporting and corporate control. The Board draws up the terms of reference of the Audit Committee, which comply with relevant legislations.

The Board acts in accordance with the Committee's recommendations on matters forming its responsibilities. The Audit Committee reviews the system of internal controls, risk management and the financial audit process, as well as assists the Board in reviewing financial statements and announcements to shareholders. In carrying out its duties, the Audit Committee has the authority to discuss any issues within its remit with management, internal auditors or external auditors. If it deems necessary, it may also obtain legal advice on it. The Committee controls and monitors the scope of the internal audit function, including powers and responsibilities encompassing its charter.

The Chairman of the Audit Committee is an Independent Non-Executive Director, while its members include Non-Executive Directors. The Company Secretary acts as the Secretary of the Committee.

The Audit Committee meets at least four times annually. Its members meet at least once a year with external auditors, without the CFO and internal auditors. In addition, Committee members also meet internal auditors at least once a year, excluding the CFO.

Report of the Audit Committee

On adherence to the Code of Corporate Governance

The Board Audit Committee has concluded its annual review of the conduct and operations of the Company for the year ended 31 December 2016 and reports that:

- The Company has adhered in full without any material departure, with the mandatory and voluntary provisions of the listing regulations of Pakistan Stock Exchange, Code of Corporate Governance, Company's Code of Conduct and Values throughout of the year.
- The Financial Statements, Directors Report and other information in the Annual Report have been reviewed by the Chief Executive and the Chief Financial Officer. They acknowledge their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable accounting standards and establishment and maintenance of internal controls and systems of the Company.
- Appropriate accounting policies have been consistently applied. Applicable accounting standards were followed in preparation of the financial statements of the Company on a going concern basis, for the financial year ended 31 December 2016, which present fairly the state of affairs, results of operations, cash flows and changes in equity of the Company for the year under review.
- Accounting estimates are based on reasonable and prudent judgment. Estimates and judgments were continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Proper, accurate and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984.
- The Financial statements comply with the requirements of the Fourth Schedule to the Companies Ordinance, 1984, and applicable International Accounting Standards and International Financial Reporting Standards.
- The Company has issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed and certified by the auditors of the Company.
- The Board Audit Committee reviews all Related Party Transactions, including the terms of the transactions, and recommends the same to the Board for review and approval.
- All direct and indirect trading and holdings of the Company's shares by Directors and Executives or their spouses were notified in writing to the Company Secretary along with the price, number of share, form of share certifies and nature of transaction. All such holding have been disclosed.
- Closed periods during which the Directors, the Chief Executive, CFO, Company Secretary and other executives of the Company including their spouses and minor children were precluded from dealing in Company shares were duly determined and announced by the Company prior to each Board meeting involving announcement of interim / final results, distribution to shareholders or any other business decision, which could materially affect the share market price of the Company, along with maintenance of confidentiality of all business information.

Internal Audit Function

- The internal control framework has been effectively implemented through outsourcing the internal audit function to KPMG Taseer Hadi & Co., Chartered Accountants. The Company's system of internal control is sound in design and has been continually evaluated for effectiveness and control.
- The Board Audit Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company and the shareholders wealth through financial, operational and compliance controls and risk management at all levels within the Company.

- The Company has also appointed a Head of Internal Audit in compliance of the Code of Corporate Governance. The Head of Internal Audit coordinates with the internal auditors KPMG Taseer Hadi & Co., Chartered Accountants, and reports directly to the Chairman of the Board Audit Committee.
- During the year four Board Audit Committee meetings were held.
- Coordination between the external and internal auditors was facilitated to ensure efficiency and contributions to the Company's objectives, including a reliable financial reporting system and compliance with laws and regulations.
- The Board Audit Committee recommends reinstating internal audit function to KPMG Taseer Hadi & Co., Chartered Accountants, for the financial year ending 31 December 2017 on term of remuneration to be negotiated by the Chief Executive.

External Auditors

- The statutory auditors of the Company, EY Ford Rhodes, Chartered Accountants, have completed their audit assignment of the "Company's Financial Statement and the "Statements of Compliance with the Code of Corporate Governance" for the financial year ended 31 December 2016 and shall retire on the conclusion of the 19th Annual General Meeting.
- The Board Audit Committee has reviewed and discussed audit observations and the Management Letter with the external auditors.
- The audit firm has been given a satisfactory rating under the Quality Control Review Programme of the institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) Guidelines on Code of Ethics, as adopted by ICAP.
- The auditors have been allowed direct access to the Committee and the effectiveness, independence and objectivity of the auditors has thereby been ensured. The auditors attended the General Meeting of the Company during the year.
- The Board Audit Committee recommends appointment of EY Ford Rhodes, Chartered Accountants, as the statutory auditors of the Company for the financial year ending 31 December 2017 on term of remuneration to be negotiated by the Chief Executive.



Pervaiz Akhtar
Chairman - Board Audit Committee

06 February 2017
Karachi

Board and Committee Attendance in 2016

During the Year, 4 (four) Board of Directors, 4 (four) Audit Committees and 1 (one) HR & Remuneration Committee meetings were held:

Board		Eligible to Attend	Attended
Non-Executive Directors			
Mr Kwan Ho Lee	resigned w.e.f 23 February 2016	1	1
Mr Jung Neon Kim	appointed w.e.f 23 February 2016	3	3
Mr Istaqbal Mehdi		4	4
Mr Pervaiz Akhtar		4	4
Mr Mohammad Qasim Khan		4	2
Mr Soo Chan Ko		4	2
Mr Nak Sun Seong		4	4
Executive Directors			
Mr Humair Ijaz		4	4
Mr Sang Hyeon Lee		4	4

Audit Committee		Eligible to Attend	Attended
Non-Executive Directors			
Mr Kwan Ho Lee	resigned w.e.f 23 February 2016	1	1
Mr Jung Neon Kim	appointed w.e.f 23 February 2016	3	1
Mr Istaqbal Mehdi		4	4
Mr Pervaiz Akhtar		4	4

HR & Remuneration Committee		Eligible to Attend	Attended
Non-Executive Directors			
Mr Kwan Ho Lee	resigned w.e.f 23 February 2016	1	1
Mr Jung Neon Kim	appointed w.e.f 23 February 2016	-	-
Mr Nak Sun Seong		1	1
Executive Directors			
Mr Sang Hyeon Lee		1	1

Leave of absence was granted to directors who could not attend some of the board meetings.

Executive Management Team

The Executive Management Team consists of functional heads, operating under the Board and the Chief Executive, to ensure smooth operations and achieve strategic objectives.

The Team conducts its business under the chairmanship of the Chief Executive with other senior managers. The Team is responsible for strategic business planning, decision-making, establishing adequacy of the Company's operational, administrative and control policies adopted by the Board and monitoring compliance thereof.



Tariq Nazir Virk
General Manager
Manufacturing

Waheed U Khan
General Manager
HR & IT

Humair Ijaz
Chief Executive
Profile on page 15.

Tariq Nazir Virk possesses over 26 years of professional experience and he has been associated with the Company for over 20 years. He was appointed Engineering Manager in 2010 and was promoted to General Manager Manufacturing in 2016.

He completed his Bachelor's in Mechanical Engineering from University of Engineering and Technology, Lahore in 1990. In addition to that, he has a wide range of experience in Projects, Engineering and Operations of chemical plants. Prior to joining the Company, Tariq Nazir Virk had worked with Dawood Hercules Chemicals.

Waheed U Khan has over 20 years of experience. He joined the Company in 1997 after working in DH Fertilizer Complex for several years. Since then, he has been progressing in various departments of the organisation including Production, Technical, HSE & Technical Training before becoming Administration & Public Affairs Manager in 2008. Based on his continued commitment and experience, he was appointed as General Manager HR & IT in 2016.

He completed his Master's in Chemical Engineering from University of Punjab and was included on the Roll of Honour after achieving gold medal and first position in his Bachelor's Degree. He also holds an Executive MBA from Lahore University of Management Sciences (LUMS).

Management Committees

with brief terms of reference

Executive Committee



Back L to R: Mr Tariq Nazir Virk, Mr Ashiq Ali, Mr Sang Hyeon Lee, Mr Adnan Ul Haque, Mr Waheed U Khan, Mr Kee Seo Park,
Front L to R: Mr Kyoungmo Cho, Mr Syed Qamar Alam, Mr Humair Ijaz, Mr Syed Masood Ul Hasan, Mr Muhammed Talha Khan

The Executive Committee, chaired by the CE, supports the Executive Management Team in achieving its objectives and is responsible for smooth operations on an ongoing basis. It comprises of the various heads of departments including the Executive Management Team. The Executive Committee meetings are conducted on a monthly basis or more frequently if needed. The Committee reviews all operational and financial aspects, advises improvements to operational policies / procedures and monitors implementation of the same.

The Committee met on a monthly basis during 2016 and reviewed all operational and financial aspects of the business, including improvements to operational policies / procedures.

HSE&S Management Committee



Back L to R: Mr Tariq Nazir Virk, Mr Humair Ijaz, Mr Waheed U Khan, Mr Ashiq Ali,
Front L to R: Mr Mohammed Talha Khan, Mr Syed Masood Ul Hasan, Mr Kyoungmo Cho, Mr Adnan Ul Haque, Mr Syed Qamar Alam

The HSE&S Committee, chaired by the CE, periodically reviews and monitors Company-wide practices. It oversees the Health, Safety, Environment and Security functions of the Company and is responsible for ensuring that all operations are safe, environment-friendly and compliant with regulatory framework.

The Committee received regular reports from the HS&E function, including quarterly reports prepared for Executive Committee on Company's Health, Safety and Environmental performance and operational integrity. These included quarter-by-quarter measures of personal and process safety, environmental and regulatory compliance and audit findings. Operational risk and performance forms a large part of the Committee's agenda.

BCP Committee

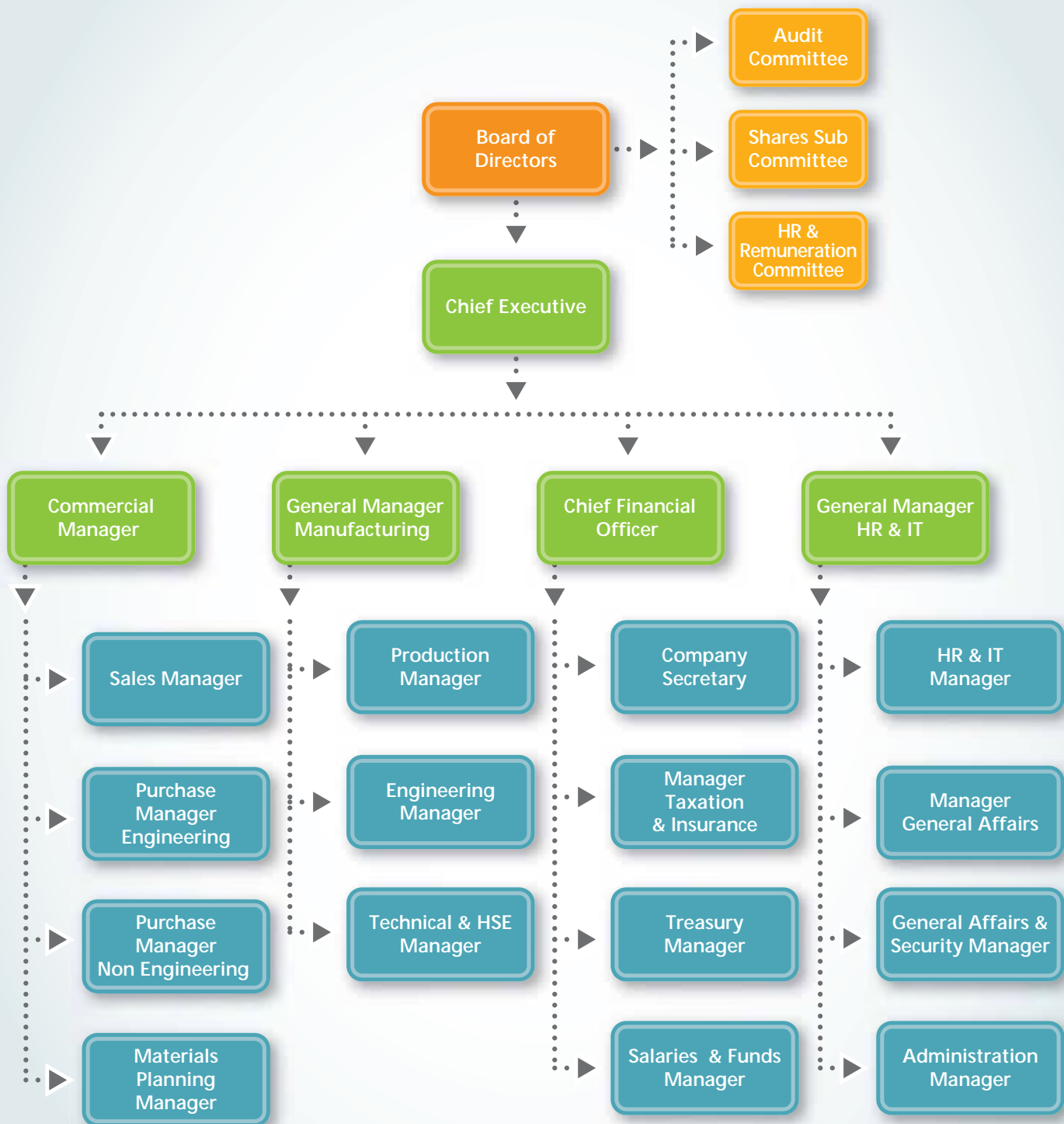


Back L to R: Mr Syed Arif Hussain, Mr Muhammad Tabish Ashfaq,
Front L to R: Mr Asad Ullah Chughtai, Mr Syed Masood Ul Hasan, Mr Tariq Nazir Virk, Mr Ashiq Ali, Mr Adnan Ul Haque, Mr Syed Qamar Alam

The BCP Committee's objective is to steer the Business Continuity Plan (BCP) by establishing a fit-for-purpose strategic and operational framework to respond to major business interruption situations.

The CE as Business Continuity Manager (BCM) leads the BCP process along with General Manager Manufacturing and Chief Financial Officer. A working level BCP Committee, headed by General Manager Manufacturing is responsible for stewarding the BCP Programme and comprises of representatives of all functions / departments. Each functional head is responsible for current and comprehensive Business Continuity Planning in his respective sphere of operations.

Organisational Structure



Corporate Governance and Compliance

Board Governance

The Company's Corporate Governance Structure is based on the requirements of the Companies Ordinance, 1984, along with other circulars and guidelines issued by the Securities and Exchange Commission of Pakistan (SECP), listing regulations of the Pakistan Stock Exchange, the Code of Corporate Governance and the Company's Articles of Association. This is further strengthened by several internal procedures, which include a risk management assessment and control system, as well as a system of assurances of compliance with the applicable laws, regulations and the Company's Code of Conduct.

The Company is a public limited company established under the laws of Pakistan. The shares of the Company are listed on the Pakistan Stock Exchange (G) Limited.

Role of the Board

The Board of Directors provides oversight in the governance, management and control of the Company and is responsible for setting the goals, objectives and strategies of the Company and for formulating the policies and guidelines towards achieving those goals and objectives. The Board is accountable to the shareholders for the discharge of its fiduciary function. The Management is responsible for the implementation of the aforesaid goals and strategies in accordance with the policies and guidelines laid down by the Board of Directors. In order to facilitate the smooth running of the day-to-day affairs of the Company, the Board entrusts the Chief Executive with necessary powers and responsibilities who in turn is assisted by an Executive Management Team. The Board is also assisted by a number of Sub Committees comprising mainly Non-Executive / Independent Directors. Specific tasks are delegated to the board sub committees and the Board seeks to set the 'tone from the top' by working with management to agree on the values of the Company.

The activities of the Board are based on the requirements and duties laid down under relevant laws and the Company's Memorandum and Articles of Association. This compliance assists the Board in safeguarding the interests of all the stakeholders.

Board Composition, Size and Tenure

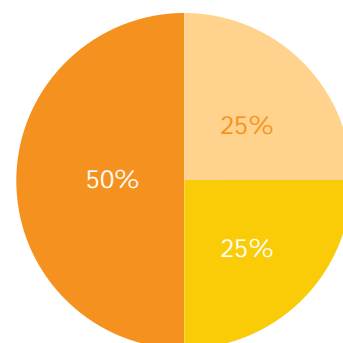
The structure of the Board reflects an optimum combination of Executive, Non-Executive and Independent Directors. The current Board comprises eight directors which include two Executive Directors (including the Chief Executive), four Non-Executive Directors and two Independent Directors. The Chairman of the Board is a Non-Executive Director. The positions of Chairman and Chief Executive are held by separate individuals with clearly defined roles and responsibilities.

All the Directors are appointed for a term of three years on completion of which they are eligible for re-election under the Company's Articles of Association through a formal election process.

Consent to act as director is obtained from each candidate prior to election. The Company has had an Audit Sub Committee and a HR & Remuneration Sub Committee of the Board much before the introduction of the Code of Corporate Governance.

Roles and Responsibilities of the Chairman and Chief Executive

There is a clear segregation of roles between the Chairman of the Board and the Chief Executive for smooth running of the business. The Company's Articles of



- Executive Directors
- Independent Directors
- Non-Executive Directors

Association, relevant laws and the duties assigned by the Board outline the responsibilities and the power of the Chairman of the Board.

The key role and responsibilities of the Chairman includes;

- Provides leadership of the Board.
- Acts as main point of contact between the Board and management.
- Speaks on Board matters to shareholders and other parties.
- Is responsible for the integrity and effectiveness of the Board's system of governance.
- Ensures that systems are in place to provide directors with accurate, timely and clear information to enable the Board to operate effectively.

The Chief Executive functions in accordance with the powers vested in him by law, the Company's Articles of Association and the authorities delegated to him by the Board. The Chief Executive is responsible for framing strategic proposals and formulating business plans for the Board approval. Moreover, the Chief Executive is also responsible for ensuring smooth functioning of the business with optimum utilisation of the Company's resources and effective implementation of internal controls.

Board Meetings

The Board determines the key items for its consideration for the coming financial year. The agenda is set by the Chairman in consultation with the Chief Executive and with support of the Company Secretary. A similar process is used for meetings of Board Committees.



Meetings of the Board of Directors and Sub Committees are held in accordance with an annual schedule circulated before each year end to ensure maximum director participation.

Discussions at Board meetings are open and constructive. All discussions of the Board and their records are maintained in confidence unless there is a specific decision or legal requirement to make disclosure.

When participating in Board discussion, Executive Directors are expected to discharge their responsibilities as directors of the Company and not to act solely as the representatives of that activity for which they bear executive responsibility.

Independence and Conflict of Interest

The Non-Executive and Independent Directors are expected to be independent in character and judgment and free from any business or other relationship which would materially interfere with the exercise of that judgment. Mohammad Qasim Khan and Pervaiz Akhtar are the two Independent Directors on the Board.

Mohammad Qasim Khan joined the Board in September 2009 and was re-elected in June 2011. In June 2014, the Board asked him to remain as a director until the 2017 AGM as it considered that his experience as the longest serving Board member provides valuable insight, knowledge and continuity.

The Board has determined that Mohammad Qasim Khan and Pervaiz Akhtar continue to meet the Board's criteria for independence and will keep this under review.

The Board is satisfied that there is no compromise to the independence of, and nothing to give rise to conflicts of interest for those directors who serve together as directors on the boards of outside entities or who have other appointments in outside entities.

Board Induction and Education

All Directors, including foreign resident Directors, as part of their induction package, are provided with sufficient information of their duties and responsibilities under respective laws and the Company's Memorandum and Articles of Association. Directors, being senior professionals and possessing experience of managing various responsibilities, have adequate exposure to corporate matters.

On joining Company's Board, Non-Executive and Independent Directors are given a tailored induction programme. This includes meetings with the management and site visit. Moreover, the Board received briefings on Company's Code of Conduct, Company's values and key business developments including legal updates, the economic outlook and the necessary information under respective laws and the Company's Memorandum and Articles of Association.



At present, one Independent Director, one Executive Director and two Non-Executive Directors have completed all parts of the certification "The Board Development Series" offered by the Pakistan Institute of Corporate Governance (PICG). Certification for remaining directors will be obtained in accordance with the Code of Corporate Governance.

Board Evaluation

A comprehensive Board evaluation with respect to the effectiveness of the Board was carried out in 2016 using an external facilitator, PICG. The Board evaluation assessment covered specific areas of Board performance including Board Composition, Board & CEO Compensation, Strategic Planning, Board Procedures, Board Interaction, Board Information, Board Committees and Board & CE Effectiveness. The findings of the evaluation were discussed in detail with the Board of Directors.

The Board also regularly reviews the developments in Corporate Governance to ensure that the Company always remains aligned with the best practices.

CE Performance Review

The Board of Directors of Lotte Chemical Pakistan Limited regularly evaluates performance of the CE based on agreed financial and non-financial KPIs.

The Board has reviewed the performance of the CE for the current financial year and is satisfied with the achievements for the year. The Board has full confidence in his abilities to manage the affairs of the Company in the most professional and competent manner. The CE is also responsible for setting the objectives for his management team and regularly updates the Board about the performance of the management in achieving the desired goals.

Material Interests of Board Members

Directors are required to disclose, at the time of appointment and on an annual basis, the directorships or memberships they hold in other corporations. This is in pursuance with Section 214 of the Companies Ordinance 1984, which also requires them to disclose all material interests.

This information is used to help maintain an updated list of related parties. In case any conflict of interest arises, the matter is referred to the Board's Audit Committee.

None of the Directors are either members of stock exchange in Pakistan or engaged in the business of stock brokerage. Moreover, they are not involved in external audit and have had no relationship with the Company's external auditors during the preceding two years. Remuneration and benefits of the Board, including the Chief Executive and Executive Director, are disclosed in note 32 to the financial statements as determined under provisions of the Articles of Association of the Company.

Board & Management Committee

The Board may at any time establish Committees of the Board to assist in carrying out its responsibilities. Any Committee will be subject to the Board Principles and will speak or act for the Board only when and to the extent so authorised.

The permanent Committees of the Board include the Audit Committee, the HR & Remuneration Committee and Shares Sub Committee.

Each permanent Committee is comprised of those Directors the Board considers best suited to serve on that Committee and in accordance with the Code of Corporate Governance.

The Board and Management Committees brief details are covered elsewhere in the Report.

Disclosure and Transparency

Financial Statements

Periodic financial statements of the Company are circulated to the Directors duly endorsed by the Chief Executive and the Chief Financial Officer for approval by the Board before publication, in compliance with the Listing Regulations of the Pakistan Stock Exchange. After consideration and approval, the Board authorises the signing of financial statements for issuance and circulation. The half-yearly and annual financial statements are initialed by the external auditors before presentation to the Audit Committee and the Board for their respective approvals.

The publication and circulation to the shareholders, stock exchange and regulators of quarterly unaudited financial statements along with Directors' Review is done within one month and half-yearly financial statements reviewed by the external auditors within two months, of the respective period end dates.

Annual financial statements together with the Directors' Report, Auditors' Reports and other Statutory Statements / Information are circulated for consideration and approval by the shareholders, within four months from the end of the financial year. These statements are also made available on the Company's website. All other important information considered sensitive for share price determination is transmitted to stakeholders and regulators on a timely basis.

Adequate Disclosure

We believe in best practices in corporate governance by adopting transparency and disclosure as a policy with our stakeholders. This is achieved through disclosure of communications to our shareholders and other stakeholders, including our financial statements. All critical accounting estimates, rules and procedures governing extraordinary transactions, or any changes in accounting policies along with their financial impact, are disclosed in the notes to our financial statements. We follow the Companies Ordinance and applicable IAS and IFRS (International Accounting Standards and International Financial Reporting Standards). In addition, we endeavour to provide as much relevant supplementary information in the financial statements as possible.

Annual General Meeting

The Company holds its Annual General Meeting of the shareholders in light of the Companies Ordinance, Listing Regulations, Code of Corporate Governance and our Articles of Association. We request all our shareholders to participate. We also ensure that a copy of the Annual Report containing the agenda and notice of our AGM is dispatched to every shareholder at his/her registered address.

Issues raised in last AGM: During the 18th AGM of the Company held on 21 April 2016, general clarifications were sought by the shareholders on the financial statements and the market. No significant issues were raised.

Investor Relations

The Company seeks to keep all stakeholders informed on a regular basis. This is done by means of publication on Company's website containing complete financial reports on a quarterly basis and the publication of the annual and interim reports. In addition, the Company communicates with all its shareholders / investors and analysts through organizing or attending meetings such as AGMs. Also, on need basis, meetings are held with stakeholders to ensure that the investment community receives a balanced and complete view of the Company's performance and the issues faced by the business, while always observing applicable rules concerning selective disclosure, equal treatment of shareholders and insider trading.

Pattern of Shareholding

Disclosure of Company's shareholding structure is given in the pattern pursuant to the Companies Ordinance and the Code of Corporate Governance in the printed accounts of the Company. Our share capital is comprised of ordinary shares. No other class of shares is issued by the Company. LOTTE Chemical Corporation, Korea holds 75.01% shares, while the balance 24.99% shares are held by individuals and domestic and foreign institutions. The Pattern of Shareholding in the Company, as at 31 December 2016, is given on page 22 of the Annual Report.

Best Corporate Practices

Code of Conduct

Even before the introduction of the requirement in the Code of Corporate Governance, the Company had a comprehensive Code of Conduct. In order to apprise the employees of the Code of Conduct, the Company organizes training sessions and induction programmes on a regular basis to ensure compliance at all levels. Besides this, every employee and Director of the Company is required to sign, on an annual basis, a statement to the effect that he or she understands the Code of Conduct and that he or she abides by it at all times while doing business for the Company. Salient features of the Code of Conduct are covered earlier in the Report.

Speak Up

A separate 'Speak Up' policy has been formulated in order to facilitate strict adherence to the Code of Conduct, whereby any Company employee can raise concerns, expose irregularities and help management of the Company in identifying financial malpractices and potential frauds without any fear of reprisal or adverse consequences on a confidential basis through various modes of communication. Complete anonymity of the person using this facility is assured and all complaints are thoroughly investigated either by the Company internally or by assigning it to the Internal Auditors.

Employees of the Company are encouraged to use the guidance provided by the Speak Up Policy for reporting wrongdoing / improper conduct. A separate Speak Up Committee has been formed with a direct reporting line to the Board Audit Committee.

Insider Trading

The Company has a stringent policy on insider trading and securities transactions. The policy paper which is circulated to all the employees of the Company from time to time prohibits all employees of the Company from making use of inside information for direct or indirect transactions in Company shares. No trading in Company shares is allowed during the closed periods. Trading is only allowed in the open period, preferably in the two weeks period following announcement of quarterly / half-yearly / annual results. Prior notification in writing is required to be given to Company Secretary before carrying out any transaction and once the transaction is executed, it is to be reported back to the Company Secretary within two days of execution of the transactions with relevant details of purchase / sale of shares. No opposite transaction is allowed within six months i.e. if anyone buys any shares of the Company, he or she is not allowed to sell those shares within six months to make a gain.

Related Party Transactions

We maintain a complete and updated list of related parties. All transactions with related parties are carried out on an arm's length basis as per formulas approved by the Board of Directors. A complete list of all related party transactions is compiled and submitted to the Audit Committee every quarter. After review by the Audit Committee, the transactions are placed before the Board for their consideration and approval.

Internal Control

The Company has a sound system of internal control and risk management. The internal audit function, which is mainly responsible for internal controls, has been outsourced to M/s KPMG Taseer Hadi & Co., Chartered Accountants, and reports directly to the Chairman of the Audit Committee. As a consequence of regular review over several years, the Company now has an extremely robust system of internal controls which was further strengthened in 2005 when the Company had to go through a comprehensive implementation of the Sarbanes-Oxley Act (SOX) due to listing of its previous parent company's shares on the New York Stock Exchange. Although this requirement is no longer applicable to the Company, the Company continued with the control framework then adopted.

Internal and External Audit

Our Internal Audit function plays a key role in providing the management and the Board an objective view and reassurance of the effectiveness of the risk management and related control systems throughout the entity. Internal Audits are carried out across all functions by the appointed Internal Audit firm and all findings are reported to the Management and the Audit Committee of the Board.

Action plans are followed up rigorously to ensure that timely corrective action is implemented for the effective functioning of controls. The Board, through the Audit Committee, reviews the assessment of risks, internal and disclosure controls and procedures and suggests remedial actions where applicable. The role of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities regarding the integrity of Company's financial statements, risk management and internal control, compliance with legal and regulatory requirements, the external auditors' performance, qualifications and independence, the performance of the internal audit function, and compliance with the Code of Conduct.

