Contents

Board of Directors

M J Jaffer
(Chairman)
Waqar A Malik
(Chief Executive)
Mueen Afzal*
David J Gee
Philip Gillett
Asif Jooma
Pervaiz A Khan
Tariq Iqbal Khan
M Nawaz Tiwana
Muhammad Zahir

Audit & Remuneration Sub Committees of the Board

Audit Sub Committee

M J Jaffer
(Chairman)
Mueen Afzal
David J Gee
Philip Gillett
Feroz Rizvi (by invitation)
Nigel Cribb (Group Internal Auditor – by invitation)

Senior Remuneration Sub Committee

M Nawaz Tiwana
(Chairman)
David J Gee
Waqar A Malik (by invitation)

Chief Financial Officer

Feroz Rizvi (alternate director)**

Company Secretary

Nausheen Ahmad

Executive Management Team

Waqar A Malik
Ali Asrar Aga*
Nausheen Ahmad
Dr Amir Jafri
Asif Jooma
Jehanzeb Khan
Pervaiz A Khan
Feroz Rizvi
Muhammad Zahir

Bankers

ABN Amro NV
Askari Commercial Bank Limited
Bank Alfalah Limited
Citibank NA
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
Meezan Bank Limited
Muslim Commercial Bank
National Bank of Pakistan
Oman International Bank
Standard Chartered Bank
The Hongkong and Shanghai Banking Corporation Limited
Union Bank Limited
United Bank Limited

Auditors

KPMG Taseer Hadi & Co., Chartered Accountants

Registered Office

ICI House, 5 West Wharf, Karachi-74000
Tel # 111-100-200, 2313717-22 Fax # 2311739

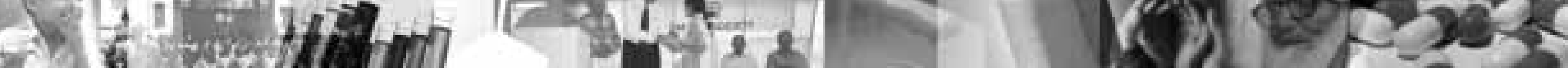
* names in alphabetical order
** nominated when required

Highlights of 2005

- No "LOST TIME CASE" during the year demonstrating the Company's excellent ongoing commitment to Safety.
- Highest ever profit before tax of Rs 1.65 billion, 49% above 2004 (excluding gain on disposal of PPTA shares in 2004).
- Trading results of the Businesses compared to the year 2004 improved by:

	%
Polyester	38
Soda Ash	44
Paints	8
General Chemicals	73

- Financial charges were 48% lower than last year.
- Company declared a total dividend of 50% for the financial year 2005 compared to 40% in 2004.
- Company achieved Compliance with the section 404 of the Sarbanes Oxley Act 2002.
- Commercial production from Asset Modernization and Improvement Project (AMIP) at Polyester is expected to commence in April 2006.
- Work on the Soda Ash Expansion project remained on course during the year and is expected to be completed on time.
- Rs 13.8 million contributed by the Company and its employees for earthquake relief.

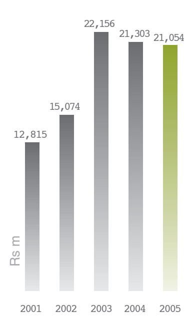


Rupees Million

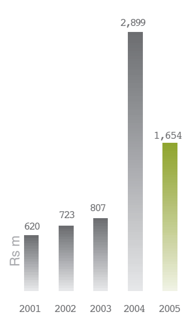
YEAR AT A GLANCE	2005	2004
Turnover	**21,054**	21,303
Profit before taxation	**1,654**	2,899
Taxation - current	**(99)**	(97)
Taxation - deferred	**725**	44
Profit after taxation	**2,280**	2,846
Shareholders' equity	**10,088**	8,641
Earnings per share after taxation - Rupees	**16.43**	20.51
Earnings per share (excluding deferred tax credit in 2005 and gain on sale of PPTA shares in 2004).	**11.52**	7.62
Number of employees	**1294**	1299

FIVE YEARS AT A GLANCE

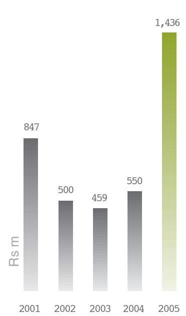
Turnover



Profit Before Taxation



Capital Expenditure



The **Chemistry** of People

ICI's policy as defined in its Code of Ethics is to conduct its business responsibly, with integrity and with respect for the interests of all those affected by its operations. As part of the ICI Group's Challenge 2010 policy, the Company is committed to achieving a "broader sustainability base" which requires acting responsibly to protect the Environment and working in a socially responsible manner with regard to all stakeholders.

In 2005 the Company participated in earthquake relief efforts by donating Rs 10.0 million and the employees contributed Rs 3.8 million through deduction of salary which will be utilised towards reconstruction of either a college or a school in the earthquake affected areas.

The Company, over the years, has supported and encouraged social development initiatives especially in the communities in which it operates. At Khewra, with the assistance of LRBT doctors, eye clinics are conducted at the Company's Winnington Hospital located at the Soda Ash Plant. The hospital also provides free OPD facilities and regular medical camps. In addition, 23,000 gallons of water per day is provided through nine community water taps and through a tree plantation drive linked to reusing barren limebeds over 320,000 saplings have been planted since 1992. The Winnington School located within the ICI Khewra estate caters both to community as well as to children of employees. Furthermore, marketable skills training is provided to young girls at the Ladies Welfare Centre.

In Sheikhupura, Tibbi Harya, a small village near ICI's Polyester Plant is actively supported through education, health clinics, vaccinations and clean drinking water projects in collaboration with an NGO. The employees of ICI's Paint Factory in Lahore have a close involvement with the SOS Children's Village located next door.

