

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



We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pakistan PTA Limited (“the Company”) to comply with the listing regulations of the respective Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board’s statement on internal control covers all controls and the effectiveness of such internal controls.

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 of Corporate Governance.

Date: 24 February 2005

Karachi

Taseer Hadi Khalid & Co.
Chartered Accountants

Statement of Compliance with the Code of Corporate Governance

For the year ended 31 December 2004



This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the stock exchanges 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. At present, the Board includes three independent non-executive Directors including one Director representing minority shareholders.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. 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 Development Financial Institution or a Non-banking Financial Institution. None of the resident Directors are a member of any of the stock exchanges on which the Company's shares are listed.
4. Two casual vacancies occurred in the Board on 15th April 2004 and on 11th November 2004, which were filled up by the Directors on 13th May 2004 and on 24th November 2004, respectively.
5. The Company has prepared a 'Code of Business Ethics', which is circulated and signed every year by all the Directors and employees of the Company.
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, have been taken by the Board.
8. All the meetings of the Board were presided over by the Chairman and the Board 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 in time.
9. Two courses were arranged during the year for the Directors. The first one was on the topic of Corporate Fraud and the second was about the Review And Reporting Of Internal Control In The Context of Corporate Governance.
10. No new appointments have been made during the year for Chief Financial Officer, Company Secretary and Head of Internal Audit.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the Chief Executive and the Chief Financial Officer, before approval of the Board.
13. 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.



Statement of Compliance with the Code of Corporate Governance



For the year ended 31 December 2004

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises three members, all of whom are non-executive Directors including the Chairman of the Committee. The Board has also formed a Senior Remuneration Committee and a Shares Sub-Committee, each comprising two non-executive Directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of quarterly, half yearly 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.
17. The Board has made adequate arrangements for outsourcing the internal audit function, to Ford Rhodes Sidat Hyder & Company, Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
18. 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 code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

A handwritten signature in blue ink, appearing to read 'Jonathan R Stoney', with a long horizontal flourish extending to the right.

Jonathan R Stoney
Chairman

Date: 24 February 2005

A handwritten signature in blue ink, appearing to read 'Waqar A Malik', with a horizontal line underneath.

Waqar A Malik
Chief Executive

Auditors' Report to the Members



We have audited the annexed balance sheet of Pakistan PTA Limited as at 31 December 2004 and the related profit and loss account, 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 change indicated in note 2.1.2, 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, 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 2004 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Date: 24 February 2005

Karachi

A handwritten signature in blue ink, appearing to read 'Taseer Hadi Khalid', is written over a horizontal line.

Taseer Hadi Khalid & Co.
Chartered Accountants



Balance Sheet

As at 31 December 2004



Amounts in Rs '000

	Note	2004	2003
Share Capital and Reserves			
Authorised capital 2,000,000,000 (2003: 2,000,000,000) ordinary shares of Rs 10 each		20,000,000	20,000,000
Issued, subscribed and paid-up capital	3	15,142,072	15,142,072
Capital reserves	4	2,345	2,345
Accumulated loss		(9,756,765)	(11,114,603)
		5,387,652	4,029,814
Non-Current Liabilities			
Redeemable capital	5	-	1,065,813
Long-term loans	6	3,351,867	4,525,982
Deferred liability	7	2,071	1,587
		3,353,938	5,593,382
Current Liabilities			
Trade and other payables	8	3,712,478	2,154,763
Accrued mark-up on loans	9	1,010,572	892,159
Short-term financing	10	696,810	409,941
Current portions of:			
Redeemable capital	5	-	848,908
Long-term loans	6	5,216,371	5,822,219
		10,636,231	10,127,990
Contingencies and Commitments	11		
		19,377,821	19,751,186

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

Balance Sheet

As at 31 December 2004



Amounts in Rs '000

	Note	2004	2003
Property, Plant and Equipment	12	13,842,955	15,110,265
Long-Term Loans and Advances	13	22,885	20,677
Long-Term Deposits and Prepayments	14	84,105	118,370
Deferred Taxation	15	207,091	141,617
Current Assets			
Stores and spares	16	574,291	776,533
Stock-in-trade	17	4,030,551	2,206,842
Trade debts	18	165,270	335,340
Loans and advances	19	40,682	40,960
Deposits and short-term prepayments	20	178,441	320,489
Other receivables	21	89,108	133,009
Taxation recoverable		120,822	226,463
Cash and bank balances	22	21,620	320,621
		5,220,785	4,360,257
		19,377,821	19,751,186

Jonathan R Stoney
Chairman

Waqar A Malik
Chief Executive



Profit and Loss Account

For the year ended 31 December 2004



Amounts in Rs '000

	Note	2004	2003
Turnover	23	26,953,240	20,629,505
Sales tax, commission and discounts	24	(4,951,265)	(4,311,116)
Net sales		22,001,975	16,318,389
Cost of sales	25	(18,688,921)	(15,784,553)
Gross profit		3,313,054	533,836
Distribution and selling expenses	26	(90,423)	(130,698)
Administration expenses	27	(214,211)	(222,748)
Other operating income	28	48,812	118,381
Other operating expenses	29	(789,881)	(102,101)
		(1,045,703)	(337,166)
		2,267,351	196,670
Financial charges	30	(864,970)	(724,477)
Profit / (loss) before exceptional items and taxation		1,402,381	(527,807)
Amortisation of deferred cost		-	(3,832,386)
Deficit on revaluation of fixed assets		-	(1,459,824)
Profit / (loss) before taxation		1,402,381	(5,820,017)
Taxation	31	(44,543)	60,011
Profit / (loss) after taxation		1,357,838	(5,760,006)
		Rupees	Rupees
Earning / (loss) per share	32	0.90	(3.80)

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

Jonathan R Stoney
Chairman

Waqar A Malik
Chief Executive

Cash Flow Statement

For the year ended 31 December 2004



Amounts in Rs '000

	2004	2003
Cash Flows from Operating Activities		
Profit / (loss) before taxation	1,402,381	(5,820,017)
Adjustments for:		
Depreciation	1,600,770	2,128,247
Deficit on revaluation of fixed assets	-	1,459,824
Amortisation of deferred cost	-	3,832,386
Loss on retirement / sale of fixed assets	172,456	57,916
Sales tax and octroi refundable written-off	-	39,252
Provision for staff retirement benefit schemes	492	2,154
Financial charges	864,970	724,477
Unrealised exchange loss / (gain)	310,763	(56,812)
Share issue expenses	24,122	146
Profit on bank deposits	-	(614)
	4,375,954	2,366,959
Movement in:		
Working capital	292,545	(357,437)
Long-term loans and advances	(2,208)	(2,000)
Long-term deposits and prepayments	200	399
	290,537	(359,038)
Cash generated from operations	4,666,491	2,007,921
Payments for:		
Financial charges	(712,602)	(942,777)
Staff retirement benefit schemes	(8)	(4,312)
Taxation	(4,376)	(136,726)
	(716,986)	(1,083,815)
Net cash generated from operating activities	3,949,505	924,106
Cash Flows from Investing Activities		
Payments for capital expenditure	(446,798)	(168,430)
Proceeds from sale of fixed assets	3,054	1,057
Profit received on bank deposits	-	614
Net cash used in investing activities	(443,744)	(166,759)
Net cash flows before financing activities	3,505,761	757,347