The external auditors are appointed by the shareholders on a yearly basis at the Annual General Meeting on the recommendation of the Board of Directors and shareholders. The partner in charge of our audit or the audit firm is rotated every five years as per the regulations.

HR Policy & Succession Planning

A comprehensive HR policy is part of terms of employment and is applicable to all the permanent employees. The key objective of the HR policy is to develop a high performance culture providing a critical link between an employee's performance and Company's goals. The policy also supports in maintaining the desired organisational culture. In order to ensure continued business performance, the Company has developed a robust succession plan for the positions of Chief Executive, his direct reports in Executive Management Team and business critical roles.

Quality Policy Statement

Lotte Chemical Pakistan Limited operates in an environment, which is influenced by global trends. To remain competitive and retain its status as a preferred PTA supplier, it has to produce a world-class product that always meets the expectations of its customers, both local and overseas, in terms of price, product, quality and service.

The Company achieves the above mentioned objectives by delivering a quality service on the principle of "right first time every time."

To support the Quality Policy, the Company ensures ownership at all levels to continually improve the Quality System consistent with the latest standards and provides necessary training & resource to deliver added value to the business.

Risk Management

The Board has an overall responsibility for the risk management process and internal control procedures. The Audit Committee monitors the Company's risk management process quarterly or more frequently if required and reviews the adequacy of the risk management framework. The Company's documented and regularly reviewed procedures are designed to safeguard our assets, address risks facing the business, and ensure timely reporting to the Board and senior management. A clear organisational structure with defined delegation of authorities is maintained and the senior management takes the day-to-day responsibility for implementation of procedures, ongoing risk monitoring, and effectiveness of controls.

Our risk and control procedure is supported through a Business Continuity Plan and Crisis Management Plan.

Business Continuity Plan/ Crisis Management Plan

The Company recognises the importance of a comprehensive Business Continuity Planning Programme that allows it to plan for and manage major business disruptions. All significant risks, possibilities for control and reduction are identified. The plan is periodically tested in a simulated environment to ensure that it can be implemented in emergency situations and that the management and employees are aware of their respective roles. The range of events considered includes natural disasters, failure of equipment, terrorist action, government / political / legal actions, and changes in the financial and business climate. The controls identified are tested by our internal auditors and action plans are followed rigorously to ensure timely corrective action is implemented for the effective functioning of controls. In addition, a Crisis Management Plan is also developed and is regularly reviewed and updated. This focuses on helping management to handle the immediate effects of a major incident and includes instructions on communications both within and outside the Company.

During the year, the Board through its Audit Committee regularly reviewed the processes whereby risks are identified, evaluated and managed.



Business Risks & Challenges

The following risks are considered to be relevant in evaluating the overall outlook and business strategy of the Company.

	Risk	Mitigating Factors
STRATEGIC	Changing Economic Conditions & Government Policies	The Board and the Management strive to follow a defined strategy to overcome strategic risks and continuously seek dialogue with the policy makers through various business forums in the overall interest of the domestic industries.
	Non Compliance with Laws & Regulations	Changes in regulatory environment are monitored closely and all significant changes are adapted in a timely manner. We advertise and encourage use of 'Speak Up' policy to all our employees to report irregularities, if any, in relation to our Code of Conduct. We remain committed to compliance with all legal and regulatory requirements with special emphasis on our Code of Conduct.
OPERATIONAL	Critical Equipment Failure	Stringent control measures for all critical equipment are in place which includes, but is not limited to, exhaustive preventive maintenance regimes, availability of all adequate spares, upgrade of technologies and necessary training of related manpower.
	Power Failure	Being the sole producer of PTA in the country, it remains imperative that the PTA plant remains in operation on continuous basis throughout the year and as a result, alternate sources for all its key utility needs are in place. The Company in 1998 / 1999 invested heavily in the K-Electric network to ensure uninterrupted power supply to the Company and the Company entered into an evergreen power supply agreement with K-Electric based on its investment in the necessary infrastructure. All critical equipment remains connected to standby generators. In addition, the Company invested in a captive co-generation power facility, which became operational in July 2012, to improve the energy economics of the business and to ensure alternate uninterrupted power supply for continuous PTA operations.
	Risk to Health, Safety and Environment	We continue to uphold the highest safety standards, in line with OHSAS 18001 & internal HSE policies, for both Company and contractor employees which is evident by an excellent safety record spread over 18 years without a Lost Time Injury – more than 51 million man-hours have been completed without a Lost Time Case.
	Inability to attract and retain talent	The Board and the Management put great emphasis on attracting, educating, motivating and retaining staff and the Company continues to support the development of a winning culture through its human resources management policies. Engagement of all our employees remains our key priority.
COMMERCIAL	Key Supplier Failure	The Company aims to use its purchasing power and long-term relationships with the suppliers to ensure continuous availability of raw materials. Maintenance of optimum buffer inventory levels and ensuring alternative sources for key raw materials assists in partially mitigating the risk of abrupt supply interruptions.
	Key Customer Failure	The Company takes pride in the dependable relations developed with its customers over the years and aims to enter into long-term relationships to ensure continuous sale of its product. The Company has demonstrated its ability to export larger volumes, if required. Availability of locally produced PTA and excellent technical support present a strong incentive for local customers to retain the relationship with the Company on a long-term basis.
FINANCIAL	Liquidity Risk	The Company's sales strategy enables maximum volumes to be sold against sight letters of credit and purchasing strategy ensures optimum level of credit days. Adequate modes of financing are available in the form of committed bank facilities. This risk is also mitigated by continuous monitoring of cash flow needs and careful selection of financially strong banks with good credit ratings.
	Fluctuations in Foreign Currency Rates	The Company incurs foreign currency risk on sales, purchases and borrowings that are in a currency other than Pak Rupees. The Company's foreign currency risk arising on sales is minimised through a natural hedge resulting from the pricing mechanism of PTA whereby the price invoiced for PTA domestically is recalculated every month to derive a Rupee price from the international commodity price of PTA in US dollars. To hedge against its foreign currency risk arising on purchase transactions, the Company may enter into forward exchange contracts when considered appropriate. Also, the natural hedge on PTA sales minimises the impact of risk arising on purchase transactions.
	Credit Risk	The Company's exposure to credit risk is influenced by the individual characteristics of each customer. All sales are made against letters of credit and the Board has established a credit policy under which each new customer is analysed individually for credit worthiness. All customers have been transacting with the Company for over five years.

Customer Focus

We provide the best products and services to our customers in a honest manner in order to maintain their trust. We strive to keep our promise with our customers.





Business Review

2016 Performance against Key Objectives	50
Directors' Report	51
Statement of Compliance	58
Review Report to the Members	61

2016 Performance against Key Objectives

In 2016, the Company was able to achieve most of its strategic objectives with the exception of those which were linked to the performance of the PTA industry as a whole. 2016 continued to be a tough year for the PTA industry globally due to overcapacity and depressed margins.

Key Objectives	Performance
Maintain high standard of HSE performance	Completed 51.5 million man-hours without Lost Time Case (LTC) for our own and contractor employees and remained fully compliant with various audits including OHSAS-18001 and ISO 14001.
Maintain 95% PTA plant availability	The PTA plant production was managed extremely well and the Plant availability for the year was 97%. The stable operations resulted in reliable supply to all customers and also provided savings in conversion costs.
Maintain 95% Cogeneration plant availability	Although, Cogeneration plant availability was impacted on account of replacement of filters, the efforts of the team resulted in cogeneration plant availability of 96%.
Deliver business improvement plan and savings target	The management maintained sharp focus on key controllables and various initiatives were taken which reduced operational costs and countered the impact of inflationary pressures.
Sale of surplus electricity	Sale of excess electricity could not be materialised as despite strong follow-up, the required NOC (to sell electricity) from SSGC was issued after significant delays.
Maximize domestic PTA sales	Despite strong competition in the market the Company achieved the highest ever domestic sales of 492,192 MT compared to 463,137 MT last year. 100% of our sales were made to the domestic market.
PTA import tariff	The Board and the management remained engaged with the Government of Pakistan for a fair and competitive regional tariff protection. The Company, after its diligent efforts, was successful in getting an increase in PTA tariff level from 4% to 5% from the Government of Pakistan.

Directors' Report

For the Year Ended 31 December 2016

The Directors are pleased to present their report and the audited financial statements of the Company for the year ended 31 December 2016.

Board Changes

Mr Kwan Ho Lee resigned as Chairman and Director of the Company with effect from 23 February 2016 and Mr Jung Neon Kim was appointed Chairman and Director with effect from the same day to fill the casual vacancy for the remainder of the term to expire on 22 June 2017.

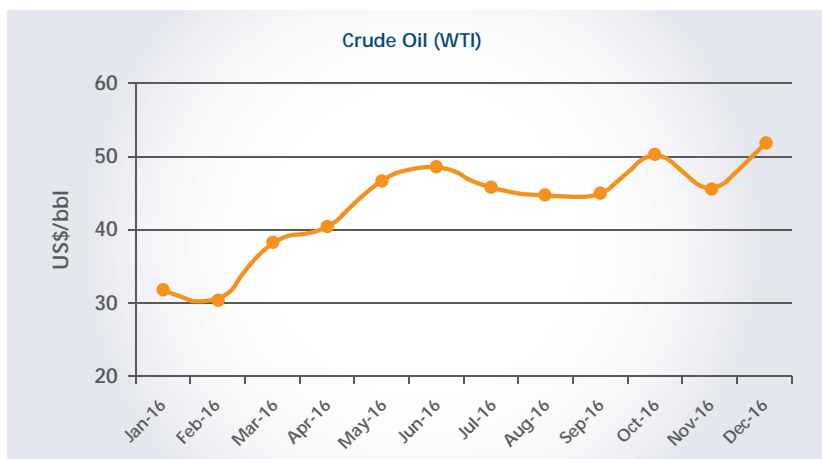
The Board places on record its appreciation for the valuable contributions made by the outgoing Chairman, Mr Kwan Ho Lee and welcomes Mr Jung Neon Kim as the new Chairman of the Company.



Business Overview

Crude Oil

The year commenced with Crude Oil market remaining strained as a result of exacerbating fundamentals, and supply overhang which pushed price levels below US\$ 30 per barrel, the lowest level seen since 2003. There was, however, a surge in prices observed across the second quarter, as a result of economic and political instability in the Middle East. The oil market continued ahead aggressively as OPEC members continued pumping oil at high rates despite talks of a potential production cut to balance the market. The long awaited agreement was finally reached on 30th November, with Saudi Arabia, Iraq, and Russia promising to bring about the

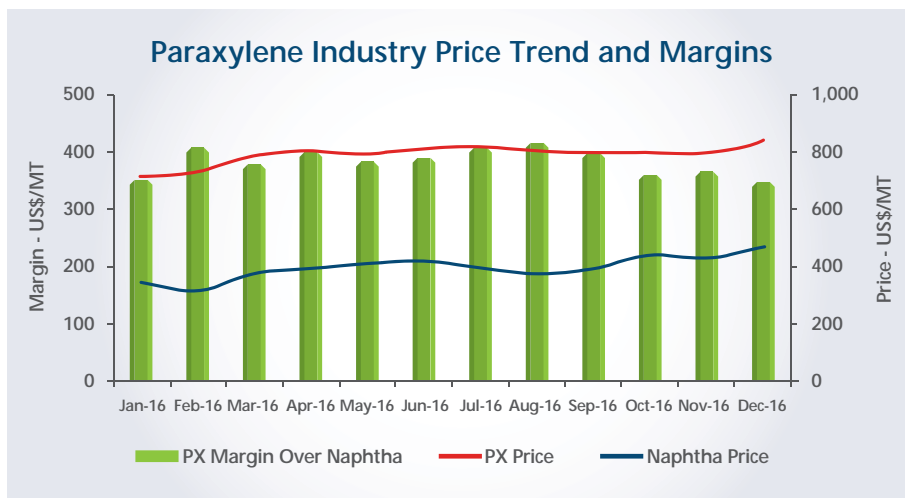


greatest cuts in production which subsequently pushed prices above US\$ 50 per barrel by the end of the year.

Paraxylene (PX) Industry

Overall, the PX market remained balanced to tight during the year as Asian producers kept their operating rates around 87% which enabled them to maintain an average margin of US\$ 385 per tonne during 2016.

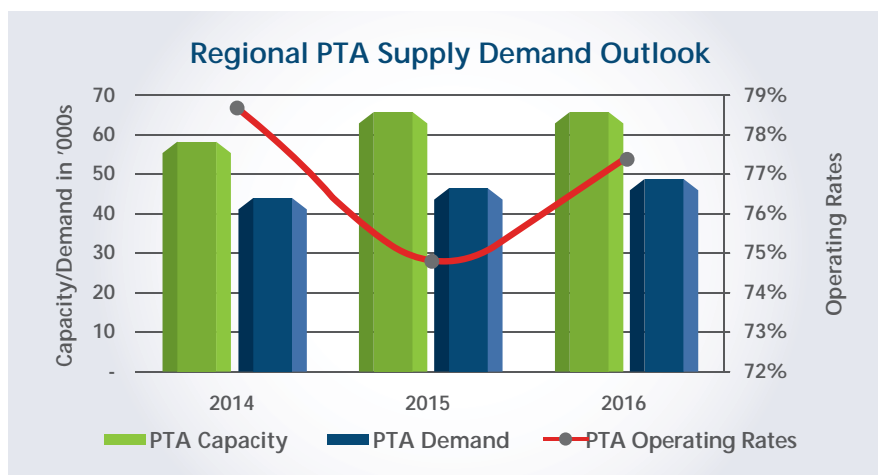
PX prices mostly followed the trend of the upstream Crude Oil prices during the year. Prices increased in the first quarter on the account of tight PX supply due to planned PX plant turnarounds, and strengthening crude oil prices. The prices remained range bound during second and third quarter. The average price of PX in the market for the year was US\$ 784 per tonne compared to last year's average of US\$ 837 per tonne. The OPEC agreement for the production cut of Crude Oil ensued further support to PX market in December and prices climbed to US\$ 840 per tonne, the highest level for the year.

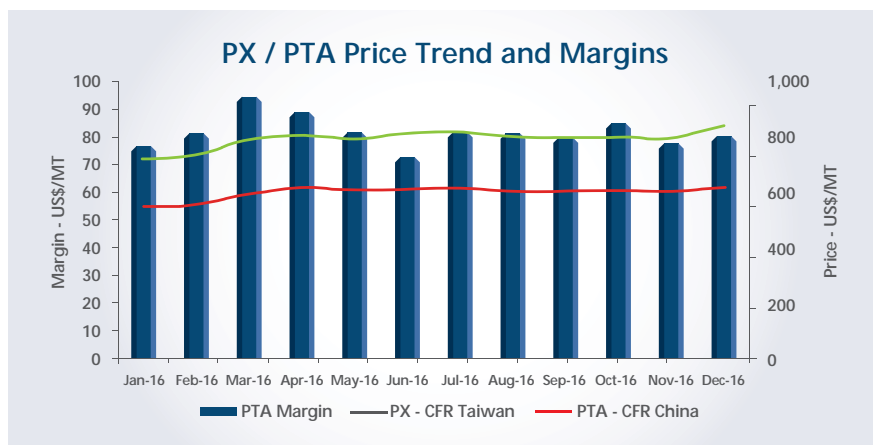


PTA Industry

The overall market conditions for the Asian PTA Industry remained dismal during 2016. While there was a modest improvement of 2% in the operating rates of the industry which averaged 77% for the year, the over-capacity in the region kept the industry margins under pressure. The average margin over PX cost for 2016 was US\$ 82 per tonne compared to US\$ 76 per tonne last year.

There was an addition of around 3.4 million tons of new PTA capacity in the region, mainly in China and India. The Indian Government implemented significant Anti dumping duties on PTA suppliers based in China, Taiwan, Indonesia, Malaysia, Iran, Korea and Thailand. Consequently these suppliers started targeting alternate markets including Pakistan.





PTA prices increased during the first quarter on the back of rising upstream feedstock prices and robust demand from the downstream PET industry. Later during the year the prices remained fairly stable. The average price of PTA in the spot market was US\$ 599 per tonne compared to last year's average of US\$ 628 per tonne.

Domestic Polyester Industry

The improved power availability to Pakistan's Industry and the imposition of Anti dumping duty on Polyester Staple Fiber provided impetus to the domestic Polyester Industry and PTA demand increased by 15% over last year. Despite very strong competition from foreign PTA suppliers your Company was able to achieve a record domestic sale of 492,192 tonnes in 2016.

The operating rate of domestic PSF industry improved by 20% over 2015 due to the above mentioned factors, however, the regional oversupply and price competition specially with Chinese suppliers, kept the domestic industry margins under pressure.

The local PET industry operations remained stable during the year. The increased trend of using single serve bottles has provided support to the PET demand which grew by 6% over last year. One major producer completed a DBN while another PSF producer converted its plant to PET. This capacity enhancement in the PET Industry will help in meeting future demand growth of the country.

Operations

Sales volume, comprising of domestic sales only, during the year were at 492,192 tonnes which was 6% higher than last year, and is the highest domestic sale ever achieved by the Company. This was mainly due to increased operating rates in the domestic PSF industry after the imposition of anti dumping duties as well as improved energy situation in the downstream industries. Exports were not viable due to depressed margins. Hence no export sales were made during 2016.

Production for the year at 503,986 tonnes was 10% higher compared to last year. In Q2 2016, your company also achieved the best quarterly production of 131,907 tonnes since the commencement of plant operations.

The Company continued to make investments in its production facility, aimed at sustaining continuous reliable operations and to improve plant efficiencies.

The Business, after its diligent efforts, was successful in getting an increase in PTA tariff level from 4% to 5% from the Government of Pakistan. In this exercise the tariff of the downstream PSF Industry was also increased. The benefit has manifested in the form of improved revenue generation from local sales.

Health, Safety and Environment (HSE)

Your Company continues to uphold the highest safety standards for its own employees as well as contractor's staff which is evident by an excellent safety record spread over 18 years without a lost time injury. The Directors are proud to report that your Company has achieved a major landmark by completing 50 million man-hours on 25th May 2016, without any injury to own or to contractors' employees.

During the year, many external audits were carried out to verify compliance with regulations and standards. The audits brought forward no major concerns. In addition, the Company's liquid effluent met national environment quality standards. Gaseous emissions were also within regulatory limits.

In recognition of this exemplary performance in HSE, the Company won the Environmental Excellence Award from the National Forum for Environment & Health (NFEH) and Fire & Safety Excellence Award from the Fire Protection Association of Pakistan (FPAP).

A detailed report on HSE performance and development in 2016 is available on page 78 of the Annual Report.



Profit, Finance & Taxation

(Rs million)	2016	2015
Revenue	34,785	33,863
Gross profit / (loss)	705	(257)
Profit / (loss) before taxation	470	(628)
Profit / (loss) after taxation	324	(748)
Earnings / (loss) per share (in Rupees)	0.21	(0.49)

Revenue of Rs 34,785 million for the year was higher by 3% compared to Rs 33,863 million of previous year mainly due to higher volume sold. This, together with stable PTA margin over PX and lower conversion costs resulted in a gross profit of Rs 705 million for the year as compared to gross loss of Rs 257 million during the same period last year.

In 2016, the management delivered a number of initiatives to control the plant conversion costs and also maintained strict internal control on all expenses. As a result distribution and selling expenses remained 4% lower than last year and administration expenses were also 3% lower than last year. Other expenses were higher than last year mainly due to provision for Workers' Profit Participation Fund on the back of operating profit.

Other income for the year was higher than last year due to one-off income generated from the sale of platinum catalyst and higher income earned on bank deposits as a result of increase in average cash surplus levels.

Finance costs were lower than last year mainly due to improved cash generation from operations and lower discounting charges on trade debts.

As a result, your Company generated a profit before taxation of Rs 470 million for the year ended 31 December 2016 as compared to loss before taxation of Rs 628 million last year.

The taxation charge for the year ended 31 December 2016 consists of minimum tax charged under Section 113 of the Income Tax Ordinance, 2001 and tax under Final Tax Regime (FTR) as adjusted by the movement in the deferred tax account.

Profit after taxation for the Company for the year amounted to Rs 324 million as compared to loss after taxation of Rs 748 million last year.

Human Resources

Your Company understands the value of employees and their engagement by encouraging a culture of teamwork, innovation, open communication, motivation and trust. Lotte Chemical Pakistan Ltd strongly believes that employees who are engaged are more productive, content, emotionally connected and ready to go the extra mile to achieve company success. By putting sound HR practices in place, an employee feels satisfied, safe and works with his/her full potential. These also help to recruit, develop and grow talent for achieving excellence across all functional areas.

During the year, the HR has focused on continuous improvement to increase efficiency and accountability, while improving services to our customer and streamlining administration. It has also played a critical role in ensuring that a high-performing culture is maintained and the workforce remains fully engaged with the Company to deliver challenging targets.

Throughout 2016, stability and sustainability were maintained in the organisational numbers. The Employers Federation of Pakistan honored the Company with prestigious award for Best Organization in Working Conditions in the category of multinational companies. In addition, the Company received two more awards for maintaining best practices in Human Resources and Industrial Relations.

A detailed report on human resource performance and development in 2016 is available on page 64 of the Annual Report.

Future Outlook

Uncertainty over crude future looms despite the hike in prices seen towards the end of the year after OPEC announced the confirmation of cutting crude production from January 2017 onwards. It remains to be seen how soon the production cuts that the members have agreed upon will be implemented. Moreover compliance among members, and the fact that the OPEC agreement is set to last only six months, raises doubts if crude prices will gain any significant strength during 2017.

The PX supply balance in the region is expected to remain slightly tight until the upcoming start up of two major PX capacities one in India (2.3 million tonnes) and one in Saudi Arabia (1.3 million tonnes). The upstream Crude market is expected to provide support to PX prices during H1 of 2017. Around 2.4 million tonnes of new PTA capacities are also expected to come online during next year which will keep pressure on operating rates and PTA industry margins.

The market players will strive to balance the demand and supply equation by rationalising operating rates and capacities going off line will play a pivotal role in determining the general health of the PTA industry.

There is noticeable optimism when it comes to the domestic polyester industry. The Anti Dumping Duties on PSF imports, increased import tariff of PTA and PSF, and the improved power situation will continue to have a favorable impact on domestic operating rates. However, the pricing and margins are expected to remain under pressure due to increasing competition with imports.

Compliance with the Code of Corporate Governance

As required under the Code of Corporate Governance, the Directors are pleased to state as follows:

- The financial statements of the Company, prepared by the management, present fairly its state of affairs, the results of its operations, cash flows and the changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgments.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and departures there from, if any, have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts on the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of Corporate Governance, as detailed in the Pakistan Stock Exchange Regulations.

Key Operational and Financial Data

A statement summarising key operating and financial data for the last six years of the Company is given on page 93 of the Annual Report.

Investment in Retirement Benefits

The value of investments made by the staff retirement funds as per their respective audited financial statements for the year ended 31 December 2015 is as follows:

	Value (Rs '000)
Lotte Chemical Pakistan Management Staff Provident Fund	354,274
Lotte Chemical Pakistan Management Staff Gratuity Fund	191,599
Lotte Chemical Pakistan Management Staff Defined Contribution Superannuation Fund	277,696
Lotte Chemical Pakistan Non-Management Staff Provident Fund	6,603
Lotte Chemical Pakistan Non-Management Staff Gratuity Fund	4,360

Pattern of Shareholding

The statement of Pattern of Shareholding in the Company as at 31 December 2016 is given on page 22 of the Annual Report.

Trading in Company Shares

The Directors, Chief Executive, Chief Financial Officer, Company Secretary and Head of Internal Audit and their spouses and minor children did not carry out any transaction in the shares of the Company during the year, except for the transfer of one share to Mr. Jung Neon Kim.

Holding Company

Lotte Chemical Corporation, South Korea continues to hold 75.01% shares in Lotte Chemical Pakistan Limited.

External Auditors

The present auditors M/s EY Ford Rhodes, Chartered Accountants, retire and being eligible, have offered themselves for re-appointment. The Board has recommended the re-appointment of the retiring auditors for the year ending 31 December 2017, for approval of the shareholders in the forthcoming Annual General Meeting.

Acknowledgement

We acknowledge and are thankful for the continued support of our shareholders, customers, suppliers and employees.



Jung Neon Kim
Chairman

Date: 07 February 2017
Dubai, UAE



Humair Ijaz
Chief Executive

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Clause No. 5.19 of Chapter 5 of the Rule Book of Pakistan Stock Exchange Limited, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent Non-Executive Directors and Directors representing minority interests on its Board of Directors (the Board). At 31 December 2016, the Board was constituted as follows:

Category	Names
Independent Directors	Mohammad Qasim Khan Pervaiz Akhtar
Executive Directors	Humair Ijaz Sang Hyeon Lee
Non-Executive Directors	Jung Neon Kim Soo Chan Ko Nak Sun Seong Istaqbal Mehdi

The independent directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

2. The Directors have confirmed that none of them is serving as a Director on more than seven listed companies including this Company.
3. The Directors have voluntarily declared that all the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the Board on 23 February 2016, and was filled up by the Directors on 23 February 2016.
5. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, other Executive and Non-Executive Directors, have been taken by the Board.
8. All the meetings of the Board were presided over by the Chairman, who is a Non-Executive Director and the Board has met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year the Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal audit, including their remuneration and terms and conditions of employment.

10. The Directors have been provided with copies of the Listing Regulations of the Stock Exchange; the Company's Memorandum and Articles of Association and the Code of Corporate Governance and are well conversant with their duties and responsibilities.
11. During the year, one Executive Director has completed Director's Training course from Pakistan Institute of Governance (PICG). As at 31 December 2016, two Non-Executive Directors, one Independent Director and one Executive Director have the required certification of Directors Training Course from PICG. Certification of the remaining directors will be obtained in accordance with the requirements of the Code.
12. The Directors' report for the year ended 31 December 2016 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by the Chief Executive and the CFO, before approval of the Board.
14. The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding. The Board has reviewed and approved the threshold for Executives for the purpose of disclosing trades in the shares of the Company.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee. It comprises three members, including one Independent Director and two Non-Executive Directors. The Chairman of the Committee is an Independent Director.
17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The Terms of Reference of the Committee have been formed and advised to the Committee for compliance.
18. The Board has formed a Human Resource and Remuneration Committee comprising of one Executive and two Non-Executive Directors. The Chairman of the committee is a Non-Executive Director.
19. The Board has outsourced the internal audit function to KPMG Taseer Hadi & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on the Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period' prior to the announcement of interim and final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to Directors, employees and stock exchange.
23. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.

24. The related party transactions with details of pricing methods have been placed before the Audit Committee and approved by the Board of Directors.
25. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
26. We confirm that all other material principles contained in the Code have been complied with.