The ICI Pakistan Foundation, created as a Trust in 1991, provides financial support to bonafide and established health care, education and social welfare organisations of the Country and projects, that serve the under privileged members of society. The Foundation supports WWF to run programmes to foster environment awareness amongst school children.

The social commitment of the Company, works towards adding value and improving the quality of life of the people, bringing the Company and the community closer to each other, so that the chemistry of people generates a chain effect contributing to the well being of the people of Pakistan.

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ICI Pakistan Limited

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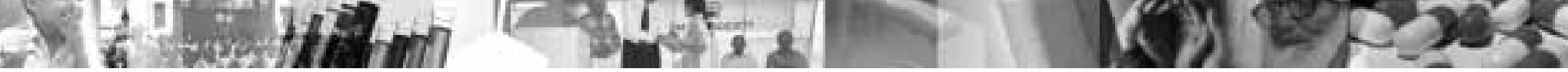

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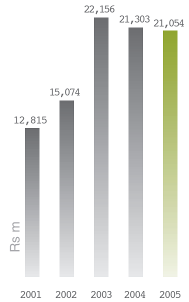

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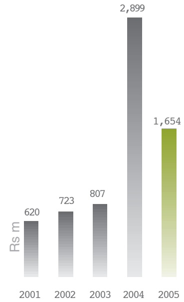
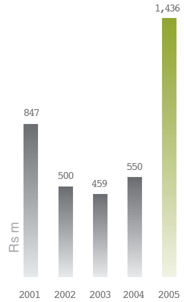


Capital Expenditure

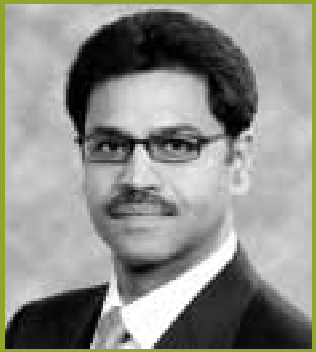


Board of Directors

The Directors are pleased to present their report together with the audited financial statements of the Company for the year ended 31 December 2005.

At the Fifty-Third Annual General Meeting of the Company held on 28 April 2005, ten Board members namely, Messrs M J Jaffer, Jonathan R Stoney, Mueen Afzal, David J Gee, Philip Gillett, Asif Jooma, Pervaiz A Khan, Tariq Iqbal Khan, M Nawaz Tiwana and Muhammad Zahir were elected for a three-year term commencing from 29 April 2005. Following election of the Board, Mr M J Jaffer was appointed as non-executive Chairman and Mr Jonathan R Stoney as Chief Executive each for a term of three years to expire on 28 April 2008.

M J Jaffer (Chairman)



Waqar A Malik (Chief Executive)

Mr Jonathan R Stoney resigned as the Chief Executive and Director of ICI Pakistan Limited with effect from 1 October 2005, consequent to his retirement from ICI Plc UK. Mr Waqar A Malik who was the Chief Executive of Pakistan PTA Limited, was appointed as the Chief Executive and Director of ICI Pakistan Limited w.e.f. 1 October 2005 to hold the office till 28 April 2008. Mr Waqar A Malik is a Chartered Accountant by profession and has been with the Company for over 20 years. During this period he has held important positions in various Businesses of the Company including a period of secondment to ICI Plc UK as Corporate Finance Manager.

The Board places on record the valuable contribution made by Mr Jonathan R Stoney during his period as the Chief Executive of the Company.

In 2005 your Company had to comply with the section 404 of the Sarbanes Oxley Act (SOX) of USA that requires foreign registrants, along with the US companies, to make a declaration that their internal controls over financial reporting are effective. Even though the Securities and Exchange Commission of New York has extended the compliance deadline to December 2006, your Company has decided to continue with the implementation and complete the compliance process by early 2006. Ford Rhodes Sidat Hyder & Co., Chartered Accountants was appointed to assist with the over all implementation which includes completion of documentations, identifying risks and controls and suggesting remedial actions. KPMG Taseer Hadi & Co., Chartered Accountants (external auditors) tested 20% of the documented processes and all the issues identified during the testing phase have been rectified. All the essential phases of the project have been completed along with remedial actions and a schedule has been developed for an ongoing review.

Overview

In 2005 the Pakistan economy achieved a record GDP growth of 8.4%, with all the major sectors of the economy contributing to this high growth. The Pakistani rupee remained stable against the US dollar and the stock market performed exceptionally well having more than recovered from the March 2005 crisis. However, interest rates and inflation, which have increased considerably, remain the main area of concern.

The domestic Polyester Staple Fibre (PSF) demand contracted by 19%, primarily as a result of the bumper cotton crop in 2004-2005, which encouraged spinners to switch to cotton-rich textiles resulting in an average occupacity in the PSF industry of 73%. This, together with the inability of PSF manufacturers to pass on the full impact of increases in feedstock prices, kept the industry profitability under pressure.

Demand in the Soda Ash Business remained strong with improved sales and margins. However, availability of raw materials remained the key issue throughout the year; especially coke, which was mainly imported from China.

In Paints, the Business witnessed robust performance driven by stable demand from all the sectors. The Business continued to evaluate new products to support growth and focused its efforts on promotional and marketing activities to capture market share. To sustain accelerated growth, export opportunities were evaluated and an agreement was signed with Rangafarin; a leading paint company in Iran with the aim of establishing a long-term position in the regional market.

The Life Sciences Business maintained a steady growth in all the segments with Seeds segment depicting strong growth in sunflower seed sales.

The General Chemicals Business has successfully expanded its portfolio with new products that complement the existing range and generate acceptable margins. Both Trading and Polyurethanes segments exhibited steady growth and robust performance despite a regional slowdown. Uniqema also witnessed growth with the revival of the textile industry in the emerging quota free environment.