Cash Flow Statement

For the year ended 31 December 2004



Amounts in Rs '000

	2004	2003
Cash Flows from Financing Activities		
Long-term loan repayments (net of borrowings)	(4,067,509)	(685,148)
Share issue expenses	(24,122)	(9,232)
Net cash used in financing activities	(4,091,631)	(694,380)
Net (decrease) / increase in cash and cash equivalents	(585,870)	62,967
Cash and cash equivalents at 1 January	(89,320)	(152,287)
Cash and cash equivalents at 31 December	(675,190)	(89,320)
Movement in Working Capital		
(Increase) / decrease in current assets:		
Stores and spares	202,242	144,801
Stock-in-trade	(1,823,709)	(679,788)
Trade debts	170,070	395,886
Loans and advances	278	14,783
Deposits and short-term prepayments	142,048	(136,009)
Other receivables	43,901	(33,734)
	(1,265,170)	(294,061)
Increase / (decrease) in trade and other payables	1,557,715	(63,376)
	292,545	(357,437)
Cash and Cash Equivalents		
Cash and cash equivalents include:		
Cash and bank balances - note 22	21,620	320,621
Short-term financing - note 10	(696,810)	(409,941)
	(675,190)	(89,320)

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

Jonathan R Stoney
Chairman

Waqar A Malik
Chief Executive

Statement of Changes in Equity

For the year ended 31 December 2004



Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Accumulated loss	Total
Balance as on 1 January 2003	15,142,072	2,345	(5,801,747)	9,342,670
Loss for the year	-	-	(5,760,006)	(5,760,006)
Surplus on revaluation realised on disposal of fixed assets	-	-	15,882	15,882
Transferred from surplus on revaluation of fixed assets	-	-	431,268	431,268
Balance as on 31 December 2003	15,142,072	2,345	(11,114,603)	4,029,814
Profit for the year	-	-	1,357,838	1,357,838
Balance as on 31 December 2004	15,142,072	2,345	(9,756,765)	5,387,652

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

Jonathan R Stoney
Chairman

Waqar A Malik
Chief Executive



Notes to the Financial Statements

For the year ended 31 December 2004



1. Status and Nature of Business

The Company is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. It is engaged in the manufacture of pure terephthalic acid (PTA).

2. Summary of Significant Accounting Policies

2.1 Statement of compliance

2.1.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance). Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (the SECP) differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.1.2 During the year, the SECP substituted the Fourth Schedule to the Ordinance which is effective from financial year ending on or after 05 July 2004. This has resulted in the change in accounting policy pertaining to capitalisation of exchange difference on foreign currency loans. Accordingly, effective 05 July 2004 exchange differences amounting to Rs 112.263 million on foreign currency loans, obtained for acquisition of fixed assets have been taken to the profit and loss account for the year.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain fixed assets have been included at revalued amounts and certain exchange elements, referred to in notes 2.5 and 2.10 were incorporated in the cost of the relevant assets upto 05 July 2004 and certain staff retirement benefits have been recognised at present value.

2.3 Staff retirement benefits

The Company's retirement benefit plans comprise provident, pension, gratuity and defined contribution superannuation funds and a medical scheme for pensioners. The Provident and Defined Contribution Superannuation Funds are defined contribution schemes providing lump sum benefits. The Defined Contribution Superannuation Fund was introduced to the existing staff members and new entrants this year. The Company is contributing a fixed percentage of each member's basic every month. The Actuary has recommended a rate of contribution to Defined Contribution Superannuation Fund at 10.6 percent of basic salary. All other schemes are defined benefit schemes.

The pension and gratuity schemes are salary schemes providing pension and lump sums, respectively. Pension and gratuity schemes for management staff and gratuity scheme for non-management staff are invested through their approved trust funds. The Company contributes to these funds on the basis of actuarial recommendations. The pensioners' medical scheme is unfunded.

An actuarial valuation of all defined benefit schemes including unfunded scheme is carried out at the end of every year. The valuation uses the projected unit credit method. Actuarial (unrecognised) gains and losses are amortised over the expected average remaining working lives of employees, using recommended approach under IAS 19 - Employee Benefits.

2.4 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates, if any, or one-half of one percent of turnover, whichever is higher.

Deferred

Deferred tax is provided using balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the current rates of taxation.

Notes to the Financial Statements

For the year ended 31 December 2004



A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.5 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or revalued amounts less accumulated depreciation and impairment losses. Capital work-in-progress is stated at cost. Cost of certain fixed assets comprises historical cost, exchange differences referred to in note 2.10 and the cost of borrowings during the construction period in respect of loans taken for the PTA project.

Depreciation charge is based on the straight-line method whereby the cost or revalued amount of an asset is written off to profit and loss account over its estimated useful life without taking into account any residual value. The cost or revalued amount of leasehold land is amortised in equal instalments over the lease period. The net exchange differences relating to an asset at the end of each year are amortised in equal instalments over its remaining useful life. Depreciation on additions is charged from the month in which the asset is put to use and on disposals upto the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred; major renewals and improvements are capitalised and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are taken to the profit and loss account.

2.6 Stores and spares

Stores and spares are stated at cost less provision. Cost is determined using moving average cost. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

2.7 Stock-in-trade

Raw and packing materials except for those in transit are valued at lower of moving average cost and net realisable value. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon.

Finished goods are valued at lower of average cost and net realisable value. 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.

2.8 Trade debts and other receivables

Trade debts are stated at cost less discounts payable. Trade debts are secured against letters of credit. Other receivables are stated at cost less provision.

2.9 Trade and other payables

Liabilities for trade and other payables are carried at cost.

2.10 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupees at the exchange rate ruling at the date of transaction.

Assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates approximating those prevailing at the balance sheet date.

In respect of foreign currency loans obtained for acquisition of fixed assets, the exchange differences on principal amount upto 04 July 2004 were included in the cost of relevant assets. As stated in note 2.1.2, with effect from 05 July 2004, all exchange differences on foreign currency loans obtained for acquisition of fixed assets now are taken to the profit and loss account.

All other exchange differences are taken to the profit and loss account.



Notes to the Financial Statements

For the year ended 31 December 2004



2.11 Revenue recognition

Sales are recorded on despatch of goods to customers. Profit on short-term deposits is accounted for when it becomes receivable.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, call deposit account and current accounts held with banks. Running 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.

2.13 Impairment

The carrying amount of the Company's assets, other than stock-in-trade and deferred tax asset, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

2.14 Transactions with related parties

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods.

2.15 Provisions

A provision is recognised in the balance sheet when the Company has legal or constructive obligation as a result of past event, and it is probable that an economic outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

2.16 Financial assets and liabilities

All financial assets and financial liabilities are initially measured at cost, which is fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be.

Amounts in Rs '000

2004 2003

3. Issued, Subscribed and Paid-up Capital

100 (2003: 100) ordinary shares of Rs 10 each fully paid-up in cash	1	1
504,735,636 (2003: 504,735,636) ordinary shares of Rs 10 each fully paid-up for consideration other than cash	5,047,356	5,047,356
1,009,471,472 (2003: 1,009,471,472) ordinary shares of Rs 10 each fully paid-up in cash	10,094,715	10,094,715
	<u>15,142,072</u>	<u>15,142,072</u>

3.1 ICI Omicron B.V., UK, which is a wholly owned subsidiary of Imperial Chemical Industries PLC, UK held 1,135,806,239 (2003: 1,043,439,674) ordinary shares of Rs 10 each at 31 December 2004.