Jung Neon Kim
Chairman

Date: 07 February 2017
Dubai, UAE



Humair Ijaz
Chief Executive

Review Report to the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Lotte Chemical Pakistan Limited (the Company) for the year ended 31 December 2016 to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, Clause 5.19.23 (b) of the Code of Corporate Governance, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

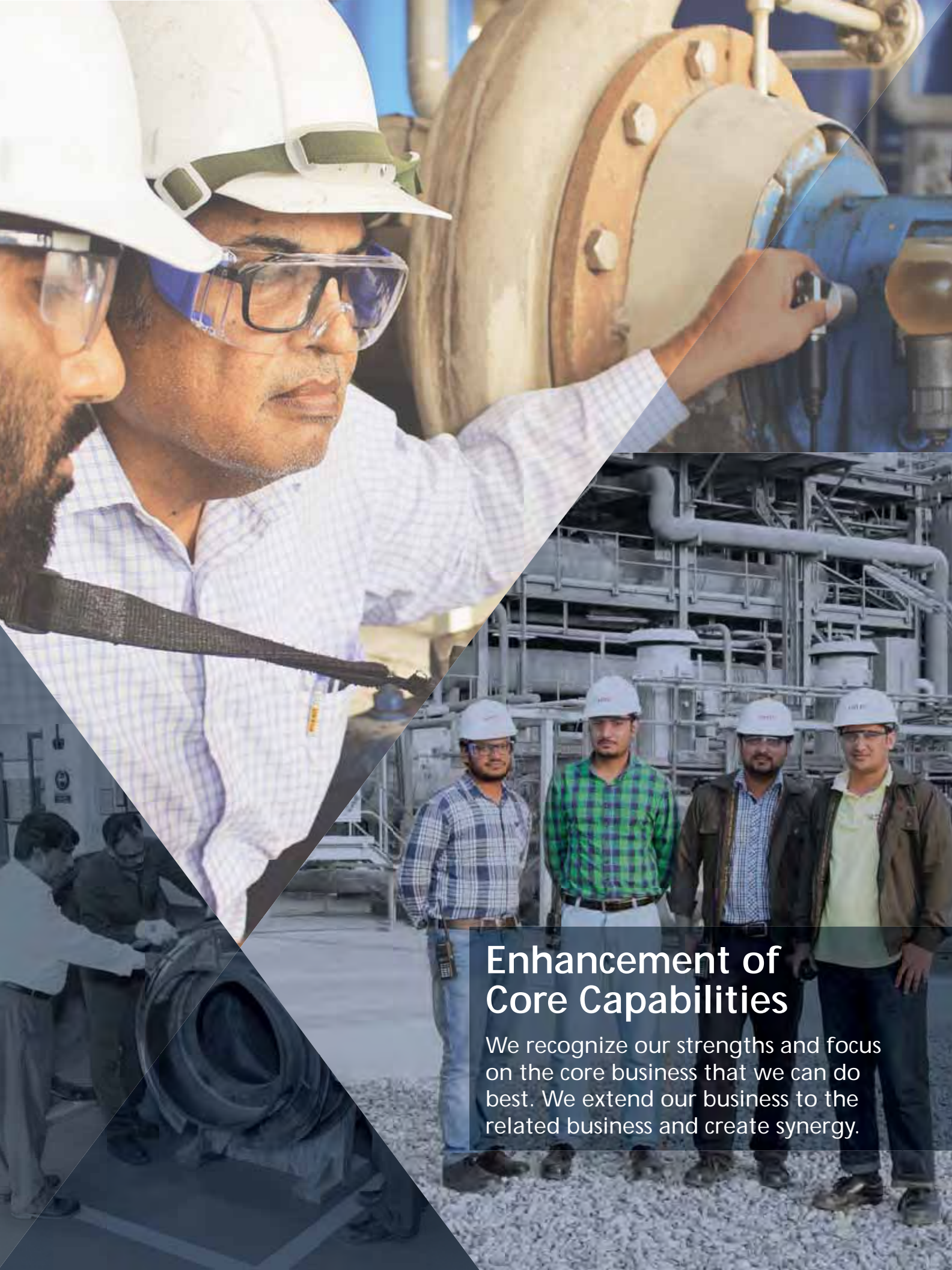
The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2016.



EY Ford Rhodes
Chartered Accountants

Date: 07 February 2017
Karachi



Enhancement of Core Capabilities

We recognize our strengths and focus on the core business that we can do best. We extend our business to the related business and create synergy.



Functional & Operational Excellence

Human Resources	64
Information Technology	68
Manufacturing Excellence	70
Technical Training Centre	72
Total Productive Management	74

Human Resources

Our employees are our greatest assets and the key strength of our business. We attract, develop and retain talented people who possess all the characteristics necessary to drive the Company forward - helping it in achieving its current and future objectives. Our winning organisational culture is reflective of our flexible and innovative human resource policies. We treat all employees and contractors fairly, compensate them according to industry standards and provide them with a safe working environment. We also offer continuous development opportunities to our staff members so they develop personally as well as professionally.

Award Winning Year

The Employers' Federation of Pakistan honored the Company with prestigious award for Best Organisation in Working Conditions in the category of multinational companies. In addition, the Company received two more awards for maintaining best practices in Human Resources and Industrial Relations.

These awards recognised the Company's human resource processes and their implementation across the organisation.

In 2016, Human Resources department maintained focus on the key HR areas and undertook various initiatives to make further improvements and to enhance employee engagement.

Training and Development

Training and development remains fundamental to how we function. Though we expect our people to surpass expectations and work hard, we believe the quality of training they receive significantly impacts their performance. Our thorough and timely training and development programmes ensure our employees gain all the skills to perform optimally.



Through a structured process, we provide management and leadership development opportunities to our employees. The development needs of our employees are identified within the framework of our performance evaluation system. During the performance evaluation period, development areas are determined by comparing employees' existing qualifications and competencies to targeted qualifications and competencies, which, in turn, provide input for Training Need Analysis. This process aligns employees' development in line with Company's strategies.

"Learning & Team Building" was the key focus area for 2016 because a learning organisation provides employees means and opportunities to grow. Accordingly, to encourage a learning culture within the organisation various learning events were organised throughout the year including a month long "Learning Carnival". The central theme behind this Learning Carnival was to engage LCPL employees. The event was a journey through thematically varied experiences that engaged employees at all levels. From Work Life Balance to Innovation, each session was knowledge packed and full of impact.

A total of 564 man-days of external training were completed during 2016. Employees who participated in external trainings were also encouraged to organise training sessions to share their learning with others. This enhances interaction among employees so they form a cohesive unit in line with the Company's corporate culture.

Inspiring internal facilitators from various functions also conducted sessions on topics ranging from MS Excel to Time Management Skills among others.

Talent Acquisition

The Company is eager to hire fresh graduates from a range of professional and academic disciplines. We seek talented individuals, who we can nurture within our organization. We provide training and development opportunities so they become future business and industry leaders. In particular, we lead, when it comes to providing training platforms for emerging engineers in Pakistan.

In 2016, Graduate Trainee Engineers Recruitment Drives were initiated multiple times. These drives were aimed to attract young and talented individuals of top Engineering Universities of Pakistan. These graduates go through rigorous selection criteria. Approximately 416 graduates were tested out of which 8 were selected as "Trainee Engineer" at the Company. Progressive career path and temporary housing facilities at the plant site for upcountry individuals were also offered to facilitate their stay with the Company.



We provide our trainees opportunities to network with leaders and decision makers in their fields. Such networking opportunities serve as an excellent means to gain insight and practical knowledge from experienced industry practitioners. Furthermore, our personnel development plans ensure we offer the appropriate support, training and coaching so our employees succeed at all levels. A number of our trainees have progressed, and some also hold key positions in other Pakistani and overseas companies.

Furthermore, our structured Apprenticeship Programme, under the guidelines of Government of Pakistan rules and regulations, is also one of the talent acquisition sources. Under this program, apprentices are provided with an opportunity to gain 24 months of training in different areas and functions of the plant. In this process, they not only gain a thorough understanding about the technical know-how of the plant, but also a comprehensive understanding of processes related to occupational health and safety. In 2016, 14% of apprentices were hired by the Company.

The Company also extends internship opportunities to students from various universities offering technical and business management programmes. The internship programme provides aspiring and future leaders opportunities to learn the corporate culture and business practices of the Company, while working alongside highly professional and supportive staff. In 2016, we offered 36 internships.

Employee Engagement

We realise that our employees, through their dedication and commitment to the Company, drive our business results. We are eager to engage with our employees, and willing to hear their voices and help ease their concerns.

Dialogue Sessions

Regular 'Timeout' sessions were conducted. These sessions were moderated by senior managers in a focused group set-up, opinions & feedbacks were expressed by employees and at times were considered and incorporated when developing policies and programmes designed to attract, engage and retain talent. In addition to Timeout sessions, Chief Executive's Communication sessions & interdepartmental synergy meetings were also held periodically. These provided a platform for employees to interact with senior management which improved the communication and engagement.



Recreational Activities

In 2016, we organized a number of recreational activities for our employees to provide them an opportunity for teambuilding and enjoyment. Some of these initiatives included Eid Milan Party, breakfast and Iftar dinner. Different contests were also organised to challenge hidden talents. Many employees enthusiastically participated in this event and winners were awarded prizes in recognition of their work.

Team Building a tradition of Lotte Chemical Pakistan, is a highly anticipated event, where a group of employees from different departments get a chance to visit some of the scenic places in Pakistan. This year two Team Building events, one at Kashmir and the other one at Bhurban were organised with the aim to stimulate a team spirit and increase the positive element of collaboration across the organisation. At the end



of the Team Building activity participants not only grew closer as a team by engaging in adventurous activities but also had useful conversations on how to collectively evolve and improve their work and life.

Sports Activities

In order to improve engagement and increase interaction amongst employees the Company arranges regular sporting events. During the year Cricket matches, Table Tennis Championship and Football Competitions were held. In addition, the Company maintains a gymnasium at the plant site to encourage employees regarding health and fitness.



Newsletter

We publish a quarterly newsletter "Connect", in which important events are shared with employees and other stakeholders. This newsletter serves as a medium for communication, allowing employees to connect with each other. Topics such as HR development, social events, business performance, CSR interventions, HSE performance, and continual improvement initiatives are some of the regular features in the newsletter.

Employee Satisfaction

We believe that employee satisfaction plays an important role in engagement with the Company. We carried out food and transport related surveys to get feedback on these services from the employees and improvement actions were implemented.

With time, we have established an online system where employees can log in and raise their concerns, which are immediately addressed and feedback is provided to the relevant employee. This fast track service helps us to take quick corrective actions and in turn increases their engagement with the Company.

Diversity and Inclusion

Our success is dependent on the diversity of candidates we attract. We welcome diversity in terms of gender, ethnicity, thought, skill and life experiences, as we believe this mix drives us forward. Multiple perspectives and experiences in the workplace allow us to understand the mindset of our customers, suppliers and communities - helping us develop innovative solutions and enhance our corporate social responsibility efforts.

One of our key challenges is to balance gender diversification in our organisation. With females underrepresented in the petrochemical industry, we encourage and fully support them to join our winning team. Women represent an average of 13% of our workforce in the City Office; however the representation of women at our plant is much lower, probably due to the nature of the petrochemical industry.



Our selection process is unbiased, and our goal is to hire creative thinkers and innovators who display out-of-the-box thinking. Multi-taskers, flexible and passionate people - who retain a global perspective and continuously improve and inspire themselves and those around them - remain our key strengths and ultimately our business drivers.

A number of measures, including strategic workforce planning, as well as programme and policy development, are used to address issues of diversity and equal opportunity. Recognising the benefits of a diverse workforce, the Company instills a culture of respect and tolerance within its employees.

Talent Localisation

The Company cultivates constructive and mutually beneficial relationships with its employees, customers, suppliers and communities. Our vision is to be the preferred supplier and employer in Pakistan, as well as in the markets we operate in.

Our talent management efforts integrate a variety of components to develop local workforce and to utilise the talent in Pakistan. In 2016, most of our workforce comprised of local talent.

We work towards employing the right people to deliver the services and operational excellence our customers require, when and where they need them, as well as build and strengthen local talent pools. We offer cutting-edge training and competency development programmes.

From numerous applicants, the Company hired 20 people in the workforce during the year.

Transparency and Ethics

We expect our employees to adhere to the highest standards of integrity, discipline and ethics, which are fundamental to our daily operations. Our Code of Conduct stipulates our exceptions, guiding employees to carry out ethical business practices. A separate 'Speak Up' policy has been formulated in order to facilitate strict adherence to the Code of Conduct. We follow set procedures for transparency to conduct business and free enterprise, which comply with competition laws and regulations.

Career Portal

The Company continuously improves its recruitment system by leveraging technology. By making use of a web-based resume system, The Career Portal, the Company's HR personnel are able to post job vacancies online and electronically sift through eligible candidate resumes. The system, not only saves costs and time, but also allows the HR department to generate statistics and reports pertaining to job applications, conduct analyses and respond to applicant queries. Additionally, this portal provides line managers access to resumes, in turn increasing their participation in the recruitment process.

Information Technology (IT)

In today's fast-paced competitive business environment where efficient business processes are crucial for success, the role of IT has become more important than ever. It remains fundamental for us to leverage technology to integrate all business processes - supporting business goals, and driving business innovation.

Information Systems Strategic Planning

IT has become a major resource for fueling business innovation and has more responsibilities than ever to lead the Company forward. The Company's IT function focuses on strategic IT issues - how to make IT work for the business, improve Company performance, examine ways to exploit the maximum potential of information systems from existing and new IT products, and provide innovative and cost-effective IT solutions.

The Company's Business Processes

We continuously map and document our business processes to reduce process complexity, streamline operations, and improve controls. We also engineer and improve to transform processes into automated functions. To enhance efficiency and productivity, we also develop plans and conduct trainings to introduce automated workflow systems.

Teamwork

Our "one team" attitude helps us to engage effectively from the c-suite to the front line. Our collaborative working methodology emphasizes teamwork, trust, and tolerance for varying thoughts. We are a team of multi-skilled and talented people, who engage with each other to find solutions to problems - and are keen and ready to tackle challenges with perseverance.

Major Projects / Improvements

During 2016, IT function continued adding value to the business by identifying and implementing cost savings, strengthening internal controls, reducing paper, and enhancing productivity. Leveraging on real-time database platforms such as ORACLE, Maximo and InfoPlus, we have, with time, managed to run our business on latest systems derived from industry's best practices. The key remains to deliver value, efficiency and control. As a part of this strategy, we have successfully delivered the following improvements during 2016:

Various softwares including Aspen Infoplus.21 and Symantec Endpoint Security including database and clients were upgraded to latest versions.

Brand new LCPL web site was redesigned from the scratch to improve user friendliness and appealing to our customers. Our goal with this new website is to provide our visitors an easier way to learn about Lotte Chemical Pakistan Limited and also to allow the visitors to browse information based on their own choice. The contents are regularly updated to keep the website 'live'.

The installation of High Speed Network Switches and software upgrade of security device has increased the speed of data flow and enhanced the network's security respectively. This enables users to collaborate more effectively with tools for video conferencing and web meetings, among other advantages.

Besides above a number of developments have taken place to save time, reduce manual work and increase user productivity.

Business Intelligence Tools

We have already started working on business intelligence tools which will provide insights and help simplify and use information within our Company. Such tools will result in faster and easier decision making by providing key information



to decision makers in a timely and efficient manner by way of dashboards - displaying possibilities for targeted planning and forecasting based on existing data.

Information Security

Currently information security is crucial to all organization to protect their information and conducts their business. Information security is defined as the protection of information and the system, and hardware that use, store and transmit that information. It is important that these systems are used, operated and managed efficiently and effectively to ensure business continuity and to enable the organisation to meet the requirements.

Keeping in view the importance of Information Security, LCPL documented policies and procedures which enable to manage business risk through defined controls that provide appropriate measures to ensure the confidentiality, integrity and security of data, and the continued availability of business-critical systems and information. The policies and procedures are audited by internal and external auditors annually.

Value Addition and Future Investment

Our Company is committed to continuously improving its IT infrastructure, technologies, processes and procedures. This results in improved controls, enhanced reporting, optimised procedures and best overall performance.

We foster collaboration, innovation and creativity, trying our best to play a vital role in ensuring efficient and effective business processes, while thinking of innovative ways to help the business benefit from technological advances. We continue to demonstrate "out-of-the-box" thinking and our goal remains to be a model IT function, which plays a critical role for our business.

Manufacturing Excellence



We believe that our manufacturing excellence is an outcome of our attention to safety, detailed technical knowledge, high performance culture, state-of-the-art facilities and high standards of maintenance and process control. Our driven and passionate staff remains integral in helping us achieve manufacturing excellence. Over the past, we have been very successful in minimising unplanned outages and keeping our operations efficient through commitment of all the stakeholders.

2016 was a challenging year for our business. Despite a number of issues, the performance of our manufacturing facilities remained excellent in all areas. The credit goes to our employees, who displayed outstanding teamwork and remained adamant to face challenges pertaining to plant operations and improvement. With abilities of foresight, innovation and continuous hard work our manufacturing team has delivered excellent results in year 2016.

The key areas of Manufacturing Excellence, including various initiatives are as follows:

Maintained High Plant Availability - Plant availability is a very important index to gauge the effectiveness of the maintenance strategies that are in place in any manufacturing setup. Plant availability remained 97% and Co-gen availability remained 96% which is very good by any global standards. In any petrochemical complex it is a remarkable achievement. It is yet another evidence of the technical and managerial capacity of the manufacturing team and its ability to deliver world class performance. The high availability of plants resulted in a production of 503.9 KT against a target of 493 KT. Furthermore, we also set new records for highest monthly production (46,750 tonnes) in May-2016 and highest quarterly production 131.9 KT in Q2.

Remarkable HSE Performance - In achievement of production and efficiencies targets, safety has always remained our top priority. It is an honor to share that on 25th May 2016 your Company completed 50 million safe man hours without Lost Time Case (LTC). This is a remarkable achievement by global standards and has earned us great respect in industries all over Pakistan.

Optimisation of Variable Cost - Focus was maintained throughout the year on efficiencies and cost control. Several challenging cost savings initiatives were undertaken by the manufacturing team. These initiatives have resulted in optimized operation of CW Pumps, reduction in boiler load, reduction in the usage of Demin Water, Caustic and Hydrogen and therefore will provide savings to the business in terms of lower variable costs.

Cooling Tower Revamp Project - In the recent years the cooling tower performance remained limited specially in summer months. The Technical team thoroughly investigated this problem and formulated a major revamp project. This project resulted in a reduction of 3°C in the cooling water supply temperature thereby improving the operational efficiency.

Waste Water Recycling - As per the original design of the plant, the Catalyst Recovery Unit in Oxidation plant uses chilled demin water for its process. LCPL team took the challenge to replace demin water with waste water, in order to conserve water and to reduce operational costs. To fulfill this goal, a new heat exchanger was required which was designed in-house. The project was successfully commissioned on 2nd August 2016 and has reduced demin water consumption up to 5 tes / hr.

Gas Turbine Hot Section - Operational excellence can lead to surprisingly impressive results and savings. A significant saving has been generated as the proposed high cost Hot Section Exchange of Gas Turbine has been deferred (from the expected date) based on inspection findings and detailed correspondence with GE Engineering team. This has generated savings in terms of cash flow and downtime.

Short Shutdowns - Short Shutdowns or, in other words, mini overhauls are always challenging events for Manufacturing Team. In 2016 two Short Shutdowns were successfully carried out and a record number of jobs were executed without compromising quality and safety.



Technical Training Centre (TTC)

Since 2009, our Technical Training Centre (TTC) has provided a systematic method of training to all plant personnel working in various departments. TTC serves as a training resource to enhance professional skills and competencies of all our manufacturing staff and those of neighbouring industries, providing direction to incoming apprentices and graduates, in turn helping businesses achieve their objectives.

Our training centre is equipped with a variety of state-of-the-art facilities. There are number of training rooms of varied sizes, to cater to the requirement of individual training / trainer. The display area contains models of plant equipment to facilitate the trainers. Also a number of training manuals, modules, APIs and other forms of technical and safety literature such as videos are regularly updated by staff members at the TTC.

Training KPIs

In 2016, continued focus was maintained on TTC activities. The number of Technical & HSE trainings conducted at the Company increased from 109 in 2015 to 110 in 2016. Similarly, training man- days (for both management and non-management staff as well as contractor staff) increased from 13.7 in 2015 to 13.9 in 2016.

External Training

In 2016, we also offered a range of external courses which helped our employees build their skills. Some of 2016's external courses included: Awareness & Transition to ISO 14001:2015, Water Treatment of Boiler & Cooling Water, ASPEN Training, Laboratory Safety & Personal Protective Equipment, ISA Relay and Power Transformer Testing Workshop, Asset Benchmarking and Process Analysis for Managers and Engineers, Vibration Speed and Time Management of Technical Crew, CSWIP 3.1 course, Managing of Maintenance Department etc.

Training by Outside Bodies at TTC

In 2016, a number of outside organizations conducted training programmes at the TTC.



Orientation and Basic Training Plan for Trainee Engineers

A four-week orientation programme has been formulated for fresh graduates who join the Company. The aim of the programme is to give graduates an overview of the basic operational and safety procedures of our plant before they start their formal training in their respective sections. In 2016, a batch of 06 Trainee Engineers (TEs) completed their orientation training at TTC, which was conducted by our Company staff.

Orientation and Basic Training Plan for Apprentices

An 8-week orientation program has been devised for apprentices, which provides basic training on different areas of the plant. In 2016, a new batch of 17 apprentices completed their classroom training at TTC.

HSE Awareness Sessions for Neighbouring Industries

TTC also organises HSE awareness sessions for other industries and organisations. In 2016 we organised HSE Awareness sessions for P&G, Tri Pack Film, LINDE Pakistan, Sui Sothern Gas Company (SSGC), and Thal Engineering.

Internal Faculty Recognition Programme

In line with our strategy of talent localisation, we developed a talented pool of in-house trainers through the Internal Faculty Recognition Programme (IFRP). Launched in August 2013 by the Sustainability department, the IFRP is driven by the TTC.

The pool of internal trainers conducts various learning and development programmes within the Company, which saves training costs and helps improve a learning-culture based on knowledge sharing.

Some of 2016's trainings conducted under IFRP programme include: Introduction to Aspen Process Explorer (IP-21), Management of Contractors, Introduction to Distributed Control System (DCS), Training on HMI of Amma Filter, HSE Awareness Course, Computer Literacy Course - Level II (For Non Management Staff) etc.

Job Qualifying Programme (JQP)

Job Qualifying Programme is a structured training programme to enhance competency and skills of the manufacturing staff. JQP is a self-study programme that is followed by a written and practical examination - providing a great avenue for employees who want to sharpen and diversify their skills while working. Candidates are equipped with thorough knowledge throughout their training, be it in the form of quality reading material or regular guidance from line managers. JQP examinations are held twice a year - in April and September.

Core Development Plan for Engineers (CDPE)

The CDPE was designed to enhance the technical skills and knowledge of engineers, and bring them in line with the Company's Standards and Practices. CDPE is geared for graduate engineers of all disciplines-ranging from chemical, mechanical and electrical - who have started their careers or have up to 5 years' work experience in the Company.



Total Productive Management (TPM)

With the goal to achieve global competitiveness through operational excellence, Total Productive Management (TPM) was launched in October 2013.

TPM is a plant improvement methodology which enables continuous and rapid improvement through employee involvement, employee empowerment, and closed-loop measurement of results. It involves individuals working in small organised teams to create the most efficient working environment and mechanisms, while conforming to the highest safety parameters.



5S Activities

The 5S process is one of the most fundamental and widely-applied methodologies. It is the foundation of TPM. The guiding principles underlining the 5S system include: organisation, cleanliness, and standardisation.

The concept behind 5S is simple: minimise waste and improve efficiency by ensuring workers spend time on productive tasks rather than look for misplaced tools and sort through waste material. 5S implementation ultimately improves workplace environment and creates a self-sustaining culture within the organisation.



TPM Autonomous Maintenance

The first pillar of TPM, Autonomous Maintenance (AM) is about maintaining one's equipment by oneself through collaborative cross functional team efforts. This pillar was started in mid 2015, and the work continued in 2016 as well. A collaborative team activity involving production, maintenance, and engineering works together to maintain basic conditions on shop floor, and optimal performance of machines. The intent is to keep plant operation effective and stable to achieve the production targets.

This year the first set of 8 blocks was completed and the next set of blocks was started in December 2016. Audit of 1st block was carried out and teams were rewarded according to their performance.



TPM Quality Maintenance

The second pillar of TPM, Quality Maintenance (QM), was started in 2016 September. This step is aimed towards customer satisfaction by maintaining highest quality through defect free manufacturing, and on eliminating non-conformances in a systematic manner.

QM activities are carried out by the lab team and focus on individual equipment step by step. This is a two year long process and the targeted completion is last quarter of 2018.



Suggestion & Reward System (SRS)

To improve manufacturing function at the Company's plant site, a suggestion and Reward System (SRS) was initiated in December, 2013. With the help of the IT department, an SRS database was developed, allowing employees to input their suggestions related to plant or process improvement.



To date, your Company employees have recorded 723 suggestions in the SRS database - ranging from developing solutions for problems to implementing a predetermined plan for change. So far, 137 suggestions have been implemented, resulting in significant cost savings for the business. Employees are rewarded based on the quality and impact of their suggestions.



Responsibility

We take full ownership of our work and always conduct our business based on legal, ethical and social standards. We fulfill our societal responsibilities with sincerity.



Sustainability

Health, Safety and Environment	78
Energy Conservation	82
Environmental Protection	83
Societal Responsibility	85
Labour Relations	87
Product Stewardship	88
Economic Contribution	89

Health, Safety and Environment

Our performance of 51 million man-hours without LTC is a landmark achievement by global standards and places LCPL amongst the best Petrochemical companies which is a testament to our commitment towards world class safe systems & practices, commitment of management and active participation of our employees & contractors staff.

Health, Safety and Environment (HSE) management forms an integral part of our core values and we remain committed to instill these values among our employees and contractors. To achieve world class standards, the Company has developed HSE management systems, which comply with international guidelines and local legislative requirements.

Through the years, we have maintained exceptional safety records. Currently, among the petrochemical industry, the Company is a leader in terms of retaining the highest standards in Health, Safety and Environmental performance in all aspects of its operations. In its Nineteen years of operation, our Company has sustained an excellent safety record. On 25th May 2016 the Company crossed the milestone of 50 million man-hours without Lost Time Case (LTC). This is a remarkable achievement by any global standards and is a testament to our commitment towards world class safe systems & practices, commitment of management and active participation of our employees & contractors staff. Our long-term objective of "zero accidents" remains unchanged, because we believe that every occupational accident is one too many.

The continued success of our system and its implementation is indicative of the Management's dedication, together with the support and commitment of team members at all levels, who work to ensure high safety standards are maintained. The Management's focus on Health, Safety and Environment defines our standards and success criteria for the future.

We continue to instill the importance of safety within our staff members by conducting capacity building workshops and demonstrations to ensure staff members carry out tasks safely, correctly and promptly use first aid kits for emergencies, and follow proactive steps to receive medical care, if necessary. Additionally, we prepare health and hygiene monitoring plans at the beginning of the year, conduct regular medical examinations and focus on field monitoring so our workers remain free from occupational illnesses.



2016 HSE Highlights

- Completed 51 Million Man-Hours without Lost Time Case (LTC) for our employee and all contractors staff.
- Completed 13 Million Man-Hours without Lost Time Case (LTC) for our employees.
- Fully compliant with IMS (OHSAS-18001, ISO-14001 & ISO-9001) surveillance audits.
- Fully compliant in external audit of sealed radiation sources conducted by Pakistan Nuclear Regulatory Authority (PNRA).

- Fully compliant in external audit of "Fire Safety Insurance" conducted by external agency.
- Received 13th Environment Excellence Award from NFEH.
- Received 6th Fire Safety Award and Certificate from NFEH & FPP.
- Completed 2016 with "No Workplace Injury".
- Conducted various emergency drills in coordination with external agencies.

Occupational Health and Safety Management System

In 2012, we embarked on aligning our comprehensive Responsible Care Management System (RCMS) with the International OHSAS-18001 Health & Safety Management System and ISO-14001 Environment Management System. Since March 2012, we are an OHSAS-18001 and ISO-14001 certified Company. Independent auditors from our internal HSE department, regularly monitor our compliance with the systems.

OHSAS 18001 systems provide the Company regular updates and benchmarking to Industry's best practices. The OHSAS 18001 Occupational Health and Safety Management System reduces harm to employees and other personnel, while reducing overall liability.

The Company's OHSAS 18001 Safety Management System focuses on the following best practices in safety management:

Incident Prevention - Work-related incidents are prevented through several layers of protection, including safe design, work practices, use of personal protective equipment, safe behaviors and by using appropriate engineering, operating and administrative controls.

Management Leadership and Accountability - Management establishes clear safety expectations and goals, providing resources, establishing processes and monitoring overall progress.

Employee Involvement - Employees are involved in all aspects of the safety programme, and remain committed to working safely and protecting the safety of others.

Regulatory Compliance - Complying with applicable laws and regulations is an integral part of the Company's safety programme.

Inclusive Scope - Our safety objective is to prevent workplace incidents, injuries and illnesses for employees, contractors, visitors, suppliers and customers. Our ultimate goal is to provide our employees with the skills and attitude to ensure safety remains a number one priority even in their personal lives.

Safety Education - Employees are provided with the knowledge and skills necessary to work safely.

Assessment - Assessment and benchmarking against the world's safety leaders drives continual improvement through adopting best practices.

Emergency Preparedness - Emergency response plans and capabilities are maintained and tested to manage emergencies related to the Company's facilities and operations.

Hazard Control - Hazard studies are a vital component of Company's engineering procedures which are carried out for new plants, processes, buildings, services and operations. We identify, assess, control and monitor various hazards in the workplace. In 2016, we carried out multiple hazard studies, including modifications related to process improvement, variable cost reduction, system upgrade and new initiatives. We included suggestions and preventive measures to comply with HSE policies, national and local legislations.