Given the market conditions above, your Company achieved a significant growth in profitability through aggressive sales strategy and a strong demand in all the Businesses. Consequently, operating result increased from Rs 1,346.8 to Rs 1,730.3 million, which was 29% better than last year. There was a substantial reduction in financial charges through efficient fund management and retirement of all outstanding loans last year. Profit before taxation at Rs 1,653.6 million was 43% lower than last year as the later figure includes a one time gain of Rs 1,788.5 million earned from the sale of 25% shares of Pakistan PTA Ltd. However, excluding the income earned from the sale of Pakistan PTA Limited shares, profit before taxation for 2005 was 49% better than last year.

Your Directors are pleased to announce a final dividend of 30% i.e. Rs 3.00 per share of Rs 10.00 each of the issued and paid-up capital of Rs 1,388,023,000. This, including the interim dividend of 20%, makes a total dividend of 50%.

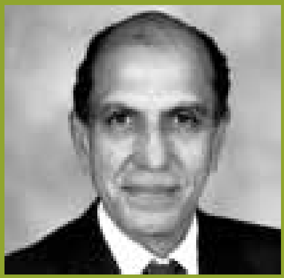
Projects

The work on the Polyester Asset Modernization and Improvement Project (AMIP) and Soda Ash expansion is progressing as per plan.

Safety, Security, Health and Environment (SSHE)

Your Company maintains SSHE as its first priority and during 2005, there were no Reportable Lost Time Injury Accidents to any employee or on-site contractors.

A detailed review follows.



Mueen Afzal
(Non-Executive Director)

David J Gee
(Non-Executive Director)

Philip Gillett
(Non-Executive Director)

Asif Jooma
(Director)

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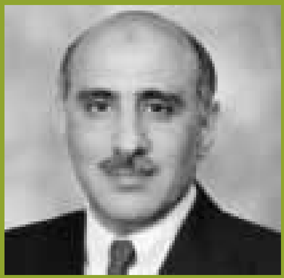


Muhammad Zahir
(Director)

Polyester's Support to Tibbi Harya

Clean Water for the Village, Improved School Premises & Teachers for the Community School

The Polyester Fibres Business of ICI Pakistan actively supports the Sheikhupura Community by improving the conditions of the community school. The teachers have been provided with transport, safe and hygienic chilled drinking water, a clean environment and a newly painted school premises. The extension of the school building and induction of qualified teachers has resulted in an increase from 42 to 109 students. The personal contribution made by the management staff under the 'adopt a school' scheme in 2003, helps in providing school fees and uniforms to deserving students. The water source in the village has also been improved to provide safe and clean water to all the residents.

Polyester

2005 was a challenging year for the Polyester industry as it had to deal with the rising crude oil prices, which jumped from USD 46 per barrel in January to approximately USD 60 per barrel in December 2005 and a sharp increase in the raw material prices of both MEG and PTA. The PSF capacity expansions in China along with global bumper cotton crop restricted the ability of polyester manufacturers to pass on the full impact of feedstock price increases to downstream customers.

During the year PSF demand across Asia grew at 8%, whereas in Pakistan the PSF demand contracted by 19%, primarily as a result of bumper cotton crop in 2004-2005 that encouraged spinners to switch to cotton rich textiles. Demand was further impacted by a 13.1% anti-dumping duty imposed on bed-linen exports (predominantly poly-cotton based) from Pakistan to the European Union. As a result, occupacity in the PSF industry during 2005 averaged 73%.

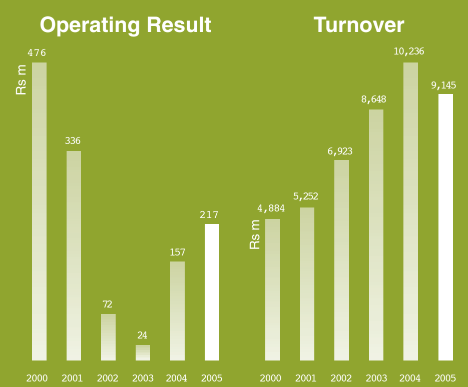
On the regulatory front, in the Federal Budget of 2005-06, the Government of Pakistan reduced the PSF duty from 20% to 6.5% as well as provided refund of 15% tariff on PTA to the PSF manufacturers and allowed duty free import of

MEG. Consequently, the net effective protection available to the PSF manufacturers reduced from 8.5% to 6.5%, which negatively impacted the industry profitability. Additionally, the drawback available to exporters of Polyester blend yarns was also removed whilst allowing import of PSF under the Duty and Tax Remission for Exports (DTRE) regime. This has given rise to an uneven playing field with imports being favoured against local supply. The local PSF manufacturers group has made a representation to the Government for urgent redressal of this anomaly. Continuation of at least the current level of net effective protection in the future is essential for further investment and viability of the PSF industry.

Overall, production volume at 94,412 tonnes was 16% lower than last year mainly because of a temporary reduction in production rates during first quarter in order to manage excessive inventory build-up due to lower demand and rescheduled plant shutdown (planned for 2006) in the fourth quarter for de-bottlenecking of the polymer plant. Accordingly, sales volume for the year at 98,415 tonnes was also lower by 11% compared with last year due to contraction in the domestic PSF demand. However, through effective marketing strategies and product quality

	Q4 2005	Variance*	FY 2005	Variance*
Sales Volume - Tonnes	22,899	4%	98,415	(11)%
Production Volume - Tonnes **	19,029	(32)%	94,412	(16)%
Operating Result - Rs Million	41.6	79%	217.0	38%

* Compared to the same period last year
** Includes production from Fayzan Manufacturing Modaraba's Plant



the Business was able to increase its market share from 20.5% last year to 22% in 2005. Despite difficult trading conditions during 2005, there was an improvement in margins over PTA & MEG. This, together with continuous focus on costs, enabled the Business to achieve an operating result of Rs 217.0 million, which was 38% higher than last year.