4. Capital Reserves

Capital reserves represent the amount received from various ICI PLC group companies overseas for purchase of fixed assets. The remitting companies have no claim to their repayments.

Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

5. Redeemable Capital - Secured (Non-participatory)

Long-term finances utilised under mark-up arrangements

Financier	Instalments payable	Repayment period	2004	2003
5.1 National Bank of Pakistan	half-yearly	2003-2004	-	200,000
Term Finance Certificates (TFCs)				
5.2 Private placement	yearly	2002-2004	-	116,001
5.3 Public issue - note 5.4	half-yearly	2004-2006	-	1,598,720
			-	1,914,721
Less: Current portions shown under current liabilities				
	- Long term finances utilised under mark-up arrangements		-	(200,000)
	- Term Finance Certificates		-	(648,908)
			-	(848,908)
			-	1,065,813

5.4 During the year, the Company exercised its rights under Clause 6.1 of the Security Trust Deed dated 06 June 2001 relating to the TFCs and has accordingly redeemed all outstanding TFCs on 02 August 2004.

6. Long-Term Loans - Unsecured

Lender	Instalments payable	Interest rate	Repayment period	2004	2003
6.1 Consortium of Banks USD 78.702 million (2003: USD 89.945 million)	half-yearly	6.6% per annum & 0.525% per annum above 6 months LIBOR	1998-2008	4,692,614	5,172,528
Associated Company					
6.2 Mortar Investments International Limited USD 65 million (2003: USD 90 million)	at maturity	1% per annum above 6 months LIBOR	2005	3,875,624	5,175,673
				8,568,238	10,348,201
Less: Current portions shown under current liabilities				(5,216,371)	(5,822,219)
				3,351,867	4,525,982



Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

	2004	2003
7. Deferred Liability		
Provision for pensioners' medical scheme	<u>2,071</u>	<u>1,587</u>

Staff Retirement Benefits

The amounts recognised in the profit and loss account against defined benefit schemes are as follows:

	<u>Funded</u>			<u>Unfunded</u>
	<u>Pension</u>	<u>Gratuity</u>	<u>Total</u>	
Current service cost	7,844	5,337	13,181	314
Interest cost	7,660	3,227	10,887	158
Expected return on plan assets	(8,360)	(4,571)	(12,931)	-
Recognition of actuarial loss / (gain)	14,257	(317)	13,940	20
Past service cost	(15,006)	-	(15,006)	-
Charge for the year	<u>6,395</u>	<u>3,676</u>	<u>10,071</u>	<u>492</u>

Movements in the net asset / (liability) recognised in the balance sheet are as follows:

Opening balance	(20,315)	8,502	(11,813)	(1,587)
Charge for the year	(6,395)	(3,676)	(10,071)	(492)
Contributions	16,812	5,781	22,593	8
Closing balance	<u>(9,898)</u>	<u>10,607</u>	<u>709</u>	<u>(2,071)</u>

The amounts recognised in the balance sheet are as follows:

Present value of defined benefit obligations	(80,805)	(49,756)	(130,561)	(3,662)
Fair value of plan assets	97,820	66,084	163,904	-
Surplus / (deficit)	17,015	16,328	33,343	(3,662)
Unrecognised net (gain) / loss	(26,913)	(5,721)	(32,634)	1,591
Recognised asset / (liability)	<u>(9,898)</u>	<u>10,607</u>	<u>709</u>	<u>(2,071)</u>

These figures are based on the latest actuarial valuation carried out as at 31 December 2004.

The discount rate used for the valuation was 9.46 percent. Salary inflation was assumed to average 7.38 percent over the future working lives of current employees. Medical cost trend was assumed to average 4.25 percent in the long term. Return on plan assets was assumed equal to the discount rate. Actual return on plan assets during 2004 was Rs 23.04 million (2003: Rs 24.70 million).

During the year, a Staff Defined Contribution Superannuation Fund for the management employees of the Company was established and registered with the Commissioner of Income Tax. Actuarial balances relating to those staff who opted for the new Defined Contribution Scheme have been transferred from Pension Fund.

The Company's contribution towards the provident fund for the year ended 31 December 2004 amounted to Rs 9.616 million (2003: Rs 8.679 million) and towards defined contribution superannuation fund amounted to Rs 2.673 million (2003: Rs Nil).

Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

	2004	2003
8. Trade and Other Payables		
Trade creditors including bills payable	3,052,215	1,373,228
Accrued expenses	565,119	486,141
Sales tax, excise and custom duties	-	178,066
Contractors' earnest / retention money	2,147	1,765
Freight payable	4,157	23,157
Amounts due to associated undertakings	-	5,308
Advances from customers	1,796	59,736
Provision for staff retirement benefit funds	-	11,813
Provision for workers' profit participation fund	73,872	-
Provision for workers' welfare fund	1,713	-
Others	11,459	15,549
	<u>3,712,478</u>	<u>2,154,763</u>
9. Accrued Mark-up on Loans		
Redeemable capital	-	51,043
Short term finances	6,485	2,603
Unsecured long-term loans	1,004,087	838,513
	<u>1,010,572</u>	<u>892,159</u>
10. Short-Term Financing - Secured		
Running finance under mark-up arrangement - note 10.1	696,810	58,251
Foreign currency trade finance - note 10.2 & 10.3	-	351,690
	<u>696,810</u>	<u>409,941</u>

10.1 The facilities for running finance available from various banks amounted to Rs 1,935 million (2003: Rs 1,203 million) and carried mark-up ranging from 1 month KIBOR plus 0.30 percent per annum to 6 months KIBOR plus 1.0 percent per annum. All the facilities were secured by equitable mortgage over leasehold rights of land and floating charge over plant, machinery and equipment of the Company except Rs 385 million, which was secured by floating charge on stocks and book debts.

10.2 Foreign currency import finance facilities available against trust receipts from various banks, amounted to USD 15 million (2003: USD 30 million) and carried mark-up ranging from 1.00 percent to 1.25 percent per annum above LIBOR. The total amount utilised under these facilities as at 31 December 2004 amounted to USD Nil (2003: USD 6.1 million).

10.3 Foreign currency export finance facility available from a local bank amounted to USD 2.350 million (2003: USD 2.310 million) and carried mark-up of 0.5 percent per annum above LIBOR. This facility was secured by equitable mortgage over leasehold rights of land and floating charge over plant, machinery and equipment of the Company. The amount utilised under this facility as at 31 December 2004 amounted to USD Nil (2003: USD Nil).



Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

11. Contingencies and Commitments

11.1 Commitments in respect of capital expenditure - Rs 63.485 million (2003: Rs 267.618 million).

11.2 Commitments for rentals under operating lease agreements in respect of vehicles amounting to Rs 24.271 million (2003: Rs 26.822 million) are as follows:

	Year	Total
	2005	12,126
	2006	7,342
	2007	3,734
	2008	1,069
		<u>24,271</u>
Payable not later than one year		12,126
Payable later than one year but not later than five years		12,145
		<u>24,271</u>

11.3 The Company has in place take or pay contracts with certain suppliers which secure its requirements for products and services essential for production. The present value as at 31 December 2004 of the Company's future financial commitments in respect of these contracts, amounts to Rs 5,678.786 million (2003: Rs 5,884.265 million).