Accident Prevention

Industrial accidents not only cause suffering and distress among workers and their families, but also represent a significant material loss to society. Slips, trips and falls are leading causes of accidents within the workplace. Other hazards which can lead to accidents include falling objects, thermal and chemical burns, fires and explosions, dangerous substances and stress. To prevent accidents from occurring, your Company has a comprehensive HSE system that incorporates training, risk assessment and monitoring. We identify and prioritise key risks, strengthen control of contractors working on our sites, as well as extend our safety programme beyond our manufacturing sites - and into our sales and distribution networks.

Internal Audits

We have a thorough internal audit system which monitors possible wrongdoings during the day and identifies corrective measures. Safety officers conduct daily field audits ensuring workers are practicing in safe working conditions. The safety officers work towards identifying and eliminating immediate safety concerns that could otherwise lead to incidents, or eventually to much graver accidents.

The safe-unsafe act (SUSA) audit system on the other hand, is a more action-driven audit, involving a team of managers who visit the plant every week, and identify both safe and unsafe acts that employees may engage in, while performing their duties. We commend safe acts which are highlighted in weekly communication meetings. Acts which are deemed unsafe are corrected on the spot by counseling the concerned individual. Unsafe acts are also brought forward in weekly meetings so they serve as learning opportunities for others, in turn avoiding future wrongdoings within the plant.

Process Safety

Our commitment to protecting the environment and our communities begins with operational safety. The Company has extensive processes and procedures to prevent incidents from occurring and if they do occur, to reduce their impact.

Assessing risks and finding ways to reduce them is our prime responsibility towards the environment, our employees and communities. We engage in risk assessment and management – right from design and construction to start-up and operation, to maintenance and training. We measure performance, conduct audits, and improve conditions. This is an ongoing process, requiring advanced management systems and highly skilled manpower to continuously monitor and test equipment.

The Company maintains process safety programmes based on the principle that our facility is safe, designed and built according to effective engineering practices, and operated and maintained in accordance with the highest safety standards. Our comprehensive process safety programme includes the following:

Management of Change: A documented process used at each chemical handling site to evaluate any potential hazards associated with process-related changes and incorporate controls in the design.

Root Cause Analysis: A structured approach to incident investigation allows us to learn from past incidents and prevent future incidents.

Chemical Safety Testing: A laboratory analysis of chemicals before use to identify potential hazardous properties.

Engineering Standards: Using recognised engineering practices in designing and constructing facilities and equipment in accordance with global and local standards.

Management Leadership and Commitment: There is a Committee responsible for process safety which evaluates and controls hazards associated with reactive, flammable and toxic materials at the site.

Leading indicators: We collect data to ensure safety management systems are consistently updated so that they are effective.

Employee Training

Health and Safety training plays a pivotal role in ensuring our staff is equipped with the skills and knowledge to conduct daily tasks in a safe manner so the workplace environment is conducive to safety. Our entire workforce is trained, supported and regularly assessed.

Training needs of employees and contractors are identified in consultation with relevant departments. Training schedules and programmes are then developed including ongoing mandatory and refresher trainings. The objective of these trainings is to enhance the knowledge and skills of individuals - enabling them to perform their jobs with minimum risk. Daily, weekly and monthly audit cycles, continuous trainings, effective communications of HSE incidents (learning events), daily tool box talks, which encompass talks from supervisors to their staff on any safety topics or learning events from the previous week, all help improve behavior-based safety and system compliance.



Training involves external as well as internal training. We have developed our internal faculty who are experts in delivering HSE training. Not only this but where necessary, external faculty members are invited to impart employee training.

HSE Induction Program

The Company has a system to provide HSE induction to employees, contractors and new visitors to the site. HSE induction involves awareness pertaining to Company policy, systems and procedures, relevant hazards present on site, emergency handling, risk assessment, control, as well as behavior-based safety.

Behavior Based Safety Training

Successfully implementing our sustainability strategy and HSE standards reflects our leadership behavior at the local level. This is why, we are particularly concerned about training site managers to detect hazards early and avoid potential accidents.

The programme content ranges from risk assessment and warehousing procedures to emergency management and management systems. Additionally, we conduct training sessions for contractors' staff working at our sites. During 2016, we conducted various trainings for field staff and management staff.

Computerised HSE System

We have invested in a computerised HSE database system to report personal as well as process safety near misses, accidents, injuries, occupational diseases and environmental accidents. The system also helps us analyse data and determine the root cause of incidents facilitating taking necessary preventative measures. The statistics compiled with the help of this advanced system are analysed and reported to senior management on pre-defined frequency.

Energy Conservation

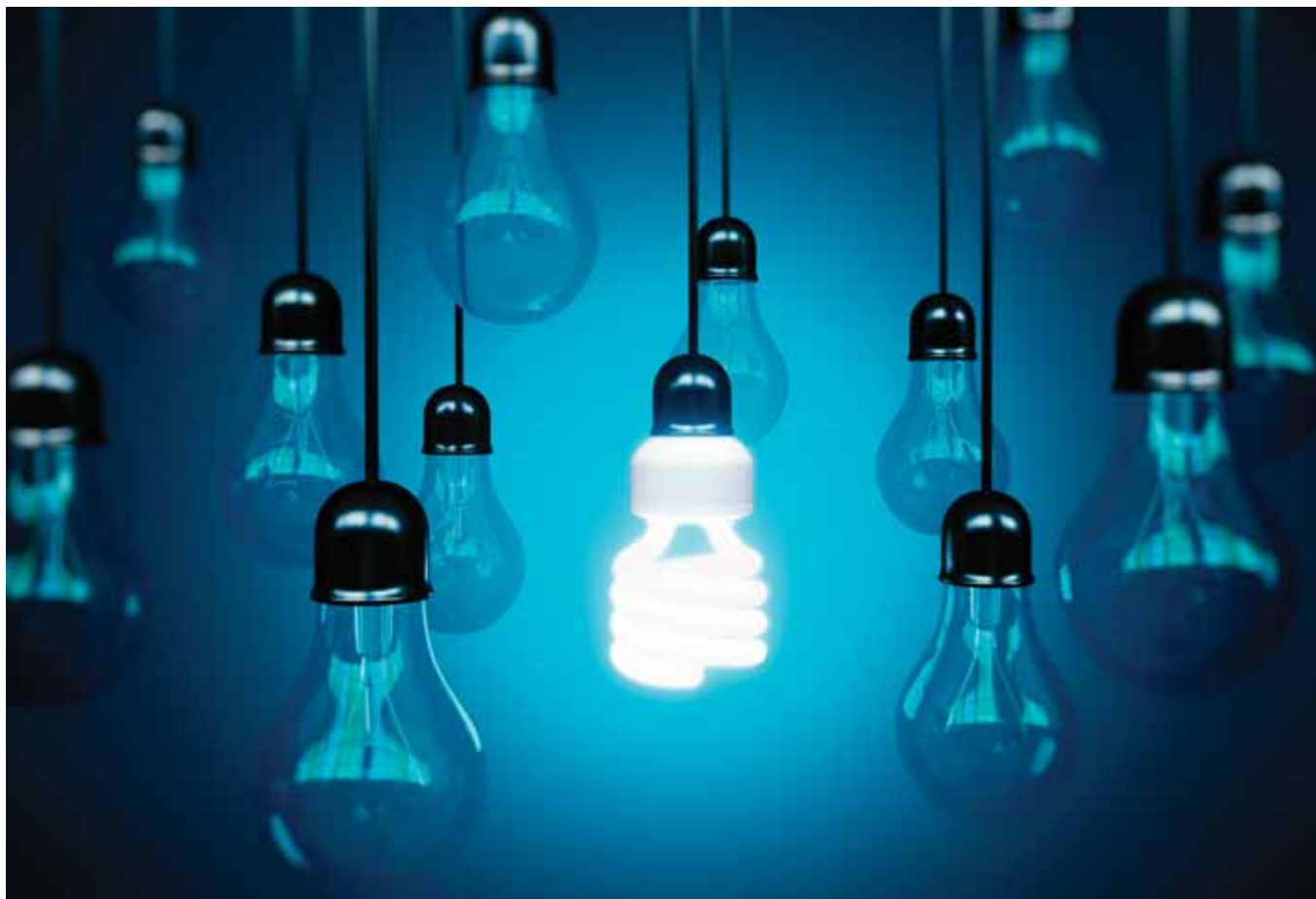
We live in a Country which is suffering from an energy crisis, affecting the lives of millions of people. To conserve energy, we are actively trying to reduce our energy and resource consumption.

Our integrated manufacturing process results in highly-efficient operations, allowing waste heat from one chemical process to be used in a different process. Compared to other facilities which lack comprehensive integration of processes and energy systems, our integrated production process provides:

- Greater opportunities to beneficially use materials.
- Better use of thermal energy which would otherwise be lost into the environment.
- Significantly smaller emissions across the supply chain.

Our Cogeneration power plant has reduced the carbon footprint by 40%. We also believe in continuously innovating - developing new manufacturing processes that reduce energy intensity and ensure our energy related emissions are clean.

We observe and monitor energy consumption on a daily basis and report results to higher management at agreed frequency. We have also launched a company-wide energy saving plan by creating awareness among employees on switching off their office lights and electronic gadgets when out of office and give up the habit of keeping electronic items on standby mode when they go home.



Environmental Protection

Protection of the environment remains a critical component of our sustainability vision. Our ongoing efforts to minimise our impact on the environment, whether it be through operational excellence or innovative plant optimization, remains crucial in minimizing environmental risks. Energy, water, waste and resource conservation; biodiversity enhancement; emissions management and regulatory compliance; are all essential areas of focus for us.

We are committed to ensuring that our operations remain environment friendly - taking an avid interest in reducing our carbon footprint. In line with this belief, we have invested in a state-of-the-art deep shaft technology Effluent Treatment Plant to treat liquid emissions. Additionally, we continue to invest in its operation, believing that it will yield long-term economic and environmental benefits.

Being an ISO 14001 certified organization, and believing that long-term economic sustainability depends on ecological sustainability, we comply with the 3Rs of environment (reduce, recycle and reuse). Our focus remains on reducing waste generation, reusing generated waste within the processes, and lastly recycling so that waste output of our operation is minimised.

We have also made great strides in lowering our impact on the environment by reducing greenhouse gases and acid gases through various modification and process optimization which includes installing a co-generation plant, shutting down steam boiler, diesel generators, and an incinerator and installing a project for recovering metals.

Waste Handling

All types of wastes, be it liquid or solid are reported, controlled and monitored according to site procedures and are reported internally and to local authorities as per legal requirements. Organic waste produced in effluent treatment plant is passed to cement plants as a partial fuel replacement. Clinical waste, on the other hand, is incinerated in line with legal environmental standards.

Water Consumption

Due to a change in global climatic conditions, it is estimated that Pakistan will experience water scarcity in the coming years, making it imperative that water use be minimized, and water recycling initiatives implemented. Our water management practices are based on principles including, efficient usage, pollution prevention, and maximizing reusing and recycling.

We continuously monitor our water intake and control its use. We optimize water consumption through modern process optimization by recycling part of the waste water within the plant, as well as using it for horticultural purposes and landscaping - which substantially minimizes water intake.

The industrial process we have in place helps minimize our water usage by treating it to meet specific purposes within the manufacturing cycle, and recycling water where ever possible.

Our waste water treatment plants at our manufacturing facilities are designed and operated to meet and exceed environmental standards, securing the health of our employees, communities and the local ecosystems in which we operate.

Our water efficiency related best practices help reduce:

- Cost of water and waste water treatment.
- Capital equipment costs.
- Handling and use of potentially hazardous chemicals.
- Carbon footprint - by reducing energy consumption associated with water treatment and distribution.

Biodiversity

We have systems and procedures in place for conserving biodiversity. To maintain a sustainable environment at our plant site and demonstrate best practices in environment management, we try to provide a conducive environment for fauna and flora in surrounding areas.

In the past, we were involved in a tree plantation plan within the site which was aimed at improving the number of flora and fauna in the area. Based on recommendations provided by WWF, we planted around 2,500 trees around the premises and within the vicinity to provide nesting grounds to local birds and enhance greenery. Our plantation was also carried out on a three-kilometer portion passing through the Eastern Industrial Zone in Port Qasim, where more than three hundred saplings were planted. Additionally, we were involved in initiatives to establish organic farming by using waste water from our reverse osmosis plant.



Emissions Management

Our operational strategy, post power generation, has reduced thousands of tons of carbon, NO_x and SO_x, resulting in a substantial reduction in greenhouse gases. We invested US\$ 4 million for a capital project which helped shutdown a unit that used furnace oil as fuel. Additionally, we spent US\$ 50 million in the co-generation power project, resulting in the shutdown of diesel generators and boilers. When it comes to discharge: our effluent quality meets NEQS limits which reflect our dedication to conform to the highest environmental standards.

Regulatory Compliance

We report our liquid and gaseous emissions to local authorities at SEPA defined frequency. Since commissioning the plant in 1998, we continue to comply with all regulatory requirements related to the environment.

Societal Responsibility

Taking care of the needs of our communities is a vital aspect of our societal initiatives. We contribute towards healthcare, education and disaster relief - helping empower underprivileged individuals and paving the way for a more promising future for the most deserving sectors of society.

We strive to strengthen ties between industry and communities by promoting favourable environments for business growth. We support projects and initiatives pertaining to education, health, disaster relief, youth engagement, environmental awareness, and other community programmes. We remain supportive towards promoting organisations and programmes, as well as collaborating with them, to further augment and impact lives.

Our employees remain committed to establishing relationships with communities by volunteering their time and effort so we can change lives and positively impact society. Funding for our social impact activities stems from the Company and its mission to serve others in need. Our volunteer activities include charity giving and other programs that enhance employee giving.

Health

Access to quality health care should be everyone's right. Unfortunately, only a minority of the Country's population can afford quality health care. In order to ensure health care is accessible to everyone in need, we continue to invest in this area.

During 2016 LCPL organised free medical eye camps with the support of LRBT on quarterly basis. These camps were held at Abdullah Goth, Ghaghar Phattak, Mosa Goth, Razzaqabad, Haji Ibrahim Goth and Bin Qasim Town. Folks from all age group visited the medical camps for consultation and medicines. The aim was to serve people regardless of their caste, creed, color, religion or ability to pay. It was a Patients' Welfare Program to support the needy. LCPL also bore the cost of eye surgery at LRBT including transportation.





Environment



We remain active in promoting initiatives that benefit the environment and enhance the importance of sustainability within our employees.

Earth Day On April 22, 2016, more than a billion people worldwide participated in the 46th anniversary of Earth Day by voicing their concerns about the planet and taking action to protect it. Over a hundred enthusiastic Company employees celebrated Earth Day by planting over 100 saplings at our plant sites and City Office.

The Company pioneered to team up with POA and some other neighboring industries and involved them in planting new trees on their sites. A project was also done with POA on beautifying the POA environment.



Labour Relations, Freedom of Association and Collective Bargaining

Company culture is driven by the organisation's core values. We believe that over the past 20 years, our culture has effectively developed and provides a rewarding experience to employees. LCPL is committed to establish open, honest and productive relationships with all team members. To us, open is a philosophy of collective creativity and responsibility.

LCPL is fully compliant to labour laws, we adhere to best practices of labour relations in all our activities, treating employees fairly, giving full rights to workers to join trade unions, and prohibiting child labour completely. Senior management is facilitating workers with an open door policy and any concerns raised are openly discussed and addressed. New wage agreement for the period of 2015-16 was settled amicably. There is mantle harmony between CBA and management.

When contractors are used, we work closely with contracting companies to encourage that employee relations governed by those companies are consistent with ours, and that they comply with our values.



Product Stewardship

Like our overall safety processes, we go above and beyond to ensure that we manufacture PTA that is safe for our employees to handle and for our customers to use. We believe Product Stewardship forms an integral part of our sustainability strategy. While maintaining our efforts to offer our customers more value and better performance, we aim to reduce the environmental burden throughout the life cycle of our product including manufacturing, packaging, distribution, usage and eventual disposal.

In order to fulfill our Product Stewardship responsibilities we ensure that appropriate training and information is provided to all our staff, contractors, hauliers and customers for handling of our products in a safe and responsible manner. Furthermore we ensure compliance with applicable laws, regulations and standards.

Product Safety

Our product is safe when used as intended. All raw materials and finished product are subjected to numerous assessments and tests to ensure that safety is maintained during manufacturing, packaging distribution, usage and eventual disposal.

All customers and hauliers are provided with MSDS (Material Safety Data Sheet) which consists of comprehensive information on the physical and chemical properties of the product, handling instructions, hazards, risks and precautionary measures in case of any mishaps during distribution and usage. This product literature is reviewed periodically and new information on adverse effects, types of use and circumstances of misuse are taken into account.

Customer Satisfaction and Complaint Management

Customer focus is one of our core value and our business sales team conducts regular meetings to maintain business relationships and gauge customer satisfaction. Any concerns and issues are addressed on a priority basis, and systems are in place to ensure that occurrences are not repeated. Moreover, a comprehensive system is in place to handle all complaints, within a defined time frame. Information and status of all complaints are circulated at the highest levels of the organisation.



Economic Contribution

A sustainable business plays a pivotal role in delivering economic and social progress. A business which generates substantial revenue to sustain people's quality of life and safeguard the planet is important, but one that ensures employees, owners and members of the community remain financially secure, is also critically important.

We contribute economically in a number of ways: we provide employment, buy from local, regional and global suppliers, distribute our products, and contribute to the National exchequer via direct and indirect taxes.

Amounts in Rs '000

Suppliers

Cost of material, services and facilities

31,968,822

Employees

Cost of employees' salaries and benefits

637,996

Government

Tax paid, including remittance taxes and excise taxes

2,506,593

Community

Voluntary contributions and investment of funds in the broader community

413

Retained within the Company

Depreciation, amortisation and retained earnings

1,539,358

Total Economic Contribution

36,271,152

Transparent Approach to Taxation

We recognise the growing interest in the level of taxes paid by multinational companies. We remain transparent in our dealings and pay appropriate amount of taxes according to country-specific laws and regulations.

In the year, the total taxes borne and collected by Company amounted to Rs 2.5 billion. This figure includes excise taxes, transactional taxes and taxes incurred by employees. We consider the wider tax footprint to be an appropriate indication of tax contribution from our operations. Our presence in Pakistan is beneficial to the Country as it provides employment to people - affecting income levels and subsequently tax revenues.

Understanding our Role and Responsibilities in our Value Chain

The reach and scale of our business results in us playing a pivotal role in the economic development of the Country.

We remain aware of our influence on our suppliers and the importance of developing long-term relationships with them. Our goal remains to pay fairly for their products, materials and services. In addition, we often work in collaboration with them, to help improve their working practices and conditions, as well as their overall efficiency, which in turn, impacts their income levels.



Originality

We create the differentiated value and new business opportunity through ceaseless innovation and development of new ideas. We maintain a culture that encourages employees to take on new challenges.



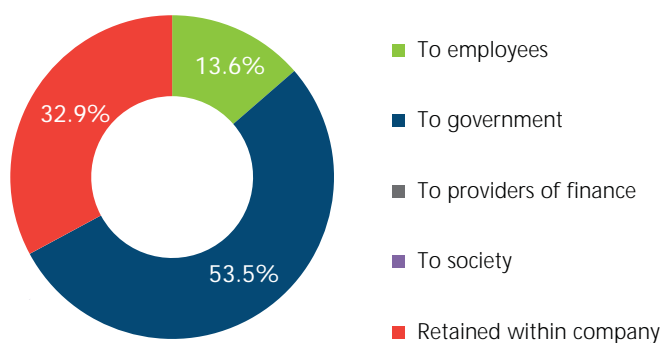
Financial Summary

Statement of Value Addition	92
Key Operational and Financial Data	93
Vertical Analysis	94
Horizontal Analysis	95
Graphical Presentation	96
DuPont Analysis	98
Quarterly Analysis	99

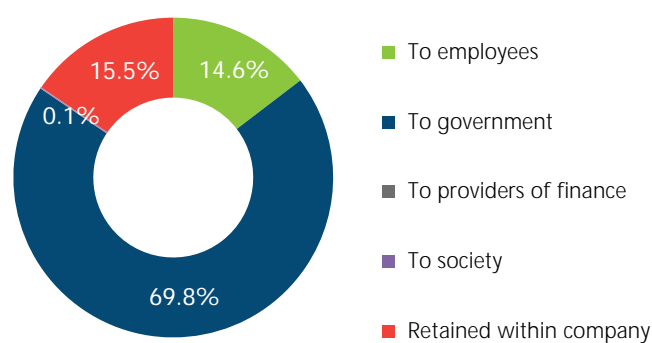
Statement of Value Addition and Its Distribution

	2016		2015	
	Rs ('000)	%	Rs ('000)	%
Wealth generated				
Total revenue (including other income)	36,653,182		36,271,152	
Bought-in material and services	(31,968,822)		32,005,872	
	<u>4,684,360</u>	100.0%	<u>4,265,280</u>	100.0%
Wealth distribution				
To employees				
Salaries, wages and other benefits	637,996	13.6%	623,381	14.6%
To government				
Income tax, sales tax, excise duty, WWF and WPPF	2,506,593	53.5%	2,978,526	69.8%
To shareholders				
Dividend	-	0.0%	-	0.0%
To providers of finance				
Finance costs	-	0.0%	-	0.0%
To society as donations				
Donations towards education, health and environment	413	0.0%	1,406	0.0%
Retained within company				
Depreciation, amortisation and retained earnings	1,539,358	32.9%	661,967	15.5%
	<u>4,684,360</u>	100.0%	<u>4,265,280</u>	100.0%

Wealth Distribution 2016



Wealth Distribution 2015



Key Operational and Financial Data

Six Years at a Glance

		2016	2015	2014	2013	2012	2011
BALANCE SHEET SUMMARY							
Issued, subscribed & paid-up capital	Rs m	15,142	15,142	15,142	15,142	15,142	15,142
Capital reserves	Rs m	2	2	2	2	2	2
Accumulated loss	Rs m	(4,869)	(5,188)	(4,439)	(3,335)	(2,839)	(2,062)
Current liabilities	Rs m	7,188	7,229	6,133	7,652	7,947	9,616
Fixed assets	Rs m	5,149	6,127	7,380	8,714	10,066	9,853
Current assets	Rs m	10,661	9,601	8,470	11,078	10,867	13,901
PROFIT AND LOSS ACCOUNT SUMMARY							
Revenue	Rs m	34,785	33,863	47,800	57,070	52,823	57,577
Cost of sales	Rs m	(34,080)	(34,119)	(49,769)	(56,921)	(52,614)	(50,915)
Gross profit / (loss)	Rs m	705	(257)	(1,969)	149	209	6,663
Distribution and selling expenses	Rs m	(78)	(81)	(180)	(120)	(132)	(197)
Administration expenses	Rs m	(332)	(343)	(398)	(332)	(304)	(330)
Other expenses	Rs m	(28)	(20)	(14)	(94)	(47)	(502)
Other income	Rs m	214	99	118	180	362	809
Finance (costs)/income	Rs m	(10)	(26)	79	(84)	(146)	(232)
Profit / (loss) before taxation	Rs m	470	(628)	(2,364)	(300)	(58)	6,209
Taxation	Rs m	(147)	(119)	1,263	(198)	61	(2,031)
Profit / (loss) after taxation	Rs m	324	(748)	(1,100)	(498)	4	4,178
EBITDA	Rs m	1,695	807	(1,052)	1,174	1,591	7,945
CASH FLOW SUMMARY							
Net cash generated from operating activities	Rs m	1,764	918	(1,987)	2,339	946	2,209
Net cash used in investing activities	Rs m	(234)	(155)	(56)	(150)	(1,721)	(1,956)
Net cash used in financing activities	Rs m	(0)	(0)	(1)	(0)	(2,851)	(2,658)
Cash and cash equivalents at year end	Rs m	3,319	1,789	1,026	3,069	880	4,505
Key Ratios							
Gross profit ratio	%	2.03	(0.76)	(4.12)	0.26	0.40	11.57
EBITDA margin to sales	%	4.87	2.38	(2.20)	2.25	3.01	13.47
Net profit margin	%	0.93	(2.21)	(2.30)	(0.87)	0.01	7.26
ROE	%	3.15	(7.51)	(10.28)	(4.22)	0.03	31.93
ROCE	%	3.15	(7.51)	(10.28)	(4.22)	0.03	31.84
Inventory turnover	times	10.69	11.46	17.33	15.38	11.55	13.90
Inventory turnover in days	days	34.16	31.84	21.07	23.73	31.60	26.25
Debtors turnover	times	18.96	21.88	23.33	18.77	16.40	18.94
Average collection period	days	19.25	16.68	15.64	19.45	22.26	19.27
Creditors turnover	times	10.61	11.06	13.10	11.10	10.22	11.03
Payable turnover in days	days	34.39	33.00	27.87	32.87	35.72	33.09
Operating cycle	days	19.02	15.52	8.84	10.31	18.14	12.44
Total asset turnover	times	2.00	1.98	2.60	2.79	2.35	2.47
Fixed asset turnover	times	6.17	5.01	5.94	6.08	5.30	6.19
Current ratio	times	1.48	1.33	1.38	1.45	1.37	1.45
Quick ratio	times	0.92	0.76	0.75	0.95	0.72	0.89
Cash to current liabilities	times	0.46	0.25	0.17	0.40	0.11	0.47
Cash flow from operation to sales	times	0.05	0.03	(0.04)	0.04	0.02	0.04
Interest cover	times	22.81	(15.44)	(28.83)	(4.75)	0.24	38.37
Debt equity ratio	times	1.00	1.00	1.00	1.00	1.00	1.14
Price earnings ratio	times	38.90	(13.16)	(9.44)	(22.32)	3,101.85	3.36
EPS	Rs	0.21	(0.49)	(0.73)	(0.33)	0.00	2.76
Cash dividend per share	Rs	-	-	-	-	-	0.50
Dividend yield ratio	%	-	-	-	-	-	5.39
Dividend payout ratio	%	-	-	-	-	-	18.12
Dividend cover ratio	times	-	-	-	-	-	5.52
Breakup value per share	Rs	6.79	6.58	7.07	7.80	8.13	8.64
Market value per share - 31 December	Rs	8.32	6.50	6.86	7.34	7.35	9.27
Market value per share - High	Rs	9.49	9.43	8.40	9.13	10.78	17.36
Market value per share - Low	Rs	5.00	5.10	6.15	6.20	6.70	8.31
Market capitalization	Rs m	12,598.20	9,842.35	10,387.46	11,114.28	11,129.42	14,036.70

Vertical Analysis

	2016	2015	2014	2013	2012	2011
	-----%					
Balance Sheet						
Fixed assets	29.4	35.5	43.7	43.8	47.8	41.2
Other non-current assets	9.9	8.8	6.2	0.5	0.6	0.6
Current assets	60.8	55.7	50.1	55.7	51.6	58.2
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0
Shareholders equity	58.6	57.7	63.4	59.4	58.4	54.7
Non-current liabilities	0.4	0.4	0.3	2.2	3.8	5.0
Current liabilities	41.0	41.9	36.3	38.5	37.7	40.2
Total Equity and Liabilities	100.0	100.0	100.0	100.0	100.0	100.0
Profit and Loss Account						
Revenue	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales	(98.0)	(100.8)	(104.1)	(99.7)	(99.6)	(88.4)
Gross profit / (loss)	2.0	(0.8)	(4.1)	0.3	0.4	11.6
Distribution and selling expenses	(0.2)	(0.2)	(0.4)	(0.2)	(0.3)	(0.3)
Administration expenses	(1.0)	(1.0)	(0.8)	(0.6)	(0.6)	(0.6)
Other expenses	(0.1)	(0.1)	(0.0)	(0.2)	(0.1)	(0.9)
Other income	0.6	0.3	0.2	0.3	0.7	1.4
Finance (costs) / income	(0.0)	(0.1)	0.2	(0.1)	(0.3)	(0.4)
Profit / (loss) before taxation	1.4	(1.9)	(4.9)	(0.5)	(0.1)	10.8
Taxation	(0.4)	(0.4)	2.6	(0.3)	0.1	(3.5)
Profit / (loss) after taxation	0.9	(2.2)	(2.3)	(0.9)	0.0	7.3