Progress on the Asset Modernization and Improvement Project (AMIP) continues apace with mechanical completion expected in March and commercial production in April 2006. Following completion and subsequent commissioning the Business will benefit from the efficiency and cost savings associated with this investment.

ICI Pakistan LRBT Eye Clinic Programme

Over 81,000 Patients Treated & More than 8,500 Surgeries Conducted. Free Intra Ocular Lenses for All Cataract Patients

Another catalyst to the chemistry of people is an Eye Clinic programme being conducted since 1991, with the assistance of Layton Rehmatulla Benevolent Trust (LRBT), at the Company's Winnington Hospital located at the Soda Ash plant in Khewra. A total of 8,500 major and minor surgeries have been carried out to date and over 81,000 out patients have been treated. All patients operated for cataract are implanted with free intra ocular lenses (IOL).

Soda Ash

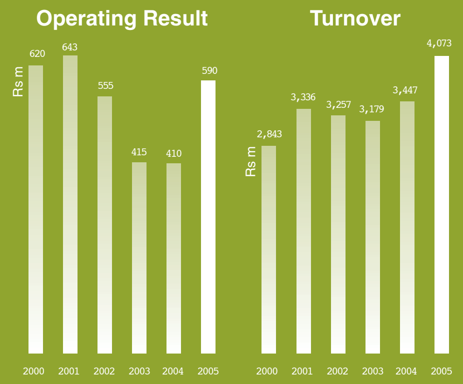
The Soda Ash market grew by 6% in 2005, primarily led by expansion in the Glass segment. Record production volume was achieved during the year for both Soda Ash and Sodium Bicarbonate. However, availability of raw materials remained an issue throughout the year; especially coke, which was mainly purchased from China as Pakistan Steel Mills stopped coke supplies due to problems in their coke oven batteries. This resulted in sharp increase in coke prices. Additionally, price of natural gas was also increased twice during the year, which significantly added to raw material cost. To offset the high input cost, Soda Ash prices were increased during the year.

Aggregate sales volume during the year at 261,471 tonnes was marginally higher than last year. With higher margins and efficient control over cost, the operating result at Rs 590.1 million was 44% better than last year.

Work on the Soda Ash Expansion project worth Rs 915.0 million remained on course during the year. The detailed engineering, site clearance and building extension activities are in process as per plan.

	Q4 2005	Variance*	FY 2005	Variance*
Sales Volume – Tonnes				
Soda Ash	60,762	0%	244,551	2%
Sodium Bicarbonate	4,810	0%	16,920	10%
Production Volume – Tonnes				
Soda Ash	61,675	(3)%	237,283	2%
Sodium Bicarbonate	4,917	3%	16,707	6%
Operating Result – Rs Million	146.1	(13)%	590.1	44%

* Compared to the same period last year



Support to the Community
SOS Children's Visit to Changa Manga

The employees of ICI Pakistan Paints Business in Lahore maintain a close involvement with the SOS Children's Village located in the neighborhood. The Paints Business arranges site seeing, awareness and excursion trips for the children. In March 2005 the Business arranged a day trip to Changa Manga, a 2 km trek through the forest followed by a visit to the bird park. Then a challenge cricket match between the SOS Village and the ICI team was followed by a hearty lunch. The day ended with an exciting train ride through the forest and gift bags for the children.

Paints

The year was marked by intense competitive activity as companies battled for market share. The Business actively participated in various promotional and marketing schemes and launched new products to support market growth. Price increases were implemented across all product lines in an attempt to mitigate the impact of higher input cost.

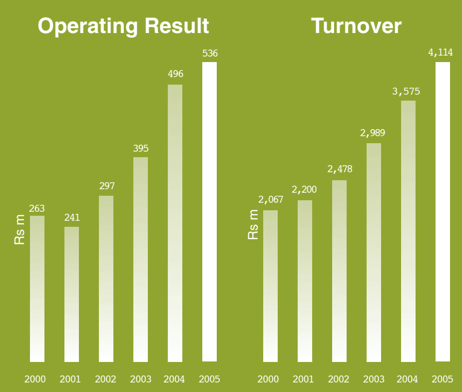
All the three segments of the Business delivered a robust performance during 2005. In the Decorative segment the Business continued to forge ahead by achieving significant sales volume growth through lucrative trade and painter schemes. New products were continuously evaluated to support market growth.

The Industrial segment delivered a strong performance driven by stable demand from the major car manufacturers in the country. Sales in the motorcycle remained brisk with all plants operating at full capacity. The Business continued to focus on diversifying into new markets to broaden its customer base for profitable growth. As part of these initiatives, an agreement has been reached with Rangafarin; a leading paint company in Iran, for servicing the Iran OEM paint market.

In the Refinish segment, volumes improved through lucrative incentives on cash sales. Price increases were also implemented to mitigate the impact of rising raw material prices. Refinish exports to Afghanistan commenced with successful dispatch of the first consignment.

	Q4 2005	Variance*	FY 2005	Variance*
Sales Volume – Kilolitres	6,882	3%	28,114	14%
Production Volume – Kilolitres	6,748	0%	28,539	15%
Operating Result – Rs Million	145.3	25%	536.1	8%

* Compared to the same period last year



sales grew by 15% compared to last year due to higher volumes and better price. Administration and general (A&G) expenses increased by 40% primarily on account of higher outward freight and advertising and promotional expenditure. Despite higher A&G expenses, the Business achieved an operating result for the period at Rs 536.1 million, which was 8% better than last year.

