# Pakistan PTA Limited

ppta

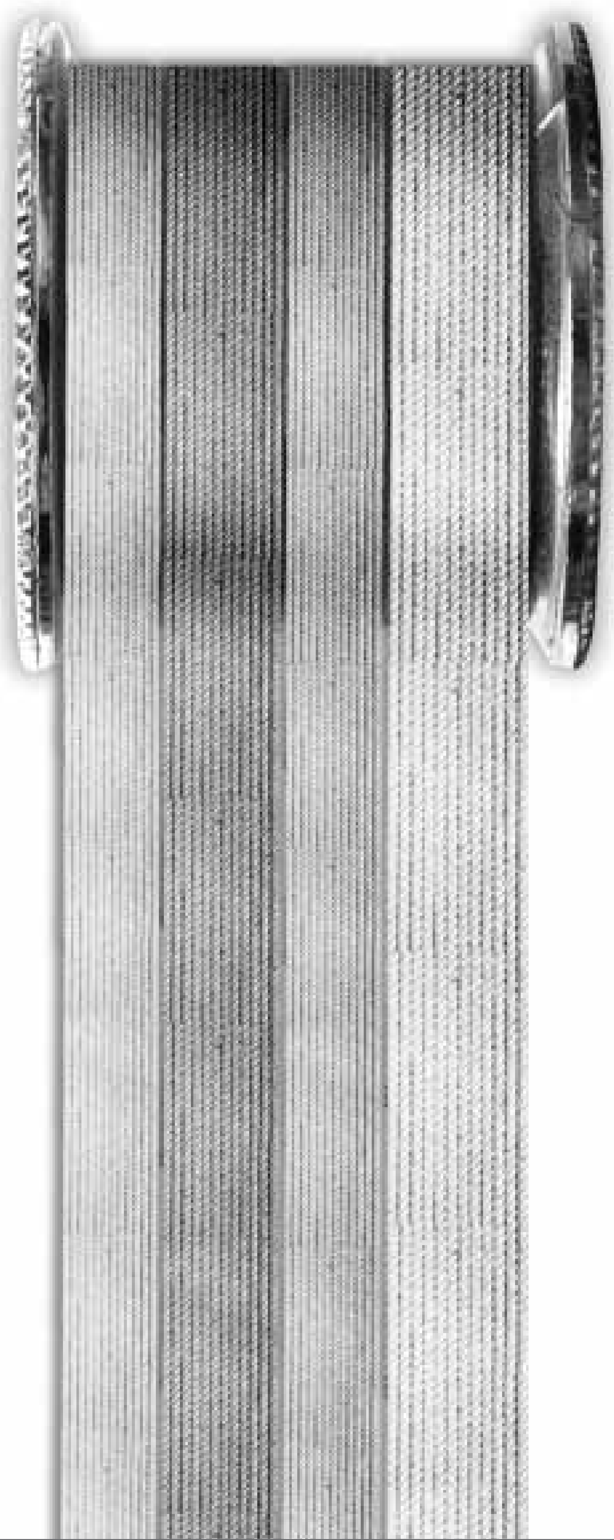
# ANNUAL REPORT 2006

THE PERFECT BOND

A member of the ICI Worldwide Group

ppta

# ANNUAL REPORT 2006



It is all about the synergy created by a bond that leads to success for all those who are attached to it. Pakistan PTA's success is attributable to its stakeholders - customers, suppliers, employees & the community who have worked together towards ensuring that the country's only producer of Pure Terephthalic Acid lives up to its name

A member of the ICI Worldwide Group

# MISSION STATEMENT

To be the supplier of choice to PTA Customers in Pakistan and to maximize long-term business value.

To achieve this, we must:

Demonstrate best practices in Safety, Health and the Environment and in our professional ethics.

Ensure that customers prefer our product over others because we are able to offer value, delivery, dependability, technical service, consistent quality and long term abiding relationship.

Always remain best in class in operating efficiencies and grow selectively by economically increasing our scale of operations in order to maximize value for our shareholders.

Recruit, develop and retain capable people who are aligned and motivated to deliver the mission.

# CONTENTS

# BOARD OF DIRECTORS


Waqar A Malik


M Afzal Jamil


Rafiq Akhund


David J Gee


F W Vellani


Ali A Aga


Philip Gillett


Tajammal Hussain Bokharee

# COMPANY INFORMATION

## Board of Directors
Waqar A Malik (Chairman)
M Afzal Jamil (appointed Chief Executive, w.e.f. 01 January 2007)
David J Gee
Rafiq Akhund
F W Vellani
Tajammal Hussain Bokharee
Philip Gillett
Ali A Aga (appointed w.e.f. 29 September 2006)

## Audit Committee of the Board
F W Vellani (Chairman)
Waqar A Malik
David J Gee
Philip Gillett (appointed member w.e.f. 28 February 2007)
Ali Aamir (by invitation)
Chief Internal Auditor (by invitation)
Group Internal Auditor (by invitation)

## Senior Remuneration Sub Committee of the Board
Waqar A Malik (Chairman)
David J Gee
F W Vellani (appointed member w.e.f. 27 April 2006)
M Afzal Jamil (by invitation)

## Shares Sub Committee of the Board
Waqar A Malik (Chairman)
F W Vellani

## Chief Financial Officer and Company Secretary
Ali Aamir

## Executive Management Team
M Afzal Jamil (Chief Executive)
Ali Aamir
Sohail S Qureshi
Asif Saad
Zeshan Taj Khan

## Bankers
ABN AMRO Bank NV
Askari Commercial Bank Limited
Citibank NA
Habib Bank Limited
HSBC Bank Plc
MCB Bank Limited (formerly Muslim Commercial Bank Limited)
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
The Hong Kong & Shanghai Banking Corporation Limited
United Bank Limited

## Auditors
KPMG Taseer Hadi & Co., Chartered Accountants

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

## Shares Registrar
Ferguson Associates (Pvt) Limited
State Life Building No. 2-A, 4th Floor,
I.I. Chundrigar Road, Karachi

*The Executive Management Team: ( L to R) Zeshan T Khan, Ali Aamir, M Afzal Jamil, Asif Saad and Sohail S Qureshi*

# REPORT OF THE DIRECTORS

**The Directors are pleased to present their report together with the audited financial statements of the Company for the year ended 31 December 2006.**

Mr M Afzal Jamil, Chief Operating Officer and Director of the Company, was appointed as Chief Executive of the Company with effect from 1 January 2007.

Mr Feroz Rizvi resigned as Director of the Company with effect from 29 September 2006 and Mr Ali A Aga was appointed Director on the same date for a term of 1 year and 9 months up to 22 June 2008 to fill the casual vacancy created on the Board by the resignation of Mr Feroz Rizvi.

# OVERVIEW

Crude oil (WTI) prices reached record levels in 2006, peaking at US$ 77.03 per barrel in July. Driven by strengthening upstream crude oil prices Paraxylene (Px) spot prices started to move upwards and touched US$ 1,600 per tonne CFR Taiwan in mid-August. A tight Px demand-supply balance in the Asian region also lent strength to spot Px prices, which continued to remain at high levels throughout Q2 and Q3. A retreat in crude oil prices, coupled with a general slowdown in the downstream PTA and polyester sectors in Q4, imparted a check to this rise, with Px spot prices at the year-end coming down to US$ 1,175 per tonne CFR Taiwan. Despite this adjustment in prices, availability remained an issue and Px producers continued to command premiums over the contract prices.

PTA demand recovered from a slump in Q1 due to a pick up in the Chinese polyester industry operating rates. Spot prices improved to US$ 970-975 per tonne CFR China in Q2, peaking at US$ 1,150 per tonne CFR China in Q3 due to strong downstream demand and the cost push effect of high Px prices. However, PTA spot prices started to decline in Q4 and came down to US$ 880 per tonne CFR China towards the end of the year due to softening of feedstock prices and growing resistance from the downstream polyester sector. As a result, PTA producers sought to manage the downward pressure on prices and margins through production cuts. Furthermore, new PTA plant start-ups in Asia totalling over 5 million tonnes of additional capacity created a demand-supply imbalance in the market, which was reflected in an overall decline in Asian PTA operating rates from approximately 94% in 2005 to 90% in 2006.

In the domestic downstream market, polyester staple fibre (PSF) operations were adversely impacted by PSF imports at dumping prices and unfavourable cotton-polyester economics. Prices for PSF, which rose to accommodate feedstock cost increases in Q2 & Q3 remained higher than cotton for a second year running despite an increase in cotton prices due to a lower than expected crop. Resultantly, demand for the man-made fibre remained low, as textile mills favoured the processing of cotton due to better economics. As a consequence, domestic PSF producers maintained lower than forecast operations through the year and closed the year at an average operating rate of 70% in 2006 compared to about 80% in 2005.

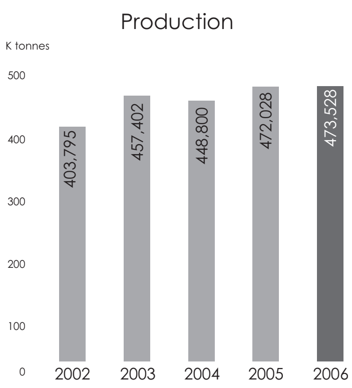
OUR CUSTOMERS

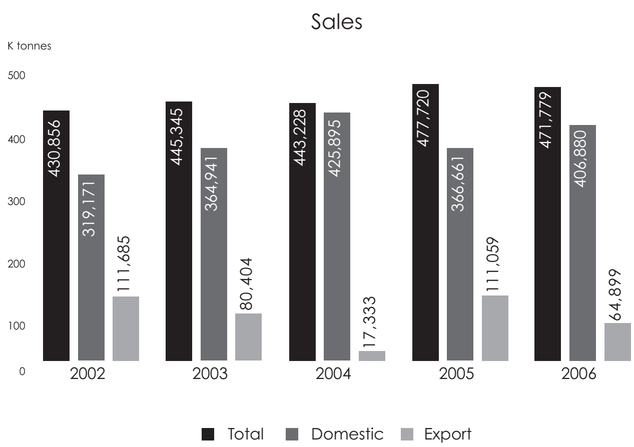
*We are because they are. Maintaining a relationship of quality in return for loyalty, their satisfaction is the driving force behind what we do*

# OPERATIONS

The plant operated satisfactorily throughout the year taking full benefit from the 59 tonnes per hour up rate project completed in 2005. Production of 473,528 tonnes was 1,500 tonnes higher than 2005 despite some interruptions in KESC power supply and the reduced rate plant operation in December 2006 due to depressed market conditions. Continued focus on implementation of energy conservation plans and annual technical development projects resulted in further improvement in conversion efficiencies, particularly electricity consumption and acetic acid conversion.

Sales volume for 2006 at 471,779 tonnes was marginally lower than last year, mainly due to lower exports. The domestic sales volume of 406,880 tonnes was, however, 11% higher than last year mainly due to strong marketing focus on the local industry. As a result, domestic sales accounted for 86% of total volume as compared to 77% in 2005. Additional PTA domestic sales in Q4 could not materialise due to unplanned delays in the start-up of a customer's new Polyethylene Terephthalate (PET) manufacturing facility. Your Company exported 64,899 tonnes of PTA in 2006.




## PROFIT, FINANCE & TAXATION

Net sales for the year were 10% higher than last year, mainly due to higher PTA prices and an improved domestic / export sales mix. However, gross profit for the year was 20% lower than last year mainly due to higher Px prices. As a result, PTA margin over Px reduced by 20% as compared to 2005.

As required under the revised International Accounting Standard 16, your Company re-assessed the estimated remaining useful lives of all items of plant and equipment in May 2006 through a United Kingdom based consultant. As a result, the estimated remaining useful lives of certain items of plant and equipment have exceeded the original estimates made when the plant was commissioned in 1998. Consequently, depreciation charge for the year ended 31 December 2006 is lower by Rs 305 million, as more fully explained in note 12.5 to the financial statements.

Distribution and selling expenses were 17% higher than last year mainly due to a provision for a trade related contingency. Administration expenses were higher by 4% over last year, mainly due to a severance payment.

Other operating income for the year was lower than last year mainly due to an insurance claim of Rs 226 million received in 2005 on account of the plant shutdown caused by a failure of the Process Air Compressor in October 2004. Other operating expenses were higher than last year mainly due to higher exchange losses of Rs 230 million as compared to Rs 43 million in 2005 relating mainly to translation of the US Dollar loans, exchange losses on the Pound Sterling denominated portion of a finance lease and normal trade related transactions.

Financial charges were higher than last year mainly due to the reversal of a provision of Rs 204 million in 2005 relating to withholding tax deductions on payment of interest on loans from a group company.

The tax charge is high in relation to the profit mainly because depreciation for tax purposes is significantly lower than the depreciation charged in the financial statements (arising from the time of your Company's demerger from ICI Pakistan Limited) and a prior year adjustment related to freight charges on export sales. After accounting for taxation charge of Rs 485 million, loss after taxation for the year amounted to Rs 120 million as compared to the profit after taxation of Rs 1,085 million in 2005. Accumulated loss as at 31 December 2006 therefore increased to Rs 9,258 million from Rs 8,948 million (restated) as at 31 December 2005.