11.4 ICI Pakistan Limited has issued a guarantee in respect of operational obligations of the Company amounting to Rs 2,730.0 million (2003: Rs 2,820.0 million) against which the Company has issued counter guarantee to ICI Pakistan Limited. In addition, ICI Pakistan Limited had also issued guarantee in respect of financial obligations of the Company amounting to Rs 4,375.412 million as at 31 December 2003 which has expired in July 2004.

11.5 Unutilised credit facilities as at 31 December 2004 comprise of running finance facility of Rs 1,238.200 million (2003: Rs 1,171.749 million) and foreign currency import / export facilities of Rs 1,026.743 million (2003: Rs 1,506.377 million). Outstanding guarantees were Rs 210.075 million as at 31 December 2004 (2003: Rs 145.075 million) and outstanding letters of credit were Rs 900.470 million (2003: Rs 1,671.286 million).

11.6 Guarantee issued by the Company in respect of a Senior Executive amounting to Rs 10 million (2003: Rs Nil).

Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

12. Property, Plant and Equipment

	2004	2003
12.1 Net book value of operating property, plant and equipment - note 12.2	13,740,975	15,076,784
Capital work in progress - note 12.7	101,980	33,481
	<u>13,842,955</u>	<u>15,110,265</u>

12.2 The following is a statement of operating property, plant and equipment:

	Cost and revaluation at 1 January 2004	Additions & adjustments / (deletions)	Surplus / (reduction) on revaluation (write down)*	Cost and revaluation at 31 December 2004	Accumulated depreciation at 1 January 2004	Charge for the year / (accumulated depreciation on deletions)	Surplus / (reduction) on revaluation (write down)*	Accumulated depreciation at 31 December 2004	Book value at 31 December 2004	Depreciation rate on original cost and revaluation %
Leasehold land	181,313	-	-	181,313	19,929	3,626	-	23,555	157,758	2
Buildings on leasehold land	606,238	69,305	-	675,543	214,999	41,924	-	256,923	418,620	6.67
Plant and machinery	22,803,421	350,482 (299,721)	-	22,854,182	8,334,365	1,540,047 (126,247)	-	9,748,165	13,106,017	6.67
Rolling stock and vehicles	48,970	- (2,182)	-	46,788	45,738	746 (1,851)	-	44,633	2,155	25
Furniture and equipment	347,455	20,684 (4,098)	-	364,041	295,582	14,427 (2,393)	-	307,616	56,425	10-33
2004	23,987,397	440,471 (306,001)	-	24,121,867	8,910,613	1,600,770 (130,491)	-	10,380,892	13,740,975	
2003	34,364,957	117,109 (89,570)	91,035 (7,533,532) (2,962,602)*	23,987,397	10,172,298	2,128,247 (30,597)	10,309 (1,947,592) (1,422,052)*	8,910,613	15,076,784	

12.3 As at 30 September 2003, certain classes of operating assets of the Company were revalued by professional valuers. Leasehold land and buildings were revalued by Joseph Lobo (Private) Limited on the basis of open market value and the plant and machinery was revalued by SHM Smith Hodgkinson, UK, on the basis of depreciated replacement cost. The revaluations had resulted in a net deficit of Rs 7,045.764 million.

12.4 Had there been no revaluation, the net book value of specific classes of operating property, plant and equipment would have amounted to:

	2004	2003
Leasehold land	77,032	81,113
Buildings on leasehold land	626,544	594,103
Plant and machinery	14,433,820	15,808,955
Furniture and equipment	60,390	44,927
	<u>15,197,786</u>	<u>16,529,098</u>

12.5 Additions to plant and machinery include exchange loss amounting to Rs 62.172 million (2003: exchange gain Rs 37.777 million).



Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

12.6 The following property, plant and equipment were disposed off during the year:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
Plant and machinery - note 12.8	299,721	126,247	173,474	-	
Rolling stock and vehicles					
<i>Sold by tender</i>					
Toyota Corolla	183	27	156	610	Mr Shazad Ismail, Karachi
Toyota Corolla	163	24	139	660	Mr Asadullah, Karachi
	346	51	295	1,270	
Furniture and equipment					
<i>Sold by tender</i>					
Geyser	129	72	57	1	Mr Banaras Khan, Karachi
Photocopier	581	330	251	4	Mr Muhammad Ali, Karachi
Photocopier / Fax	264	161	103	15	Mr Javaid, Karachi
Photocopier	951	530	421	6	Mr Ziauddin, Karachi
	1,925	1,093	832	26	
<i>Sold by negotiation</i>					
PABX system with 016 analog	1,571	1,019	552	524	M/s Alcatel Pakistan Limited, Karachi
Items less than net book value of Rs 50,000	2,438	2,081	357	1,234	Various
2004	306,001	130,491	175,510	3,054	
2003	90,570	30,597	59,973	1,057	

	2004	2003
12.7 Capital work-in-progress		
Civil works and buildings	2,622	10,655
Plant and machinery	70,766	22,343
Advances to suppliers	28,592	483
	101,980	33,481

12.8 This includes net book value of Rs 160.078 million written down for the old purification drier which has been redundant since it was taken out of operation in August 2002 and earlier kept as a good capital spare to be used in case of any technical problem with the new purification drier. However, in 2004, the reliability of new purification drier has been established, hence the old drier has been retired.

Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

				2004	2003
	Motor car	House building assistance	Others	Total	Total
13. Long-Term Loans and Advances - Considered Good					
Due from Executives - note 13.1	6,042	8,829	3,121	17,992	18,295
Less: Receivable within one year - note 19	(874)	(5,094)	(1,814)	(7,782)	(7,173)
	<u>5,168</u>	<u>3,735</u>	1,307	10,210	11,122
Due from Employees			16,588	16,588	11,483
Less: Receivable within one year - note 19			(3,913)	(3,913)	(1,928)
			12,675	12,675	9,555
			<u>13,982</u>	22,885	<u>20,677</u>
Outstanding for periods - less than three years				14,628	15,162
- three years and more				8,257	5,515
				22,885	<u>20,677</u>

13.1 Reconciliation of carrying amount of loans to executives

Balance at the beginning of the year	18,295	11,878
Disbursements	11,414	13,185
Repayments	(11,717)	(6,768)
Balance at the end of the year	17,992	<u>18,295</u>

13.2 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 and granted to the employees of the Company in accordance with their terms of employment.

13.3 The maximum aggregate amount of loans and advances due from the Chief Executive, Directors and Executives at the end of any month during the year was Rs Nil , Rs Nil and Rs 19.242 million (2003: Rs 2.465 million, Rs Nil and Rs 18.918 million) respectively.

13.4 The comparative figures of loans and advances have been reclassified in accordance with changes made in the Fourth Schedule to the Ordinance by the SECP.

14. Long-Term Deposits and Prepayments

Deposits - note 14.1	16,023	16,223
Prepayments - note 14.2	68,082	102,147
	84,105	<u>118,370</u>

14.1 This includes Rs 14.418 million (2003: Rs 14.418 million) paid to Pakistan Steel Mills for emergency back-up supply of water.

14.2 This represents unamortised portion of commission paid to Export Commission Guarantee Department (ECGD) in July 1996 for providing a sovereign guarantee against performance of long-term loan from a consortium of banks.



Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

	2004	2003
15. Deferred Taxation		
Debit balance arising in respect of:		
Recognised tax losses	-	812,853
Difference in accounting and tax base of property, plant and equipment	195,703	229,110
Provision for		
- retirement benefits, unrealised exchange loss and others	109,778	3,940
- slow moving stores and spares and doubtful receivables	95,239	775
Others	2,804	-
Total debit balance in respect of deferred taxation	403,524	1,046,678
However recognised deferred tax asset restricted to:	207,091	141,617
	196,433	905,061
Debit balance arising in respect of minimum tax recoverable against tax charge in future years	191,623	81,606
Total unrecognised deferred taxation	388,056	986,667
16. Stores and Spares		
Stores (include in-transit Rs 0.770 million; 2003: Rs Nil) - note 16.1	78,903	38,344
Spares	629,814	740,825
	708,717	779,169
Less: Provision for obsolete, slow moving and rejected items - note 16.2	(134,426)	(2,636)
	574,291	776,533
16.1 Palladium catalyst has been reclassified from stores to raw and packing material amounting to Rs 149.083 million (2003: Rs 242.985 million).		
16.2 Provision for obsolete, slow moving and rejected items was recorded after a detailed exercise carried out by an external consultant.		
17. Stock-in-Trade		
Raw and packing materials (include in-transit Rs 455.075 million; 2003: Rs 362.245 million) - note 16.1	2,357,794	1,147,667
Finished goods	1,672,757	1,059,175
	4,030,551	2,206,842
18. Trade Debts		
Considered good - Secured	626,558	639,087
Less: Discounts payable	(461,288)	(303,747)
	165,270	335,340
18.1 Trade debts include aggregate amount of trade debts due from ICI Pakistan Limited as on 31 December 2004 in the amount of Rs 227.488 million (2003: Rs 249.251 million).		
18.2 The maximum aggregate amount of trade debts due from ICI Pakistan Limited at the end of any month during the year was Rs 551.008 million (2003: Rs 541.033 million).		

Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

	2004	2003
19. Loans and Advances - Considered Good		
Loans due from:		
- Executives - note 13	7,782	7,173
- Employees - note 13	3,913	1,928
	<u>11,695</u>	<u>9,101</u>
Advances to:		
- Executives	1,301	1,360
- Employees	677	627
- Contractors and suppliers	27,009	29,872
	<u>28,987</u>	<u>31,859</u>
	<u>40,682</u>	<u>40,960</u>
19.1 The maximum aggregate amount of advances due from the Chief Executive, Directors and Executives at the end of any month during the year was Rs Nil, Rs Nil and Rs 2.110 million (2003: Rs Nil, Rs Nil and Rs 1.829 million) respectively.		
19.2 The maximum aggregate amount of advances due from Shell Pakistan Limited during 2004 was Rs 0.215 million (2003: Rs 2.801 million).		
20. Deposits and Short-Term Prepayments		
Deposits - note 20.1	25,787	26,247
Margin on import letters of credit	7,889	166,947
Short-term prepayments - note 20.2	144,765	127,295
	<u>178,441</u>	<u>320,489</u>
20.1 This includes Rs 24.272 million (2003: Rs 24.272 million) paid to Karachi Electric Supply Corporation.		
20.2 This includes Rs 97.157 million (2003: Rs 79.630 million) paid to Adamjee Insurance Company Limited as insurance premium.		
21. Other Receivables		
Tariff adjustment claim receivable from KESC	124,048	124,048
Sales tax refundable u/s 10 and 66	10,133	69,426
Sales tax receivable	56,577	-
Octroi refundable	1,947	1,947
Insurance claims	8,103	5,875
Rebates receivable	13,048	57,471
Receivable from staff retirement benefit funds	709	-
Others	538	237
	<u>215,103</u>	<u>259,004</u>
Less: Provisions for doubtful receivables	<u>(125,995)</u>	<u>(125,995)</u>
	<u>89,108</u>	<u>133,009</u>
22. Cash and Bank Balances		
Current accounts	15,346	314,944
Cash in hand	6,274	5,677
	<u>21,620</u>	<u>320,621</u>



Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

23. Turnover

Turnover includes export sales amounting to Rs 752.940 million (2003: Rs 2,717.030 million).

	2004	2003
24. Sales Tax, Commission and Discounts		
Sales tax	3,816,606	2,985,413
Commission and discounts	1,134,659	1,325,703
	<u>4,951,265</u>	<u>4,311,116</u>
25. Cost of Sales		
Raw and packing materials consumed:		
Opening stock	1,147,667	1,151,152
Purchases	16,775,517	12,232,530
Closing stock	(2,357,794)	(1,147,667)
	<u>15,565,390</u>	<u>12,236,015</u>
Salaries, wages and benefits - note 25.1	215,750	215,421
Stores and spares consumed	123,444	157,878
Rent, rates and taxes	123	188
Insurance	170,711	178,086
Oil, gas and electricity	1,076,330	1,102,321
Printing and stationery	2,037	1,964
Communications	5,059	4,870
Travelling expenses	31,897	32,363
Depreciation - note 12.2	1,600,770	2,128,247
Repairs and maintenance	325,862	186,081
General expenses	41,128	22,883
	<u>19,158,501</u>	<u>16,266,317</u>
Cost of goods manufactured	19,158,501	16,266,317
Opening stock of finished goods	1,059,175	577,411
Finished goods purchased	144,002	-
	<u>20,361,678</u>	<u>16,843,728</u>
Closing stock of finished goods	(1,672,757)	(1,059,175)
	<u>18,688,921</u>	<u>15,784,553</u>
25.1 Salaries, wages and benefits include Rs 15.348 million (2003: Rs 30.266 million) in respect of staff retirement benefits.		
26. Distribution and Selling Expenses		
Salaries and benefits - note 26.1	28,254	28,963
Repairs and maintenance	14	11
Advertising and sales promotion expenses	396	299
Lighting, heating and cooling	111	109
Outward freight and handling charges	46,587	85,167
Travelling expenses	7,593	9,582
Postage, telegram, telephone and telex	2,358	2,501
General expenses	5,110	4,066
	<u>90,423</u>	<u>130,698</u>
26.1 Salaries and benefits include Rs 2.452 million (2003: Rs 4.110 million) in respect of staff retirement benefits.		
26.2 Previously, selling, distribution and administration expenses were being disclosed together. However, in accordance with the requirement of the revised Fourth Schedule to the Ordinance, administration expenses are being shown separately (note - 27).		

Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

	2004	2003
27. Administration Expenses		
Salaries and benefits - note 27.1	95,758	78,566
Repairs and maintenance	7,890	7,458
Advertising and sales promotion expenses	1,517	3,728
Rent, rates and taxes	9,136	9,136
Lighting, heating and cooling	167	164
Travelling expenses	9,682	9,970
Postage, telegram, telephone and telex	5,939	6,344
Service charges - note 27.2	45,002	60,015
General expenses	39,120	47,367
	<u>214,211</u>	<u>222,748</u>
27.1 Salaries and benefits include Rs 6.131 million (2003: Rs 10.573 million) in respect of staff retirement benefits.		
27.2 This represents amounts charged by ICI Pakistan Limited on an arm's length basis for certain administrative services rendered by it to the Company under a Service Level Agreement.		
28. Other Operating Income		
Income from financial assets:		
Exchange gain	-	90,806
Profit on bank deposits	-	614
Income from non financial assets:		
Insurance claim	-	23,745
Scrap sales	1,474	2,830
Pre-shipment inspection charges refunded	43,952	-
Others	3,386	386
	<u>48,812</u>	<u>118,381</u>
29. Other Operating Expenses		
Auditors' remuneration - note 29.1	1,298	1,271
Donations - note 29.2	671	880
Exchange loss - note 2.1.2	361,964	-
Loss on retirement / sale of fixed assets - note 12.6	172,456	57,916
Sales tax & octroi refundable written-off	-	39,252
Workers' profit participation fund	73,872	-
Workers' welfare fund	1,713	-
Provision for obsolete, slow moving and rejected items - note 16.2	131,791	2,636
Provision against sales tax refundable	21,994	-
Share issue expenses - note 29.3	24,122	146
	<u>789,881</u>	<u>102,101</u>
29.1 Auditors' remuneration		
Audit fee	381	422
Certifications including half year review and group reporting	867	829
Out of pocket expenses	50	20
	<u>1,298</u>	<u>1,271</u>
29.2 Recipients of donations do not include any donee in whom any director or their spouse had any interest. Donations include Rs 0.087 million (2003: Rs 0.065 million) paid for community services.		
29.3 This represents stamp duty incurred on physical issuance of Jumbo Share Certificates to ICI Omicron B.V., and ICI Pakistan Limited.		



Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

	2004	2003
30. Financial Charges		
Mark-up on:		
Redeemable capital	109,342	260,637
Short-term financing	9,388	27,439
Interest / return on:		
Long-term loans	390,316	145,050
Long-term liabilities	-	884
Discounting charges on receivables	240,881	172,070
Guarantee fee	75,968	79,041
TFCs issue cost	-	2,022
ECGD commission	34,065	34,065
Others	5,010	3,269
	<u>864,970</u>	<u>724,477</u>
31. Taxation		
Current - note 31.1	110,017	81,606
Deferred - note 15	<u>(65,474)</u>	<u>(141,617)</u>
	<u>44,543</u>	<u>(60,011)</u>

31.1 In view of the available tax losses, current year taxation has been provided for at the rate of one-half of one percent of turnover of the Company. This represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001.

32. Earning / (loss) Per Share - Basic and Diluted

Profit / (loss) after taxation for the year	<u>1,357,838</u>	<u>(5,760,006)</u>
	Number of shares	
Weighted average ordinary shares in issue during the year	<u>1,514,207,208</u>	<u>1,514,207,208</u>
	Rupees	
Earning / (loss) per share	<u>0.90</u>	<u>(3.80)</u>

33. Remuneration of Directors and Executives

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

	<u>Chief Executive</u>		<u>Directors</u>		<u>Executives</u>	
	2004	2003	2004	2003	2004	2003
Managerial remuneration	6,717	6,326	1,704	1,200	87,158	78,836
Retirement benefits	955	1,682	126	-	10,135	18,612
Group insurance	-	-	-	-	300	195
Rent and house maintenance	1,814	1,424	84	-	20,151	18,547
Utilities	447	246	36	-	5,207	4,641
Medical expenses	28	61	-	-	1,410	4,210
	<u>9,961</u>	<u>9,739</u>	<u>1,950</u>	<u>1,200</u>	<u>124,361</u>	<u>125,041</u>
Number of persons	<u>1</u>	<u>1</u>	<u>3</u>	<u>2</u>	<u>57</u>	<u>48</u>

Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

- 33.1** Certain Executives are provided with free use of Company cars in accordance with their entitlements. The Chief Executive has been provided with unfurnished accommodation (previous Chief Executive was provided with furnished accommodation) and free use of Company car.
- 33.2** Aggregate amount charged in the financial statements for fee to three non-executive Directors was Rs 60,000 (2003:Rs 75,000).
- 33.3** The comparative figures of Executives' remuneration has been revised in accordance with changes made in the Fourth Schedule to the Ordinance by the SECP.

34. Transactions with Related Parties

The related parties comprise parent company (ICI Omicron B.V., UK), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key employees 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:

	2004	2003
Sale of goods, materials and services	<u>6,152,715</u>	<u>4,752,222</u>
Purchase of goods	<u>16,076</u>	<u>17,312</u>
Financial charges to group companies	<u>223,650</u>	<u>(865)</u>
Purchase of services	<u>48,066</u>	<u>61,284</u>
Loans received from group companies	<u>-</u>	<u>2,021,174</u>
Loans paid to group companies	<u>1,498,549</u>	<u>300,000</u>
Payments to staff retirement funds	<u>49,052</u>	<u>32,956</u>

The above transactions are entered into on the basis of comparable uncontrolled price method and cost plus method.

35. Capacity and Production – in metric tonnes

Annual name plate capacity	<u>457,402</u>	<u>403,795</u>
Production	<u>448,800</u>	<u>457,402</u>

36. Fair Value of Financial Assets and Liabilities

The carrying amounts of the financial assets and financial liabilities approximate their fair values.

Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

37. Interest / Mark-up Rate Risk Management

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table indicates their effective interest / mark-up rates at the balance sheet date and the periods in which they will reprice or mature:

	Interest / Mark-up bearing				Sub Total	Non-Interest / Mark-up bearing			Sub Total	Total
	Effective interest / mark-up rates %	Maturity upto one year	Maturity two to five years	Maturity after five years		Maturity upto one year	Maturity two to five years	Maturity after five years		
Financial Assets										
Loans and advances	-	-	-	-	-	40,682	18,765	4,120	63,567	63,567
Deposits	5.0	24,272	-	-	24,272	9,404	-	16,023	25,427	49,699
Trade debts	-	-	-	-	-	165,270	-	-	165,270	165,270
Other receivables	-	-	-	-	-	89,108	-	-	89,108	89,108
Cash and bank balances	-	-	-	-	-	21,620	-	-	21,620	21,620
As at 31 December 2004		24,272	-	-	24,272	326,084	18,765	20,143	364,992	389,264
As at 31 December 2003		24,272	-	-	24,272	998,852	19,947	16,953	1,035,752	1,060,024
Financial Liabilities										
Trade and other payables	-	-	-	-	-	3,712,478	-	-	3,712,478	3,712,478
Accrued mark-up on loans	-	-	-	-	-	1,010,572	-	-	1,010,572	1,010,572
Short-term financing	2.75 - 5.0	696,810	-	-	696,810	-	-	-	-	696,810
Long-term loans	1.74 - 6.60	5,216,371	3,351,867	-	8,568,238	-	-	-	-	8,568,238
As at 31 December 2004		5,913,181	3,351,867	-	9,265,048	4,723,050	-	-	4,723,050	13,988,098
As at 31 December 2003		7,081,068	5,591,795	-	12,672,863	2,979,728	-	-	2,979,728	15,652,591
Off balance sheet items - Financial Commitments										
Take or pay contracts	-	-	-	-	-	878,055	3,022,334	1,778,397	5,678,786	5,678,786
Open letters of credit	-	-	-	-	-	900,470	-	-	900,470	900,470
As at 31 December 2004		-	-	-	-	1,778,525	3,022,334	1,778,397	6,579,256	6,579,256
As at 31 December 2003		-	-	-	-	2,543,899	3,724,637	3,962,388	10,230,924	10,230,924

Notes to the Financial Statements

For the year ended 31 December 2004



Amounts in Rs '000

38. Credit Risk and Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. To reduce exposure to credit risk, sales are made against letters of credit. The sector wise analysis of receivables, comprising trade debts, deposits, loans, advances and other receivables, is given below:

	2004	2003
Public Sector		
- Government	81,328	81,464
- Utilities	25,301	25,301
	<u>106,629</u>	<u>106,765</u>
Private Sector		
- Institutional	150	150
- Trade	214,940	430,528
- Banks	7,889	166,947
- Others	38,036	32,376
	<u>261,015</u>	<u>630,001</u>
	<u>367,644</u>	<u>736,766</u>

39. Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions in / based on other than Pak Rupees. 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 reduced through a natural hedge resulting from the pricing mechanism of PTA whereby monthly provisional prices in Pak Rupees are based on equivalent international US Dollar prices and the settlements with customers are made at amounts determined by applying the monthly actual weighted average US Dollar exchange rate. To hedge against its foreign currency risk arising on purchase transactions, the Company enters into forward exchange contracts, when considered appropriate.