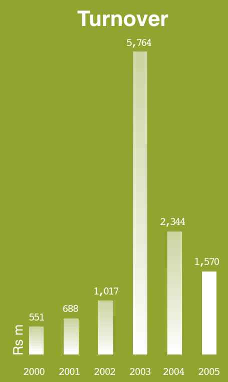
Community Relations
Electrical Safety & Hygiene Awareness

ICI Pakistan Chemicals Business as a part of its community relations as an ongoing initiative creates awareness on Safety in the local community. In 2005 about 500 students from primary girls' section and 400 from boys' section of the Aga Khan School, Garden East, Karachi attended skits on Safety, especially on electrical safety and hygiene at home and in the school environment. The programme, which was in simple Urdu, received a positive response from the students as well as the school staff.

General Chemicals

In Polyurethanes, the Business continued to enjoy robust growth with strong performance in Transport, Appliances and Constructions segments, especially in the first half of the year. However, the market contracted during the second half with the availability of cheaper substitutes in the footwear segment coupled with slowdown in the construction sector in China. The Trading segment also demonstrated strong performance, which was mainly attributable to introduction of new products and the increase in proportion of ex-stock sales at better margins. The Business also achieved a net expansion in the customer base for the existing products and applications.

Overall, sales for the period were 33% lower than last year mainly due to the discontinuation of the Furnace Oil and Coal business. Operating result at Rs 135.6 million was significantly higher than last year, as termination expenses in the oil business had affected the results of the comparable period.



Creating Awareness on Health & Hygiene Issues
Children's Poster Competition on 'No Tobacco Day'

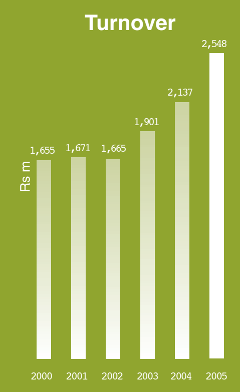
ICI Pakistan Life Sciences Business supports events and campaigns to create awareness on various health and hygiene related issues in the Country. In May 2005 the Cancer Society organized a 'No Tobacco Day' to create awareness on the harmful effects of smoking. To mark the event, a poster competition was organized amongst the children of various schools on the theme of 'A Tobacco Free World is a Healthier World'. ICI Life Sciences Business sponsored the top three prizes, which were presented to the winners. The event organized at the site of the under construction Cancer Ward at Jinnah Postgraduate Medical Centre, Karachi, was attended by a large number of school children and their parents.

Others
(Life Sciences & Uniqema)

The Life Sciences Business maintained steady growth in all the three segments and closed the year with yet another strong performance, with net sales growing by 33% compared with 2004. In the Pharmaceutical segment, net sales for the year was higher by 13% over last year mainly due to improved sale of Tenormin, Zestril, Inderal and Meronem. The Animal Health segment also delivered another excellent performance with net sales increasing 38% compared with last year. Strong growth was depicted in the entire product range, especially livestock nutrient Vanda. In the Seeds segment, sunflower seeds achieved a strong growth over last year with net sales being significantly higher than last year.

Uniqema sales were 14% lower than last year due to discontinuation of Acrylic Emulsion sale to the Paints Business.

Overall, operating result at Rs 251.6 million was 23% better than last year.

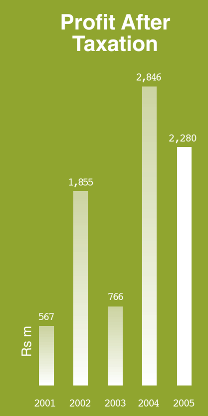


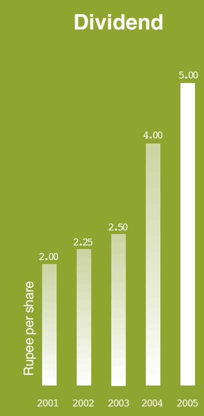
Profit, Finance and Taxation

Your Company achieved an operating result of Rs 1,730.3 million, which was 29% higher than the previous year. However, profit before taxation at Rs 1,653.6 million was 43% lower than the profit for the twelve months ended 31 December 2004, as last year's profit included income from the sale of 25% shares of Pakistan PTA Limited. However, excluding the income from the Pakistan PTA shares, profit before taxation for 2005 was 49% better than last year. Selling and distribution expenses were 10% higher than last year mainly due to additional spend on promotional activities in Paints and Life Sciences Businesses in order to sustain growth. Financial charges for the year were 48% lower than the last year following retirement of Company's outstanding debt.

The taxation for the year shows a credit of Rs 626.5 million due to utilization of the un-recognized portion of deferred tax asset as it is probable that sufficient profit will be available in future against which the full deferred tax asset can be recovered.

The tax case as reported in the Directors Report for the nine months ended 30 September 2005 was heard by the Sindh High Court, which dismissed the writ petition filed by the Company on the basis that it was premature to approach the High Court at this stage. However, the High Court simultaneously granted suspension of the Order for two weeks during which the Company filed an appeal in the Supreme Court. The Supreme Court has granted a stay and has admitted the Company's appeal for regular hearing.





Capital Expenditure

The Company spent Rs 396.6 million as sustenance capital in 2005 to maintain its existing assets and ensure continued integrity and efficiency. The main thrust has been toward implementing low cost improvement opportunities to reduce energy consumption and operating costs. Work on the Asset Modernization and Improvement Project (AMIP) for Polyester Business is being completed on time with mechanical completion expected in March. Commissioning of the new Continuous Polymerisation (CP) line is expected in April 2006 as per plan. Similarly, work on the Soda Ash expansion project is also progressing as per schedule with completion expected by end of 2006.

Future Outlook

The expected phase out of cotton export subsidies by the US and resolution of trade dispute between China and the EU/US is likely to have some positive impact on the polyester demand. However, in the near term the trend towards cotton rich textile is likely to continue keeping the polyester demand subdued.