Cash generated during the year enabled your Company to retire debt amounting to Rs 1,350 million and pay dividend amounting to Rs 186 million for the year ended 31 December 2005. Net debt as at 31 December 2006 amounted to Rs 6,738 million (31 December 2005: Rs 7,649 million).

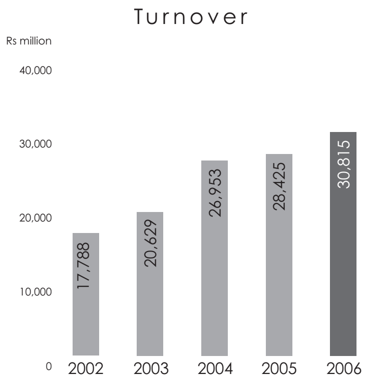
After subordination of the parent company's

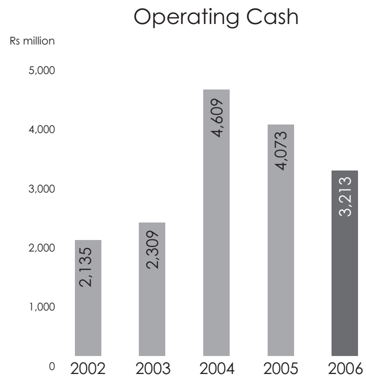
OUR SUPPLIERS

*Their professionalism and timely delivery of materials & services assure continuity of our operations. We have worked closely with our suppliers over the years to develop these key focus areas*

debt (Mortar loans) to the local lenders in September 2005, your Company's debt to equity ratio as at 31 December 2006 was comfortably placed well within the requirements of Prudential Regulations i.e. fund based exposure does not exceed 4 times of its equity. The current ratio at 0.86 was, however, still less than 1.0 mandated by the Prudential Regulations, for which appropriate waivers have been obtained from all the concerned local lenders.

During the year 2004, the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board issued IFRIC Interpretation 4 (IFRIC-4) "Determining whether an Arrangement contains a Lease". This interpretation is effective for financial periods beginning on or after 1 January 2006 and requires determination of whether an arrangement is, or contains a lease based on the substance of the arrangement. The Company reviewed various take or pay contracts executed in previous years and has determined that three contracts for the receipt and storage of Px (Contract 1), supply and storage of hydrogen and nitrogen gases (Contract 2) and supply of CMB catalyst (Contract 3), are to be recognised as leases in terms of IFRIC-4. Further, in accordance with IAS 17:Leases, Contract 1, Contract 3 and a part of Contract 2 relating to the manufacture of nitrogen have been recognised as operating leases, while the remaining part of Contract 2 relating to the hydrogen plant and the liquid nitrogen storage facility has been recognised as a finance lease with retrospective effect and comparative figures have been restated. The effect of these changes is stated in note 2.19 to the financial statements.



# CAPITAL EXPENDITURE

The capital expenditure programme for the year was aimed at maintaining plant reliability, improving asset availability, and enhancing conversion efficiencies. All capital projects progressed as per plan for final tie-ins and completion during the overhaul scheduled for Q1 2007. A number of energy conservation and variable cost savings projects commissioned in the last quarter of 2005 started to fully deliver projected savings in 2006.

As a part of your Company's strategy to enhance plant rate incrementally through economical capital additions, a Supplementary Process Air Compressor (SPAC) costing US$ 2 million is being installed to add a further 6,000 tonnes per annum to plant annual capacity. The SPAC will be commissioned in Q1 2007 after taking final tie-ins during the overhaul.

OUR EMPLOYEES

*Our employees take on challenges and continue to deliver beyond expectations. Their contributions to the Company's quest for achieving excellence in all its activities are a testament to their relentless efforts*

## HUMAN RESOURCES

Your Company continues to have very cordial relations with all its employees. The previous wage agreement with the CBA expired on 31 December 2006 and negotiations for a fresh settlement have been initiated.

Stability and sustainability were maintained in the organisational numbers through out 2006. Permanent staff strength at the year-end was 234.

## SOCIAL RESPONSIBILITY & COMMUNITY WORK

Your Company strongly believes in supporting organisations working for the social uplift of the local community.

An amount of Rs 1 million has been donated to various organisations working in the fields of health, education and social welfare. During the coming years there are plans to enhance the scope of this support for welfare activities.

Support for the Government Boys' School located at Ghaggar Phatak that had been adopted through the Sindh Education Foundation in 2004 continued during 2006. This year's programme included free of cost provision of schoolbooks to the students in all classes i.e., from class 6 to 10 and establishment of a school library. The library is being set up with the help of an NGO experienced in the field. The scope of work involves renovation of school facilities and room for library, provision of computers, including a selection of educational CDs and books. Relevant teacher training is also being planned to help the school make full use of the library. Your Company's employees are volunteering their time to assist in the accomplishment of these initiatives. Other improvement and welfare initiatives are also being considered for implementation in the coming year.

# SAFETY, HEALTH & ENVIRONMENT

Your Company continues to uphold the highest safety standards for its own employees as well as contractors' staff, which is evidenced by an excellent safety record spread over 8 years without a lost time injury. By the end of 2006, more than 23 million man-hours had been completed without a Lost Time Case. A number of external audits were carried out during the year to verify compliance with regulations, standards and procedures. These included Product Safety & Stewardship, Group Engineering Procedures (GEP), annual SSH&E Management audit, PNRA regulatory audit, and Insurance Asset Risk Survey. No major concerns were highlighted in these audits.

Liquid effluent met national environmental quality standards. Gaseous emissions were within regulatory limits and applicable guidelines.

OUR COMMUNITY

*Sharing our success with the community is what we believe in. We give them our support, they give us their trust*

# COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

The Directors are pleased to confirm that:

- 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 to the financial statements in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Accounting 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 upon 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 Listing Regulations.

Key historical data is given on page 48 of the Annual Report.

The value of investments made by the staff retirement funds as per their respective audited financial statements for the year ended 31 December 2005 is as follows:

Value (Rs '000)

| | | |
|---|---|---|
| 1 | Pakistan PTA Management Staff Provident Fund | 96,487 |
| 2 | Pakistan PTA Management Staff Pension Fund | 128,155 |
| 3 | Pakistan PTA Management Staff Gratuity Fund | 87,804 |
| 4 | Pakistan PTA Management Staff Defined Contribution Superannuation Fund | 55,548 |
| 5 | Pakistan PTA Non-Management Staff Provident Fund | 15,706 |
| 6 | Pakistan PTA Non-Management Staff Gratuity Fund | 5,362 |

A total of four meetings of the Board of Directors were held during the year, the details of which together with attendance by each Director, are as follows:

| | Date of Board of Directors' Meetings - 2006 | 28 Feb | 27 Apr | 24 Aug | 19 Oct |
|---|---|---|---|---|---|
| 1 | Mr Waqar A Malik | ✓ | ✓ | ✓ | ✓ |
| 2 | Mr M Afzal Jamil | ✓ | ✓ | ✓ | ✓ |
| 3 | Mr F W Vellani | ✓ | ✓ | ✓ | |
| 4 | Mr Rafiq Akhund | | ✓ | | ✓ |
| 5 | Mr Philip Gillett | | ✓ | ✓ | |
| 6 | Mr David J Gee | ✓ | ✓ | | ✓ |
| 7 | Mr Tajammal H Bokharee | ✓ | ✓ | ✓ | |
| 8 | Mr Feroz Rizvi* | ✓ | ✓ | ✓ | |
| 9 | Mr Ali A Aga | | | | ✓ |
| 10 | Mr David Whitewood** | | | ✓ | |

* Mr Feroz Rizvi, upon invitation from the Board of Directors of Pakistan PTA Limited, attended the Thirty-Second meeting of the Board of Directors held on 28 February 2006.

** Alternate Director to Mr David J Gee.

The pattern of shareholdings in the Company as at 31 December 2006, is given on page 49 of the Annual Report. ICI Omicron B.V., UK holds 75.01% shares, while the balance 24.99% shares are held by individuals and domestic and foreign institutions.

The Directors, Chief Executive and Chief Financial Officer and Company Secretary 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 Feroz Rizvi and one share to Mr Ali A Aga.

**IMPLEMENTATION OF SECTION 404 PROVISIONS OF THE SARBANES OXLEY ACT OF U.S.A.**

As reported in 2005, ICI Plc is listed on the New York Stock Exchange and it was therefore required to be compliant with provisions of the U.S. government promulgated Sarbanes Oxley Act, by 31 December 2006. Pursuant to ICI Group's strategy, your Company is pleased to report that it carried out a major exercise in this respect during the last two years. The final phase of this project that included testing the operational effectiveness of controls for the last quarter in 2006 was successfully completed. Internal audit testing reports are clean as all issues raised were remedied before the beginning of the quarter. No significant deficiencies have been reported by the external auditors in their reports of September and Q4 roll-over testing. Furthermore, the Company management has issued final sign-off documents to ICI Plc confirming that an adequate system of internal control over financial reporting has been designed and implemented, that it has been tested for operating effectiveness and that there are no issues, either individually or in aggregate, that could result in a misstatement of more than £5 million in the Company's financial statements.

**AUDITORS**

The present auditors KPMG Taseer Hadi & Co. retire and offer themselves for re-appointment. The Board recommends the appointment of KPMG Taseer Hadi & Co. as external auditors for the year ending 31 December 2007.

OUR PLANT

*Embodies our stakeholders aspirations*

## FUTURE OUTLOOK

It is expected that following the addition of the SPAC in Q1 2007, the plant operating rate will increase to 60 tonnes per hour.

Px prices in 2007 are expected to remain bullish aided by a tight demand-supply balance in Asia. This, coupled with new PTA plants expected to come on stream in Asia in Q1 & Q2 2007, is likely to erode PTA producers' margins.

In the domestic market, PSF producers operating rates will be dependant on the improvement in buying by the textile sector and cotton substitution economics. Should the local textile industry manage to recover from its current crisis, PTA demand by PSF and filament sectors will improve in the coming months. However, the improvement previously foreseen in the PET sector is now expected not earlier than end 2007, as a result of the delay in a customer's expansion project.

Your Company continues to believe that the existing level of PTA tariff is very important in order to continue to develop the textile-polyester-PTA chain in the country, recognise the high infrastructure and other costs of doing business in Pakistan and to compete with other countries in the region which enjoy tariff protection.

Waqar A Malik
*Chairman*

M Afzal Jamil
*Chief Executive*

Date 28 February 2007

# *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.

KPMG Taseer Hadi & Co.

Date:28 February 2007
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

**Pakistan PTA Limited**
EZ/1/P-4
Eastern Industrial Zone, Port Qasim
PO Box No 723, Karachi 74200
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**City Office**
3rd Floor, Bahria Complex II
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www.pakistanpta.com

# Statement of Compliance with the Code of Corporate Governance for the Year Ended 31 December 2006

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 seven 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 28th February 2006 and on 29th September 2006, which were filled up by the Directors on 28th February 2006 and on 29th September 2006, respectively.

5. The Company has prepared a 'Code of Business Ethics' under the title of 'The Way We Do Things Around Here', which has been regularly circulated within the Company since 2002 and is in the knowledge of the Company's directors and employees.

6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company at its meeting held on 25 February 2003, which are circulated to the employees of the Company every year. 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. 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. One course was arranged during the year for the Directors, and they are well conversant with their duties and responsibilities.

10. Mr Nasir Jamal resigned as Chief Internal Auditor of the Company on 15 September 2006 and the Board appointed M/s Ford Rhodes Sidat Hyder & Co., a member firm of Ernst & Young Global Limited as Internal Auditor of the Company with effect from that date. No new appointments have been made during the year for Chief Financial Officer and Company Secretary.

# Statement of Compliance with the Code of Corporate Governance for the Year Ended 31 December 2006

11. The Directors' report for the year ended 31 December 2006 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.

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 four 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, comprising of three and two non-executive Directors respectively.

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 outsourced 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 and they are involved in the internal audit function on a full time basis.

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

**Waqar A Malik**
*Chairman*

Date: 28 February 2007

**M Afzal Jamil**
*Chief Executive*

# Auditors' Report to the Members

We have audited the annexed balance sheet of **Pakistan PTA Limited** as at 31 December 2006 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 specified in note 2.19 to the 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, 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 2006 and of the loss, 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.

KPMG Taseer Hadi & Co.

Date: 28 February 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

## *Balance Sheet as at 31 December 2006*

Amounts in Rs '000

| | Note | 2006 | 2005 (Restated) |
|---|---|---|---|
| **Share Capital and Reserves** | | | |
| Authorised capital 2,000,000,000 (2005: 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 | | **(9,257,751)** | (8,948,198) |
| **Total Equity** | | **5,886,666** | 6,196,219 |
| **Non-Current Liabilities** | | | |
| Long-term loan | 5 | **686,114** | 2,024,022 |
| Liability against assets subject to finance lease | 6 | **533,767** | 491,965 |
| Deferred liability | 7 | **3,836** | 2,906 |
| **Total Non-Current Liabilities** | | **1,223,717** | 2,518,893 |
| **Current Liabilities** | | | |
| Trade and other payables | 8 | **4,895,839** | 3,800,007 |
| Accrued mark-up on loans | 9 | **274,458** | 224,495 |
| Taxation payable | | **56,047** | 147,882 |
| Unclaimed dividend | | **3,063** | - |
| Short-term financing | 10 | **4,148,823** | 3,780,645 |
| Current portion of : | | | |
| long-term loan | 5 | **1,372,228** | 1,349,348 |
| liability against assets subject to finance lease | 6 | **54,983** | 35,357 |
| **Total Current Liabilities** | | **10,805,441** | 9,337,734 |
| **Contingencies and Commitments** | 11 | | |
| **Total Equity and Liabilities** | | **17,915,824** | 18,052,846 |

The annexed notes 1 to 44 form an integral part of these financial statements.