40. Number of Employees

Number of employees as at 31 December	<u>274</u>	<u>280</u>
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41. Date of Authorisation

The financial statements were authorised for issue by the Board of Directors on 24 February 2005.

42. General

Figures have been rounded off to the nearest thousand rupees.

Jonathan R Stoney
Chairman

Waqar A Malik
Chief Executive



Comparison of Results



Amounts in Rs '000

	2004	2003	2002	2001	2000
Net Assets					
Fixed assets	13,740,975	15,076,784	24,192,659	26,119,065	28,040,274
Capital work-in-progress	101,980	33,481	60,494	103,816	68,447
Deferred costs	-	-	3,832,386	-	-
Deferred taxation	207,091	141,617	-	-	-
Other net assets	(5,308,456)	(5,628,686)	(4,839,634)	(7,951,741)	(3,747,093)
Total Net Assets	8,741,590	9,623,196	23,245,905	18,271,140	24,361,628
Financed By					
Ordinary share capital	15,142,072	15,142,072	15,142,072	5,047,357	5,047,357
Reserves	(9,754,420)	(11,112,258)	(5,799,402)	(4,807,904)	(209,535)
Surplus on revaluation of fixed assets	-	-	6,033,090	7,582,946	7,582,946
Shareholders Equity	5,387,652	4,029,814	15,375,760	7,822,399	12,420,768
Subordinated loans	-	-	-	3,305,938	800,000
Long-term and deferred liabilities	3,353,938	5,593,382	7,870,145	7,142,803	11,140,860
Total Funds Invested	8,741,590	9,623,196	23,245,905	18,271,140	24,361,628
Turnover & Profits / (Losses)	2004	2003	2002	2001	2000*
					(Three months)
Turnover	26,953,240	20,629,505	17,787,879	15,641,414	3,734,980
Profit / (loss) before financial charges, exceptional items and taxation	2,267,351	196,670	(38,339)	(1,724,775)	658,789
Financial charges	(864,970)	(724,477)	(2,227,029)	(2,810,912)	(778,454)
Exceptional items:					
Amortisation of deferred cost	-	(3,832,386)	(201,894)	-	-
Deficit on revaluation of fixed assets	-	(1,459,824)	-	-	-
	-	(5,292,210)	(201,894)	-	-
Profit / (loss) before taxation	1,402,381	(5,820,017)	(2,467,262)	(4,535,687)	(119,665)
Taxation:					
Current	(110,017)	(81,606)	(70,486)	(62,682)	(15,365)
Deferred	65,474	141,617	-	-	-
	(44,543)	60,011	(70,486)	(62,682)	(15,365)
Profit / (loss) after taxation	1,357,838	(5,760,006)	(2,537,748)	(4,598,369)	(135,030)
Earning / (loss) Per Share (Rupees)	0.90	(3.80)	(3.35)	(9.11)	(0.27)
Profit / (loss) Before Financial Charges, Exceptional Items and Taxation as a Percentage on Average Assets Employed Excluding Capital Work-in-Progress (%)	25	1	0	(8)	3

* Note: The Company commenced operations as a separate entity from 1 October 2000.

Pattern of Share-Holding

As at 31 December 2004



Size of Holding		No. of Shareholders	No. of Shares Held
From	To		
1	100	2,943	109,789
101	500	5,292	1,419,198
501	1000	2,671	2,055,004
1001	5000	4,242	10,591,416
5001	10000	978	7,605,697
10001	15000	335	4,275,623
15001	20000	188	3,446,879
20001	25000	127	2,984,663
25001	30000	82	2,308,137
30001	35000	48	1,588,383
35001	40000	55	2,116,070
40001	45000	17	737,828
45001	50000	77	3,801,013
50001	55000	24	1,267,792
55001	60000	16	933,811
60001	65000	7	439,335
65001	70000	12	820,321
70001	75000	16	1,184,300
75001	80000	11	857,523
80001	85000	7	578,523
85001	90000	6	531,362
90001	95000	7	649,963
95001	100000	34	3,397,155
100001	105000	10	1,026,089
105001	110000	8	869,422
110001	115000	4	451,650
115001	120000	4	479,000
120001	125000	6	749,000
125001	130000	3	389,000
130001	135000	5	660,112
135001	140000	6	836,248
140001	145000	3	423,950
145001	150000	12	1,790,124
150001	155000	1	151,150
155001	160000	3	474,482
160001	165000	1	160,200
165001	170000	4	671,886
170001	175000	4	692,686
175001	180000	3	536,828
180001	185000	2	365,900
190001	195000	2	384,835
195001	200000	9	1,800,000
200001	205000	4	806,619
205001	210000	2	416,550
210001	215000	3	643,750
215001	220000	1	218,700
220001	225000	6	1,340,980
240001	245000	1	245,000
245001	250000	5	1,246,615
250001	255000	6	1,510,523
255001	260000	1	257,045
260001	265000	1	263,524
265001	270000	2	532,680
270001	275000	1	271,500
275001	280000	5	1,386,044



Pattern of Share-Holding

As at 31 December 2004



Size of Holding		No. of Shareholders	No. of Shares Held
From	To		
285001	290000	1	285,900
290001	295000	2	588,108
295001	300000	2	600,000
300001	305000	3	908,375
305001	310000	2	612,000
315001	320000	2	636,000
330001	335000	1	334,500
345001	350000	1	350,000
350001	355000	1	350,043
360001	365000	1	365,000
365001	370000	3	1,100,121
370001	375000	1	373,251
380001	385000	2	769,032
390001	395000	1	393,587
395001	400000	1	400,000
405001	410000	1	410,000
430001	435000	1	435,000
440001	445000	1	443,707
450001	455000	1	454,355
490001	495000	1	490,565
495001	500000	9	4,495,330
500001	505000	3	1,507,775
520001	525000	1	524,000
530001	535000	1	531,945
535001	540000	1	537,500
545001	550000	1	550,000
595001	600000	3	1,800,000
610001	615000	1	611,913
625001	630000	1	625,775
650001	655000	1	652,250
670001	675000	1	672,076
685001	690000	1	688,270
695001	700000	1	695,500
740001	745000	1	741,575
795001	800000	1	800,000
800001	805000	1	802,500
820001	825000	1	820,093
850001	855000	1	852,635
950001	955000	1	953,029
995001	1000000	1	996,430
1005001	1010000	1	1,005,600
1010001	1015000	1	1,014,000
1015001	1020000	1	1,017,579
1225001	1230000	1	1,229,500
1250001	1255000	1	1,253,600
1305001	1310000	1	1,310,000
1415001	1420000	1	1,415,594
1495001	1500000	1	1,500,000
1560001	1565000	1	1,563,910
1575001	1580000	1	1,576,500
1600001	1605000	1	1,601,000
1650001	1655000	1	1,650,500
1900001	1905000	1	1,904,000
1915001	1920000	1	1,916,000