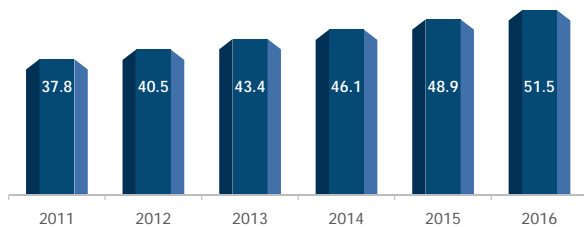
Horizontal Analysis

Year on Year

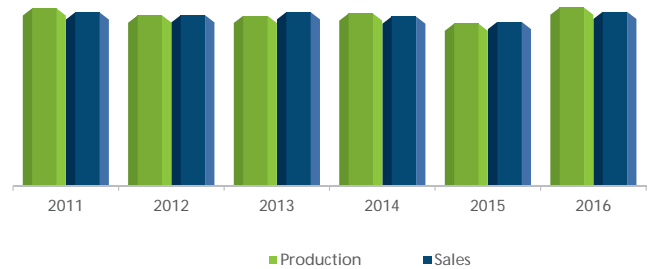
	2016 over 2015	2015 over 2014	2014 over 2013	2013 over 2012	2012 over 2011	2011 over 2010
	-----%					
Balance Sheet Analysis (%)						
Fixed assets	(16.0)	(17.0)	(15.3)	(13.4)	2.2	12.5
Other non-current assets	13.8	45.4	891.7	(16.6)	(14.2)	35.2
Current assets	11.0	13.4	(23.5)	1.9	(21.8)	0.0
Total Assets	1.7	2.1	(15.1)	(5.5)	(11.9)	5.0
Shareholders equity	3.2	(7.0)	(9.4)	(4.0)	(5.9)	35.4
Non-current liabilities	22.7	12.6	(87.5)	(46.1)	(32.9)	(76.2)
Current liabilities	(0.6)	17.9	(19.8)	(3.7)	(17.4)	19.4
Total Equity and Liabilities	1.7	2.1	(15.1)	(5.5)	(11.9)	5.0
Profit and Loss Account (%)						
Revenue	2.7	(29.2)	(16.2)	8.0	(8.3)	35.8
Cost of sales	(0.1)	(31.4)	(12.6)	8.2	3.3	43.9
Gross profit / (loss)	(374.5)	(87.0)	(1,420.5)	(28.6)	(96.9)	(5.2)
Distribution and selling expenses	(4.0)	(54.9)	50.1	(9.1)	(33.0)	79.3
Administration expenses	(3.3)	(13.7)	19.8	9.3	(8.1)	23.2
Other expenses	40.7	49.3	(85.6)	101.8	(90.7)	(17.1)
Other income	115.3	(16.0)	(34.5)	(50.2)	(55.2)	(9.5)
Finance costs	(63.1)	(132.8)	(194.3)	(42.7)	(37.2)	1.4
Profit / (loss) before taxation	(174.9)	(73.4)	687.8	421.8	(100.9)	(7.5)
Taxation	22.9	(109.4)	(738.2)	(424.0)	(103.0)	(7.0)
Profit / (loss) after taxation	(143.3)	(32.1)	121.0	(13,979.2)	(99.9)	(7.7)

Graphical Presentation

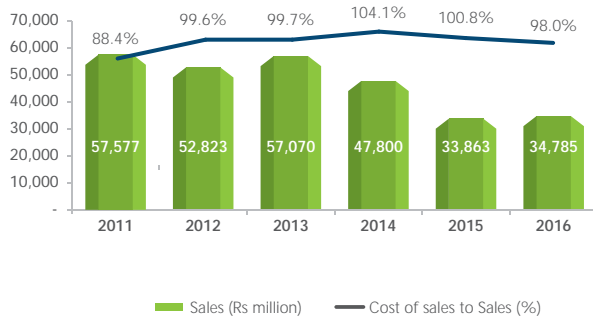
Million manhours without Lost Time Case
(employees + contractors)



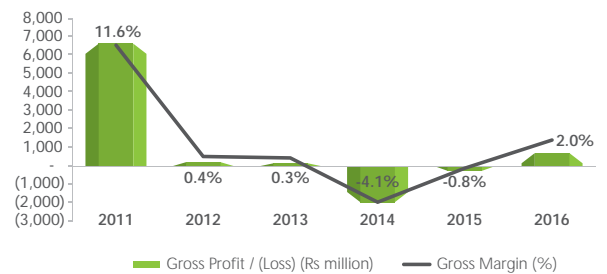
Production & Sales (000 tes)



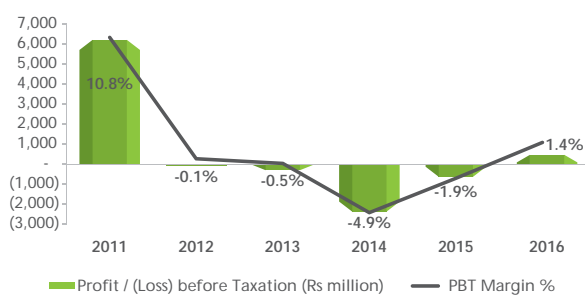
Sales (Rs million) & Cost of sales to Sales (%)



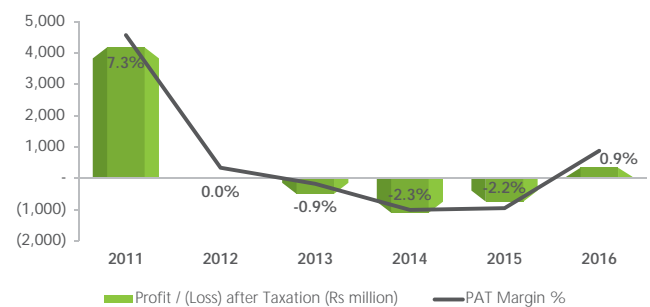
Gross Profit /(Loss) (Rs million)
& Gross Margin (%)



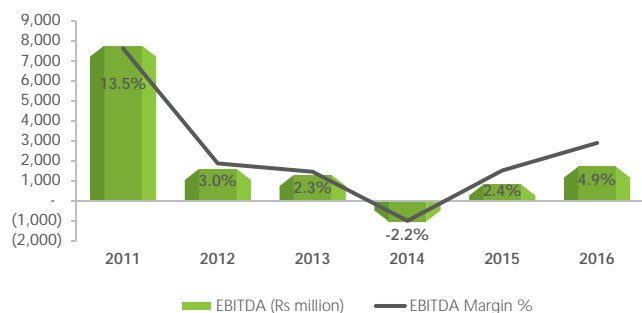
PBT (Rs million) & PBT Margin (%)



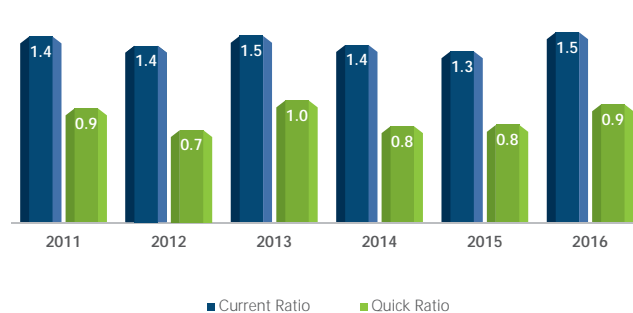
PAT (Rs million) & PAT Margin (%)



EBITDA (Rs million) & EBITDA Margin (%)



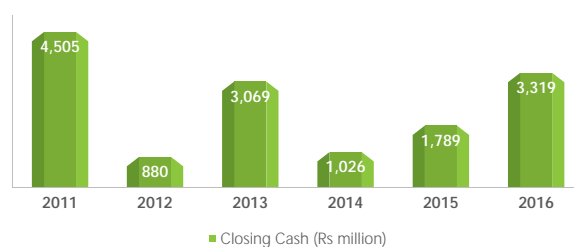
Liquidity Ratios



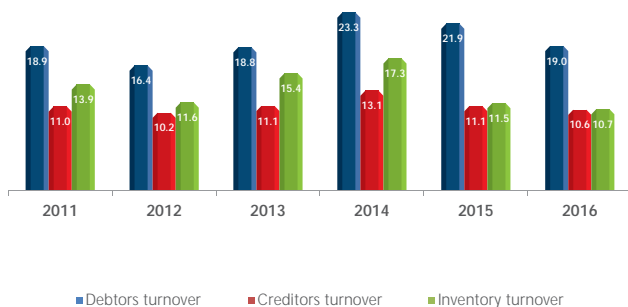
Debt Equity (Rs billion)



Cash & Cash Equivalents at Year End (Rs million)



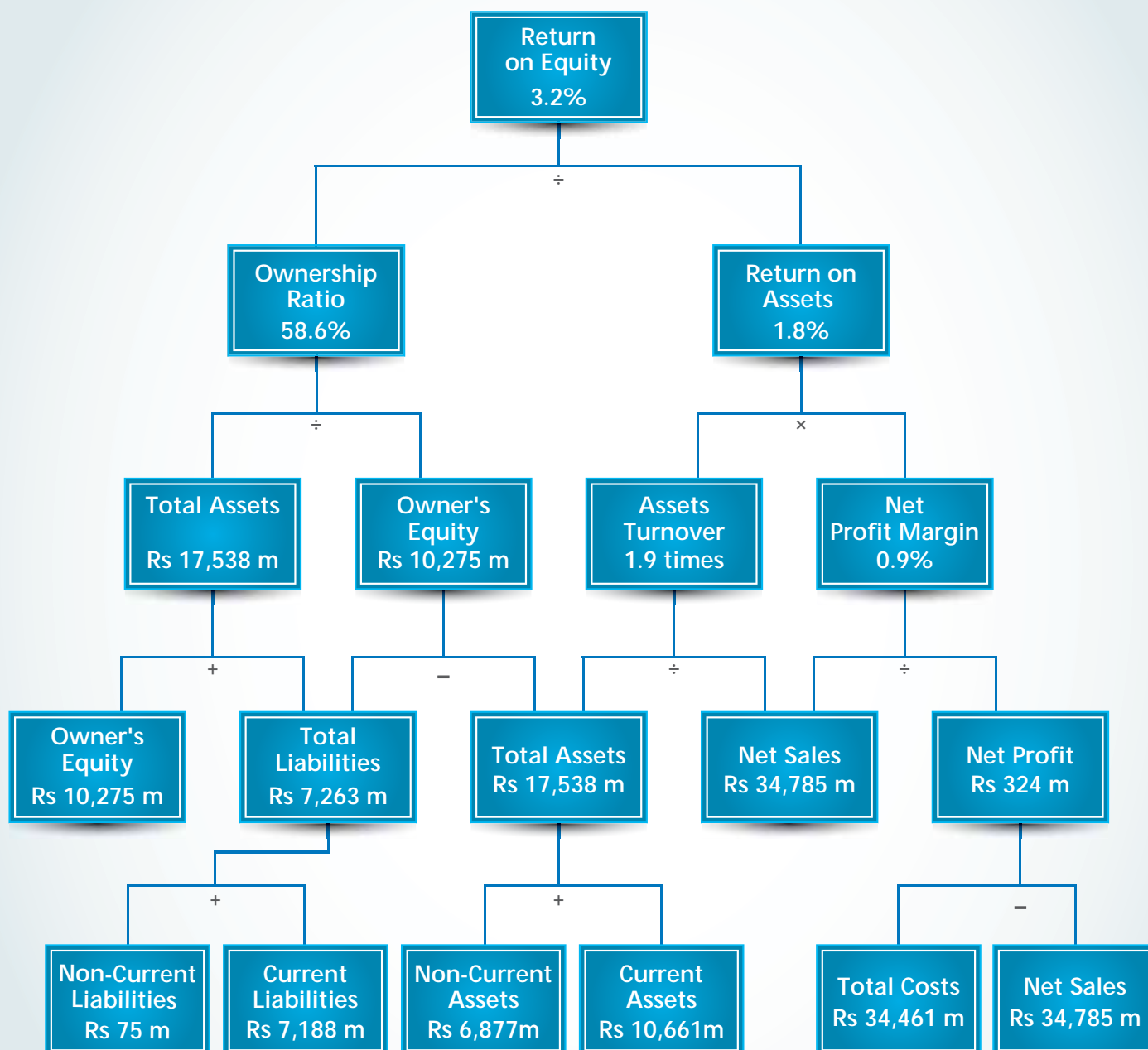
Debtors, Creditors & Inventory Turnover (times)



Market Value per Share (Rs)



DuPont Analysis 2016



2016 Quarterly Analysis

Amounts in Rs '000

	Q1	Q2	Q3	Q4	2016
Revenue	8,111,320	9,392,422	8,782,623	8,498,670	34,785,035
Gross profit/(loss)	(169,919)	269,560	250,212	354,975	704,828
Profit/(loss) before taxation	(255,043)	247,761	190,583	287,109	470,410
Profit/(loss) after taxation	(182,014)	172,488	117,815	215,542	323,831

Q1

- The bearish fundamentals of the Crude Oil market at the start of the year, weakened further, and the supply glut dragged crude below the US\$ 30/bbl level, thereby pressurizing the entire Petrochemical Chain.
- PX market tracked largely the movement in the upstream crude oil market, although it was progressively supported by strengthening demand in the downstream PTA industry.
- PTA prices also weakened at the start of the quarter, in tandem with crude oil and PX prices. During the latter half of the quarter, the increase in the downstream demand added some support to the PTA market.
- Domestic Polyester industry operated at healthy rates supported by the improved gas and energy situation in Punjab.
- Production during the quarter was 5% lower than corresponding period last year.
- The overall sales volume, on the back of stronger downstream demand, and constituting of domestic sales alone, was 7% higher than the corresponding quarter last year.
- Due to continued adverse trading conditions, the Company incurred gross loss for the quarter.

Q2

- Crude Oil picked up a bullish trend and continued to move up during the quarter touching the US \$ 50/bbl benchmark. The surge in prices was largely on the back of supply disruptions due to economic instability in the Middle East, and decline in the number of US oil rigs during this period.
- The PX market remained buoyant during the quarter, supported by the bullish trend in the upstream crude oil prices. The planned PX maintenance shutdowns along with the healthy demand from the downstream PTA industry kept the PX market balanced.
- PTA prices reflected a steady posture and moved in a tight range.
- The overall sentiment in the domestic Polyester industry remained bullish; increased seasonal demand, coupled with the reduction in the import quantities of PSF enabled the domestic producers to operate at optimum rates.
- Production during the quarter was 22% higher than the corresponding period last year due to planned shutdown for the PTA plant overhaul in March-April 2015.
- Sales volume, comprising of domestic sales only, was 2% higher than the corresponding quarter last year.
- Lower conversion costs together with consistent plant operations resulted in gross profit for the quarter.

Q3

- Crude Oil market exhibited volatility throughout the quarter reacting to mixed sentiments.
- PX market primarily followed the trend in the upstream Crude Oil market during the quarter. However, on the account of a healthy PTA demand in the downstream, PX fundamentals remained largely balanced.
- The PTA industry showed signs of bearishness at the end of the peak summer season. PTA prices remained stable during August and September as the downstream industry prepared stock piles for the upcoming G20 Summit.
- The revised PTA import tariff of 5% was implemented which provided some support to the domestic PTA prices.
- Sales volume, comprising of domestic sales only, was 18% higher than the corresponding quarter last year due to increased demand from the downstream industry.
- Production during the quarter was 21% higher than the corresponding period last year mainly due to higher plant operating rate in Q3 to match the sales.
- Stable PTA margin over PX and lower conversion costs resulted in a gross profit for the quarter.

Q4

- Crude oil prices took an upward turn and gained further support from the major non OPEC producers.
- A steep rise was observed in PX prices on the back of higher upstream values, while market fundamentals remained balanced since major new PX capacities in the region, expected to come online, were facing delays.
- The PTA industry struggled with volatility in Spot margins due to uncertainties associated with upstream markets.
- Sales volume was marginally lower than the corresponding period last year. No Export sales were made during the quarter.
- Production during the quarter was 4% higher than the corresponding period last year.
- Review of useful lives of buildings and plant and machinery was carried out through an independent professional valuer.
- The impact of stable PTA margin over PX together with decrease in depreciation charge resulted in a gross profit for the quarter.

PASSION

LCPL team members approach every day with a sense of excitement and enthusiasm. Their passion results in operational excellence in all aspects of the business.





Financial Statements

Auditors' Report to the Members	103
Balance Sheet	104
Profit and Loss Account	106
Statement of Comprehensive Income	107
Cash Flow Statement	108
Statement of Changes in Equity	109
Notes to and Forming Part of the Financial Statements	110

Auditors' Report to the Members

We have audited the annexed balance sheet of **Lotte Chemical Pakistan Limited** (the Company) as at **31 December 2016** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.2 to the accompanying financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **31 December 2016** and of the profit, its total comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



EY Ford Rhodes
Chartered Accountants
Audit Engagement Partner: Shariq Ali Zaidi
Date: 07 February 2017
Karachi

Balance Sheet

As at 31 December 2016

Amounts in Rs '000

	Note	2016	2015
Assets			
Non-current assets			
Fixed assets	4	5,148,787	6,127,374
Long-term loans and advances	5	70,246	63,883
Long-term deposits and prepayments	6	43,863	44,232
Deferred tax asset	7	1,614,057	1,410,238
		6,876,953	7,645,727
Current assets			
Stores and spare parts	8	934,664	966,659
Stock-in-trade	9	3,143,174	3,235,128
Trade debts	10	1,891,825	1,778,079
Loans and advances	11	22,714	24,233
Trade deposits and short-term prepayments	12	22,805	34,328
Interest accrued on short-term fixed deposits		7,280	3,385
Other receivables	13	20,429	119,136
Tax refunds due from government - sales tax	14	351,421	411,580
Taxation - payments less provision		947,807	1,239,740
Cash and bank balances	15	3,319,250	1,789,081
		10,661,369	9,601,349
Total assets		17,538,322	17,247,076

		Amounts in Rs '000	
	Note	2016	2015
Equity and liabilities			
Share capital and reserves			
Share capital	16	15,142,072	15,142,072
Capital reserves	17	2,345	2,345
Accumulated losses		(4,869,335)	(5,187,612)
		<u>10,275,082</u>	<u>9,956,805</u>
Liabilities			
Non-current liabilities			
Retirement benefit obligations	18	75,364	61,436
Current liabilities			
Trade and other payables	19	7,028,293	7,069,252
Accrued interest	20	159,583	159,583
		<u>7,187,876</u>	<u>7,228,835</u>
Total liabilities		<u>7,263,240</u>	<u>7,290,271</u>
Total equity and liabilities		<u>17,538,322</u>	<u>17,247,076</u>
Contingencies and commitments	21		

The annexed notes 1 to 42 form an integral part of these financial statements.



Jung Neon Kim
Chairman



Humair Ijaz
Chief Executive

Profit and Loss Account

For the year ended 31 December 2016

Amounts in Rs '000			
	Note	2016	2015
Revenue	22	34,785,035	33,862,567
Cost of sales	23	(34,080,207)	(34,119,300)
Gross profit / (loss)		704,828	(256,733)
Distribution and selling expenses	24	(78,004)	(81,272)
Administrative expenses	25	(332,013)	(343,434)
Other expenses	26	(28,435)	(20,212)
Other income	27	213,573	99,183
Finance costs	28	(9,539)	(25,868)
Profit / (loss) before taxation		470,410	(628,336)
Taxation	29	(146,579)	(119,314)
Profit / (loss) after taxation		323,831	(747,650)
Rupees			
Earnings / (loss) per share - basic and diluted	31	0.21	(0.49)

The annexed notes 1 to 42 form an integral part of these financial statements.



Jung Neon Kim
Chairman



Humair Ijaz
Chief Executive

Statement of Comprehensive Income

For the year ended 31 December 2016

Amounts in Rs '000

	Note	2016	2015
Profit / (loss) after taxation		323,831	(747,650)
Other comprehensive loss:			
Other comprehensive loss not to be reclassified to profit and loss account in the subsequent periods			
Remeasurement loss on defined benefit plans	18	(7,935)	(1,518)
Impact of deferred tax		2,381	455
Net comprehensive loss not to be reclassified to profit and loss account in the subsequent periods		(5,554)	(1,063)
Total comprehensive income / (loss) for the year		318,277	(748,713)

The annexed notes 1 to 42 form an integral part of these financial statements.



Jung Neon Kim
Chairman



Humair Ijaz
Chief Executive

Cash Flow Statement

For the year ended 31 December 2016

Amounts in Rs '000

	Note	2016	2015
Cash flows from operating activities			
Cash generated from operations	30	1,726,257	1,051,732
Long-term loans and advances - net		(6,363)	(2,797)
Long-term deposits and prepayments - net		369	(264)
Finance costs paid		(21,566)	(31,448)
Payments to retirement benefit obligations		(15,035)	(15,696)
Taxes paid		(56,084)	(161,433)
Interest received from short-term fixed deposits		136,618	77,776
Net cash generated from operating activities		1,764,196	917,870
Cash flows from investing activities			
Payments for capital expenditure		(237,298)	(157,528)
Proceeds from disposal of property, plant and equipment		3,293	2,895
Net cash used in investing activities		(234,005)	(154,633)
Cash flows from financing activities			
Dividend paid		(22)	(46)
Net cash used in financing activities		(22)	(46)
Net increase in cash and cash equivalents		1,530,169	763,191
Cash and cash equivalents at the beginning of the year		1,789,081	1,025,890
Cash and cash equivalents at the end of the year		3,319,250	1,789,081

The annexed notes 1 to 42 form an integral part of these financial statements.



Jung Neon Kim
Chairman



Humair Ijaz
Chief Executive

Statement of Changes in Equity

For the year ended 31 December 2016

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated losses	Total equity
Balance at 01 January 2015	15,142,072	2,345	(4,438,899)	10,705,518
Total comprehensive loss for the year ended 31 December 2015				
- Loss for the year ended 31 December 2015	-	-	(747,650)	(747,650)
- Other comprehensive loss for the year ended 31 December 2015	-	-	(1,063)	(1,063)
	-	-	(748,713)	(748,713)
Balance as at 01 January 2016	15,142,072	2,345	(5,187,612)	9,956,805
Total comprehensive income for the year ended 31 December 2016				
- Profit for the year ended 31 December 2016	-	-	323,831	323,831
- Other comprehensive loss for the year ended 31 December 2016	-	-	(5,554)	(5,554)
	-	-	318,277	318,277
Balance as at 31 December 2016	15,142,072	2,345	(4,869,335)	10,275,082

The annexed notes 1 to 42 form an integral part of these financial statements.



Jung Neon Kim
Chairman



Humair Ijaz
Chief Executive

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

1. Status and nature of business

Lotte Chemical Pakistan Limited ("the Company") was incorporated in Pakistan on 30 May 1998 and is listed on Pakistan Stock Exchange Limited, and is engaged in the manufacture and sale of Pure Terephthalic Acid (PTA). The Company's registered office is situated at EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi.

The Company is a subsidiary of Lotte Chemical Corporation, South Korea and its ultimate parent company is South Korean Conglomerate Lotte.

2. Basis of preparation and summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

2.1.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for retirement benefit obligations, which have been measured at the present value.

2.2 Changes in accounting standards, interpretations and pronouncements

Standards, amendments and interpretations adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows:

The Company has adopted the following revised standards and amendments of IFRSs which became effective for the current year:

New and amended standards

- IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)
- IFRS 11 Joint Arrangements: Accounting for Acquisition of Interest in Joint Operation (Amendment)
- IAS 1 Presentation of Financial Statements: Disclosure Initiative (Amendment)
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

IAS 27 Separate Financial Statements: Equity Method in Separate Financial Statements (Amendment)

Annual improvements to IFRSs 2012-2014 Cycle

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 Financial Instruments: Disclosures - Servicing contracts

IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 Employee Benefits - Discount rate: regional market issue

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above revised standards, amendments and improvements does not have any material effect on these financial statements.

2.3 Fixed assets

2.3.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation charge is based on the straight-line method whereby the cost of an asset is written off to profit and loss account over its estimated useful life, from the date the asset is available for use. Full month's depreciation is charged in the month of acquisition and no depreciation is charged in the month of disposal. The rates of depreciation are disclosed in note 4.1 to these financial statements. The cost of leasehold land is amortised in equal installments over the lease period.

Renewals and improvements are included in an asset's carrying amount and are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other expenses are charged to profit and loss account during the financial period in which they are incurred.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The residual value, depreciation method and the useful lives of each part of property, plant and equipment that is significant in relation to the total cost of the asset are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposal of assets are taken to the profit and loss account.

2.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any, and consists of expenditure incurred and advances made in respect of operating fixed assets and intangible assets in the course of their acquisition, erection, construction and installation. The assets are transferred to relevant category of operating fixed assets or intangible assets when they are available for use.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

2.3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Major computer software licences are capitalised on the basis of cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of five years using the straight-line method. Full month's amortisation is charged in the month of acquisition and no amortisation is charged in the month of disposal.

Costs associated with maintaining computer software programmes are recognised as an expense as and when incurred.

2.4 Stores and spare parts

Stores and spare parts are valued at lower of weighted average cost and net realisable value. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale and is also adjusted through systematic provision for damaged, obsolete and slow moving items.

2.5 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realisable value. Cost is determined using the weighted average method, except for in transit which comprises invoice value and the direct charges in respect thereof. Manufactured finished goods include prime cost and an appropriate portion of production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale and is also adjusted through systematic provision for damaged, obsolete and slow moving items.

2.6 Trade debts and other receivables

Trade debts are recognised initially at original invoice amount and subsequently measured at amortised cost less provision for impairment, if any.

Other receivables are stated at amortised cost less provision for impairment.

2.7 Cash and cash equivalents

Cash and cash equivalents are stated at cost and comprise of cash in hand, short-term fixed deposits having maturity upto three months and current accounts held with commercial banks. Running finance and short-term finance facilities availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

2.8 Impairment

2.8.1 Financial assets

A financial asset or a group of financial assets is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset or a group of financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for receivables and other financial assets at specific asset levels. Losses are recognised as an expense in the profit and loss account. When a subsequent event causes the amount of impairment loss to decrease, this reduction is reversed through the profit and loss account.

2.8.2 Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, then an asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. An impairment loss is recognised as an expense in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is ascertained through discounting of the estimated future cash flows using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the assets. The fair value less costs to sell calculation is based on the available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs to sell of the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.9 Trade and other payables

Trade and other payables, excluding provisions are carried at the fair value of the consideration to be paid for goods and services received, whether or not billed to the Company.

2.10 Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of that can be made. Provisions are reviewed at each balance sheet date and accordingly adjusted to reflect current best estimate.

2.11 Offsetting

Monetary assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expenses arising from such assets and liabilities are also offset accordingly.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

2.12 Lease payments

Payments made under operating leases / Ijarah contracts are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At the inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

2.13 Staff retirement benefits

2.13.1 Defined benefit plans

The Company operates an approved funded defined benefit gratuity scheme for all permanent employees. Minimum qualifying period for entitlement to gratuity is five years continuous service with the Company.

The Company also has an unfunded medical scheme to provide post retirement medical benefits for all of its full-time management staff, who joined the Company on or before 01 October 2012 and are also the members of defined contribution superannuation fund.

Contributions to all schemes are made periodically on the basis of recommendations of the actuary and in line with the provisions of the Income Tax Ordinance, 2001.

The liability recognised in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise and are not reclassified to profit and loss account in the subsequent periods.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Past-service costs are recognised immediately in profit and loss account.

2.13.2 Defined contribution plans

The Company operates a provident fund scheme for all its permanent employees. Equal monthly contributions are made to the fund, both by the Company and the employees at the rate of 10 percent of basic salary and cost of living allowance wherever applicable. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Company also operates a defined contribution superannuation fund for its management staff who joined the Company on or before 01 October 2012. Contributions are made at the rate of 10.6 percent of basic salary of the members of the fund.

2.14 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividend is approved. However, if these are approved after the reporting period but before the financial statements are authorised for issue, they are disclosed in the notes to the financial statements.

2.15 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

2.15.1 Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any, in accordance with the Income Tax Ordinance, 2001. The charge for current tax includes adjustments to charge for prior years, if any. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

2.15.2 Deferred

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit at the time of the transaction. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as of the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

2.16 Foreign currency transactions

Transactions denominated in foreign currencies are translated to Pakistani Rupees using the exchange rate prevailing at the dates of transactions.

Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Pakistani Rupees at the exchange rates prevailing on that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.17 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates, and sales tax or duty. The following are the specific recognition criteria that must be met before revenue is recognised:

- a) Revenue from the sale of goods is recognised on despatch of goods i.e. when the significant risks and rewards of ownership are transferred to the customer.
- b) Income on funds invested is recognised as it accrues in the profit and loss account, using the effective interest method.

2.18 Borrowings and their cost

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

2.19 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the functional currency of the Company and figures are rounded off to the nearest thousands of Rupees.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

2.21 Standards, amendments and improvements to approved accounting standards that are not yet effective

The following revised standards, amendments and improvements with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations:

Standards	Effective date (annual periods beginning on or after)
IFRS 2 Classification and Measurement of Share Based Payment Transactions (Amendment)	01 January 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Yet not finalised
IAS 7 Financial Instruments: Disclosures - Disclosure Initiative (Amendment)	01 January 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017

The Company expects that the adoption of the above standards and amendments will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

3.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

3.1.1 Property, plant and equipment and intangible assets

The Company reviews the useful lives, method of depreciation / amortisation and residual values of property, plant and equipment on the balance sheet date. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation / amortisation charge and impairment.