# Balance Sheet
# as at 31 December 2006

Amounts in Rs '000

| | Note | 2006 | 2005 (Restated) |
|---|---|---|---|
| **Non-Current Assets** | | | |
| Property, Plant and Equipment | 12 | **11,704,801** | 12,757,340 |
| Long-Term Loans and Advances | 13 | **30,581** | 27,508 |
| Long-Term Deposits and Prepayments | 14 | **40,662** | 74,221 |
| Deferred Tax Asset - net | 15 | **149,764** | 159,214 |
| **Total Non-Current Assets** | | **11,925,808** | 13,018,283 |
| **Current Assets** | | | |
| Stores and spares | 16 | **528,687** | 539,847 |
| Stock-in-trade | 17 | **3,703,077** | 2,835,633 |
| Trade debts | 18 | **804,809** | 1,118,691 |
| Loans and advances | 19 | **29,605** | 30,505 |
| Deposits and short-term prepayments | 20 | **170,171** | 242,550 |
| Other receivables | 21 | **695,964** | 235,184 |
| Cash and bank balances | 22 | **57,703** | 32,153 |
| **Total Current Assets** | | **5,990,016** | 5,034,563 |
| **Total Assets** | | **17,915,824** | 18,052,846 |

**Waqar A Malik**
*Chairman*

**M Afzal Jamil**
*Chief Executive*

## *Profit and Loss Account*
## *for the Year Ended 31 December 2006*

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Amounts in Rs '000

| | Note | **2006** | 2005 (Restated) |
|---|---|---|---|
| Turnover | 23 | **30,815,350** | 28,424,844 |
| Sales tax, commission and discounts | 24 | **(2,253,411)** | (2,472,915) |
| Net sales | | **28,561,939** | 25,951,929 |
| Cost of sales | 25 | **(26,325,613)** | (23,171,139) |
| Gross profit | | **2,236,326** | 2,780,790 |
| Distribution and selling expenses | 26 | **(215,572)** | (183,083) |
| Administration expenses | 27 | **(180,002)** | (173,145) |
| Other operating income | 28 | **84,175** | 299,427 |
| Other operating expenses | 29 | **(289,431)** | (161,400) |
| | | **(600,830)** | (218,201) |
| | | **1,635,496** | 2,562,589 |
| Financial charges | 30 | **(1,270,819)** | (1,096,436) |
| Profit before taxation | | **364,677** | 1,466,153 |
| Taxation | 31 | **(485,030)** | (381,228) |
| (Loss) / profit after taxation | | **(120,353)** | 1,084,925 |
| | | **Rupees** | |
| (Loss) / earnings per share - basic and diluted | 32 | **(0.08)** | 0.72 |

The annexed notes 1 to 44 form an integral part of these financial statements.

Waqar Ahmad Malik

**Waqar A Malik**
*Chairman*

M. A. Jamil

**M Afzal Jamil**
*Chief Executive*

# *Cash Flow Statement for the Year Ended 31 December 2006*

Amounts in Rs '000

| | 2006 | 2005 (Restated) |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Profit before taxation | **364,677** | 1,466,153 |
| Adjustments for: | | |
| Depreciation | **1,372,015** | 1,648,722 |
| Loss on sale / retirement of property, plant and equipment | **24,372** | 19 |
| Provision for staff retirement benefit scheme - unfunded | **999** | 882 |
| Provision for contingency | **90,000** | - |
| Financial charges | **1,270,819** | 1,096,436 |
| Unrealised exchange loss / (gain) | **180,223** | (9,573) |
| | **3,303,105** | 4,202,639 |
| Movement in: | | |
| Working capital | **75,882** | (30,196) |
| Long-term loans and advances | **(3,073)** | (4,623) |
| Long-term deposits and prepayments | **(458)** | 91 |
| | **72,351** | (34,728) |
| Cash generated from operations | **3,375,456** | 4,167,911 |
| (Payments) / refunds for: | | |
| Financial charges | **(1,163,951)** | (1,848,447) |
| Staff retirement benefit scheme - unfunded | **(69)** | (47) |
| Taxation | **(567,415)** | 47,643 |
| | **(1,731,435)** | (1,800,851) |
| Net cash generated from operating activities | **1,644,021** | 2,367,060 |
| **Cash Flows from Investing Activities** | | |
| Payments for capital expenditure | **(347,073)** | (300,108) |
| Proceeds from sale of property, plant and equipment | **3,225** | 12 |
| Net cash used in investing activities | **(343,848)** | (300,096) |
| Net cash flows before financing activities | **1,300,173** | 2,066,964 |

# *Cash Flow Statement for the Year Ended 31 December 2006*

Amounts in Rs '000

| | **2006** | 2005 (Restated) |
|---|---|---|
| **Cash Flows from Financing Activities** | | |
| Long-term loan repayments (net of borrowings) | **(1,349,910)** | (1,340,493) |
| Payments for liability against assets subject to finance lease | **(42,651)** | (19,301) |
| Dividend paid | **(186,137)** | - |
| Net cash used in financing activities | **(1,578,698)** | (1,359,794) |
| Net (decrease) / increase in cash and cash equivalents | **(278,525)** | 707,170 |
| Cash and cash equivalents at 1 January | **31,980** | (675,190) |
| Cash and cash equivalents at 31 December | **(246,545)** | 31,980 |
| **Movement in Working Capital** | | |
| (Increase) / decrease in current assets: | | |
| Stores and spares | **11,160** | (13,235) |
| Stock-in-trade | **(867,444)** | 1,194,918 |
| Trade debts | **313,882** | (613,890) |
| Loans and advances | **900** | 10,177 |
| Deposits and short-term prepayments | **72,332** | (88,381) |
| Other receivables | **(460,780)** | (136,178) |
| | **(929,950)** | 353,411 |
| Increase / (decrease) in current liabilities: | | |
| Trade and other payables | **1,005,832** | (261,900) |
| Short term loans | **-** | (121,707) |
| | **1,005,832** | (383,607) |
| | **75,882** | (30,196) |
| **Cash and Cash Equivalents** | | |
| Cash and cash equivalents include: | | |
| Cash and bank balances - note 22 | **57,703** | 32,153 |
| Running finance - note 10 | **(304,248)** | (173) |
| | **(246,545)** | 31,980 |

The annexed notes 1 to 44 form an integral part of these financial statements.

**Waqar A Malik**
*Chairman*

**M Afzal Jamil**
*Chief Executive*

# Statement of Changes in Equity for the Year Ended 31 December 2006

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Amounts in Rs '000

| | Issued, subscribed and paid-up capital | Capital reserves | Accumulated loss | Total |
|---|---|---|---|---|
| **Balance as on 1 January 2005 as originally stated** | 15,142,072 | 2,345 | (9,756,765) | **5,387,652** |
| Effect of the change in accounting policy - note 2.19 | - | - | (276,358) | **(276,358)** |
| **Balance as on 1 January 2005 - restated** | 15,142,072 | 2,345 | (10,033,123) | **5,111,294** |
| Profit for the year ended 31 December 2005 | - | - | 1,084,925 | **1,084,925** |
| **Balance as on 31 December 2005 - restated** | 15,142,072 | 2,345 | (8,948,198) | **6,196,219** |
| Dividend @ Rs 0.50 per share relating to 2005 paid in June 2006 - note 41 | - | - | (189,200) | **(189,200)** |
| Loss for the year ended 31 December 2006 | - | - | (120,353) | **(120,353)** |
| **Balance as on 31 December 2006** | **15,142,072** | **2,345** | **(9,257,751)** | **5,886,666** |

The annexed notes 1 to 44 form an integral part of these financial statements.

**Waqar A Malik**
*Chairman*

**M Afzal Jamil**
*Chief Executive*

## 1. STATUS AND NATURE OF BUSINESS

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 (the Ordinance) and the directives issued by the SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) 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 differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

### 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain items of operating property, plant and equipment have been included at revalued amounts and certain exchange elements have been incorporated in the cost of the relevant operating property, plant and equipment upto 04 July 2004.

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management that may have a significant risk of material adjustment to the financial statements in subsequent years are discussed in note 40.

### 2.3 Staff retirement benefits

*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 approved funded defined benefit pension scheme for all management staff who joined the Company before 01 May 2004.

The Company also has an unfunded medical scheme to provide post retirement medical benefits to members of its pension fund.

Contributions to all schemes are made every month on the basis of recommendations of the actuary and in line with the provisions of the Income Tax Ordinance, 2001. Actuarial valuations of these schemes are carried out at the end of every year. The valuation uses the "Projected Unit Credit" method. Actuarial gains and losses are amortised over the expected future service of current members.

*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 also operates a defined contribution superannuation fund for its management staff, who joined the Company on or after 01 May 2004 and for those who opted out of the defined benefit pension scheme. Contributions are made at the rate of 10.6 percent of basic salary of the members of the fund.

**2.4 Dividend**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved.

**2.5 Taxation**

*Current*

Provision for current taxation is based on taxable income at the rates enacted or substantively enacted at the balance sheet date after taking into account available tax credits and rebates, if any. The charge includes an adjustment relating to taxation payable in prior years.

*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 for the following temporary differences: 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 by the reporting 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.

**2.6 Property, plant and equipment and depreciation**

Operating property, plant and equipment, except for rolling stock and vehicles, are stated at revalued amounts less accumulated depreciation and impairment losses (if any). Rolling stock and vehicles are stated at cost less accumulated depreciation. Cost of certain items of operating property, plant and equipment 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.

Renewals and improvements are included in an asset's carrying amount or 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 income during the financial period in which they are incurred.

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, from the date the asset is available for use. The revalued amount of leasehold land is amortised in equal instalments over the lease period. The net exchange differences included in cost of assets upto 04 July 2004 are amortised in equal instalments over remaining useful lives of the assets.

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.

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

**2.7 Stores and spares**

Stores and spares are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

**2.8 Stock-in-trade**

Stock-in-trade is valued at the lower of weighted 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.

**2.9 Trade debts and other receivables**

Trade debts are recognised initially at fair value plus directly attributable cost (if any) and subsequently measured at amortised cost less provision for impairment, if any.

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

**2.10 Foreign currency transactions**

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

Monetary assets and liabilities in foreign currencies at balance sheet date are translated into Pak Rupees at exchange rates ruling on that date.

In respect of foreign currency loans obtained for acquisition of operating property, plant and equipment, the exchange differences on principal amount upto 04 July 2004 were included in the cost of relevant operating property, plant and equipment. All exchange differences, effective 05 July 2004, are taken to the profit and loss account, due to amendments in the Fourth Schedule to the Ordinance.

**2.11 Revenue recognition**

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. Profit on short term deposits is accounted for on time-apportioned basis on the principal outstanding and at the rate applicable.

**2.12 Cash and cash equivalents**

Cash and cash equivalents comprise of cash in hand, deposit 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 losses**

The carrying amounts of the Company's assets, other than stores and spares, stock in trade and deferred tax assets, are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

**2.14 Provisions**

A provision is recognised in the balance sheet when the Company has a 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 can be made of the amount of obligation.

**2.15 Financial liabilities**

All financial liabilities are initially recognised at fair value plus directly attributable cost (if any) and subsequently measured at amortised cost.

**2.16 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 amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

**2.17 Finance lease**

Leases of property, plant and equipment where the Company assumes substantially all of the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets subject to finance lease are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease less accumulated depreciation and impairment losses (if any). The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of liability. Assets acquired under a finance lease are depreciated on straight line basis over the term of the lease.

**2.18 Operating leases**

Payments made under operating leases are recognised in the profit and loss account over the term of the leases.

**2.19 Change in accounting policy**

During the year 2004, the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board issued IFRIC Interpretation 4 (IFRIC-4) “Determining Whether an Arrangement Contains a Lease”. IFRIC-4 is effective for financial periods beginning on or after 1 January 2006 and requires determination of whether an arrangement is, or contains a lease based on the substance of the arrangement.

The Company reviewed various take or pay contracts executed in previous years and has determined that three contracts for the receipt and storage of paraxylene (Contract 1), supply of hydrogen and nitrogen gases (Contract 2) and supply of CMB catalyst (Contract 3) are to be recognised as leases in terms of IFRIC 4. Further, in accordance with IAS 17: Leases, Contracts 1 and 3 and a part of Contract 2 relating to the manufacture of nitrogen have been recognised as operating leases while the remaining part of Contract 2 relating to the hydrogen plant and liquid nitrogen storage facility has been recognised as a finance lease retrospectively and comparative figures have been restated.