Pattern of Share-Holding

As at 31 December 2004



Size of Holding		No. of Shareholders	No. of Shares Held
From	To		
2260001	2265000	1	2,262,500
2355001	2360000	1	2,357,118
2395001	2400000	1	2,399,749
2535001	2540000	1	2,536,392
2615001	2620000	1	2,615,500
2630001	2635000	1	2,631,042
2755001	2760000	1	2,755,500
3085001	3090000	1	3,087,785
3275001	3280000	1	3,279,483
3355001	3360000	1	3,357,500
4050001	4055000	1	4,055,000
7860001	7865000	1	7,865,000
7875001	7880000	1	7,877,500
9505001	9510000	1	9,509,500
15950001	15955000	1	15,954,100
16760001	16765000	1	16,762,500
17580001	17585000	1	17,581,500
1043435001	1043440000	1	1,043,439,674
119995001	120000000	1	120,000,000
92365001	92370000	1	92,366,565
25645001	25650000	1	25,645,500
TOTAL		17,419	1,514,207,208

Shareholders Category	No. of Shareholders	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties	2	1,135,806,239	75.01
NIT and ICP	6	1,759,176	0.12
Directors, CEO and their Spouses and minor children	9	15,704	0.00
Executives	6	6,016	0.00
Public Sector Companies and Corporations	17	15,303,842	1.01
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	83	33,382,956	2.20
Others	267	219,430,301	14.49
Individuals	17,029	108,502,974	7.17
TOTAL	17,419	1,514,207,208	100.00



Pattern of Share-Holding Additional Information

As at 31 December 2004



Shareholders Category	No. of Shareholders	No. of Shares held	Percentage
Associated Companies, Undertakings and Related Parties:			
ICI Omicron B.V.	2	1,135,806,239	75.01
NIT and ICP:			
National Bank of Pakistan, Trustee Deptt. M/s. Investment Corporation of Pakistan		1,496,702 262,474	
	6	1,759,176	0.12
Directors, CEO and their spouse and minor children:			
Jonathan R Stoney		1	
Waqar Ahmed Malik		1	
David J Gee		1	
Fatehali Wali Muhammad Vellani		1,501	
Rafiq Akhund		1	
Tajammal Hussain Bokharee		1	
Mohammad Afzal Jamil		14,198	
	9	15,704	0.00
Executives	6	6,016	0.00
Public Sector Companies and Corporations	17	15,303,842	1.01
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	83	33,382,956	2.20
Others	267	219,430,301	14.49
Individuals	17,029	108,502,974	7.17
Total	17,419	1,514,207,208	100.00

Shareholders holding 10% or more voting interest

ICI Omicron B.V.	2	1,135,806,239
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Details of Trading in the share by Directors

Name	No. of Shares Purchased	Date of Purchase	Price per share
Tajammal Hussain Bokharee	1	22-07-2004	15.50
Mohammad Afzal Jamil	1	15-12-2004	11.75

Notice of Meeting



Notice is hereby given that the Seventh Annual General Meeting of PAKISTAN PTA LIMITED will be held on Tuesday, 26 April 2005 at 10:00 a.m. at ICI House, 5 West Wharf, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Balance Sheet and Profit & Loss Account together with the Directors' and Auditor's Reports for the year ended 31 December 2004.
2. To appoint Auditors and to fix their remuneration.
3. To elect eight Directors as fixed by the Board under Section 178(1) of the Companies Ordinance, 1984 in accordance with the provisions of the said Ordinance for a period of three years to commence from 23 June 2005.

The retiring Directors are Messrs Jonathan R Stoney, Waqar A Malik, David J Gee, F W Vellani, Rafiq Akhund, M Afzal Jamil and Tajammal Hussain Bokharae.

SPECIAL BUSINESS

4. To consider and if thought fit, to authorise the Company, subject to the approval of the Securities and Exchange Commission of Pakistan, to transmit its quarterly accounts by placing the same on its website.

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 meeting and containing a draft of the resolution to be passed in respect thereof as required by Section 164(1) of the Companies Ordinance 1984 is being sent to the members, along with a copy of this notice.

By Order of the Board

Tayaba Mazhar
Acting Company Secretary

24 February, 2005
Karachi

Notes:

1. The Register of Members and the Share Transfer Books of the Company will be closed from Wednesday, 20 April 2005 to Tuesday, 26 April 2005 (both days inclusive) for the purpose of the Annual General Meeting.
2. Only those persons whose names appear in the Register of Members of the Company as at 26 April 2005 are entitled to attend and participate in and vote at the Annual General Meeting.
3. 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 must be received at the Registered Office of the Company not less than 48 hours before the time of the holding of the Meeting.
4. An instrument of proxy applicable for the Meeting (in which you can direct the proxy how you wish him to vote) is being provided with the notice sent to Members.
5. Members are requested to notify immediately changes, if any, in their registered address.
6. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 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 National Identity Card (NIC) 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 NIC numbers shall be mentioned on the form.
 - iii) Attested copies of NIC 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 NIC 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.
7. Any person who seeks to contest the election of Directors shall file with the Company at its registered office not later than fourteen days before the above said meeting his / her intention to offer himself / herself for the election of the Directors in terms of Section 178 (3) of the Companies Ordinance, 1984 together with (A) consent in Form 28, (B) a Declaration with consent to Act as Directors in the prescribed form under clause (ii) of the Code of Corporate Governance, (C) a Declaration in terms of clause (iii) and (iv) of the Code of Corporate Governance.



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



The material facts concerning the business to be transacted at the Seventh Annual General Meeting of the Company to be held on Tuesday, 26 April 2005 at 10:00 a.m. at ICI House, 5 West Wharf, Karachi.

The Board of Directors of the Company has recommended that the quarterly accounts of the Company should be transmitted to the Members by placing the same on the website of the Company in terms of and in accordance with the requirements of Circular No. 19 of 2004 dated 14 April 2004 of the Securities and Exchange Commission of Pakistan, which transmittal will be treated as full compliance of the provisions of section 245 of the Companies Ordinance 1984. Such transmittal through the website is subject to requisite authorization being given by the Members and is subject to the approval of the Securities and Exchange Commission of Pakistan.

The Company maintains a website www.pakistanpta.com and intends to place its quarterly accounts on the website for the information of the Members and general public in terms of and in accordance with the aforesaid Circular. This will result in prompt disclosure of information to the Members besides saving of costs associated with printing and dispatch of the accounts by post. The Company will however, supply copies of the accounts to the stock exchanges in accordance with the Listing Regulations and to the Members on demand at their registered address free of charge, within one week of receiving such request.

Accordingly, it is proposed that the following resolution be passed as and by way of an ordinary resolution authorizing the transmittal of quarterly accounts through the Company's website:

“RESOLVED THAT subject to the approval of the Securities and Exchange Commission of Pakistan the Company be and is hereby authorized to transmit its quarterly accounts by placing the same on its website”.