3.1.2 Impairment reviews

Assets that are subject to depreciation / amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Changes in the assumptions used by management, in particular the PTA-Px margins, discount rate and expected capacity utilizations may affect the Company's impairment evaluation and accordingly the amounts recognised in the financial statements.

3.1.3 Income taxes

In making the estimates for income taxes, the Company takes into account the current income tax law and decisions taken by appellate authorities on certain issues in the past. There may be various matters where the Company's view differs with the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of a material nature is in accordance with the law. The difference between the potential and actual tax charge, if any, is disclosed as a contingent liability.

3.1.4 Defined benefit plans

The Company has adopted certain actuarial assumptions as disclosed in note 18 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets, based on actuarial advice.

3.2 No critical judgment has been used in applying the accounting policies.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	Note	2016	2015
4. Fixed assets			
Property, plant and equipment			
Operating fixed assets	4.1	4,903,048	6,061,577
Capital work-in-progress	4.2	244,173	63,562
		5,147,221	6,125,139
Intangible assets - note 4.3		1,566	2,235
		5,148,787	6,127,374

4.1 Operating fixed assets

The following is a statement of operating fixed assets:

	Leasehold land	Buildings on leasehold land	Plant and machinery		Motor vehicles	Furniture and equipment	Total
			Owned	Held under finance lease			
Net carrying value basis							
Year ended 31 December 2016							
Opening net book value (NBV)	46,228	97,313	5,864,358	-	1,031	52,647	6,061,577
Additions (at cost)	-	2,881	47,501	-	-	6,252	56,634
Disposals (at NBV)	-	-	-	-	(358)	-	(358)
Depreciation charge - note 4.5	(1,422)	(23,425)	(1,174,962)	-	(319)	(14,677)	(1,214,805)
Closing net book value (NBV)	44,806	76,769	4,736,897	-	354	44,222	4,903,048
Gross carrying value basis							
at 31 December 2016							
Cost	90,278	998,367	31,209,711	395,543	57,808	208,277	32,959,984
Accumulated depreciation	(45,472)	(719,887)	(25,214,700)	(395,543)	(57,454)	(164,055)	(26,597,111)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	-	(1,459,825)
Net book value (NBV)	44,806	76,769	4,736,897	-	354	44,222	4,903,048
Net carrying value basis -							
Year ended 31 December 2015							
Opening net book value (NBV)	47,650	117,206	7,122,003	-	598	60,362	7,347,819
Additions (at cost)	-	5,188	110,214	-	762	6,846	123,010
Disposals (at NBV)	-	-	-	-	(24)	(91)	(115)
Depreciation charge	(1,422)	(25,081)	(1,367,859)	-	(305)	(14,470)	(1,409,137)
Closing net book value (NBV)	46,228	97,313	5,864,358	-	1,031	52,647	6,061,577
Gross carrying value basis							
at 31 December 2015							
Cost	90,278	995,486	31,162,210	395,543	57,808	202,025	32,903,350
Accumulated depreciation	(44,050)	(696,462)	(24,039,738)	(395,543)	(56,777)	(149,378)	(25,381,948)
Accumulated impairment losses	-	(201,711)	(1,258,114)	-	-	-	(1,459,825)
Net book value (NBV)	46,228	97,313	5,864,358	-	1,031	52,647	6,061,577
Depreciation % per annum	2	5	5 - 20	6.67	25	10 - 33	

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	2016	2015
4.2 Capital work-in-progress		
Civil works and buildings	5,796	67
Plant and machinery	238,377	61,838
Miscellaneous equipments	-	328
Advances to suppliers	-	1,329
	244,173	63,562
4.2.1 Capital work-in-progress - movement		
Opening balance	63,562	30,868
Capital expenditure	231,788	148,095
Transferred to operating fixed assets	(51,177)	(115,401)
Closing balance	244,173	63,562
4.3 Intangible assets		
4.3.1 Net carrying value basis		
Opening net book value	2,235	892
Additions during the year	53	1,823
Amortisation charge	(722)	(480)
Closing net book value	1,566	2,235
4.3.2 Gross carrying value basis		
Cost	216,003	215,950
Accumulated amortisation	(214,437)	(213,715)
Net book value	1,566	2,235
Amortisation % per annum	20	20

4.4 The details of operating fixed assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sales proceeds	Mode of disposal	Particulars of buyers / others
Motor vehicles						
Toyota Corolla GLI	381	32	349	1,300	Accident	Insurance claim received from Adamjee Insurance Co. Ltd.
Items having book value upto Rs. 50,000	1,209	1,200	9	1,993	Tender	Various
2016	1,590	1,232	358	3,293		
2015	698	583	115	2,895		

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

4.5 Useful life of property, plant and equipment

During September 2016, the remaining useful lives of the Company's plant and machinery and building were reviewed by an independent evaluator, Joseph Lobo (Pvt) Ltd, Pakistan. The previous and revised remaining useful lives of individual significant components are as under:

	Average remaining useful life (years)	
	Previously estimated	Revised as at 01 October 2016
Plant and machinery	2	10
Building	2	20

The effect of these changes on depreciation charge, in cost of sales, in current and future period is as follows:

	2016	2017	Till June 2018	From July 01, 2018 and onwards
Decrease in depreciation charge in (Rs million)	205.26	821.04	410.52	-
Increase in depreciation charge in (Rs million)	-	-	-	1,008.67

5. Long-term loans and advances - considered good

	2016				2015
	Motor car	House building assistance	Others	Total	Total
Due from executives - note 5.1	50,574	13,273	114	63,961	51,686
Less: receivable within one year - note 11	(7,318)	(4,619)	(53)	(11,990)	(10,462)
	43,256	8,654	61	51,971	41,224
Due from employees	16,392	136	5,172	21,700	26,941
Less: receivable within one year - note 11	(2,310)	(96)	(1,019)	(3,425)	(4,282)
	14,082	40	4,153	18,275	22,659
	57,338	8,694	4,214	70,246	63,883

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

5.1 Reconciliation of carrying amount of loans to executives

	2016			2015		
	Key management personnel	Executives	Total	Key management personnel	Executives	Total
Balance at 1 January	-	51,686	51,686	3,387	45,988	49,375
Disbursement	-	25,922	25,922	-	27,722	27,722
Repayments	-	(13,647)	(13,647)	(3,387)	(22,024)	(25,411)
Balance at 31 December	-	63,961	63,961	-	51,686	51,686

5.2 Loans for purchase of motor cars and house building assistance are repayable between two to ten years. All the loans are interest free and are secured, where applicable, against respective assets granted to the employees of the Company in accordance with their terms of employment.

5.3 The maximum aggregate amount of loans and advances due from Executives at the end of any month during the year was Rs 63.96 million (2015: Rs 51.69 million).

6. Long-term deposits and prepayments

	2016	2015
Deposits - unsecured and considered good - note 6.1	40,374	40,374
Prepayments	3,489	3,858
	43,863	44,232

6.1 These include Rs 14.42 million (2015: Rs 14.42 million) paid to Pakistan Steel Mills Corporation for emergency back-up supply of water and Rs 24.27 million (2015: Rs 24.27 million) paid to K-Electric Limited.

7. Deferred tax asset

	2016	2015
(Credit) balance arising in respect of property, plant and equipment	(718,452)	(943,182)
Debit balances arising in respect of:		
- provisions for:		
- sales tax refundable	25,651	25,651
- retirement benefit obligations	29,400	27,484
- slow moving, obsolete and rejected items of stores and spare parts	5,615	9,924
- unpaid liabilities	414,339	414,339
- carry forward of minimum tax - notes 7.2 and 7.3	1,410,002	1,070,118
- taxable losses - notes 7.1 and 7.2	447,502	805,904
	1,614,057	1,410,238

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

- 7.1** This includes the impact of carried forward tax losses of Lotte Powergen (Private) Limited as a result of its amalgamation with and into the Company in the year 2014. The carried forward losses in respect of Lotte Powergen (Private) Limited have been accounted for tax purpose in line with the provisions of Section 97A of the Income Tax Ordinance, 2001.
- 7.2** The management carries periodic assessment to assess the benefit of the unavailed tax credits in respect of minimum tax and taxable losses as the Company would be able to set off the taxable profit earned in future years against them. Based on such assessment, the management has recognised a deferred tax debit balance amounting to Rs 1,410 million on account of unavailed tax credits in respect of minimum tax and Rs 448 million in respect of taxable losses, which are determined on the basis of projected taxable profits of the Company for future years. The determination of future taxable profits is most sensitive to certain key assumptions such as capacity utilisation, PTA-Px margins, etc. Accordingly, any significant change in the key assumptions may have an effect on the realisability of deferred tax asset.
- 7.3** The Honourable High Court of Sindh, in respect of another company, has overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and has decided that the minimum turnover tax cannot be carried forward where there is no tax paid on account of taxable loss for the year or carried forward losses. The Company's management based on the view of its tax advisor believes that there are reasonable basis to argue the Company's case as the above order would not be maintainable by the Honourable Supreme Court of Pakistan (SCP), which the Company intends to approach, if required. Accordingly, the Company has accounted for the deferred tax on minimum tax for tax year 2017 amounted to Rs 340 million (tax year 2016: Rs 325 million) in these financial statements.

	2016	2015
8. Stores and spare parts		
Stores	30,328	27,918
Spare parts	924,037	973,563
	954,365	1,001,481
Provision for slow moving, obsolete, and rejected items - note 8.1	(19,701)	(34,822)
	934,664	966,659
8.1 Provision for slow moving, obsolete and rejected items		
Provision at 1 January	34,822	20,860
Charge for the year	-	15,497
	34,822	36,357
Write-offs	(15,121)	(1,535)
Provision at 31 December	19,701	34,822

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	2016	2015
9. Stock-in-trade		
Raw and packing materials [including in-transit Rs 606.6 million (2015: Rs 512.5 million)]	1,599,579	2,526,951
Finished goods		
- Manufactured goods	1,497,266	692,038
- Trading goods [including in-transit Rs 37.5 million (2015: Rs 7.7 million)]	46,329	16,139
	1,543,595	708,177
	<u>3,143,174</u>	<u>3,235,128</u>
9.1 Cost of stock-in-trade held with the third parties include the following:		
Paraxylene and Acetic acid held for consumption		
- Engro Vopak Terminal Limited	547,211	1,490,953
Acetic acid held for trading		
- Chempro Pakistan (Private) Limited	1,881	2,125
- Engro Vopak Terminal Limited	6,900	6,300
	8,781	8,425
	<u>555,992</u>	<u>1,499,378</u>
10. Trade debts		
10.1 All of the Company's trade debts are secured by letters of credit of 30 to 90 days issued by various banks.		
10.2 These balances are neither past due nor impaired and are considered good.		
11. Loans and advances - considered good	2016	2015
Loans due from:		
- Executives - note 5	11,990	10,462
- Employees - note 5	3,425	4,282
	15,415	14,744
Advances to:		
- Executives	5,336	6,508
- Employees	1,215	1,196
- Contractors and suppliers	748	1,785
	7,299	9,489
	<u>22,714</u>	<u>24,233</u>
11.1 The maximum aggregate amount of advances due from executives at the end of any month during the year was Rs 5.58 million (2015: Rs 6.28 million).		
11.2 All of the above loans and advances are secured except for advances to contractors and suppliers.		

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	2016	2015
12. Trade deposits and short-term prepayments		
Deposits	1,634	1,194
Margin on import letters of credit	-	2,692
Short-term prepayments	21,171	30,442
	<u>22,805</u>	<u>34,328</u>
13. Other receivables		
Rebates receivable - note 13.1	20,259	118,088
Others	170	1,048
	<u>20,429</u>	<u>119,136</u>
13.1 This represents amounts receivable on account of price and exchange rate differentials in respect of paraxylene and acetic acid settlements.		
	2016	2015
14. Tax refunds due from government - sales tax		
Sales tax refundable	441,425	501,584
	(90,004)	(90,004)
Provision for doubtful receivables	<u>351,421</u>	<u>411,580</u>
14.1 This includes Rs 198.2 million (2015: Rs 301.3 million) on account of input tax arising from sales tax charged to the Company under the Sindh Sales Tax on Services Act, 2011 which is administered by the Sindh Revenue Board with effect from 01 July 2011. This is being deferred due to procedural issues between Federal and Provincial Tax collecting agencies, resulting in lack of verification by the refund issuing authority i.e. the Federal Board of Revenue (FBR). The Company had approached Federal Tax Ombudsman (FTO) for resolution of the matter. The FTO in its order dated 02 May 2013 have directed FBR, with certain recommendations, to resolve the issue. The Company has filed a Suit No. 537 of 2014 before the Sindh High Court (SHC) to resolve this issue as per the prevailing Sales Tax Law. The SHC passed an order dated 14 January 2015 directing the FBR to verify exact amount of refund of sales tax to which plaintiff is entitled and submit their report accordingly. During the year, the Company has received a refund of Rs.103.1 million from FBR.		
	2016	2015
15. Cash and bank balances		
Short-term fixed deposits - note 15.1	3,300,000	1,762,100
With banks in current accounts	14,720	20,862
Cash in hand	4,530	6,119
	<u>3,319,250</u>	<u>1,789,081</u>
15.1 During the year ended 31 December 2016, the mark-up rates on term deposits ranged from 4.50% to 7.00% (2015: 5.00% to 9.00%) per annum and had maturities of less than three months.		

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	2016	2015
16. Share capital		
16.1 Authorised capital 2,000,000,000 ordinary shares of Rs 10 each	<u>20,000,000</u>	<u>20,000,000</u>
16.2 504,735,636 ordinary shares of Rs 10 each fully paid-up issued pursuant to the Scheme for consideration other than cash - note 16.3	5,047,356	5,047,356
1,009,471,572 ordinary shares of Rs 10 each fully paid-up in cash	<u>10,094,716</u>	<u>10,094,716</u>
	<u>15,142,072</u>	<u>15,142,072</u>
16.3 With effect from 1 October 2000, the PTA Business of ICI Pakistan Limited was demerged under a Scheme of Arrangement (Scheme), dated 12 December 2000, approved by the shareholders and sanctioned by the Honourable High Court of Sindh.		
16.4 At 31 December 2016 and 2015, Lotte Chemical Corporation, South Korea held 1,135,860,105 ordinary shares of Rs 10 each representing 75.01% shareholding of the Company.		
17. Capital reserves		
Capital reserves represent the amount received from various overseas companies of AkzoNobel Group (then group companies), for purchase of fixed assets. The remitting companies have no claim to their repayments.		
18. Retirement benefit obligations		
18.1 Staff retirement benefits		
18.1.1 As stated in note 2.13.1, the Company operates two retirement benefit plans (the Plans) namely approved funded gratuity scheme for all its permanent employees and unfunded medical scheme to provide post retirement medical benefits to all full-time management staff employees who are also the members of defined contribution superannuation fund. Actuarial valuation of these plans is carried out every year and the latest actuarial valuation was carried out as at 31 December 2016.		
18.1.2 Plan assets held in trust are governed by local regulations which mainly includes Trust Act, 1882, Companies Ordinance, 1984, Income Tax Rules, 2002 and Rules under the Trust deed of the Plans. Responsibility for governance of the Plans, including investment decisions and contribution schedules, lies with the Board of Trustees. The Company appoints the trustees and all trustees are employees of the Company.		
18.1.3 The latest actuarial valuation of the Fund as at 31 December 2016 was carried out using the Projected Unit Credit Method. Details of the Fund as per the actuarial valuation are as follows:		

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	2016			2015		
	Funded Gratuity	Unfunded Medical	Total	Funded Gratuity	Unfunded Medical	Total
18.1.4 Balance sheet reconciliation						
Present value of defined benefit obligation at 31 December - note 18.1.5	(229,016)	(65,830)	(294,846)	(199,926)	(59,107)	(259,033)
Fair value of plan assets at 31 December note 18.1.6	219,482	-	219,482	197,597	-	197,597
	(9,534)	(65,830)	(75,364)	(2,329)	(59,107)	(61,436)
18.1.5 Movement in the present value of defined benefit obligations						
Balances as at 1 January	199,926	59,107	259,033	181,415	41,855	223,270
Benefits paid by the plan	(24,224)	(1,566)	(25,790)	(15,446)	(857)	(16,303)
Current service costs	13,144	2,627	15,771	13,349	2,121	15,470
Interest cost	18,312	5,687	23,999	20,843	4,971	25,814
Remeasurement loss / (gain)	21,858	(25)	21,833	(235)	11,017	10,782
Balance as at 31 December	229,016	65,830	294,846	199,926	59,107	259,033
18.1.6 Movement in the fair value of plan assets						
Fair value of plan assets at 1 January	197,597	-	197,597	168,730	-	168,730
Contributions paid into the plan	13,469	-	13,469	14,838	-	14,838
Benefits paid by the plan	(24,224)	-	(24,224)	(15,446)	-	(15,446)
Interest income	18,742	-	18,742	20,211	-	20,211
Remeasurement (loss) / gain	13,898	-	13,898	9,264	-	9,264
Fair value of plan assets at 31 December	219,482	-	219,482	197,597	-	197,597
18.1.7 Expense recognised in profit and loss account						
Current service costs	13,144	2,627	15,771	13,349	2,121	15,470
Net interest cost	(430)	5,687	5,257	632	4,971	5,603
Expense recognised in profit and loss account	12,714	8,314	21,028	13,981	7,092	21,073
18.1.8 Remeasurement loss / (gain) recognised in other comprehensive income						
Experience losses / (gains)	21,858	(25)	21,833	(235)	11,017	10,782
Remeasurement of fair value of plan assets	(13,898)	-	(13,898)	(9,264)	-	(9,264)
Remeasurement loss / (gain)	7,960	(25)	7,935	(9,499)	11,017	1,518

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	2016			2015		
	Funded Gratuity	Unfunded Medical	Total	Funded Gratuity	Unfunded Medical	Total
18.1.9 Net recognised liability / (asset)						
Net liability at beginning of the year	2,329	59,107	61,436	12,685	41,855	54,540
Charge for the year	12,714	8,314	21,028	13,981	7,092	21,073
Contribution made during the year to the fund	(13,469)	(1,566)	(15,035)	(14,838)	(857)	(15,695)
Remeasurement loss recognised in other comprehensive income	7,960	(25)	7,935	(9,499)	11,017	1,518
Recognised liability / (asset) as at 31 December	9,534	65,830	75,364	2,329	59,107	61,436

18.1.10 Actuarial assumptions

Discount rate at 31 December	9.25%	9.25%	9.75%	9.75%
Future salary increases	7.75%	-	7.75%	-
Medical cost trend rate	-	4.00%	-	4.50%

	2016	2015
18.1.11 Plan assets comprises of following		
Unaudited		
Government bonds	82,605	71,402
Other bonds (TFCs)	84,649	82,105
Shares	46,223	36,825
Term deposits	6,005	7,265
Total as at 31 December	219,482	197,597

18.1.12 Mortality was assumed to be 70% of the EFU (61-66) Table.

18.1.13 In case of the funded plans, the Company ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the retirement benefit plan. Within this framework, the Company's ALM objective is to match assets to the retirement benefit obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement benefit plan obligations. The Company has not changed the processes used to manage its risks from previous periods. The Company does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2016 consist of government bonds and national savings deposits. The Company believes that government bond offer the best returns over the long term with an acceptable level of risk.

18.1.14 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

The Company's contribution to the gratuity funds in 2017 is expected to amount to Rs 16.8 million.

The actuary conducts valuations for calculating contribution rate and the Company contributes to the gratuity fund according to the actuary's advice. Expense of the defined benefit plan is calculated by the actuary.

Figures reported in this note are based on the latest actuarial valuation carried out as at 31 December 2016.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

18.2 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on retirement benefit obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rate at 31 December	1%	(29,490)	34,652
Future salary increases	1%	22,557	(20,204)
Medical cost trend	1%	12,782	(10,270)

If longevity increases by 1 year, obligation increases by Rs 366.94 thousands.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

A sensitivity analysis was conducted to determine the impact of a 1% change in the medical cost trend, which was not material.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

- 18.3 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Fund, at the beginning of the period, for returns over the entire life of related obligation.
- 18.4 The Company's contributions towards the provident fund and defined contribution superannuation fund for the year ended 31 December 2016 amounted to Rs 21.89 million (2015: Rs 21.18 million) and Rs 18.93 million (2015: Rs 19.10 million).
- 18.5 The weighted average duration of the defined benefit obligations is 12.1 years.

Expected maturity analysis of undiscounted retirement benefit plans.

<u>At 31 December 2016</u>	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
Retirement benefit plans	5,563	14,792	31,626	201,323	253,304

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	2016	2015
19. Trade and other payables		
Trade creditors including bills payable	2,932,583	3,489,503
Accrued expenses	644,799	833,270
Advances from customer	27	23
Unclaimed dividend	12,140	12,162
Infrastructure cess - note 19.1	1,962,548	1,802,330
Gas infrastructure development cess - note 19.2	1,411,938	891,365
Workers' Profit Participation Fund - note 19.3	24,376	-
Workers' Welfare Fund	23,346	23,073
Others	16,536	17,526
	7,028,293	7,069,252

- 19.1** The Company (along with a number of other parties) had challenged the levy of infrastructure cess on cost and freight value of goods entering the province of Sindh. According to a decision of the Honourable Sindh High Court (SHC), levy of the fee / cess upto December 2006 was declared to be illegal while amounts charged after that date were decreed to be within the law. Appeals were filed in the Honourable Supreme Court of Pakistan (SCP) both by the companies and the Government of Sindh in respect of the aforesaid judgement of the SHC. During the year 2011, the SCP referred the case back to the SHC.

The SHC vide its order dated 02 June 2011 provided for an interim arrangement reached through a joint statement filed with the SHC by the counsels of the petitioners and respondent of the case. As per the said order, bank guarantees / securities furnished in respect of consignments cleared after 27 December 2006 would be encashed to the extent of 50% and guarantees for the remaining balance would be kept till final disposal of the petitions. Consequently, bank guarantees relating to the period upto 27 December 2006 have been cancelled and returned to the Company.

As per legal advice sought by the Company in respect of the aforementioned case, the SHC may uphold the validity of the law against the Company upon its re-filing since the matter has been referred back to the SHC by the SCP, thereby making the Company liable to pay the levy for all consignments cleared till date. As a matter of abundant caution, full amount of provision has been made in these financial statements in this respect.

	2016	2015
Balance as at 1 January	1,802,330	1,660,976
Charge for the year	160,218	141,354
Balance as at 31 December	1,962,548	1,802,330

- 19.2** In accordance with the Gas Infrastructure Development Cess Act, 2011 (GIDC Act, 2011), the Company was required to pay GIDC to applicable supplier of Gas, as specified in the First Schedule and at rates specified in the Second Schedule to the GIDC Act, 2011. The provisions of the GIDC Act 2011 were amended through subsequent notifications. The Honourable Sindh High Court (SHC) restrained Sui Southern Gas Company Limited (SSGCL) from charging GIDC above Rs 13 per MMBTU and accordingly the Company paid GIDC at the reduced rate. On 22 August 2014, the Honorable Supreme Court of Pakistan (SCP) struck down the GIDC Act, 2011 on the grounds of it being unconstitutional. In response, the President of Pakistan promulgated the GIDC Ordinance, 2014 on 25 September 2014 with retrospective effect. On 29 September 2014, the SHC issued an interim order restraining the defendants such as SSGCL from raising demand or issuing gas bills in pursuance of the GIDC Ordinance, 2014. Accordingly, SSGCL has not levied GIDC since August 2014. The approval of the GIDC Ordinance, 2014 was awaited from the National Assembly and on 22 May 2015, the Gas Infrastructure Development Cess Act, 2015 (GIDC Act 2015) was promulgated and was made applicable with immediate effect superseding GIDC Act, 2011. The Company, on 23 July 2015 obtained a stay order against GIDC Act, 2015 from SHC.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

During the year, SHC vide its order dated 26 October 2016, has decided the case in the favor of plaintiffs. Accordingly, GIDC Act 2015 declared ultra vires to constitution along with GIDC Act 2011 and GIDC Ordinance 2014. As a matter of prudence, the Company has recorded provision in these financial statements due to inherent uncertainties involved in such matters.

19.3 This represents the charge for the current year.

	2016	2015
20. Accrued interest		
Long-term loans - note 20.1	159,583	159,583

20.1 This represents interest payable to Mortar Investments International Limited amounting to USD 1.52 million (2015: USD 1.52 million) on long-term loans previously repaid. The amount is still unpaid due to certain legal and procedural complexities with respect to foreign remittance.

21. **Contingencies and commitments**

21.1 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 ended 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) [CIR(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 (DCIR) vide order number 01/171 dated 25 June 2012 (received by the Company in July 2012) has maintained the above basis of allocation to export sales. The Company filed an appeal against the said order in August 2012. The CIR(Appeals) vide its order dated 29 May 2013 has disagreed with 'basis of dual allocation' as per taxation officer's assessment order and has directed the officer to accordingly determine the amount on the basis of "sales" and finalise the assessment on such basis. The department filed an appeal against the said order on 15 August 2013. The ITAT vide order no. ITA No.744/KB-2013 dated 27 August 2015 has rejected the department appeal and the matter has now been taken up with the taxation officer for rectification as per the last order passed. Accordingly, no provision has been made for the potential liability amounting to Rs 149.69 million (2015: Rs 149.69 million) in these financial statements.

21.2 Commitments in respect of capital expenditure as at 31 December 2016 amount to Rs 26.88 million (2015: Rs 121.85 million).

21.3 Commitments for rentals under operating lease agreements / Ijarah contracts in respect of vehicles as at 31 December are as follows:

Year	2016	2015
2016	-	19,379
2017	15,041	13,827
2018	11,355	6,505
2019	9,312	4,110
2020	8,426	2,837
2021	3,114	-
	47,248	46,658

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

- 21.4 Commitments for rentals under operating lease agreements for certain supplies in respect of goods and services as at 31 December are as follows:

Year	2016	2015
2016	-	604,310
2017	553,950	585,572
	<u>553,950</u>	<u>1,189,882</u>

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

- 21.5 Outstanding guarantees and letters of credit issued on behalf of the Company as at 31 December 2016 were Rs 2.13 billion (2015: Rs 1.98 billion) and Rs 1.31 billion (2015: Rs 0.61 billion), respectively.

22. Revenue

	2016			2015		
	Manufactured goods	Trading goods	Total	Manufactured goods	Trading goods	Total
Local sales	36,842,987	340,930	37,183,917	36,703,516	260,128	36,963,644
Less: Sales tax and excise duty	(1,641,811)	(12,763)	(1,654,574)	(2,296,797)	(12,605)	(2,309,402)
Price settlements and discounts	(738,198)	(6,110)	(744,308)	(788,164)	(3,511)	(791,675)
	<u>34,462,978</u>	<u>322,057</u>	<u>34,785,035</u>	<u>33,618,555</u>	<u>244,012</u>	<u>33,862,567</u>

- 22.1 Four (2015: three) of the Company's customers contributed towards 93% (2015: 86%) of the revenue during the year amounting to Rs 32.7 billion (2015: Rs 29.5 billion) and each customer individually exceeded 10% of the revenue.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	2016	2015
23. Cost of sales		
Raw and packing materials consumed:		
Opening stock - note 9	2,526,951	1,590,090
Purchases	28,975,560	29,382,032
Closing stock - note 9	(1,599,579)	(2,526,951)
	29,902,932	28,445,171
Salaries, wages and benefits - note 23.1	435,300	422,566
Stores and spares consumed	178,293	198,999
Lease rentals / Ijarah arrangements	9,790	11,085
Insurance	55,607	70,413
Oil, gas and electricity	2,435,798	2,279,984
Travelling	58,065	59,446
Depreciation and amortisation	1,215,527	1,409,617
Repairs and maintenance	269,495	589,165
Others	53,390	53,547
Cost of goods manufactured	34,614,197	33,539,993
Opening stock of manufactured goods - note 9	692,038	1,031,428
	35,306,235	34,571,421
Closing stock of manufactured goods - note 9	(1,497,266)	(692,038)
	33,808,969	33,879,383
Trading goods		
Opening stock - note 9	16,139	162,759
Purchases	301,428	93,297
Closing stock - note 9	(46,329)	(16,139)
	271,238	239,917
	34,080,207	34,119,300

23.1 Salaries, wages and benefits include Rs 13.16 million (2015: Rs 13.96 million) and Rs 27.01 million (2015: Rs 26.73 million) in respect of defined benefit and defined contribution plans respectively.