Amounts in Rs ‘000

The resulting adjustments are as follows:

| **Effect on Profit and Loss Account** | **2006** | 2005 |
|---|---|---|
| Decrease in raw and packing materials consumed | **(142,964)** | (136,567) |
| Increase/(decrease) in other operating expenses (represents exchange (gain)/loss) | **81,238** | (57,377) |
| Increase in financial charges | **124,393** | 117,266 |
| Increase in depreciation on property, plant and equipment | **26,370** | 26,370 |
| | **89,037** | (50,308) |
| (Decrease)/increase in income tax expense | **(34,483)** | 14,535 |
| Decrease/(increase) in profit | **54,554** | (35,773) |

The change did not have a material effect on earnings per share.

| **Effect on Balance Sheet** | | |
|---|---|---|
| Increase in net book value of operating property, plant and equipment - note 12.2 | **162,612** | 188,982 |
| Increase in current liabilities - liability against assets subject to finance lease - note 6 | **54,983** | 35,357 |
| Increase in non-current liabilities - liability against assets subject to finance lease - note 6 | **533,767** | 491,965 |

Amounts in Rs '000

**Effect on Accumulated Loss prior to 1 January 2005**

| | |
|---|---|
| Decrease in raw and packing materials consumed | (713,172) |
| Increase in other operating expenses | 299,140 |
| Increase in financial charges | 622,488 |
| Increase in depreciation on property, plant and equipment | 180,192 |
| | 388,648 |
| Decrease in income tax expense | (112,290) |
| Increase in accumulated loss | 276,358 |

## 3. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

| | **2006** | 2005 |
|---|---|---|
| 504,735,636 (2005: 504,735,636) ordinary shares of Rs 10 each fully paid-up issued pursuant to the Scheme for consideration other than cash - note 3.1 | **5,047,356** | 5,047,356 |
| 1,009,471,572 (2005: 1,009,471,572) ordinary shares of Rs 10 each fully paid-up in cash | **10,094,716** | 10,094,716 |
| | **15,142,072** | 15,142,072 |

**3.1** With effect from 01 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 High Court of Sindh.

**3.2** ICI Omicron B.V., UK, which is a wholly owned subsidiary of Imperial Chemical Industries PLC, UK, held 1,135,806,239 (2005: 1,135,806,239) ordinary shares of Rs 10 each at 31 December 2006.

## 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.

## 5. LONG-TERM LOAN - Unsecured

| Lender | Instalments payable | Interest rate | Repayment period | 2006 | 2005 |
|---|---|---|---|---|---|
| Consortium of Banks USD 33.729 million (31 December 2005: USD 56.216 million) | half-yearly | 6.6% per annum & 0.525% per annum above 6 months LIBOR | 1998-2008 | **2,058,342** | 3,373,370 |
| Less: Current portion shown under current liabilities | | | | **(1,372,228)** | (1,349,348) |
| | | | | **686,114** | 2,024,022 |

Amounts in Rs '000

## 6. LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | 31 December 2006 | | | 31 December 2005 | | |
|---|---|---|---|---|---|---|
| | **Minimum lease payments** | **Financial charges for future periods** | **Principal outstanding** | Minimum lease payments | Financial charges for future periods | Principal outstanding |
| Not later than one year | **164,184** | **109,201** | **54,983** | 134,182 | 98,825 | 35,357 |
| Later than one year and not later than five years | **656,736** | **293,210** | **363,526** | 548,522 | 296,719 | 251,803 |
| Later than five years | **191,549** | **21,308** | **170,241** | 295,930 | 55,768 | 240,162 |
| | **848,285** | **314,518** | **533,767** | 844,452 | 352,487 | 491,965 |
| | **1,012,469** | **423,719** | **588,750** | 978,634 | 451,312 | 527,322 |

## 7. DEFERRED LIABILITY

| | **2006** | 2005 |
|---|---|---|
| Provision for pensioners' medical scheme - unfunded | **3,836** | 2,906 |

### 7.1 Staff Retirement Benefits

| | 2006 | | | | 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Funded** | | | **Unfunded** | Funded | | | Unfunded |
| | **Pension** | **Gratuity** | **Total** | | Pension | Gratuity | Total | |
| **Movement in the liability for defined benefit obligations** | | | | | | | | |
| Balances as at 1 January | **89,239** | **61,008** | **150,247** | **4,236** | 80,805 | 49,756 | 130,561 | 3,662 |
| Benefits paid by the plan | **(71,514)** | **(9,332)** | **(80,846)** | **(69)** | (7,100) | (1,578) | (8,678) | (47) |
| Current service costs | **3,395** | **6,059** | **9,454** | **473** | 4,493 | 5,533 | 10,026 | 428 |
| Interest cost | **5,864** | **6,087** | **11,951** | **453** | 7,316 | 4,634 | 11,950 | 344 |
| Termination cost | **34,284** | **(5,893)** | **28,391** | - | 6,760 | 201 | 6,961 | 26 |
| Actuarial (gains) losses recognised in equity | **(6,158)** | **(2,373)** | **(8,531)** | **541** | (3,035) | 2,462 | (573) | (177) |
| Liability for defined benefit obligations at 31 December | **55,110** | **55,556** | **110,666** | **5,634** | 89,239 | 61,008 | 150,247 | 4,236 |
| **Movement in plan assets** | | | | | | | | |
| Fair value of plan assets at 1 January | **135,446** | **95,890** | **231,336** | **-** | 97,820 | 66,084 | 163,904 | - |
| Contributions paid into the plan | **505** | **3,671** | **4,176** | **69** | 3,338 | 6,116 | 9,454 | 47 |
| Benefits paid by the plan | **(71,514)** | **(9,332)** | **(80,846)** | **(69)** | (7,100) | (1,578) | (8,678) | (47) |
| Expected return on plan assets | **10,872** | **10,040** | **20,912** | **-** | 9,080 | 6,461 | 15,541 | - |
| Actuarial (losses) gains recognised in equity | **(14,343)** | **(2,888)** | **(17,231)** | **-** | 32,308 | 18,807 | 51,115 | - |
| Fair value of plan assets at 31 December | **60,966** | **97,381** | **158,347** | **-** | 135,446 | 95,890 | 231,336 | - |
| **Actual return on plan assets** | **(3,471)** | **7,152** | **3,681** | - | 41,388 | 25,268 | 66,656 | - |
| **Reconciliation** | | | | | | | | |
| Fair value of plan assets at 31 December | **60,966** | **97,381** | **158,347** | **-** | 135,446 | 95,890 | 231,336 | - |
| Liability for defined benefit obligation at 31 December | **(55,110)** | **(55,556)** | **(110,666)** | **(5,634)** | (89,239) | (61,008) | (150,247) | (4,236) |
| Funded status | **5,856** | **41,825** | **47,681** | **(5,634)** | 46,207 | 34,882 | 81,089 | (4,236) |
| Unrecognised net (gains) | **(32,865)** | **(17,253)** | **(50,118)** | **1,798** | (59,591) | (21,740) | (81,331) | 1,330 |
| Recognised (liability) asset | **(27,009)** | **24,572** | **(2,437)** | **(3,836)** | (13,384) | 13,142 | (242) | (2,906) |
| **Expenses recognised in profit and loss account** | | | | | | | | |
| Current service costs | **3,395** | **6,059** | **9,454** | **473** | 4,493 | 5,533 | 10,026 | 428 |
| Interest on obligation | **5,864** | **6,087** | **11,951** | **453** | 7,316 | 4,634 | 11,950 | 344 |
| Expected return on plan assets | **(10,872)** | **(10,040)** | **(20,912)** | - | (9,080) | (6,461) | (15,541) | - |
| Actuarial (gains) losses recognised during the period | **(18,541)** | **(3,972)** | **(22,513)** | **73** | (2,665) | (326) | (2,991) | 84 |
| Termination cost | **34,284** | **(5,893)** | **28,391** | - | 6,760 | 201 | 6,961 | 26 |
| Contributions by ICI Pakistan Limited | **(505)** | **(313)** | **(818)** | - | - | - | - | - |
| Expenses recognised in profit and loss account | **13,625** | **(8,072)** | **5,553** | **999** | 6,824 | 3,581 | 10,405 | 882 |

Amounts in Rs '000

| | 2006 | | | | 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | Funded | | | Unfunded | Funded | | | Unfunded |
| | Pension | Gratuity | Total | | Pension | Gratuity | Total | |
| **Recognised (Liability) / Asset** | | | | | | | | |
| Recognised (Liability) / Asset at 1 January | **(13,384)** | **13,142** | **(242)** | **(2,906)** | (9,898) | 10,607 | 709 | (2,071) |
| Expenses recognised in profit and loss account | **(13,625)** | **8,072** | **(5,553)** | **(999)** | (6,824) | (3,581) | (10,405) | (882) |
| Company contributions | **-** | **3,358** | **3,358** | **69** | 3,338 | 6,116 | 9,454 | 47 |
| | **(27,009)** | **24,572** | **(2,437)** | **(3,836)** | (13,384) | 13,142 | (242) | (2,906) |
| **Fund investment** | | | | | | | | |
| Government bonds | **22,921** | **35,834** | **58,755** | | 39,062 | 32,880 | 71,942 | |
| Other bonds | **4,296** | **2,880** | **7,176** | | 4,190 | 1,836 | 6,026 | |
| Shares | **3,404** | **21,893** | **25,297** | | 50,364 | 29,044 | 79,408 | |
| Unit trusts | **30,374** | **36,273** | **66,647** | | 37,002 | 22,363 | 59,365 | |
| Cash | **65** | **301** | **366** | | 4,828 | 9,767 | 14,595 | |
| Creditors | **(94)** | **200** | **106** | | - | - | - | |
| Total | **60,966** | **97,381** | **158,347** | | 135,446 | 95,890 | 231,336 | |
| Debt | **44%** | **40%** | **42%** | | 32% | 36% | 34% | |
| Equity | **6%** | **22%** | **16%** | | 37% | 30% | 34% | |
| Mixed funds | **50%** | **37%** | **42%** | | 27% | 24% | 26% | |
| Cash (including creditors) | **0%** | **1%** | **0%** | | 4% | 10% | 6% | |

| **Actuarial assumptions** | **2006** | 2005 |
|---|---|---|
| Discount rate at 31 December | **11%** | 10.78% |
| Expected return on plan assets | **11%** | 10.78% |
| Future salary increases | **8.89%** | 8.66% |
| Medical cost trend rate | **5.71%** | 5.5% |
| Future pension increases | **6.0%** | 6.0% |

The Company is not expected to contribute to the pension and gratuity funds in 2007. The Company amortises gains and losses over the expected remaining service of current plan members.

**Historical information**

| | **2006** | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|---|
| Present value of the defined benefit obligation | **116,300** | 154,483 | 134,223 | 150,176 | 127,200 |
| Fair value of plan assets | **158,347** | 231,336 | 163,904 | 166,998 | 116,669 |
| Surplus / (deficit) in the plan | **42,047** | 76,853 | 29,681 | 16,822 | (10,531) |

These figure are based on the latest actuarial valuation carried out as at 31 December 2006.

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

**7.3** The Company's contribution towards the provident fund for the year ended 31 December 2006 amounted to Rs 9.019 million (2005: Rs 9.748 million) and towards the defined contribution superannuation fund amounted to Rs 7.448 million (2005: Rs 7.224 million).

Amounts in Rs '000

| | | 2006 | 2005 |
|---|---|---|---|
| **8.** | **TRADE AND OTHER PAYABLES** | | |
| | Trade creditors including bills payable - note 8.1 & 8.2 | **3,943,974** | 2,799,050 |
| | Accrued expenses | **739,412** | 625,857 |
| | Contractors' earnest / retention money | **682** | 747 |
| | Freight payable | **43,245** | 36,692 |
| | Advances from customers | - | 208,684 |
| | Provision for workers' profit participation fund - note 8.3 | **19,848** | 76,334 |
| | Provision for workers' welfare fund - note 8.4 | **17,674** | 28,897 |
| | Provision for contingency | **90,000** | - |
| | Payable to staff retirement benefit fund | **27,009** | 13,384 |
| | Others | **13,995** | 10,362 |
| | | **4,895,839** | 3,800,007 |

**8.1** Trade creditors include Rs 194.202 million (2005: Rs 53.586 million) payable to ICI Pakistan Limited.

**8.2** Trade creditors including bills payable includes discounts payable of Rs 978.592 million (2005: Rs 339.531 million) which were previously netted off from trade debts. These have been reclassified for improved presentation.

**8.3 Reconciliation of provision for workers' profit participation fund**

| | 2006 | 2005 |
|---|---|---|
| Balance as on 1 January | **76,334** | 73,872 |
| Allocation for the year - note 29 | **19,879** | 76,334 |
| Interest on funds utilised at 11.5% (2005: 11.5%) per annum - note 30 | **747** | 5,609 |
| Amount paid to the fund | **(77,112)** | (79,481) |
| Balance as at 31 December | **19,848** | 76,334 |

**8.4** The charge has been calculated at the rate of 2% of taxable income.

**9. ACCRUED MARK-UP ON LOANS**

| | 2006 | 2005 |
|---|---|---|
| Short-term finance | **208,086** | 131,667 |
| Long-term loan | **66,372** | 92,828 |
| | **274,458** | 224,495 |

**10. SHORT-TERM FINANCING**

| | 2006 | 2005 |
|---|---|---|
| **Associated Company** | | |
| Mortar Investments International Limited USD 63 million (31 December 2005: USD 63 million) unsecured - note 10.1 | **3,844,575** | 3,780,472 |
| **Others** | | |
| Running finance under mark-up arrangements - note 10.2 | **304,248** | 173 |
| | **4,148,823** | 3,780,645 |

**10.1** These are short-term loans from a Group Company maturing in six months and carry interest at the rate of 1 percent per annum above six months LIBOR. These loans have been subordinated to financing from banks in Pakistan.