In Soda Ash, demand is expected to remain buoyant particularly in the Glass segment. The ratification of South Asian Free Trade Agreement (SAFTA) by the Government of Pakistan for open trade between India and Pakistan may lead to the opening of market with India. Furthermore, recent increase in gas prices by 15.5% for industrial users will put margins under pressure.

Post earthquake, the Decorative paint market is subdued. However, conditions are anticipated to become favourable with increased painting activity as weather improves. In Industrial and Refinish segments, market sentiment is expected to remain positive and the Business is expected to witness growth. In order to accelerate growth, export opportunities are being evaluated.

In Life Sciences, the Business is likely to remain on track to maintain steady growth across all the segments.

Both General Chemicals and Uniqema Businesses are expected to perform well in view of the emerging quota free regime. The increasing focus on introduction of new products, applications and customers are expected to have a positive impact on the Businesses.

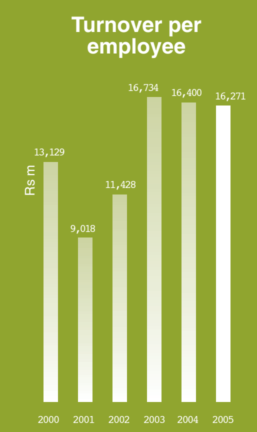
Work on both the projects Polyester Asset Modernization and Improvement Project (AMIP) and Soda Ash expansion is progressing as per schedule and both the projects are expected to be commissioned on time.

Human Resources

Manpower numbers at 31 December 2005 were 1,294, which were marginally lower than last year. During the year, 66 managers were inducted in the Company mainly due to higher requirement for Life Sciences Business. However, there was a reduction of 71 non-management staff primarily under the Voluntary Severance Scheme.

Employee Engagement Survey was held for a group of managers in October 2005 and based on the feedback, various initiatives are being taken in areas that require improvement. Performance management workshops were held across the Company in December to address some of the concerns raised in the survey.

Union-Management relations continue to be friendly and industrial peace prevailed at all locations during the year under review.



Safety, Security, Health and Environment (SSHE)

Your Company's continued focus on its core value of maintaining excellent standards in Safety, Security Health and Environment protection was amply demonstrated in its performance for the year. This was achieved through the very committed application of the ICI Plc's, SSHE Responsible Care Management System, which requires a demonstrable progress in SHE Performance.

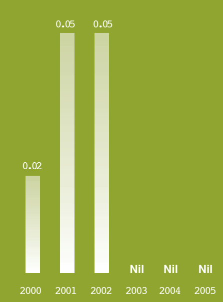
A record of "No Lost Time Case"" (based on a more stringent revised definition) performance for the year was achieved, which in continuation of a similar performance in 2004 and Reportable Injury Accident Free performance in 2003, demonstrates its excellent ongoing commitment to Safety.

Health Assessment Programmes designed to manage both potential occupational exposures and non-occupational risks factors were implemented to cover the total workforce of the Company.

Your Company continued to ensure that all effluent generated at its Sites is treated to the best technical standards through efficiently operated and maintained Effluent Treatment Plants and that the outfall meets the compliance requirements of the applicable National Environmental Quality Standards.

In addition, consistent with the Kyoto Protocol and the Global Reporting Initiative, ICI Pakistan Limited has implemented a very demanding process of Environmental Burden reduction at all its manufacturing Sites. Benchmarked against actual baseline performance for the year 2000, your Company has achieved significant reduction in energy usages, decrease in Carbon Dioxide and Greenhouse gaseous emissions, minimization of waste and improvement of biodiversity at its manufacturing locations.

Reportable Injury accident rate



Social Responsibility and Community Work

ICI Pakistan Limited donated Rs 9.0 million to the President's Relief Fund for earthquake victims and the employees of ICI Pakistan donated another Rs 3.8 million through contribution of their one or two days' gross salary. Additionally, the Company donated Rs 1.0 million to the Pharma Bureau of Pakistan for medicines and medical supplies. ICI Pakistan Foundation also made a contribution through the Overseas Chamber of Commerce & Industries.

Overall, the ICI Group in Pakistan comprising ICI Pakistan Limited and Pakistan PTA Limited have contributed Rs 19.8 million for earthquake relief which includes Rs 4.8 million donated by the employees of both the Companies. In addition, over Rs 12.0 million was contributed to relief efforts by one of ICI Pakistan's overseas principals.

Your Company through its trust, ICI Pakistan Foundation, provided financial assistance to various charitable and non-profitable organisations in 2005 in healthcare, education and social welfare sectors.

Community work by ICI Pakistan's Soda Ash Business in Khewra, Polyester Fibres Business in Sheikhupura, Paints Business in Lahore and Chemicals and Life Sciences Businesses in Karachi also continued during the year. Support and sponsorship of WWF Nature Carnival and Save the Marine Turtle Project, to create awareness about environmental problems especially amongst children continued during 2005.

Auditors

The present auditors KPMG Taseer Hadi & Co., Chartered Accountants retire and have offered themselves for reappointment.

Compliance with the Code of Corporate Governance

As required under the Code of Corporate Governance dated March 28, 2002 the Directors are pleased to state as follows:

- The financial statements, prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control and other such procedures, which are in place, are being continuously reviewed by the Internal Audit Function. The process of review will continue and any weakness in controls will be removed.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance as detailed in the Listing Regulations.
- Key operating and financial data for the last 6 years is summarised on page 64.
- Outstanding taxes and levies are given in the Notes to the Financial Statements.

The value of investments in the staff retirement funds as per their respective audited financial statements for the year ended 31 December 2004, is as follows:

	Value (Rs '000's)
1 ICI Pakistan Management Staff Provident Fund	547,295
2 ICI Pakistan Management Staff Gratuity Fund	181,639
3 ICI Pakistan Management Staff Pension Fund	649,738
4 ICI Pakistan Management Defined Contribution Fund	118,746
5 ICI Pakistan Non-Management Staff Provident Fund**	260,865

** Un-audited.

During the year 4 (four) meetings of the Board of Directors were held. Attendance by each Director/CFO/Company Secretary was as follows.