	2016	2015
24. Distribution and selling expenses		
Salaries and benefits - note 24.1	48,879	51,144
Outward freight and handling	10,770	10,087
Lease rentals / Ijarah arrangements	1,055	2,547
Repairs and maintenance	3,518	3,539
Travelling	3,732	4,207
Postage and telephone	1,278	1,320
Advertising and sales promotion	302	239
Others	8,470	8,189
	78,004	81,272

24.1 Salaries and benefits include Rs 2.29 million (2015: Rs 2.26 million) and Rs 4.16 million (2015: Rs 4.42 million) in respect of defined benefit plans and defined contribution plans respectively.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	2016	2015
25. Administrative expenses		
Salaries and benefits - note 25.1	153,817	149,671
Legal, professional and consultancy	6,878	18,871
Lease rentals / Ijarah arrangements	5,350	6,968
Travelling	14,076	16,582
Repairs and maintenance	24,884	25,764
Expenses on information technology	13,519	14,110
Security	17,700	19,544
Rent, rates and taxes	30,389	28,026
Publication and subscriptions	2,363	2,289
Postage and telephone	7,498	7,557
Printing and stationary	7,414	6,078
Others	48,125	47,974
	332,013	343,434

25.1 Salaries and benefits include Rs 5.58 million (2015: Rs 4.85 million) and Rs 9.66 million (2015: Rs 9.12 million) in respect of defined benefit plans and defined contribution plans respectively.

	2016	2015
26. Other expenses		
Auditors' remuneration - note 26.1	2,864	2,750
Donations - note 26.2	413	1,406
Obsolete stores and spare parts		
- provision	-	15,497
- write off	86	-
Receivables written off	423	-
Workers' Profit Participation Fund	24,376	-
Workers' Welfare Fund	273	559
	28,435	20,212

26.1 Auditors' remuneration

Audit fee	2,000	2,000
Limited reviews, group reporting package, and various certifications	587	550
Out of pocket expenses	277	200
	2,864	2,750

26.2 Donations include payments in respect of the following:

Community services	354	74
Education	-	832

26.2.1 None of the directors or their spouse had any interest in the donee.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	2016	2015
27. Other income		
Scrap sales	75	5,362
Gain on disposal of property, plant and equipment	2,935	2,780
Income from short-term fixed deposits	140,513	78,919
Income from sale of platinum catalyst	68,312	-
Liabilities no longer payable written back	1,738	4,011
Sales tax refunds	-	4,005
Others	-	4,106
	213,573	99,183
28. Finance costs		
Discounting charges on trade debts	6,033	18,057
Exchange (gain) / loss - net	(12,027)	(12,354)
Bank and other charges	15,533	20,165
	9,539	25,868
29. Taxation		
Current - for the year - note 29.1	348,017	332,362
- for prior year	-	257,700
	348,017	590,062
Deferred	(201,438)	(470,748)
	146,579	119,314
29.1 Current taxation expense consist of minimum tax charged under Section 113 of the Income Tax Ordinance, 2001 and tax under Final Tax Regime (FTR).		
	2016	2015
29.2 Reconciliation of income tax expense for the year		
Profit / (loss) before taxation	470,410	(628,336)
Applicable tax rate	31%	32%
Tax calculated at the applicable tax rate	145,827	(201,068)
Tax effect of :		
- permanent differences	41	1,205
- income chargeable to tax under FTR basis	7,617	6,074
- prior year tax charge	-	257,700
- change in tax rate	(4,625)	54,673
- others	(2,281)	730
	146,579	119,314

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

- 29.3** The Finance Act, 2015 and 2016, has introduced certain amendments relating to taxation of companies. As per these amendments, super tax at the rate of 3 percent of the taxable income has been levied for the tax years 2015 and 2016. In addition, a tax on every public company at the rate of 10 percent of such undistributed reserves which exceed the amount of its paid up capital has also been levied. However, this tax shall not apply in case of a public company which distributes cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid up capital, within the prescribed time after the end of the relevant tax year.

The Company is not liable to pay any tax in respect of aforementioned taxes introduced by Finance Act, 2015 and 2016, as the required criteria for taxability is not met, in case of the Company.

	2016	2015
30. Cash generated from operations		
Profit / (loss) before taxation	470,410	(628,336)
Adjustments for non cash charges and other items:		
Depreciation and amortisation	1,215,527	1,409,617
Obsolete stores and spare parts		
- provision	-	15,497
- write off	86	-
Other receivables written off	423	-
Gain on disposal of property, plant and equipment	(2,935)	(2,780)
Provision for retirement benefit obligations	21,028	21,073
Finance costs	21,566	38,222
Interest accrued on short-term fixed deposits	(140,513)	(78,919)
Infrastructure cess	160,218	141,354
Gas infrastructure development cess	520,573	407,897
	1,795,973	1,951,961
	2,266,383	1,323,625
Effect on cashflows due to working capital changes		
Decrease / (increase) in current assets		
Stores and spare parts	31,909	75,764
Stock-in-trade	91,954	(450,851)
Trade debts	(113,746)	(461,095)
Loans and advances	1,519	3,859
Trade deposits and short-term prepayments	11,523	(6,866)
Other receivables and tax refunds due from government	158,443	38,259
	181,602	(800,930)
(Decrease) / increase in trade and other payables	(721,728)	529,037
Cash generated from operations	1,726,257	1,051,732

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	2016	2015
31. Earnings per share - basic and diluted		
Profit / (loss) after taxation	323,831	(747,650)
	Number of shares	
Weighted average ordinary shares in issue during the year	1,514,207,208	1,514,207,208
	Rupees	
Earnings / (loss) per share	0.21	(0.49)

There is no dilutive effect on the basic earnings per share of the Company.

32. Remuneration of chief executive, directors and executives

The aggregate amounts charged in these financial statements for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company were as follows:

	Chief Executive		Executive Director		Executives	
	2016	2015	2016	2015	2016	2015
Managerial remuneration	14,121	15,101	10,521	4,869	216,078	215,251
Retirement benefits	2,506	1,251	-	-	51,484	54,680
Group insurance	58	29	7	4	1,272	759
Rent and house maintenance	10	1,642	2,042	2,041	72,699	67,540
Utilities	-	-	-	-	15,487	14,615
Medical expenses	132	62	3	-	17,512	14,496
	16,827	18,085	12,573	6,914	374,532	367,341
Number of persons	1	1	1	1	151	122

32.1 In addition to the above, amount charged in these financial statements for remuneration and fee to the non-executive directors, were Rs Nil (2015: Rs Nil) and Rs 0.060 million (2015: Rs 0.083 million) respectively.

32.2 An amount of Rs 60 million (2015: Rs 61.25 million) on account of variable pay has been recognised in these financial statements. This amount is payable in 2017 after verification of target achievements.

Out of variable pay recognised for 2015 and 2014, following payments were made:

	Paid in 2016 relating to 2015	Paid in 2015 relating to 2014
Chief Executive	2,418	-
Executives	16,767	35,291
Other employees	29,641	2,515
	48,826	37,806

32.3 The Chief Executive, Executive Director and certain Executives are provided with free use of Company maintained cars in accordance with their entitlements.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

33. Transactions with related parties

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

Relationship	Nature of Transactions	2016	2015
Associates	Purchase of goods	6,194	-
	Purchase of services	387	-
	Amount payable	387	-
Key management personnel	Salaries and other short term benefits	53,470	62,253
	Post employment benefit	7,862	6,276
Others	Payment to retirement benefit funds	61,073	44,757

34. Capacity and production / generation

	Annual name plate capacity		Actual production / generation	
	2016	2015	2016	2015
Pure Terephthalic Acid - in metric tonnes - note 34.1	506,750	506,750	503,986	458,487
Electricity - in thousands of Kw - note 34.2	421,356	421,356	229,925	205,395

34.1 The current production is based on 97% plant availability.

34.2 Actual generation of electricity is as per the requirement of the Company.

35. Financial instruments and related disclosures

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency, interest rate and other price risks). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

35.1 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Financial assets and liabilities by category and their respective maturities

	Interest bearing			Non-Interest bearing			Total
	Maturity up to one year	Maturity after one year	Total	Maturity up to one year	Maturity after one year	Total	
Financial assets							
Loans and receivables							
Loans and advances	-	-	-	22,714	70,246	92,960	92,960
Deposits	-	24,272	24,272	1,634	16,102	17,736	42,008
Trade debts	-	-	-	1,891,825	-	1,891,825	1,891,825
Interest accrued on short-term fixed deposits	-	-	-	7,280	-	7,280	7,280
Other receivables	-	-	-	20,429	-	20,429	20,429
Cash and bank balances	3,300,000	-	3,300,000	19,250	-	19,250	3,319,250
December 31, 2016	3,300,000	24,272	3,324,272	1,963,132	86,348	2,049,480	5,373,752
December 31, 2015	1,762,100	24,272	1,786,372	1,955,700	79,985	2,035,685	3,822,057
Financial liabilities							
At amortised cost							
Trade and other payables	-	-	-	6,980,571	-	6,980,571	6,980,571
Accrued interest	-	-	-	159,583	-	159,583	159,583
December 31, 2016	-	-	-	7,140,154	-	7,140,154	7,140,154
December 31, 2015	-	-	-	7,205,762	-	7,205,762	7,205,762
On balance sheet date gap							
December 31, 2016	3,300,000	24,272	3,324,272	(5,177,022)	86,348	(5,090,674)	(1,766,402)
December 31, 2015	1,762,100	24,272	1,786,372	(5,250,062)	79,985	(5,170,077)	(3,383,705)
OFF BALANCE SHEET ITEMS							
					2016		2015
Letter of credits / guarantees					1,912,278		1,210,669
Operating lease and ijarah contracts liability					601,198		1,236,540

The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

35.2 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and deposits with banks.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. To reduce exposure to credit risk, substantially all the sales are made against letters of credit. Approximately 40 percent (2015: 35 percent) of the Company's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

The Board has established a credit policy under which each new customer is analysed individually for credit worthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available. The customers associated with the Company for four years have contributed more than 92% of the revenue and losses have occurred infrequently.

The maximum exposure to credit risk as at 31 December was:

	2016	2015
Financial assets		
Loans and advances - notes 5 and 11	92,960	88,116
Deposits - notes 6 and 12	42,008	44,260
Trade debts	1,891,825	1,778,079
Interest accrued on short-term fixed deposits	7,280	3,385
Other receivables - note 13	20,429	119,136
Bank balances - note 15	3,314,720	1,782,962
	5,369,222	3,815,938
Secured	1,891,825	1,778,079
Unsecured	3,477,397	2,037,859
	5,369,222	3,815,938
Not past due	5,369,222	3,815,938

The maximum exposure to credit risk for trade debts as at 31 December by geographic region was:

Domestic	1,891,825	1,778,079
----------	-----------	-----------

The Company has placed its funds with banks which are rated AA or above by PACRA / JCR VIS.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

35.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial assets. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the maturity date.

	31 December					
	Carrying amount	Contractual cash flows	Less than one year	1-2 years	2-3 years	3-5 years
Financial liabilities						
Trade and other payables	6,980,571	6,980,571	6,980,571	-	-	-
Accrued interest	159,583	159,583	159,583	-	-	-
Off balance sheet						
Operating lease and ijarah contracts liability	-	601,198	568,991	11,355	9,312	11,540
2016	7,140,154	7,741,352	7,709,145	11,355	9,312	11,540
2015	7,205,762	8,442,302	7,829,451	599,399	6,505	6,947

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The Company manages liquidity risk by maintaining sufficient cash in bank accounts. At 31 December 2016, the Company had financial assets of Rs 5.37 billion (2015: Rs 3.82 billion), which include Rs 3.31 billion (2015: Rs 1.78 billion) of cash placed in bank accounts.

As at balance sheet date, the facilities amounting to Rs 2.18 billion (2015: Rs 2.18 billion) for running finance available from various banks remain unutilised. These facilities carry mark-up at rates ranging from 1 month KIBOR plus 1.0 percent per annum to 3 months KIBOR plus 1.75 percent per annum and are secured by joint pari-passu hypothecation charge over all the present and future stock and book debts of the Company.

As at balance sheet date, the foreign currency import and export finance facilities available from a local bank amounting to USD 28.6 million (2015: USD 28.6 million) remain unutilised. These facilities are available at interest rates to be negotiated at the time of booking and are secured against trust receipts and / or joint pari-passu hypothecation charge over all the present and future stock and book debts of the Company.

35.4 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market price. Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

35.4.1 Currency risk

Currency risk arises mainly where receivables and payables exist due to transactions based on currencies other than Pakistani Rupees. The Company is exposed to currency risk on receivables, payables and borrowings that are in a currency other than Pakistani Rupees.

The currency exposure in Pakistani Rupees at the year end was as follows:

	2016			2015		
	GBP	Euro	US\$	GBP	Euro	US\$
	Equivalent Rs '000					
Financial liabilities						
Trade payables	(839)	(7,946)	(2,710,105)	(4,731)	(7,638)	(3,327,830)
Operating lease liability (off balance sheet)	-	-	(553,950)	-	-	(1,189,882)

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at 31 December	
	2016	2015	2016	2015
	Rupees		Rupees	
US Dollar	105.0	103.0	105.1	105.1
Great Britain Pound Sterling	141.4	157.6	129.1	155.8
Euro	115.9	114.1	110.7	114.9

Sensitivity analysis

Every 1% increase or decrease in exchange rate, with all other variables held constant, will decrease or increase loss before tax for the year by Rs 27.19 million (2015: Rs 33.40 million).

35.4.2 Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As at the balance sheet date, the Company is not exposed to change in floating interest rate on any of its assets and liabilities.

35.4.3 Other price risk

Other price risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investments securities. As at balance sheet date, the Company is not exposed to other price risk.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

36. Capital risk management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal structure to reduce the cost of capital. The Company has no debt as at 31 December 2016.

37. Information about operating segment

For management purposes, the activities of the Company are organised into one operating segment i.e. manufacture and sale of chemicals. The Company operates in the said reportable operating segment based on the nature of the products, risks and returns, organisational and management structure and internal financial reporting systems. The operating interests of the Company are confined to Pakistan in terms of production/generation capacity. Accordingly, the information and figures reported in these financial statements are related to the Company's only reportable segment in Pakistan.

The geographical breakup of the Company's gross turnover is disclosed in note 22 to these financial statements.

The revenue information is based on the location of the customer. The details of customers with whom the revenue from sales transactions amount to 10% or more of the Company's overall revenue related to manufactured and sale of chemicals are disclosed in note 22 to these financial statements.

Non-current assets of the Company are confined within Pakistan and consist of property, plant and equipment, intangible asset, long-term loans, advances and deposits.

38. Provident fund related disclosures

The following information is based on latest un-audited financial statements of the Fund:

	2016	2015
Size of the fund - total assets	309,270	322,718
Percentage of investments made	97%	89%
Fair value of investments	376,617	287,135

The cost of above investments amounted to Rs 300.65 million (2015: Rs. 249.08 million).

The break-up of fair value of investments is as follows:

	2016 Percentage	2015	2016 Rupees ' 000	2015
Shares in listed companies	20.9%	21.4%	78,890	61,585
Bank deposits	2.3%	3.2%	8,616	9,150
Government securities	76.8%	75.4%	289,111	216,400
	100%	100%	376,617	287,135

The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

Notes to and Forming Part of the Financial Statements

For the year ended 31 December 2016

Amounts in Rs '000

	2016	2015
39. Number of employees		
Number of employees at 31 December	240	239
Average number of employees during the year	238	236

40. Corresponding figures

Certain corresponding figures have been reclassified for the purpose of better presentation and comparison. Significant reclassification made during the year is as follows:

Component	From	Notes to the financial statements	To	Rupees
Balance Sheet	Trade deposits and short-term prepayments		Stock-in-trade	
	Short-term prepayments	12	Raw and packing materials	66,848

41. General

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

42. Date of authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on 07 February 2017.



Jung Neon Kim
Chairman



Humair Ijaz
Chief Executive

Glossary / List of Abbreviations

AGM	Annual General Meeting
ATIR	Appellate Tribunal Inland Revenue
ATL	Active Tax Payer List
BAC	Board Audit Committee
BCP	Business Continuity Planning
Board	Board of Directors
CCG	Code of Corporate Governance
CDC	Central Depository Company of Pakistan
CFO	Chief Financial Officer
CIR	Commissioner Inland Revenue
CIT	Commissioner Income Tax
COLA	Cost of Living Allowance
The Company	Lotte Chemical Pakistan Limited
CBA	Collective Bargaining Agent
CSR	Corporate Social Responsibility
DBN	Debottlenecking
EBIT	Earnings before Interest and Taxation
EBITDA	Earnings before Interest, Taxation Depreciation and Amortization
EPS	Earning Per Share
FBR	Federal Board of Revenue
FPAP	Fire Protection Association of Pakistan
FTO	Federal Tax Ombudsman
FTR	Final Tax Regime
GIDC	Gas Infrastructure Development Cess
GoP	Government of Pakistan
HR	Human Resource
HSE	Health, Safety and Environment
IAS	International Accounting Standards
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
ISO	International Organisation for Standardization
ITAT	Income Tax Appellate Tribunal
IT	Information Technology
KE	Karachi Electric
KIBOR	Karachi Interbank Offer Rate
LTC	Lost Time Case
MT	Metric Ton
MoC	Ministry of Commerce
NBV	Net Book Value
NRV	Net Realisable Value
NFEH	National Forum for Environment and Health
NOC	No Objection Certificate
NTC	National Tariff Commission
OHSAS	Occupational Health and Safety Assessment System
OPEC	Organisation of the Petroleum Exporting Countries
PACRA	Pakistan Credit Rating Agency
PET	Polyethylene Terephthalate
PICG	Pakistan Institute of Corporate Governance
PSF	Polyester Staple Fibre
PSX	Pakistan Stock Exchange
PTA	Pure Terephthalic Acid
PX	Paraxylene
Rs.	Rupees
SECP	Securities and Exchange Commission of Pakistan
SSGC	Sui Southern Gas Company Limited
US\$	United States Dollar
WPPF	Workers' Profit Participation Fund
WWF	Workers' Welfare Fund
WTI	West Texas Intermediate, also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing

Notice of Meeting

Notice is hereby given that the Nineteenth Annual General Meeting of Lotte Chemical Pakistan Limited will be held on Tuesday, 25 April 2017 at 11:00 a.m. at the Institute of Chartered Accountants of Pakistan (ICAP) auditorium, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Company's Financial Statements together with the Directors' and Auditors' Reports for the year ended 31 December 2016.
2. To appoint the Auditors of the Company and to fix their remuneration.

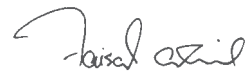
SPECIAL BUSINESS

3. To approve transmission of annual audited financial statements, auditor's report and directors' report etc. ("Annual Audited Accounts") to members through CD/DVD/USB at their registered address as allowed by the Securities and Exchange Commission of Pakistan under SRO 470 (I)/2016 dated 31 May 2016.

A statement as required by Section 160(1)(b) of the Companies Ordinance, 1984, in respect of the special business to be considered at the AGM is annexed.

03 April 2017
Karachi

By Order of the Board



Faisal Abid
Company Secretary

Notes:

1. The Register of Members and the Share Transfer Books of the Company will be closed from Friday, 14 April 2017 to Tuesday, 25 April 2017 (both days inclusive). Transfers received in order at the office of Company's Share Registrar, Famco Associates (Pvt) Ltd, 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi, by the close of business on 13 April 2017, will be treated in time to attend the Annual General Meeting.
2. Only those persons whose names appear in the Register of Members of the Company as at 14 April 2017 are entitled to attend and participate in and vote at the Annual General Meeting.

A member of the Company entitled to attend and vote may appoint another member as his / her proxy to attend and vote instead of him / her. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of the holding of the Meeting. Further copies of the instrument of proxy may be obtained from the Registered Office of the Company during normal office hours. Proxy Form may also be downloaded from the Company's website: www.lottechem.pk

CDC Account Holders will have to follow further undermentioned guidelines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

a) For Attending the Meeting:

- i. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulation, shall authenticate his / her identity by showing his / her original Computerised National Identity Card (CNIC) or original passport at the time of attending the Meeting.
- ii. In case of corporate entity, the Board of Directors' resolution / power of attorney with signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

b) For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
 - iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy to the Company.
3. Members are encouraged to provide, duly filled in dividend mandate form, to receive the cash dividend declared by the Company, if any, directly into their bank account through e-dividend payment mechanism, as advised by the SECP vide its Notice No. 8(4)SM/CDC2008 dated 5 April 2013. The members who wish to avail e-dividend payment facility shall not receive the dividend warrant. Members not providing dividend mandate shall continue to be paid through the dividend warrants. The dividend mandate form is available at Company's website.
4. Pursuant to the Finance Act, 2016, effective July 01, 2016, the rates of deduction of income tax under Section 150 of the Income Tax Ordinance, 2001 from payment of dividend have been revised as follows:
- (a) Rate of tax deduction for filer of income tax returns 12.5%.
 - (b) Rate of tax deduction for non filer of income tax returns 20.0%.

To enable the Company to make tax deduction on the amount of cash dividend @12.5% instead of 20.0% all the shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of the Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered in ATL, otherwise tax on their cash dividend will be deducted @ 20.0% instead of 12.5%.

Further, according to clarification received from FBR, withholding tax will be determined separately on 'Filer / Non-Filer' status of Principal Shareholder as well as Joint-holder(s) based on their shareholding proportions in case of joint accounts. In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to Company's Share Registrar, in writing as follows.

Folio/CDC Account No.	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding proportion (No. of Shares)

Shareholders are advised to ensure that they have provided their CNIC/NTN to their respective Participant/CDC Investor Account Services (if shareholding in Book Entry Form) or Company Share Registrar (if shareholding in physical Form) for checking the tax status as per the ATL issued by FBR from time to time.

5. Pursuant to notification vide SRO. 787(I)/2014 dated 8 September 2014, the SECP has allowed the circulation of Audited Financial Statements and notice of AGM to the shareholders via email. Accordingly, Members of the Company who want to receive a soft copy of the Annual Report along with notice of AGM through email are requested to convey their written consent duly signed by them, their particulars, i.e. Name, Folio/CDC A/c No., E-mail Address, Contact Number, CNIC Number (attach copy). Shareholders are also requested to notify immediately any change in their e-mail address to the Company's Share Registrar, Famco Associates (Pvt) Ltd.
6. Pursuant to the directives of the SECP, CNIC/NTN is mandatorily required to be mentioned on Dividend Warrants; therefore, all Members are requested to submit a copy of valid CNIC/NTN. In case of non-receipt of the copy of valid CNIC/NTN, the Company would be unable to comply with SRO 831(1)/2012 dated 5 July 2012 of SECP and therefore may be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholders in future.
7. Members are requested to notify immediately changes, if any, in their registered address to our Share Registrar, Famco Associates (Pvt) Ltd.
8. Audited accounts of the Company for the year ended 31 December 2016 have been provided on the Company's website.

Notice of Meeting

Statement under Section 160(1)(b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on Tuesday, 25 April 2017.

Item (3) of the Agenda:

Transmission of Annual Audited financial statements through CD/DVD/USB

The Securities and Exchange Commission of Pakistan has in continuation of SRO 787(I)/2014 dated 8 September 2014 allowed listed companies under SRO 470 (I)/2016 dated 31 May 2016 to transmit the annual balance sheet and profit and loss account, auditor's report and directors' report etc. ("Annual Audited Accounts") to its members by sending CD/DVD/USB to their registered address instead of transmitting the Annual Audited Accounts in hard copies. The Company shall, however, supply the hard copies of the Annual Audited Accounts to the Members, on demand, free of cost upon receipt of the Standard Request Form, which will be made available on the website of the Company.

Accordingly, it is proposed to pass the following resolution as an ordinary resolution:

RESOLVED THAT under and pursuant to S.R.O. No. 470 (I)/2016 dated 31 May 2016 issued by the Securities and Exchange Commission of Pakistan the transmission of annual audited financial statements, auditor's report and directors' report etc. ("Annual Audited Accounts") to members at their registered address in soft form by way of CD/DVD/USB instead of transmitting the Annual Audited Accounts in hard copies, be and is hereby approved.

None of the Directors of the Company have any direct or indirect interest in the above said special business.