**10.2** The facilities for Running Finance available from various banks amounted to Rs 2,305 million (2005: Rs 2,855 million) and carried mark-up rates ranging from 1 month KIBOR plus 0.50 percent per annum to 3 months KIBOR plus 0.75 percent per annum. These facilities were secured by Joint Pari-Passu Hypothecation Agreement over all the present and future stocks and book debts of the Company.

Amounts in Rs '000

**10.3** Foreign currency import finance facilities available against trust receipts from various banks, amounted to USD 15 million (2005: USD 15 million) and carried mark-up rates ranging from 0.50 percent per annum above matching tenor LIBOR. The total amount utilised under these facilities as at 31 December 2006 amounted to USD Nil (2005: USD Nil).

**10.4** Foreign currency export finance facility available from a local bank amounted to USD 10 million (2005: USD 10 million) and carried mark-up rate at 0.5 percent per annum above matching tenor LIBOR. This facility was secured by Joint Pari-Passu Hypothecation Agreement over all the present and future stocks and book debts of the Company. The amount utilised under this facility as at 31 December 2006 amounted to USD Nil (2005: USD Nil).

## 11. CONTINGENCIES AND COMMITMENTS

**11.1** Commitments in respect of capital expenditure - Rs 67.144 million (2005: Rs 49.116 million).

**11.2** Commitments for rentals under operating lease agreements in respect of vehicles are as follows:

| Year | **2006** | 2005 |
|---|---|---|
| 2006 | - | 11,510 |
| 2007 | **10,889** | 9,837 |
| 2008 | **10,028** | 8,597 |
| 2009 | **5,166** | 3,410 |
| 2010 | **1,035** | - |
| | **27,118** | 33,354 |

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

| Year | | |
|---|---|---|
| 2006 | - | 779,931 |
| 2007 | **791,467** | 732,426 |
| 2008 | **716,946** | 657,462 |
| 2009 | **643,025** | 589,119 |
| 2010 | **598,763** | 548,493 |
| 2011 | **557,575** | 510,691 |
| 2012 | **450,428** | 412,201 |
| 2013 | **2,771** | 12,961 |
| | **3,760,975** | 4,243,284 |

**11.4** ICI Pakistan Limited has issued a guarantee in respect of operational obligations of the Company amounting to Rs 2,550 million (2005: Rs 2,640 million) against which the Company has issued a counter guarantee to ICI Pakistan Limited.

**11.5** Outstanding guarantees and letters of credit as at 31 December 2006 were Rs 480 million (2005: Rs 290 million) and Rs 1,352 million (2005: Rs 680 million), respectively.

**11.6** Claims against the Company not acknowledged as debt - Rs Nil (2005: Rs 15.297 million).

## 12. PROPERTY, PLANT AND EQUIPMENT

| 12.1 | | | |
|---|---|---|---|
| **12.1** | Net book value of operating property, plant and equipment - note 12.2 | **11,484,539** | 12,722,392 |
| | Capital work in progress - note 12.8 | **220,262** | 34,948 |
| | | **11,704,801** | 12,757,340 |

Amounts in Rs '000

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

**2006**

| | **Cost and revaluation at 1 January 2006** | **Additions & adjustments / (deletions)** | **Cost and revaluation at 31 December 2006** | **Accumulated depreciation at 1 January 2006** | **Charge for the year / (accumulated depreciation on deletions)** | **Accumulated depreciation at 31 December 2006** | **Book value at 31 December 2006** | **Depreciation rate on original cost and revaluation %** |
|---|---|---|---|---|---|---|---|---|
| Leasehold land | 181,313 | - | 181,313 | 27,181 | 3,626 | 30,807 | **150,506** | 2 |
| Buildings on leasehold land | 675,661 | 261<br>(4,857) | 671,065 | 302,220 | 45,038<br>(377) | 346,881 | **324,184** | 6.67 |
| Plant and machinery | 23,258,611 | 148,429<br>4,858<br>(56,754) | 23,355,144 | 11,305,244 | 1,280,995<br>358<br>(29,847) | 12,556,750 | **10,798,394** | 5 - 6.67 |
| Rolling stock and vehicles | 47,382 | 5,052<br>(1)<br>(1,284) | 51,149 | 45,442 | 934<br>-<br>(937) | 45,439 | **5,710** | 25 |
| Furniture and equipment | 373,682 | 8,017<br>-<br>(2,213) | 379,486 | 323,152 | 15,052<br>19<br>(1,870) | 336,353 | **43,133** | 10-33 |
| Plant and machinery subject to finance lease | 395,543 | - | 395,543 | 206,561 | 26,370 | 232,931 | **162,612** | 6.67 |
| | 24,932,192 | 161,759<br>(60,251) | 25,033,700 | 12,209,800 | 1,372,015<br>(32,654) | 13,549,161 | **11,484,539** | |

2005

| | Cost and revaluation at 1 January 2005 | Additions & adjustments / (deletions) | Cost and revaluation at 31 December 2005 | Accumulated depreciation at 1 January 2005 | Charge for the year / (accumulated depreciation on deletions) | Accumulated depreciation at 31 December 2005 | Book value at 31 December 2005 | Depreciation rate on original cost and revaluation % |
|---|---|---|---|---|---|---|---|---|
| Leasehold land | 181,313 | - | 181,313 | 23,555 | 3,626 | 27,181 | 154,132 | 2 |
| Buildings on leasehold land | 675,543 | 118 | 675,661 | 256,923 | 45,297 | 302,220 | 373,441 | 6.67 |
| Plant and machinery | 22,854,182 | 404,429 | 23,258,611 | 9,748,165 | 1,557,079 | 11,305,244 | 11,953,367 | 6.67 |
| Rolling stock and vehicles | 46,788 | 594 | 47,382 | 44,633 | 809 | 45,442 | 1,940 | 25 |
| Furniture and equipment | 364,041 | 9,677<br>(36) | 373,682 | 307,616 | 15,541<br>(5) | 323,152 | 50,530 | 10-33 |
| Plant and machinery subject to finance lease | 395,543 | - | 395,543 | 180,191 | 26,370 | 206,561 | 188,982 | 6.67 |
| | 24,517,410 | 414,818<br>(36) | 24,932,192 | 10,561,083 | 1,648,722<br>(5) | 12,209,800 | 12,722,392 | |

**12.3** During the year, additions to plant and machinery include engineering spares capitalised amounting to Rs Nil (2005: Rs 47.679 million).

**12.4** As at 30 September 2003 leasehold land, buildings and furniture & equipment 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.

**12.5 Useful life of property, plant and equipment**

During May 2006, the remaining useful lives of the Company's plant and machinery were reviewed by an independent evaluator, SHM Smith Hodgkinson, UK. 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 June 2006 |
| 84 % of plant and machinery | 7 | 12 |
| 16 % of plant and machinery | 7 | 7 |

Amounts in Rs '000

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

| | 2006 | 2007 | 2008 | 2009 | 2010 | Later |
|---|---|---|---|---|---|---|
| Decrease in depreciation charge (Rs 'million) | 305.438 | 523.608 | 523.608 | 523.608 | 523.608 | 1,309.020 |

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

| | **2006** | 2005 |
|---|---|---|
| Leasehold land | **75,647** | 77,469 |
| Buildings on leasehold land | **462,986** | 533,597 |
| Plant and machinery | **11,790,584** | 13,011,182 |
| Furniture and equipment | **44,752** | 44,541 |
| | **12,373,969** | 13,666,789 |

**12.7** The following operating property, plant and equipment were disposed of / retired during the year:

| | **Cost** | **Accumulated depreciation** | **Net book value** | **Sale proceeds** | **Particulars of buyers** |
|---|---|---|---|---|---|
| **Plant and equipment** | 58,967 | 31,717 | 27,250 | - | Obsolete items - scrapped |
| **Rolling stock and vehicles** | | | | | |
| Sold by auction | | | | | |
| Toyota Corolla | 754 | 754 | - | 560 | Mr Javed Iqbal, Karachi |
| Toyota Corolla | 162 | 122 | 40 | 565 | Mr Mohammad Adnan Siddiqui, Karachi |
| Mercedes Benz | 368 | 61 | 307 | 2,100 | M/s Mughals Imperial Pvt. Ltd, Karachi |
| | 1,284 | 937 | 347 | 3,225 | |
| **2006** | **60,251** | **32,654** | **27,597** | **3,225** | |
| 2005 | 36 | 5 | 31 | 12 | |

**12.8 Capital work-in-progress**

| | **2006** | 2005 |
|---|---|---|
| Civil works and buildings | **464** | 218 |
| Plant and machinery | **109,964** | 32,721 |
| Advances to suppliers | **109,834** | 2,009 |
| | **220,262** | 34,948 |

**12.9 Capital work-in-progress - movement**

| | **2006** | 2005 |
|---|---|---|
| Opening balance | **34,948** | 101,980 |
| Capital expenditure | **347,073** | 300,108 |
| Transferred to property, plant and equipment | **(161,759)** | (367,140) |
| Closing balance | **220,262** | 34,948 |

Amounts in Rs '000

**13. LONG-TERM LOANS AND ADVANCES - considered good**

| | 2006 | | | | 2005 |
|---|---|---|---|---|---|
| | Motor car | House building assistance | Others | Total | |
| Due from executives - note 13.1 | 7,697 | 9,754 | 838 | **18,289** | 17,139 |
| Less: Receivable within one year - note 19 | (6,763) | (4,274) | (838) | **(11,875)** | (6,011) |
| | 934 | 5,480 | - | **6,414** | 11,128 |
| Due from employees | | | 25,691 | **25,691** | 21,414 |
| Less: Receivable within one year - note 19 | | | (1,524) | **(1,524)** | (5,034) |
| | | | 24,167 | **24,167** | 16,380 |
| | | | 24,167 | **30,581** | 27,508 |
| Outstanding for periods - less than three years | | | | **14,376** | 14,230 |
| - three years and above | | | | **16,205** | 13,278 |
| | | | | **30,581** | 27,508 |

**13.1 Reconciliation of carrying amount of loans to executives**

| | 2006 | | | 2005 |
|---|---|---|---|---|
| | Key management personnel | Executives | Total | |
| Balance at the beginning of the year | 2,437 | 14,188 | **16,625** | 17,992 |
| Disbursements | 3,035 | 10,999 | **14,034** | 16,162 |
| Repayments | (1,750) | (10,620) | **(12,370)** | (17,015) |
| Balance at the end of the year | 3,722 | 14,567 | **18,289** | 17,139 |

**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 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 Operating Officer, Directors and Executives at the end of any month during the year was Rs Nil, Rs Nil and Rs 45.578 million (2005: Rs 0.163 million, Rs Nil and Rs 27.118 million) respectively.

**13.4 Outstanding loans to key management personnel**

| Key management personnel | Outstanding loan | Maturity date | Particulars of collateral / security held |
|---|---|---|---|
| Ali Aamir | 1,234 | April - 2008 | Nil - as per terms of employment |
| Asif Saad | 2,488 | August - 2009 | Nil - as per terms of employment |
| | 3,722 | | |

Amounts in Rs '000

| | 2006 | 2005 |
|---|---|---|
| **14. LONG-TERM DEPOSITS AND PREPAYMENTS** | | |
| Deposits - note 14.1 | **40,624** | 40,204 |
| Prepayments | **38** | 34,017 |
| | **40,662** | 74,221 |

**14.1** This includes Rs 14.418 million (2005: Rs 14.418 million) paid to Pakistan Steel Mills Corporation for emergency back-up supply of water and Rs 24.272 million (2005: Rs 24.272 million) paid to Karachi Electric Supply Corporation.