	Name of Director	Number of Board Meetings Attended
1	Mr M J Jaffer	4
2	Mr Jonathan R Stoney (i)	3
3	Mr Mueen Afzal	4
4	Mr Syed Imran Agha (ii)	1
5	Mr Philip Gillett	3
6	Mr Steve Hamlett (iii)	1
7	Mr Asif Jooma	4
8	Mr Pervaiz A Khan	4
9	Mr Tariq Iqbal Khan	1
10	Mr M Nawaz Tiwana	4
11	Mr Muhammad Zahir (iv)	2
12	Mr Waqar A Malik (v)	1
13	Mr David J Gee (vi)	3
14	Mr David Whitewood (vii)	1
15	Mr Feroz Rizvi (CFO)	4
16	Ms Nausheen Ahmad (Company Secretary)	4

(i) Resigned w.e.f. 1 October 2005
(ii) Retired w.e.f. 28 April 2005
(iii) Resigned w.e.f. 25 February 2005
(iv) Appointed on the Board w.e.f. 28 April 2005
(v) Appointed on the Board w.e.f. 1 October 2005
(vi) Appointed on the Board w.e.f. 25 February 2005
(vii) Acted as alternate Director to Mr David J Gee

Leave of absence was granted to Directors who could not attend some of the Board meetings.

Pattern of Shareholding

A statement showing the pattern of shareholding in the Company and additional information as at 31 December 2005 appears on page 61-63.

ICI Omicron B.V. continues to hold 75.81% shares, while Institutions held 13.04%, and individuals and foreign funds held the balance 11.15%.

The highest and lowest market prices during 2005 were Rs 149.40 and Rs 68.70 per share respectively.

The Directors, CEO, CFO, 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 purchase of 1 share by Mr Waqar A Malik. This is reflected in the pattern of share holding. All statutory returns in this connection were filed.

Group Financial Statements

The audited financial statements of ICI Group for the year ended 31 December 2005 are attached. The ICI Pakistan Group comprises financial statements of ICI Pakistan Limited and ICI Pakistan PowerGen Limited, a wholly owned subsidiary.

M J Jaffer
Chairman

Waqar A Malik
Chief Executive

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 six independent non-executive directors including one director nominated by NIT.

2. The directors voluntarily confirmed that none of them is serving as a director in more than ten listed companies, including ICI Pakistan Limited, except for Mr Tariq Iqbal Khan who is a nominee of National Investment Trust Limited (NIT) and has been granted a waiver from the application of the relevant clause of the Code by the Securities and Exchange Commission of Pakistan.

3. The Directors have voluntarily declared that all the resident directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the directors is a member of a stock exchange.

4. During the year two casual vacancies occurred in the Board of Directors on 25 February 2005 and 1 October 2005 and both were filled well within the requisite period. The Company has filed the necessary returns in this regard.

5. The Board of Directors of the Company, in its meeting held on 23 February 2001, adopted a Statement of Ethics and Business Practices under the title of 'The Way We Do Things Around Here', which has been regularly circulated within the Company since 2001 and is in the knowledge of the Company's directors and employees.

6. An 'Employee Satisfaction Survey' has been conducted and action plans are being implemented under the supervision of the Board. Pursuant to this, a vision/mission statement has been developed and approved by the Board at its meeting held on 25 February 2005 and it has been circulated to the employees of the Company. Earlier on 27 February 2003 the Board of Directors had approved and adopted a corporate strategy for the Company and, significant policies. The

corporate strategy is reviewed by the Board from time to time as appropriate.

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 CEO and other Executive Directors, have been taken by the Board.

8. During the year four meetings of the Board were held which were all presided over by the Chairman. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of all four 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. Orientation courses, both in-house and external, were also arranged for the Board in 2003 and they are well conversant with their duties and responsibilities.

10. No new appointments of CFO or Company Secretary have been made after the application of the Code of Corporate Governance. However, the Company has appointed a new Head of Internal Audit during the year and the terms and conditions of his appointment were approved by the Board in its meeting held on 21 October 2005.

11. The Report of the Directors for the year ended 31 December 2005 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 CEO and CFO before approval of the Board.

13. The Directors, CEO 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 Audit Sub Committee of the Board has been in existence since 1992. It comprises four members, all of whom are non-executive

directors including the chairman of the committee. ICI Pakistan also has a Remuneration Committee comprising two non-executive directors, which has also been in operation since 1997.

16. There have been four Audit Committee meetings during the year under review. The Directors have approved the revised terms of reference of the Audit Committee in light of the Code of Corporate Governance.

17. ICI Pakistan has had an effective internal audit function in place since the late 1970s.

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 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.

M J Jaffer
Chairman
Dated: 02 March 2006

Waqar A Malik
Chief Executive

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 **ICI Pakistan Limited** ("the Company") to comply with the listing regulations of the respective Stock Exchanges, where the Company is listed. The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Date: 02 March 2006
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

We have audited the annexed balance sheet of **ICI Pakistan Limited** ("the Company") as at 31 December 2005 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;

  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 2005 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 02 March 2006
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Balance Sheet as at 31 December 2005

Amounts in Rs '000

	Note	2005	2004
Share Capital and Reserves			
Authorised capital			
1,500,000,000 ordinary shares of Rs 10 each		**15,000,000**	15,000,000
Issued, subscribed and paid-up capital	3	**1,388,023**	1,388,023
Capital reserves	4	**465,845**	465,845
Unappropriated profit		**7,740,104**	6,200,112
		9,593,972	8,053,980
Surplus on Revaluation of Property, Plant and Equipment	5	**494,315**	587,064
Non-Current Liability			
Deferred liability	6	**90,604**	82,601
Current Liabilities			
Short-term financing	7	**-**	112,102
Trade and other payables	8	**4,560,730**	5,092,916
		4,560,730	5,205,018
Contingencies and Commitments	9		
		14,739,621	13,928,663