کمپنی کے شیئرز میں کاروبار

کمپنی کے شیئرز میں ڈائریکٹرز، چیف ایگزیکٹو، چیف فنانشل آفیسر، کمپنی سیکریٹری اور ہیڈ آف انٹرئل آڈٹ اور ان کے شریک حیات اور بچوں نے کوئی لین دین نہیں کی، علاوہ جناب جنگ نیون کم کے ایک شیئر کی ٹرانسفر کے۔

ہولڈنگ کمپنی

Lotte کیمیکل کارپوریشن، ساؤتھ کوریا، Lotte کیمیکل پاکستان لمیٹڈ میں 75.01 فیصد شیئرز کی مالک ہے۔

بیرونی آڈیٹرز

کمپنی کے موجودہ آڈیٹرز میسرز ارنسٹ ینگ فورڈر ہوڈز، چارٹرڈ اکاؤنٹنٹس، ریٹائر ہو رہے ہیں اور قابلیت کی بنیاد پر خود کو دوبارہ انتخاب کے لئے پیش کیا ہے۔ بورڈ نے ریٹائر ہونے والے آڈیٹرز کو 31 دسمبر 2017 کو ختم ہونے والے سال کے لئے دوبارہ منتخب کرنے کی تجویز دی ہے، جس کی منظوری آنے والے سالانہ اجلاس عام میں شیئر ہولڈرز سے لی جائے گی۔

اظہار تشکر

ہم اپنے شیئر ہولڈرز، کسٹمرز، سپلائرز اور ملازمین کا ان کے مستقل تعاون اور اعتماد پر اظہار تشکر کے طور پر شکریہ ادا کرتے ہیں۔



حمیرا عجاز
چیف ایگزیکٹو



جنگ نیون کم
چیئر مین

تاریخ: 07 فروری 2017

دبی، متحدہ عرب امارات

کوڈ آف کارپوریٹ گورننس پر عمل درآمد

کوڈ آف کارپوریٹ گورننس پر عمل درآمد کے تحت مطلوب، ڈائریکٹرز درج ذیل امور بیان کرتے ہوئے بمسرت ہیں:

☆ انتظامیہ کی جانب سے تیار کردہ کمپنی کے مالیاتی گوشوارے، کمپنی کے معاملات، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کی شفاف صورتحال پیش کر رہے ہیں۔

☆ کمپنی کی جانب سے باقاعدہ طور پر اکاؤنٹس کی یکس برقرار رکھی گئی ہیں۔

☆ مالیاتی گوشواروں اور اکاؤنٹنگ تخمینے کی تیاری مناسب اور محتاط انداز کی بنیاد پر متعلقہ اکاؤنٹنگ پالیسیز کے تحت کی گئی ہے۔

☆ مالیاتی گوشواروں کی تیاری پاکستان میں لاگو انٹرنیشنل فنانشل رپورٹنگ کے معیاروں کے مطابق کی گئی ہے اور اس سے کسی طرح کے انحراف کو باقاعدہ واضح کیا گیا ہے۔

☆ انٹرنل کنٹرول کا سسٹم بہترین ہے اور اس پر بہترین انداز میں عمل درآمد اور نگرانی کی جاتی ہے۔

☆ کمپنی کے استحکام اور آگے بڑھنے کی صلاحیت پر کسی بھی شک و شبہ کی کوئی گنجائش نہیں۔

☆ پاکستان اسٹاک ایکسچینج کے ریگولیشنز میں مفصل کارپوریٹ گورننس پر بہترین انداز میں عمل درآمد سے کسی طرح کا بھی انحراف دیکھنے میں نہیں آیا۔

اہم انتظامی و مالیاتی ڈیٹا

انتظام اور مالیات کی تفصیل سے متعلق کمپنی کی گزشتہ 6 سال کی اہم معلومات سالانہ رپورٹ کے صفحہ نمبر 93 پر درج کی گئی ہے۔

ریٹائرمنٹ فوائد میں سرمایہ کاری

ملازمین کے ریٹائرمنٹ فنڈ سے متعلق سرمایہ کاریوں کے فنانشل اسٹیٹمنٹ (آڈٹ شدہ) 31 دسمبر 2015 کو ختم شدہ سال کی تفصیل درج ذیل ہے:

قدر (000 روپے)	
354,274	Lotte کیمیکل پاکستان منجمنٹ اسٹاف پراویڈنٹ فنڈ
191,599	Lotte کیمیکل پاکستان منجمنٹ اسٹاف گریجویٹ فنڈ
277,696	Lotte کیمیکل پاکستان منجمنٹ اسٹاف ڈیفائنڈ کنٹری بوشن سپرائیویشن فنڈ
6,603	Lotte کیمیکل پاکستان نان منجمنٹ اسٹاف پراویڈنٹ فنڈ
4,360	Lotte کیمیکل پاکستان نان منجمنٹ اسٹاف گریجویٹ فنڈ

پیٹرن آف شیئر ہولڈنگ

کمپنی میں پیٹرن آف شیئر ہولڈنگ سے متعلق اسٹیٹمنٹ برائے 31 دسمبر 2016، سالانہ رپورٹ کے صفحہ نمبر 22 پر دیا گیا ہے۔

آپریشن سے بہتر کیش جنریشن اور ریڈیڈٹس پر کم چارجز کے باعث گزشتہ سال کے مقابلے میں اس سال فنانس کے اخراجات بھی کم رہے۔

نتیجتاً، آپ کی کمپنی نے 31 دسمبر 2016 کو ختم شدہ سال کے لئے قبل از ٹیکس 470 ملین روپے کا منافع کمایا جو گزشتہ سال 628 ملین روپے قبل از ٹیکس نقصان تھا۔

31 دسمبر 2016 کو ختم شدہ سال کے لئے ٹیکسیشن چارج، اکم ٹیکس آرڈیننس 2001 کے سیکشن 113 اور فائنل ٹیکس ریجیم (FTR) کے تحت کم از کم ٹیکس پر مشتمل ہے کیونکہ زیر التوا ٹیکس اکاؤنٹ میں ایڈجسٹ کیا گیا ہے۔

اس سال کمپنی کا بعد از ٹیکس منافع گزشتہ سال کے اسی عرصہ کے 748 ملین روپے کے خسارے کے مقابلے میں 324 ملین روپے رہا۔

ہیومن ریسورسز

آپ کی کمپنی ملازمین کی قدر کو پہچانتی ہے اور ٹیم ورک، جدت، تبادلہ خیال کی آزادی، ہمت افزائی اور اعتماد کے ماحول کو فروغ دے کر ان کے کاموں کی حوصلہ افزائی کرتی ہے۔ Lotte کیمیکل پاکستان لمیٹڈ اس بات پر مضبوط یقین رکھتا ہے کہ مصروف عمل ملازمین زیادہ فائدہ مند، مطمئن اور جذباتی طور پر امور میں جڑے ہوتے ہیں اور کمپنی کی کامیابی میں مزید آگے بڑھنے کی کوشش میں مگن رہتے ہیں۔ ایچ آر کی بہترین عمل درآمد سے، ملازمین کو اطمینان اور تحفظ کا احساس ہوتا ہے اور وہ اپنی پوری صلاحیتوں سے کام انجام دیتے ہیں اسی طرح سے تمام امور میں بہتری کے حصول کے ساتھ نئی بھرتی اور ترقی کا سلسلہ قائم کرنے میں مدد ملتی ہے۔

دوران سال، ایچ آر نے صلاحیتوں کی بہتری اور احتسابی عمل پر توجہ دینے کے ساتھ اپنے کسٹمرز کو خدمات کی بہتر فراہمی اور انتظامی امور میں مستقل ترقی کو جاری رکھا ہے۔ ایچ آر نے بہترین ماحول کو برقرار رکھنے اور ملازمین کے انتظامیہ کے ساتھ رابطہ کی بحالی کے سلسلے میں بہترین کردار ادا کرتے ہوئے مشکل ٹارگٹ کا حصول ممکن بنایا ہے۔

2016 کے دوران انتظامی امور میں پائیداری اور استحکام کو برقرار رکھا گیا۔ دی ایسپلائز فیڈریشن آف پاکستان نے ملٹی نیشنل کیمینز کی کنگری میں بہترین ماحول کے قیام کو سراہتے ہوئے کمپنی کو بیسٹ آرگنائزیشن کے ممتاز ایوارڈ سے نوازا۔ مزید برآں کمپنی نے ہیومن ریسورسز اور انڈسٹریل ریلیشن میں بہترین امور پر عمل درآمد پر مزید 2 ایوارڈ حاصل کئے۔

ہیومن ریسورسز کی کارکردگی اور بہتری سے متعلق تفصیلی رپورٹ برائے سال 2016 کے لئے سالانہ رپورٹ کا صفحہ نمبر 64 ملاحظہ کریں۔

مستقبل پر نظر

جنوری 2017 سے خام تیل کی پیداوار میں کمی لانے کے آپیک کے اعلان کے بعد، گزشتہ سال کے آخر میں خام تیل کی قیمتوں میں تیزی کے باوجود خام تیل کے مستقبل کے حوالے سے غیر یقینی کی صورتحال کا سامنا ہے۔ اس میں یہ دیکھنا ضروری ہے کہ ممبرز کب اس اعلان پر عمل درآمد کرتے ہیں۔ اس کے علاوہ ممبران کی جانب سے اس اعلان پر عمل درآمد اور اس حقیقت کے پیش نظر کہ آپیک معاہدہ صرف چھ ماہ میں اپنی وقعت کھو چکا ہے، شکوک و شبہات کو تقویت دیتا ہے کہ 2017 کے دوران خام تیل کی قیمتوں میں کوئی استحکام پیدا ہوگا۔

علاقے میں PX کی سپلائی کا توازن متوقع طور پر کچھ دباؤ میں رہے گا جب تک کہ انڈیا (2.3 ملین ٹن) اور سعودی عرب (1.3 ملین ٹن) کی یہ دو بڑی PX کی صنعتیں اپنا کام شروع نہیں کرتیں۔ خام تیل کی اپ اسٹریم مارکیٹ متوقع طور پر 2017 کی پہلی ششماہی میں PX قیمتوں کو سہارا دے سکتی ہے۔ تقریباً 2.4 ملین ٹن کی حامل نئی PTA فیکٹریز کی آئندہ سال سے کام شروع کرنے کی توقع ہے جس سے آپرینٹنگ ریٹس اور پی ٹی اے انڈسٹری کے منافع پر دباؤ پڑے گا۔

مارکیٹ کے سرکردہ آپرینٹنگ ریٹس اور گنجائش میں مناسب اقدامات سے طلب اور رسد کے توازن کو برقرار رکھنے کی کوشش کریں گے، کیونکہ اس کے بغیر IPTA انڈسٹری کی عمومی بہبود کو بچانے میں جاسکتا۔

مقامی پولیٹر صنعت کی جب بات آتی ہے تو امید بڑھ جاتی ہے۔ PSF اپورٹرز پرائیویٹ ڈیمنگ ڈیویژن کے نفاذ، PTA اور PSF کے امپورٹ ٹیرف میں اضافہ، اور بجلی کی فراہمی میں بہتری ایسے عوامل ہیں کہ مقامی آپرینٹنگ ریٹس پر مثبت اثرات جاری رہیں گے، اس کے باوجود امپورٹس میں اضافے سے قیمتیں اور منافع دباؤ کا شکار رہیں گے۔

کمپنی نے پلانٹ کی صلاحیت میں اضافے اور مستقل و مستحکم آپریشن کو یقینی بنانے کے لئے اپنی پروڈکشن کی صلاحیت میں سرمایہ کاریاں جاری رکھیں۔

بزنس نے اپنی شاندار کوششوں کی بدولت حکومت پاکستان سے PTA ٹیئر کو 4 فیصد سے 5 فیصد کرانے میں کامیابی حاصل کی۔ اس کوشش میں ڈاؤن اسٹریم PSF صنعت کے ٹیئر میں بھی اضافہ ہوا اور اس کے نتیجے میں مقامی بیلز سے اضافی آمدنی کی صورت میں فائدہ حاصل کیا گیا۔

ہیلتھ، سیفٹی اینڈ انوائرنمنٹ (HSE)

کمپنی اپنے اور کنٹریکٹر اسٹاف کی حفاظت سے متعلق تحفظ کی اعلیٰ اقدار پر عمل درآمد جاری رکھے ہوئے ہے۔ یہی وجہ ہے کہ گزشتہ 18 برسوں پر محیط کمپنی آپریشنز میں کوئی بھی حادثہ (Lost Time Injury) پیش نہیں آیا۔ ڈائریکٹریہ بتاتے ہوئے فخر محسوس کر رہے ہیں کہ آپ کی کمپنی نے 25 مئی 2016 کو 50 ملین مین آؤرز کی تکمیل کا سنگ میل عبور کیا ہے کہ اس دوران کمپنی کا اپنا ملازم یا کنٹریکٹر اسٹاف کسی طرح کے حادثے کا شکار نہیں ہوا۔

دوران سال قوانین اور معیار پر عمل درآمد کی تصدیق کے لئے کئی طرح کے بیرونی آڈٹ ہوئے، جن میں کسی طرح کی بھی قابل ذکر خلاف ورزی سامنے نہیں آئی۔ مزید برآں کمپنی نے گندے پانی کے اخراج کے حوالے سے نیشنل انوائرنمنٹ کوالٹی اسٹینڈرڈز پر عمل جاری رکھا اور گیسوں کا اخراج بھی قوانین کی حدود کے اندر تھا۔

HSE میں ایسی مثالی کارکردگی کی سائنس کے طور پر نیشنل فورم فار انوائرنمنٹ اینڈ ہیلتھ (NFEH) نے کمپنی کو انوائرنمنٹ ایکسی لینس ایوارڈ سے نوازا اور فاؤنڈیشن ایسوسی ایشن آف پاکستان (FPAP) نے کمپنی کو فاؤنڈیشن ایسوسی ایشن ایوارڈ دیا۔

2016 میں HSE کارکردگی اور ڈیولپمنٹ سے متعلق تفصیلی رپورٹ سالانہ رپورٹ کے صفحہ نمبر 78 پر ملاحظہ کریں۔

پرافٹ، فنانس اور ٹیکسیشن

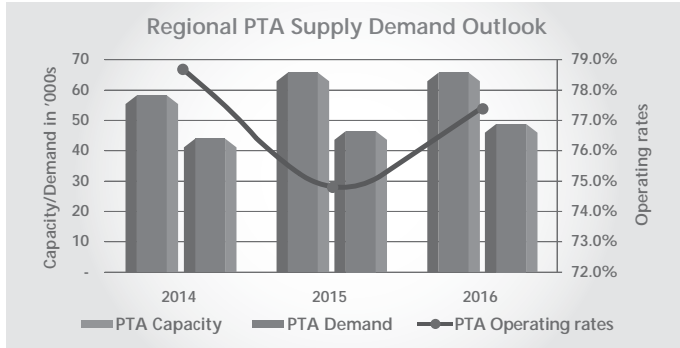
2015	2016	(روپے ملین میں)
33,863	34,785	آمدنی
(257)	705	مجموعی منافع / (نقصان)
(628)	470	منافع / (نقصان) قبل از ٹیکس
(748)	324	منافع / (نقصان) بعد از ٹیکس
(0.49)	0.21	ہر ایک شیئر پر منافع / (نقصان) (روپے میں)

سال کی آمدنی 34,785 ملین روپے رہی جو گزشتہ سال کے 33,863 ملین روپے کے مقابلے میں 3 فیصد زائد ہے کیونکہ اس سال زیادہ فروخت ہوئی۔ زائد فروخت کے ساتھ PTA کے PX پر بہتر منافع اور پیداوار کے کم اخراجات کی بدولت اس سال کا مجموعی منافع 705 ملین روپے رہا جو گزشتہ سال میں 257 ملین روپے کے خسارے کا سامنا کر رہا تھا۔

2016 میں، انتظامیہ نے پلانٹ کی کنورژن کا سٹ اور تمام اخراجات پر ضابطے کے لئے کئی طرح کے اقدامات اٹھائے، جس کے نتیجے میں ڈسٹری بیوٹن اور فروخت کے اخراجات گزشتہ سال کے مقابلے میں 4 فیصد کم رہے اور انتظامی اخراجات بھی گزشتہ سال کے مقابلے میں 3 فیصد کم ہوئے۔ کمپنی کے دیگر اخراجات میں آپریٹنگ پرافٹ سے ورکرز پرافٹ پارٹنشیپیشن فنڈ کے اجراء کی بدولت گزشتہ سال کے مقابلے میں اضافہ ہوا۔

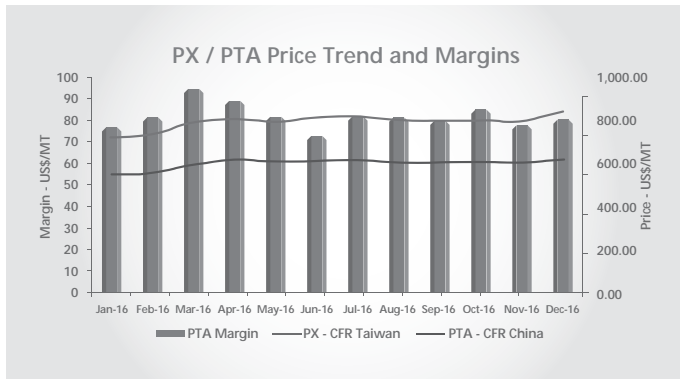
پلانٹیم کیسٹلٹ کی فروخت سے حاصل ہونے والی آمدنی اور ایوریج کیش سرپلس لیول کے سبب بینک ڈپازٹس سے اضافی کمائی کی بدولت سال کی دیگر آمدنی گزشتہ سال کے مقابلے میں زائد رہی۔

PTA انڈسٹری



سال 2016 کے دوران ایشیائی PTA انڈسٹری کے لئے مجموعی طور پر مارکیٹ کی صورتحال مایوس کن رہی۔ حالانکہ انڈسٹری کے آپریٹنگ ریٹس میں 2 فیصد کی بہتری آئی جو دوران سال کم و بیش 77 فیصد رہی۔ علاقائی طور پر پیداواری صلاحیت میں اضافے نے انڈسٹری کے منافع زبردباؤ رہے۔ PX قیمت کے لئے اوسط منافع گزشتہ سال کے 76 امریکی ڈالرز فی ٹن کے مقابلے میں 82 امریکی ڈالرز فی ٹن رہا۔

علاقے میں PTA کی مزید نئی پیداواری میں 3.4 ملین ٹن کا اضافہ ہوا، خاص طور پر چین اور بھارت میں۔ بھارت کی حکومت نے چین، تائیوان، انڈونیشیا، ملائیشیا، ایران، کوریا اور تھائی لینڈ کے PTA سپلائرز پر بھاری اینٹی ڈمپنگ ڈیوٹیز نافذ کیں۔ جس کے نتیجے میں ان سپلائرز نے متبادل مارکیٹس بشمول پاکستان کو اپنا حدف بنایا۔



ڈاؤن اسٹریم PET انڈسٹری کی جانب سے بڑھتی ہوئی طلب اور اپ اسٹریم فیڈ اسٹاک قیمتوں میں اضافہ کی بدولت پہلی سہ ماہی کے دوران PTA کی قیمتوں میں اضافہ دیکھنے میں آیا، بعد میں سال بھر قیمتوں میں استحکام رہا۔ اسپاٹ مارکیٹ میں PTA کی اوسط قیمت 599 امریکی ڈالرز فی ٹن رہی جبکہ گزشتہ سال کے دوران اوسط قیمت 628 امریکی ڈالرز فی ٹن تھی۔

پولیسٹر کی مقامی صنعت

پاکستانی صنعت کو بجلی کی فراہمی میں اضافے اور پولیسٹر اسٹپل فائبر پر اینٹی ڈمپنگ ڈیوٹی کے نفاذ کی بدولت مقامی پولیسٹر انڈسٹری کو سہارا ملا اور PTA کی طلب گزشتہ سال کے مقابلے میں 15 فیصد بڑھ گئی۔ بیرونی PTA سپلائرز سے سخت مقابلے کے باوجود آپ کی کمپنی نے 2016 کے دوران 492,192 ٹن کی مقامی سیلز کا ریکارڈ قائم کیا۔

مذکورہ بالا عوامل کی بدولت 2015 کے مقابلے میں اس سال مقامی PSF انڈسٹری کے آپریٹنگ ریٹ میں 20 فیصد اضافہ ہوا۔ حالانکہ زیادہ علاقائی سپلائی اور قیمتوں کے مقابلے نے خاص کر چین کے سپلائرز نے مقامی صنعت کے منافع کو زبردباؤ رکھا۔

دوران سال مقامی PET انڈسٹری کا آپریشن مستحکم رہا۔ سنگل سربوٹل کے استعمال میں بڑھتے ہوئے رجحان نے PET کے طلب میں گزشتہ سال کے مقابلے میں 6 فیصد اضافہ رہا۔ ایک بڑے پروڈیوسر نے DBN مکمل کی تو دوسرے PSF پروڈیوسر نے اپنے پلانٹ کو PET میں تبدیل کیا۔ PET انڈسٹری کی بڑھتی ہوئی صلاحیت ملک کی مستقبل کی ضروریات کو پورا کرنے میں معاون ثابت ہوگی۔

آپریٹنگ

دوران سال صرف مقامی سیلز پر مشتمل فروخت کی مقدار گزشتہ سال کے مقابلے میں 6 فیصد اضافے کے ساتھ 492,192 ٹن رہی، اور یہ کمپنی کی تاریخ کی سب سے بڑی مقامی سیلز ہے۔ یہ کامیابی اینٹی ڈمپنگ ڈیوٹیز کے نفاذ کے بعد مقامی PSF انڈسٹری میں اضافی آپریٹنگ ریٹ کے ساتھ صنعتوں کو بجلی کی فراہمی میں بہتری کی مرہون منت ہے۔ جبکہ ایکسپورٹ میں مایوس کن منافع کی بدولت ایکسپورٹ میں کوئی فائدہ نہ تھا اس لئے 2016 کے دوران کسی طرح کی ایکسپورٹ نہیں کی گئی۔

گزشتہ سال کے مقابلے میں اس سال کی پیداوار 10 فیصد اضافے کے ساتھ 503,986 ٹن رہی۔ 2016 کی دوسری سہ ماہی میں پلانٹ نے اپنے آپریشن کی تاریخ کی سب سے بڑی پیداوار برائے سہ ماہی 131,907 ٹن کا سنگ میل بھی حاصل کیا۔

کمپنی کے ڈائریکٹرز 31 دسمبر 2016 کو ختم شدہ سال کے لئے کمپنی کے آڈٹ شدہ مالیاتی گوشوارے بشمول اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

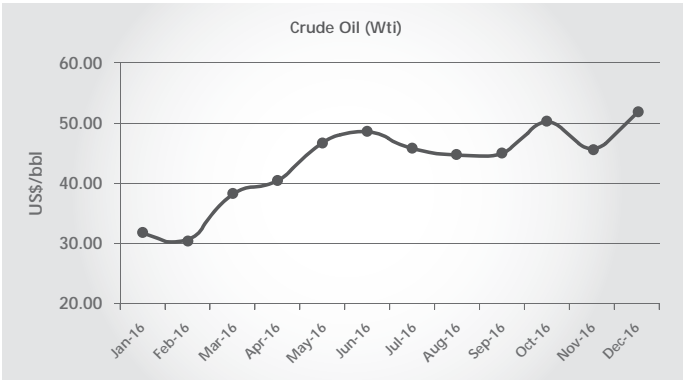
بورڈ میں تبدیلیاں

جناب گوان ہولی نے کمپنی کے چیئرمین اور ڈائریکٹر کے طور پر 23 فروری 2016 کو استعفیٰ دیا اور جناب جنگ نیون کم کو چیئرمین اور ڈائریکٹر کے طور پر اسی دن منتخب کیا گیا تاکہ 22 جون 2017 کو ختم ہونے والے معیاد کے بغیر عرصے تک یہ جگہ پُر رہے۔

بورڈ نے رخصت ہونے والے چیئرمین جناب گوان ہولی کی قابل قدر خدمات کے لئے تعریفی کلمات کہے اور کمپنی کے نئے چیئرمین کے طور پر جناب جنگ نیون کم کو خوش آمدید کہا۔

کاروباری جائزہ

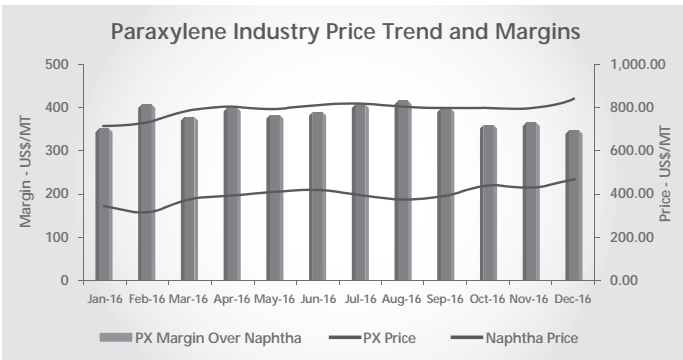
خام تیل



اس سال کے دوران خام تیل کی بگڑتی ہوئی مارکیٹ اور سپلائی میں اضافے کے نتیجے میں قیمتیں 30 امریکی ڈالر فی بیرل تک کم رہیں اور اس سے 2003 سے اب تک سب سے زیادہ قیمتوں کا گراؤ سامنے آیا۔ بعد ازاں، مشرق وسطیٰ میں اقتصادی اور سیاسی عدم استحکام کی بدولت پھر دوسری سہ ماہی کے دوران قیمتوں کے چڑھاؤ کا رجحان دیکھنے میں آیا۔ آئل مارکیٹ میں تیزی کا رجحان جاری رہا کیونکہ اوپیک ممبرز نے مارکیٹ کے استحکام کیلئے پروڈکشن میں کمی سے متعلق تبادلہ خیال کے باوجود بڑے پیمانے پر آئل کی پیداوار اپروڈکشن جاری رکھی۔ بہت انتظار کے بعد بالآخر سعودی عرب، عراق اور روس کے درمیان 30 نومبر کو معاہدہ طے ہوا جس کے تحت سال کے آخر تک پیداوار میں واضح طور پر کمی لاتے ہوئے قیمتوں کو 50 امریکی ڈالر فی بیرل پر لانے کا وعدہ کیا گیا۔

پیرازائلین (PX) انڈسٹری

دوران سال ایشیائی پروڈیوسرز کی جانب سے آپریٹنگ ریٹس کو 87 فیصد تک رکھنے کے باعث PX مارکیٹ کی مجموعی صورتحال مستحکم اور مضبوط رہی جس کی بدولت سال 2016 کے دوران وہ 385 امریکی ڈالر فی ٹن کا اوسط منافع برقرار رکھنے میں کامیاب ہوئے۔



PX کی قیمتوں نے سال بھر مجموعی طور پر خام تیل کی قیمتوں میں اضافے کا رجحان برقرار رکھا۔ پہلی سہ ماہی کے دوران PX پلانٹ کی بندش اور خام تیل کی قیمتوں میں استحکام کی بدولت قیمتوں میں اضافہ ہوا۔ دوسری اور تیسری سہ ماہی کے دوران قیمتیں اسی رینج کے اندر رہیں۔ دوران سال مارکیٹ میں PX کی اوسط قیمت گزشتہ سال کے 837 امریکی ڈالر فی ٹن کے مقابلے میں 784 امریکی ڈالر فی ٹن رہی۔ خام تیل آئل کی پیداوار میں کمی لانے کے اوپیک کے معاہدے نے دسمبر کے مہینے میں PX مارکیٹ کو مزید سہارا دیا اور قیمتوں میں 840 امریکی ڈالر فی ٹن تک اضافہ دیکھنے میں آیا جو سال کے دوران سب سے زیادہ اضافہ تھا۔

پراکسی فارم

19واں سالانہ اجلاس عام

میں / ہم _____ ساکن _____

بحیثیت ممبر Lotte کیمیکل پاکستان لمیٹڈ _____ کے عمومی شیئرز رکھتا ہوں / رکھتی ہوں، لہذا

بذریعہ ہذا _____ ساکن _____ یا ان کی عدم موجودگی کی صورت میں

_____ ساکن _____ جو کہ Lotte کیمیکل پاکستان لمیٹڈ کے

ممبر ہیں، کو بطور پراکسی مقرر کرتا ہوں / کرتی ہوں تاکہ وہ میری جگہ اور میری طرف سے کمپنی کے 19 ویں سالانہ اجلاس عام جو کہ 25 اپریل 2017 بروز منگل منعقد ہو رہا

ہے میں اور اس کے کسی ملوثی شدہ اجلاس میں شرکت کرے اور ووٹ ڈالے۔

میں / ہم بروز _____ بتاریخ _____ کو اپنے دستخط / مہر کے ساتھ اس امر کی تصدیق کرتا / کرتی ہوں / کرتے ہیں۔

مذکورہ بالا کے دستخط:

ان گواہان کی موجودگی میں: 1. _____

2. _____

مناسب قدر کی ریونیو مہر پر دستخط

فولیو / CDC اکاؤنٹ نمبر:



یہ دستخط کمپنی کے پاس رجسٹرڈ نمونہ دستخط کے مطابق ہونے چاہئیں۔

اہم نکات:

1. باضابطہ مکمل شدہ اور دستخط کردہ یہ پراکسی فارم کمپنی کے رجسٹرڈ آفس بمقام EZ/1/P-4، ایسٹرن انڈسٹریل زون، پورٹ قاسم کراچی میں اجلاس کے وقت سے 48 گھنٹے قبل پہنچ

جانا چاہیئے۔

2. کمپنی کا ممبر نہ ہونے کی صورت میں کسی فرد کو بطور پراکسی مقرر نہیں کیا جاسکتا، ماسوائے کارپوریشن جو ممبر کے علاوہ دوسرے فرد کو پراکسی نامزد کر سکتی ہے۔

3. کسی ممبر کی جانب سے ایک سے زیادہ پراکسی مقرر کئے جانے اور ممبر اگر کمپنی کو ایک سے زائد پراکسی انسٹرکشنس داخل کرائے، تو وہ سب غیر موثر تصور کئے جائیں گے۔

برائے CDC اکاؤنٹ ہولڈرز / کارپوریٹ ادارے:

درج بالا کے علاوہ درج ذیل تقاضے بھی لازمی ہیں:-

الف۔ پراکسی فارم دو افراد کی جانب سے گواہی کے ہمراہ ہونا چاہیئے جن کے نام، پتے اور سی این آئی سی نمبر فارم پر درج ہوں۔

ب۔ تین فیصلہ ماکان اور پراکسی کے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ نقول پراکسی فارم کے ساتھ پیش کرنا ہوں گی۔

ج۔ پراکسی کو اجلاس کے وقت اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرنا ہوگا۔

د۔ کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد / پورا آف انارنی مع نمونہ دستخط، پراکسی فارم کے ساتھ کمپنی کو پیش کئے جائیں (اگر وہ پہلے پیش نہ کئے گئے ہوں)۔

AFFIX
CORRECT
POSTAGE

The Company Secretary
Lotte Chemical Pakistan Limited
EZ/1/P-4, Eastern Industrial Zone,
Port Qasim, Karachi-74200

Form of Proxy

19th Annual General Meeting

I / We _____
of _____
being member(s) of Lotte Chemical Pakistan Limited holding _____
ordinary shares hereby appoint _____
of _____ or failing him / her _____
of _____ who is / are also member (s) of Lotte Chemical Pakistan Limited
as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Nineteenth
Annual General Meeting of the Company to be held on 25 April 2017 and at any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2017

Signed by the said _____

in the presence of 1. _____

2. _____

Folio / CDC Account No.

Signature on
Revenue Stamp of
Appropriate Value

This Signature should agree with the specimen registered with the Company

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company at EZ/1/P-4, Eastern Industrial Zone, Port Qasim, Karachi, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he / she himself / herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoint more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

In addition to the above, the following requirements have to be met:

- i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his / her original CNIC or original passport at the time of the Meeting.
- iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

AFFIX
CORRECT
POSTAGE








The Company Secretary
Lotte Chemical Pakistan Limited
EZ/1/P-4, Eastern Industrial Zone,
Port Qasim, Karachi-74200









**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event
notifications, corporate and
regulatory actions)
-  Jamapunji application for
mobile device
-  Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

 jamapunji.pk

 [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

Registered Office

EZ/1/P-4, Eastern Industrial Zone, Port Qasim,
P.O.Box 723, Karachi - 74200, Pakistan
UAN: +92 (0) 21 111 782 111
Fax: +92 (0) 21 3472 6004
URL: www.lottechem.pk

City Office

Al-Tijarah Centre, 14th Floor, 32/1-A, Main Shahrah-e-Faisal,
Block 6, P.E.C.H.S., Karachi-75400, Pakistan
UAN: +92 (0) 21 111 568 782
Fax: +92 (0) 21 3416 9119