**15. DEFERRED TAX ASSET - net**

Debit balance arising in respect of:

| | 2006 | 2005 |
|---|---|---|
| Difference in accounting and tax base of operating property, plant and equipment acquired after 1 October 2000 | **(77,037)** | 17,460 |
| Finance lease asset | **132,238** | 97,755 |
| Provisions | **94,563** | 43,999 |
| Total debit balance in respect of deferred taxation | **149,764** | 159,214 |

**15.1 Deferred taxation - movement**

| | Balance 01 Jan 2005 | Recognised in profit and loss account for the year 2005 | Balance 31 Dec 2005 | Recognised in profit and loss account for the year 2006 | Balance 31 Dec 2006 |
|---|---|---|---|---|---|
| Difference in accounting and tax base of operating property, plant and equipment acquired after 1 October 2000 | 100,435 | (82,975) | 17,460 | (94,497) | (77,037) |
| Finance lease asset | 112,290 | (14,535) | 97,755 | 34,483 | 132,238 |
| Provisions | 106,656 | (62,657) | 43,999 | 50,564 | 94,563 |
| | **319,381** | **(160,167)** | **159,214** | **(9,450)** | **149,764** |

| | 2006 | 2005 |
|---|---|---|
| **16. STORES AND SPARES** | | |
| Stores | **62,607** | 75,589 |
| Spares | **469,484** | 467,662 |
| | **532,091** | 543,251 |
| Less: Provision for impairment (i.e. obsolete, slow moving and rejected items) | **(3,404)** | (3,404) |
| | **528,687** | 539,847 |
| **17. STOCK-IN-TRADE** | | |
| Raw and packing materials (include in-transit Rs 297.550 million; 2005: Rs 74.429 million) | **1,702,130** | 1,180,314 |
| Finished goods | **2,000,947** | 1,655,319 |
| | **3,703,077** | 2,835,633 |
| **18. TRADE DEBTS** | | |
| Considered good - secured | **804,809** | 1,118,691 |

**18.1** Trade debts include aggregate amount of Rs 168.974 million (2005: Rs 193.655 million) due from ICI Pakistan Limited.

**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 857.856 million (2005: Rs 372.075 million).

**18.3** All of the Company's debts are secured by letters of credit issued by various banks.

Amounts in Rs '000

| | | 2006 | 2005 |
|---|---|---|---|
| **19.** | **LOANS AND ADVANCES - considered good** | | |
| | Loans due from: | | |
| | Executives - note 13 | **11,875** | 6,011 |
| | Employees - note 13 | **1,524** | 5,034 |
| | | **13,399** | 11,045 |
| | Advances to: | | |
| | Executives | **191** | 1,447 |
| | Employees | **786** | 926 |
| | Contractors and suppliers | **15,229** | 17,087 |
| | | **16,206** | 19,460 |
| | | **29,605** | 30,505 |

**19.1** The maximum aggregate amount of advances due from the Chief Operating Officer, Directors and Executives at the end of any month during the year was Rs Nil, Rs Nil and Rs 1.539 million (2005: Rs Nil, Rs Nil and Rs 2.084 million) respectively.

**19.2** The maximum aggregate amount of advances due from Shell Pakistan Limited, a related party, at the end of any month during the year was Rs 0.014 million (2005: Rs 0.014 million).

## 20. DEPOSITS AND SHORT-TERM PREPAYMENTS

| | 2006 | 2005 |
|---|---|---|
| Deposits | **2,051** | 2,521 |
| Margin on import letters of credit | **6,474** | 22,881 |
| Short-term prepayments - note 20.1 | **161,646** | 217,148 |
| | **170,171** | 242,550 |

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

## 21. OTHER RECEIVABLES

| | 2006 | 2005 |
|---|---|---|
| Tariff adjustment claim receivable from KESC | **124,048** | 124,048 |
| Sales tax refundable under sections 10 and 66 of Sales Tax Act, 1990 | **10,133** | 10,133 |
| Sales tax receivable | **194,037** | 119,516 |
| Octroi refundable | **1,947** | 1,947 |
| Insurance claims | **11,318** | 1,072 |
| Rebates receivable | **444,419** | 78,987 |
| Receivable from staff retirement benefit funds | **24,572** | 13,142 |
| Others | **11,485** | 12,334 |
| | **821,959** | 361,179 |
| Less: Provisions for doubtful receivables | **(125,995)** | (125,995) |
| | **695,964** | 235,184 |

## 22. CASH AND BANK BALANCES

| | 2006 | 2005 |
|---|---|---|
| Current accounts | **53,103** | 28,218 |
| Cash in hand | **4,600** | 3,935 |
| | **57,703** | 32,153 |

## 23. TURNOVER

Turnover includes export sales amounting to Rs 3,237.559 million (2005: Rs 5,253.972 million).

Amounts in Rs '000

| | | **2006** | 2005 |
|---|---|---|---|
| **24.** | **SALES TAX, COMMISSION AND DISCOUNTS** | | |
| | Sales tax - note 24.1 | - | 999,750 |
| | Commission and discounts | **2,253,411** | 1,473,165 |
| | | **2,253,411** | 2,472,915 |

**24.1** The Company's sales have been zero rated with effect from 05 May 2005 as per SRO 363 (I)/2005.

| | | **2006** | 2005 |
|---|---|---|---|
| **25.** | **COST OF SALES** | | |
| | Raw and packing materials consumed: | | |
| | Opening stock | **1,180,314** | 2,357,794 |
| | Purchases | **23,829,045** | 18,270,474 |
| | Closing stock | **(1,702,131)** | (1,180,314) |
| | | **23,307,228** | 19,447,954 |
| | Salaries, wages and benefits - note 25.1 | **224,972** | 235,151 |
| | Stores and spares consumed | **116,830** | 134,678 |
| | Rent, rates and taxes | **519** | 162 |
| | Insurance | **212,528** | 200,116 |
| | Oil, gas and electricity | **1,235,877** | 1,138,248 |
| | Printing and stationery | **1,446** | 1,640 |
| | Communications | **3,234** | 4,800 |
| | Travelling expenses | **31,104** | 31,809 |
| | Depreciation - note 12.2 | **1,372,015** | 1,648,722 |
| | Repairs and maintenance | **140,928** | 282,458 |
| | General expenses | **24,560** | 27,963 |
| | Cost of goods manufactured | **26,671,241** | 23,153,701 |
| | Opening stock of finished goods | **1,655,319** | 1,672,757 |
| | | **28,326,560** | 24,826,458 |
| | Closing stock of finished goods | **(2,000,947)** | (1,655,319) |
| | | **26,325,613** | 23,171,139 |

**25.1** Salaries, wages and benefits include Rs 15.555 million (2005: Rs 19.370 million) in respect of staff retirement benefits.

| | | **2006** | 2005 |
|---|---|---|---|
| **26.** | **DISTRIBUTION AND SELLING EXPENSES** | | |
| | Salaries and benefits - note 26.1 | **30,524** | 29,297 |
| | Repairs and maintenance | **52** | 75 |
| | Advertising and sales promotion expenses | **258** | 553 |
| | Lighting, heating and cooling | **107** | 97 |
| | Outward freight and handling charges | **78,903** | 137,693 |
| | Travelling expenses | **6,294** | 7,686 |
| | Postage, telegram, telephone and telex | **1,234** | 1,962 |
| | Provision for contingency - note 26.2 | **90,000** | - |
| | General expenses | **8,200** | 5,720 |
| | | **215,572** | 183,083 |

**26.1** Salaries and benefits include Rs 2.067 million (2005: Rs 2.661 million) in respect of staff retirement benefits.

**26.2** This represents a provision made as a matter of abundant caution in respect of a trade related contingency.

Amounts in Rs '000

| | | 2006 | 2005 |
|---|---|---|---|
| **27.** | **ADMINISTRATION EXPENSES** | | |
| | Salaries and benefits - note 27.1 | **96,223** | 80,731 |
| | Repairs and maintenance | **8,183** | 8,061 |
| | Advertising | **1,633** | 1,182 |
| | Rent, rates and taxes | **16,660** | 9,725 |
| | Lighting, heating and cooling | **161** | 146 |
| | Travelling expenses | **8,702** | 10,725 |
| | Postage, telegram, telephone and telex | **5,019** | 5,210 |
| | Service charges - note 27.2 | **4,999** | 17,003 |
| | General expenses | **38,422** | 40,362 |
| | | **180,002** | 173,145 |

**27.1** Salaries and benefits include Rs 5.478 million (2005: Rs 6.228 million) in respect of staff retirement benefits.

**27.2** This represents amounts charged by ICI Pakistan Limited on commercial basis for certain administrative services rendered by it to the Company under a Service Level Agreement.

| | | 2006 | 2005 |
|---|---|---|---|
| **28.** | **OTHER OPERATING INCOME** | | |
| | Insurance claim | - | 225,822 |
| | Scrap sales | **22,776** | 8,103 |
| | Pre-shipment inspection charges refunded | - | 6,680 |
| | Agency commission / income from swap transaction | **59,914** | - |
| | Exchange gain | - | 57,377 |
| | Others | **1,485** | 1,445 |
| | | **84,175** | 299,427 |
| **29.** | **OTHER OPERATING EXPENSES** | | |
| | Auditors' remuneration - note 29.1 | **2,249** | 1,871 |
| | Donations - note 29.2 | **985** | 5,500 |
| | Exchange loss | **229,670** | 42,892 |
| | Loss on sale / retirement of operating property, plant and equipment | **24,372** | 19 |
| | Workers' profit participation fund | **19,879** | 76,334 |
| | Workers' welfare fund | **12,276** | 28,897 |
| | Others | - | 5,887 |
| | | **289,431** | 161,400 |
| **29.1** | **Auditors' remuneration** | | |
| | Audit fee | **450** | 438 |
| | Certifications including half year review, group reporting and SOX documentation review | **1,733** | 1,374 |
| | Out of pocket expenses | **66** | 59 |
| | | **2,249** | 1,871 |

**29.2** Recipients of donations do not include any donee in whom any director or their spouse had any interest. Donations include Rs 0.191 million (2005: Rs 0.050 million) paid for community services.

Amounts in Rs '000

| | | 2006 | 2005 |
|---|---|---|---|
| **30.** | **FINANCIAL CHARGES** | | |
| | Mark-up on short-term financing - note 30.1 | **301,651** | 86,133 |
| | Interest on long-term loan | **147,369** | 192,125 |
| | Discounting charges on receivables | **621,908** | 596,944 |
| | Guarantee fee | **36,527** | 56,586 |
| | ECGD commission | **34,065** | 34,065 |
| | Interest on workers' profit participation fund - note 8.3 | **747** | 5,609 |
| | Interest on finance lease - note 30.2 | **124,393** | 117,266 |
| | Others | **4,159** | 7,708 |
| | | **1,270,819** | 1,096,436 |

**30.1** This includes reversal of provision during the year of Rs Nil (2005: Rs 204.225 million) in respect of withholding tax to be deducted on payment of interest on loans from Mortar Investments International Limited (Mortar).

**30.2** This includes contingent rent of Rs 27.375 million (2005: Rs 22.624 million) recognised as an expense during the year.

| | | 2006 | 2005 |
|---|---|---|---|
| **31.** | **TAXATION** | | |
| | Current | | |
| | - for the year | **341,089** | 410,900 |
| | Prior year | | |
| | - charge | **134,491** | 1,784 |
| | - turnover tax adjustment | **-** | (191,623) |
| | | **134,491** | (189,839) |
| | Deferred | **9,450** | 160,167 |
| | | **485,030** | 381,228 |
| **31.1** | **Reconciliation of income tax expense for the year** | | |
| | Profit before tax | **364,677** | 1,466,153 |
| | Applicable tax rate | **35%** | 35% |
| | Tax calculated at the applicable tax rate | **127,637** | 513,153 |
| | Tax effect of : | | |
| | - income chargeable to tax at reduced rate | **17,905** | (47,843) |
| | - deferred tax asset not recognised in previous years | **-** | (196,464) |
| | - turnover tax adjustment | **-** | (191,623) |
| | - tax impact of initial difference between carrying value and tax base of property, plant & equipment - note 31.2 | **246,443** | 329,337 |
| | - prior year tax charge | **115,420** | - |
| | - others | **(22,375)** | (25,332) |
| | | **485,030** | 381,228 |

**31.2** The unamortised balance of the initial difference between carrying value and tax base of property, plant and equipment as at 31 December 2006 evaluated at the current tax rate, amounts to Rs 2,190 million (2005: Rs 2,436 million).

Amounts in Rs ‘000

31.3 The Income Tax Appellate Tribunal (ITAT) vide order no ITA.No.111/KB/2006 dated 20 April 2006 has set aside the Taxation Officer's assessment order for the assessment year 2002-2003 (income year ending 31 December 2001) whereby the assessing officer has been directed to re-examine the issue of allocation of cost of goods sold to exports sales, strictly in accordance with Rule 16 of the Income Tax Rules, 1982. No provision has been made in these financial statements for the potential liability of Rs 741.273 million since the ITAT's decision upholds the Company's view on allocation of cost of goods sold to export sales.

## 32. (LOSS) / EARNINGS PER SHARE - basic and diluted

| | 2006 | 2005 |
|---|---|---|
| (Loss) / profit after taxation for the year | **(120,353)** | 1,084,925 |
| | **Number of shares** | |
| Weighted average ordinary shares in issue during the year | **1,514,207,208** | 1,514,207,208 |
| | **Rupees** | |
| (Loss) / earnings per share | **(0.08)** | 0.72 |

## 33. REMUNERATION OF DIRECTORS AND EXECUTIVES

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

| | Chief Executive / Chief Operating Officer | | Directors | | Executives | |
|---|---|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 | **2006** | 2005 |
| Fee | - | - | **53** | 90 | - | - |
| Managerial remuneration | **7,708** | 8,542 | **1,200** | 5,748 | **72,809** | 85,343 |
| Retirement benefits | **602** | 1,051 | - | 539 | **11,103** | 14,923 |
| Group insurance | **32** | 31 | - | 17 | **351** | 352 |
| Rent and house maintenance | **1,590** | 2,122 | - | 1,024 | **20,607** | 21,099 |
| Utilities | **446** | 454 | - | 256 | **4,840** | 5,200 |
| Medical expenses | **82** | 69 | - | 35 | **3,089** | 2,764 |
| | **10,460** | 12,269 | **1,253** | 7,709 | **112,799** | 129,681 |
| Number of persons | **1** | 2 | **2** | 3 | **51** | 59 |

33.1 The Chief Operating Officer and certain Executives are provided with free use of Company cars in accordance with their entitlements.

Amounts in Rs '000

## 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 management personnel and staff retirement funds. The prices of these transactions are determined on a commercial basis, where applicable. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

| | 2006 | 2005 |
|---|---|---|
| **Associates** | | |
| Sale of goods, materials and services | **5,586,539** | 5,227,899 |
| Purchase of goods | **15,175** | 18,977 |
| Financial charges to group companies | **274,616** | 226,708 |
| Purchase of services | **8,320** | 25,236 |
| Loans received from group companies | - | 1,074,468 |
| Loans paid to group companies | - | 1,196,174 |
| Receivable from associates | **168,974** | 193,655 |
| Payable to associates | **388,247** | 166,973 |
| **Others** | | |
| Payments to staff retirement benefit funds | **19,906** | 27,321 |
| Receivable from staff retirement benefit funds | **24,572** | 13,142 |
| Payable to staff retirement benefit funds | **27,009** | 13,384 |

### 34.1 Transactions with key management personnel

Loans to key management personnel as at 31 December 2006 amounted to Rs 3.722 million (31 December 2005: Rs 2.433 million) and are included in "loans and advances". No interest is payable on these loans.

Key management personnel receive compensation in the form of remuneration and short-term benefits of Rs 30.869 million (2005: Rs 36.549 million), Company maintained cars of Rs 5.384 million (2005: Rs 4.132 million) and post-employment benefits of Rs 2.294 million (2005: Rs 4.539 million).

## 35. CAPACITY AND PRODUCTION - in metric tonnes

| | 2006 | 2005 |
|---|---|---|
| Annual name plate capacity | **472,028** | 457,402 |
| Production | **473,528** | 472,028 |

## 36. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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 | | | | | | | | Non-Interest / Mark-up bearing Sub Total | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Effective interest / mark-up rates % | Maturity in one year or less | Maturity in more than one year but not more than two years | Maturity in more than two year but not more than three years | Maturity in more than three year but not more than four years | Maturity in more than four year but not more than five years | Maturity in more than five years | Sub Total | | |
| | | | | | | **2006** | | | | |
| **Financial Assets** | | | | | | | | | | |
| Loans and advances | | - | - | - | - | - | - | - | 60,186 | 60,186 |
| Deposits | 5.0 | 24,272 | - | - | - | - | - | 24,272 | 24,877 | 49,149 |
| Trade debts | | - | - | - | - | - | - | - | 804,809 | 804,809 |
| Other receivables | | - | - | - | - | - | - | - | 615,842 | 615,842 |
| Cash and bank balances | | - | - | - | - | - | - | - | 57,703 | 57,703 |
| **As at 31 December 2006** | | 24,272 | - | - | - | - | - | 24,272 | 1,563,417 | 1,587,689 |
| **Financial Liabilities** | | | | | | | | | | |
| Trade and other payables | | - | - | - | - | - | - | - | 3,789,725 | 3,789,725 |
| Accrued mark-up on loans | | - | - | - | - | - | - | - | 274,458 | 274,458 |
| Short-term financing | | | | | | | | | | |
| - Running finance | 10.1 | 304,248 | - | - | - | - | - | 304,248 | - | 304,248 |
| - Short-term loans | 6.5 | 3,844,575 | - | - | - | - | - | 3,844,575 | - | 3,844,575 |
| Long-term loan | 5.2 - 6.6 | 1,372,228 | 686,114 | - | - | - | - | 2,058,342 | - | 2,058,342 |
| Liability against assets subject to finance lease | 18.9 - 20.3 | 54,983 | 66,609 | 80,696 | 97,767 | 118,454 | 170,241 | 588,750 | - | 588,750 |
| **As at 31 December 2006** | | **5,576,034** | **752,723** | **80,696** | **97,767** | **118,454** | **170,241** | **6,795,915** | **4,064,183** | **10,860,098** |
| | | | | | | 2005 (Restated) | | | | |
| **Financial Assets** | | | | | | | | | | |
| Loans and advances | | - | - | - | - | - | - | - | 58,013 | 58,013 |
| Deposits | 5.0 | 24,272 | - | - | - | - | - | 24,272 | 41,334 | 65,606 |
| Trade debts | | - | - | - | - | - | - | - | 1,118,691 | 1,118,691 |
| Other receivables | | - | - | - | - | - | - | - | 229,583 | 229,583 |
| Cash and bank balances | | - | - | - | - | - | - | - | 32,153 | 32,153 |
| As at 31 December 2005 | | 24,272 | - | - | - | - | - | 24,272 | 1,479,774 | 1,504,046 |
| **Financial Liabilities** | | | | | | | | | | |
| Trade and other payables | | - | - | - | - | - | - | - | 3,694,776 | 3,694,776 |
| Accrued mark-up on loans | | - | - | - | - | - | - | - | 224,495 | 224,495 |
| Short-term financing | | | | | | | | | | |
| - Running finance | 9.61 | 173 | - | - | - | - | - | 173 | - | 173 |
| - Short-term loans | 5.37 | 3,780,472 | - | - | - | - | - | 3,780,472 | - | 3,780,472 |
| Long-term loan | 4.2 - 6.6 | 1,349,348 | 1,349,348 | 674,674 | - | - | - | 3,373,370 | - | 3,373,370 |
| Liability against assets subject to finance lease | 18.9 - 20.3 | 35,357 | 45,722 | 55,389 | 67,103 | 83,589 | 240,162 | 527,322 | - | 527,322 |
| As at 31 December 2005 | | 5,165,350 | 1,395,070 | 730,063 | 67,103 | 83,589 | 240,162 | 7,681,337 | 3,919,271 | 11,600,608 |

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 counter parties failed to perform as contracted. To reduce exposure to credit risk, substantially all the 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:

| | 2006 | 2005 |
|---|---|---|
| Public Sector | | |
| - Government | **14,518** | 14,618 |
| - Utilities | **966** | 25,301 |
| | **15,484** | 39,919 |
| Private Sector | | |
| - Institutional | **150** | 150 |
| - Trade | **1,275,775** | 1,218,352 |
| - Utilities | **24,272** | - |
| - Banks | **6,474** | 22,881 |
| - Others | **206,854** | 192,538 |
| | **1,513,525** | 1,433,921 |
| | **1,529,009** | 1,473,840 |

## 39. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions in / based on currencies 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. ACCOUNTING ESTIMATES AND JUDGEMENTS

**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 law, the difference between the potential and actual tax charge, if any, will be shown as a contingent liability.

**Defined benefit plans**

The Company has adopted certain actuarial assumptions as disclosed in note 7 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets, based on actuarial advice. Any changes in the assumptions in future years would affect the amount of unrecognised gains and losses in those years.

**Operating property, plant and equipment**

The estimates for revalued amounts of different classes of operating property, plant and equipment, are based on the valuation performed by external professional valuers and recommendations of technical teams of the Company. The said recommendations also include estimates in respect of residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years would affect the carrying amounts of the respective items of operating property, plant and equipment with a corresponding affect on the depreciation charge and impairment losses, as disclosed in note 12.4.

**41. DIVIDEND**

The members in the Annual General Meeting held on 25 April 2006 approved a final cash dividend for the year ended 31 December 2005 at Rs 0.50 per share. The parent company, ICI Omicron B.V.,UK, has waived its right to receive this dividend.

**42. FORTHCOMING REQUIREMENTS UNDER APPROVED ACCOUNTING STANDARDS**

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 January 2007 and are either not relevant to Company's operations or are not expected to have a significant impact on the Company's financial statements other than certain increased disclosures.

IAS 1- Presentation of Financial Statements - amendments relating to Capital Disclosures
IFRS 2 - Share-Based Payments
IFRS 3 - Business Combinations
IFRS 5 - Non-Current Assets Held For Sale And Discontinued Operations
IFRS 6 - Exploration For And Evaluation Of Mineral Resources
IFRIC 8 - Scope of IFRS 2 Share-based Payments
IFRIC 9 - Reassessment of Embedded Derivatives
IFRIC 10 - Interim Financial Reporting and Impairment
IFRIC 11 - Group and Treasury Share Transactions
IFRIC 12 - Services Concession Arrangements

**43. GENERAL**

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

**44. DATE OF AUTHORISATION**

These financial statements were authorised for issue in the Board of Directors meeting held on 28 February 2007.

**Waqar A Malik**
*Chairman*

**M Afzal Jamil**
*Chief Executive*

# Comparison of Results

Amounts in Rs '000

| | 2006 | 2005 (Restated) | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|
| **Net Assets** | | | | | | |
| Fixed assets | **11,484,539** | 12,722,392 | 13,740,975 | 15,076,784 | 24,192,659 | 26,119,065 |
| Capital work-in-progress | **220,262** | 34,948 | 101,980 | 33,481 | 60,494 | 103,816 |
| Deferred costs | - | - | - | - | 3,832,386 | - |
| Deferred taxation | **149,764** | 159,214 | 207,091 | 141,617 | - | - |
| Other net assets | **(4,744,182)** | (4,201,442) | (5,308,456) | (5,628,686) | (4,839,634) | (7,951,741) |
| **Total Net Assets** | **7,110,383** | 8,715,112 | 8,741,590 | 9,623,196 | 23,245,905 | 18,271,140 |
| **Financed By** | | | | | | |
| Ordinary share capital | 15,142,072 | 15,142,072 | 15,142,072 | 15,142,072 | 15,142,072 | 5,047,357 |
| Reserves | **(9,255,406)** | (8,945,853) | (9,754,420) | (11,112,258) | (5,799,402) | (4,807,904) |
| Surplus on revaluation of fixed assets | - | - | - | - | 6,033,090 | 7,582,946 |
| **Shareholders Equity** | **5,886,666** | 6,196,219 | 5,387,652 | 4,029,814 | 15,375,760 | 7,822,399 |
| Subordinated loans | - | - | - | - | - | 3,305,938 |
| Long-term and deferred liabilities | **1,223,717** | 2,518,893 | 3,353,938 | 5,593,382 | 7,870,145 | 7,142,803 |
| **Total Funds Invested** | **7,110,383** | 8,715,112 | 8,741,590 | 9,623,196 | 23,245,905 | 18,271,140 |
| **Turnover & Profits / (Losses)** | | | | | | |
| Turnover | **30,815,350** | 28,424,844 | 26,953,240 | 20,629,505 | 17,787,879 | 15,641,414 |
| Profit / (loss) before financial charges, exceptional items and taxation | **1,635,496** | 2,562,589 | 2,267,351 | 196,670 | (38,339) | (1,724,775) |
| Financial charges | **(1,270,819)** | (1,096,436) | (864,970) | (724,477) | (2,227,029) | (2,810,912) |
| 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 | **364,677** | 1,466,153 | 1,402,381 | (5,820,017) | (2,467,262) | (4,535,687) |
| Taxation | **(485,030)** | (381,228) | (44,543) | 60,011 | (70,486) | (62,682) |
| Profit / (loss) after taxation | **(120,353)** | 1,084,925 | 1,357,838 | (5,760,006) | (2,537,748) | (4,598,369) |
| **Earnings / (loss) Per Share (Rupees)** | **(0.08)** | 0.72 | 0.90 | (3.80) | (3.35) | (9.11) |
| **Profit / (loss) Before Financial Charges, Exceptional Items and Taxation as a Percentage on Average Assets Employed Excluding Capital Work-in-Progress (%)** | 21 | 30 | 25 | 1 | 0 | (8) |

Note: The comparatives (2001 to 2004) have not been restated due to change in accounting policy on adoption of IFRIC 4. The financial impact of prior years, being immaterial, has been disclosed in note 2.19 to the financial statements.

## *Pattern of Share-Holding as at 31 December 2006*

| Size of Holding | | No. of Shareholders | No. of Shares Held |
|---|---|---|---|
| From | To | | |
| 1 | 100 | 2,793 | 103,024 |
| 101 | 500 | 5,292 | 1,566,476 |
| 501 | 1000 | 3,941 | 3,413,789 |
| 1001 | 5000 | 7,824 | 22,679,361 |
| 5001 | 10000 | 2,711 | 22,092,288 |
| 10001 | 15000 | 982 | 12,756,853 |
| 15001 | 20000 | 646 | 12,088,340 |
| 20001 | 25000 | 467 | 11,036,174 |
| 25001 | 30000 | 283 | 8,075,274 |
| 30001 | 35000 | 163 | 5,416,706 |
| 35001 | 40000 | 162 | 6,277,020 |
| 40001 | 45000 | 80 | 3,477,863 |
| 45001 | 50000 | 209 | 10,348,066 |
| 50001 | 55000 | 63 | 3,341,602 |
| 55001 | 60000 | 82 | 4,835,037 |
| 60001 | 65000 | 38 | 2,414,755 |
| 65001 | 70000 | 48 | 3,298,892 |
| 70001 | 75000 | 36 | 2,655,908 |
| 75001 | 80000 | 28 | 2,209,722 |
| 80001 | 85000 | 30 | 2,500,042 |
| 85001 | 90000 | 12 | 1,062,310 |
| 90001 | 95000 | 19 | 1,771,400 |
| 95001 | 100000 | 123 | 12,277,802 |
| 100001 | 105000 | 22 | 2,254,668 |
| 105001 | 110000 | 20 | 2,175,625 |
| 110001 | 115000 | 10 | 1,140,433 |
| 115001 | 120000 | 19 | 2,264,125 |
| 120001 | 125000 | 12 | 1,494,000 |
| 125001 | 130000 | 9 | 1,165,500 |
| 130001 | 135000 | 9 | 1,203,500 |
| 135001 | 140000 | 9 | 1,251,482 |
| 140001 | 145000 | 7 | 998,162 |
| 145001 | 150000 | 26 | 3,890,450 |
| 150001 | 155000 | 4 | 614,000 |
| 155001 | 160000 | 9 | 1,421,339 |
| 160001 | 165000 | 11 | 1,788,852 |
| 165001 | 170000 | 11 | 1,847,508 |
| 170001 | 175000 | 5 | 871,000 |
| 175001 | 180000 | 9 | 1,612,775 |
| 180001 | 185000 | 5 | 909,000 |
| 185001 | 190000 | 3 | 566,125 |
| 190001 | 195000 | 2 | 390,000 |
| 195001 | 200000 | 31 | 6,186,500 |
| 200001 | 205000 | 6 | 1,213,007 |
| 205001 | 210000 | 8 | 1,669,029 |
| 210001 | 215000 | 2 | 423,042 |
| 215001 | 220000 | 2 | 435,500 |
| 220001 | 225000 | 1 | 225,000 |
| 225001 | 230000 | 2 | 455,050 |
| 230001 | 235000 | 1 | 235,000 |
| 235001 | 240000 | 5 | 1,191,700 |
| 240001 | 245000 | 4 | 971,500 |
| 245001 | 250000 | 7 | 1,745,500 |
| 250001 | 255000 | 2 | 510,000 |
| 255001 | 260000 | 3 | 775,200 |
| 260001 | 265000 | 1 | 261,995 |
| 265001 | 270000 | 1 | 265,500 |

# *Pattern of Share-Holding as at 31 December 2006*

| Size of Holding | | No. of Shareholders | No. of Shares Held |
|---|---|---|---|
| From | To | | |
| 270001 | 275000 | 2 | 546,000 |
| 275001 | 280000 | 3 | 830,000 |
| 280001 | 285000 | 4 | 1,132,136 |
| 285001 | 290000 | 2 | 572,400 |
| 290001 | 295000 | 4 | 1,166,488 |
| 295001 | 300000 | 14 | 4,188,750 |
| 300001 | 305000 | 2 | 606,000 |
| 305001 | 310000 | 4 | 1,233,050 |
| 310001 | 315000 | 2 | 626,905 |
| 315001 | 320000 | 1 | 316,500 |
| 320001 | 325000 | 7 | 2,264,100 |
| 325001 | 330000 | 1 | 328,000 |
| 335001 | 340000 | 3 | 1,012,505 |
| 340001 | 345000 | 1 | 343,250 |
| 345001 | 350000 | 5 | 1,750,000 |
| 350001 | 355000 | 3 | 1,058,500 |
| 355001 | 360000 | 1 | 358,500 |
| 365001 | 370000 | 2 | 738,000 |
| 370001 | 375000 | 2 | 746,500 |
| 375001 | 380000 | 1 | 377,751 |
| 380001 | 385000 | 1 | 382,830 |
| 395001 | 400000 | 9 | 3,596,610 |
| 405001 | 410000 | 1 | 409,148 |
| 425001 | 430000 | 2 | 855,000 |
| 445001 | 450000 | 3 | 1,348,000 |
| 455001 | 460000 | 2 | 912,000 |
| 470001 | 475000 | 2 | 950,000 |
| 475001 | 480000 | 1 | 479,500 |
| 490001 | 495000 | 1 | 490,565 |
| 495001 | 500000 | 8 | 4,000,000 |
| 515001 | 520000 | 1 | 517,233 |
| 520001 | 525000 | 1 | 525,000 |
| 525001 | 530000 | 1 | 525,250 |
| 535001 | 540000 | 1 | 540,000 |
| 560001 | 565000 | 1 | 565,000 |
| 575001 | 580000 | 1 | 577,500 |
| 580001 | 585000 | 1 | 581,000 |
| 590001 | 595000 | 1 | 592,890 |
| 595001 | 600000 | 2 | 1,200,000 |
| 600001 | 605000 | 1 | 601,500 |
| 630001 | 635000 | 1 | 631,106 |
| 645001 | 650000 | 1 | 650,000 |
| 660001 | 665000 | 1 | 662,000 |
| 670001 | 675000 | 1 | 674,500 |
| 695001 | 700000 | 1 | 697,177 |
| 725001 | 730000 | 3 | 2,176,856 |
| 745001 | 750000 | 1 | 750,000 |
| 750001 | 755000 | 1 | 755,000 |
| 760001 | 765000 | 1 | 761,000 |
| 775001 | 780000 | 1 | 775,750 |
| 790001 | 795000 | 1 | 791,700 |
| 795001 | 800000 | 1 | 797,725 |
| 800001 | 805000 | 1 | 804,000 |
| 810001 | 815000 | 1 | 814,500 |
| 845001 | 850000 | 1 | 850,000 |
| 870001 | 875000 | 1 | 875,000 |
| 875001 | 880000 | 1 | 878,400 |

## Pattern of Share-Holding as at 31 December 2006

| Size of Holding | | No. of Shareholders | No. of Shares Held |
|---|---|---|---|
| From | To | | |
| 890001 | 895000 | 1 | 891,000 |
| 895001 | 900000 | 1 | 900,000 |
| 900001 | 905000 | 1 | 903,000 |
| 910001 | 915000 | 1 | 914,655 |
| 920001 | 925000 | 1 | 922,000 |
| 990001 | 995000 | 1 | 990,411 |
| 995001 | 1000000 | 3 | 2,996,066 |
| 1030001 | 1035000 | 2 | 2,061,500 |
| 1040001 | 1045000 | 1 | 1,042,983 |
| 1045001 | 1050000 | 1 | 1,050,000 |
| 1055001 | 1060000 | 1 | 1,058,203 |
| 1080001 | 1085000 | 1 | 1,081,248 |
| 1095001 | 1100000 | 1 | 1,100,000 |
| 1150001 | 1155000 | 1 | 1,150,287 |
| 1205001 | 1210000 | 1 | 1,210,000 |
| 1260001 | 1265000 | 1 | 1,265,000 |
| 1315001 | 1320000 | 1 | 1,315,500 |
| 1330001 | 1335000 | 1 | 1,332,500 |
| 1345001 | 1350000 | 1 | 1,350,000 |
| 1350001 | 1355000 | 1 | 1,352,042 |
| 1495001 | 1500000 | 1 | 1,500,000 |
| 1595001 | 1600000 | 1 | 1,600,000 |
| 1695001 | 1700000 | 1 | 1,700,000 |
| 1795001 | 1800000 | 1 | 1,800,000 |
| 1895001 | 1900000 | 1 | 1,900,000 |
| 1995001 | 2000000 | 1 | 2,000,000 |
| 2180001 | 2185000 | 1 | 2,182,000 |
| 2355001 | 2360000 | 1 | 2,357,118 |
| 2740001 | 2745000 | 1 | 2,741,500 |
| 2975001 | 2980000 | 1 | 2,979,000 |
| 3375001 | 3380000 | 1 | 3,377,000 |
| 4995001 | 5000000 | 1 | 5,000,000 |
| 11290001 | 11295000 | 1 | 11,291,000 |
| 17385001 | 17390000 | 1 | 17,387,110 |
| 18495001 | 18500000 | 1 | 18,500,000 |
| 22885001 | 22890000 | 1 | 22,890,000 |
| 92365001 | 92370000 | 1 | 92,366,565 |
| 1043435001 | 1043440000 | 1 | 1,043,439,674 |
| **TOTAL** | | **26,475** | **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 | 4 | 17,441,726 | 1.15 |
| Directors, CEO and their spouses and minor children | 9 | 15,704 | 0.00 |
| Executives | 7 | 14,583 | 0.00 |
| Public Sector Companies and Corporations | 14 | 31,235,071 | 2.07 |
| Banks, Development Finance Institutions, Non-Banking Finance Institutions | 37 | 3,556,951 | 0.23 |
| Insurance Companies | 22 | 2,151,241 | 0.14 |
| Modaraba and Mutual Funds | 23 | 2,370,323 | 0.16 |
| Others | 247 | 30,586,203 | 2.02 |
| Individuals | 26,110 | 291,029,167 | 19.22 |
| **TOTAL** | **26,475** | **1,514,207,208** | **100.00** |

# *Pattern of Share-Holding as at 31 December 2006*

| Shareholders Category | No. of Shareholders | No. of Shares held |
|---|---|---|
| **Associated Companies, Undertakings and Related Parties:** | | |
| ICI Omicron B.V. | 2 | 1,135,806,239 |
| **NIT and ICP (name wise detail):** | | |
| National Bank of Pakistan, Trustee Deptt. | 2 | 17,435,590 |
| M/s. Investment Corporation of Pakistan | 2 | 6,136 |
| **Directors, CEO and their spouses and minor children (name wise detail):** | | |
| Waqar Ahmed Malik | 1 | 1 |
| Mohammad Afzal Jamil | 1 | 14,197 |
| Fatehali Wali Vellani | 2 | 1,501 |
| David J Gee | 1 | 1 |
| Rafiq Akhund | 1 | 1 |
| Philip Gillett | 1 | 1 |
| Tajammal Hussain Bokharee | 1 | 1 |
| Ali A Aga | 1 | 1 |
| **Executives** | 7 | 14,583 |
| **Public Sector Companies and Corporations** | 14 | 31,235,071 |
| **Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds** | 82 | 8,078,515 |
| **Others** | 247 | 30,586,203 |
| **Individuals** | 26,110 | 291,029,167 |
| **Total** | **26,475** | **1,514,207,208** |

| | | |
|---|---|---|
| **Shareholders holding 10% or more voting interest** | | |
| ICI Omicron B.V. | 2 | 1,135,806,239 |

# Notice of Meeting

Notice is hereby given that the Ninth Annual General Meeting of PAKISTAN PTA LIMITED will be held on Friday, 27April 2007 at 9:30 a.m. at ICI House, 5 West Wharf, Karachi to transact the following business:

1. To receive and consider the Balance Sheet and Profit & Loss Account together with the Directors and Auditors Reports for the year ended 31 December 2006.

2. To appoint Auditors and to fix their remuneration.

By Order of the Board

**Ali Aamir**
*Company Secretary*

28 February, 2007
Karachi

**Notes:**

1. The Register of Members and the Share Transfer Books of the Company will be closed from Saturday, 21 April 2007 to Friday, 27 April 2007 (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 27 April 2007 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. Members are requested to notify immediately changes, if any, in their registered address.

5. CDC Account Holders will further have to follow the undermentioned 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.

# Pakistan PTA Limited

# ADMISSION SLIP

The Ninth Annual General Meeting of Pakistan PTA Limited will be held on Friday, 27 April 2007 at 9:30 a.m. at ICI House, 5 West Wharf, Karachi.

Company's transport will wait at the corner of Karachi Stock Exchange Road, between 8:15 a.m. and 8:45 a.m. on the date of the Meeting. Shareholders desirous of attending the Meeting may avail this facility.

Kindly bring this slip duly signed by you for attending the Meeting.

**Company Secretary**

Name ______________________________________________

Shareholder No. ____________________ Signature ______________________

Note:
i) The signature of the shareholder must tally with the specimen signature on the Company's record.

ii) Shareholders are requested to hand over duly completed admission slips at the counter before entering the Meeting premises.

CDC Account Holders / Proxies / Corporate Entities:

a) The CDC Account Holder / Proxies shall authenticate his / her identity by showing his / her original National Identity Card (NIC) or original passport at the time of attending the Meeting.

b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting (unless it has been provided earlier).

**This Admission Slip is Not Transferable**

# Form of Proxy
## 9th Annual General Meeting

I / We ______________________________________________

of __________________________________________________

being member(s) of Pakistan PTA Limited holding ____________________

ordinary shares hereby appoint ______________________________

of ________________ or failing him / her ________________________

of ____________________ who is / are also member (s) of Pakistan PTA Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Ninth Annual General Meeting of the Company to be held on 27 April 2007 and at any adjournment thereof.

As witness my / our hand / seal this __________ day of __________2007

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 NIC numbers shall be mentioned on the form.

ii) Attested copies of NIC 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 NIC 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) alongwith proxy form to the Company.

AFFIX
CORRECT
POSTAGE

The Company Secretary
Pakistan PTA Limited
EZ/1/P-4,
Eastern Industrial Zone,
Port Qasim,
Karachi.