Amounts in Rs '000

	Note	2005	2004
Property, plant and equipment	10	**6,037,873**	5,250,166
Intangible assets	11	**103,811**	135,848
		6,141,684	5,386,014
Deferred Tax Asset - net	12	**1,595,700**	870,294
Long-Term Investments	13	**212,500**	212,500
Long-Term Loans	14	**267,389**	243,962
Long-Term Deposits and Prepayments	15	**22,210**	26,209
Current Assets			
Stores and spares	16	**689,319**	663,252
Stock-in-trade	17	**2,511,481**	2,912,877
Trade debts	18	**647,009**	815,399
Loans and advances	19	**111,693**	79,177
Trade deposits and short-term prepayments	20	**191,343**	164,448
Other receivables	21	**286,793**	393,305
Taxation recoverable		**374,844**	344,449
Cash and bank balances	22	**1,687,656**	1,816,777
		6,500,138	7,189,684
		14,739,621	13,928,663

The annexed notes 1 to 43 form an integral part of these financial statements.

M J Jaffer	Waqar A Malik	Feroz Rizvi
Chairman / Director	*Chief Executive*	*Chief Financial Officer*

Profit and Loss Account for the Year Ended 31 December 2005

Amounts in Rs '000

	Note	**2005**	2004
Turnover	23	**21,054,298**	21,303,498
Sales tax, commission and discounts	23	**(2,577,841)**	(3,664,018)
Net sales and commission income		**18,476,457**	17,639,480
Cost of sales	24	**(15,236,959)**	(14,883,771)
Gross profit		**3,239,498**	2,755,709
Selling and distribution expenses	25	**(815,571)**	(744,459)
Administration and general expenses	26	**(693,585)**	(664,462)
		1,730,342	1,346,788
Financial charges	27	**(133,710)**	(258,940)
Other operating charges	28	**(107,991)**	(67,541)
		(241,701)	(326,481)
Other operating income	29	**164,960**	1,878,643
Profit before taxation		**1,653,601**	2,898,950
Taxation	30	**626,456**	(52,582)
Profit after taxation		**2,280,057**	2,846,368
		(Rupees)	(Rupees)
Earnings per share - Basic and Diluted	31	**16.43**	20.51

The annexed notes 1 to 43 form an integral part of these financial statements.

M J Jaffer	Waqar A Malik	Feroz Rizvi
Chairman / Director	*Chief Executive*	*Chief Financial Officer*

Amounts in Rs '000

	2005	2004
Cash Flows from Operating Activities		
Profit before taxation	**1,653,601**	2,898,950
Adjustments for:		
Gain on disposal of investment in Associate	**-**	(1,788,524)
Depreciation and amortisation	**698,048**	680,103
Gain on disposal of property, plant and equipment	**(3,556)**	(6,095)
Provision for non-management staff gratuity and eligible retired employees' medical scheme	**23,599**	12,463
Return on bank deposits and loan to Subsidiary	**(10,087)**	(4,220)
Interest / mark-up expense	**98,921**	210,883
	2,460,526	2,003,560
Movement in:		
Working capital	**36,528**	44,385
Long-term loans	**(23,427)**	(129,287)
Long-term deposits and prepayments	**3,999**	(2,155)
Cash generated from operations	**2,477,626**	1,916,503
Payments for:		
Non-management staff gratuity and eligible retired employees' medical scheme	**(15,596)**	(7,979)
Taxation	**(129,345)**	(84,597)
Net cash generated from operating activities	**2,332,685**	1,823,927
Cash Flows from Investing Activities		
Long-term investments	**-**	3,909,784
Payments for capital expenditure	**(1,435,981)**	(550,120)
Proceeds from disposal of property, plant and equipment	**5,137**	15,287
Profit / mark-up received	**10,087**	4,220
Net cash (used in) / generated from investing activities	**(1,420,757)**	3,379,171

Cash Flow Statement for the Year Ended 31 December 2005

Amounts in Rs '000

	2005	2004
Cash Flows from Financing Activities		
Long-term borrowings less repayments	**-**	(4,011,800)
Interest / mark-up paid	**(96,116)**	(183,597)
Dividend paid	**(832,831)**	(347,054)
Net cash used in financing activities	**(928,947)**	(4,542,451)
Net (decrease) / increase in cash and cash equivalents	**(17,019)**	660,647
Cash and cash equivalents at 1 January	**1,704,675**	1,044,028
Cash and cash equivalents at 31 December	**1,687,656**	1,704,675
Movement in Working Capital		
(Increase) / decrease in current assets		
Stores and spares	**(26,067)**	(11,056)
Stock-in-trade	**401,396**	(866,580)
Trade debts	**168,390**	(171,926)
Loans and advances	**(32,516)**	1,113
Trade deposits and short-term prepayments	**(26,895)**	1,745
Other receivables	**106,512**	(76,730)
	590,820	(1,123,434)
Increase / (decrease) in current liabilities		
Trade and other payables	**(554,292)**	1,167,819
	36,528	44,385
Cash and cash equivalents at 31 December comprise of:		
Cash and bank balances - note 22	**1,687,656**	1,816,777
Running finances utilised under mark-up arrangements - note 7	**-**	(112,102)
	1,687,656	1,704,675

The annexed notes 1 to 43 form an integral part of these financial statements.

M J Jaffer
Chairman / Director

Waqar A Malik
Chief Executive

Feroz Rizvi
Chief Financial Officer

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
Balance as on 1 January 2004	**1,388,023**	**465,845**	**3,608,001**	**5,461,869**
Final dividend for the year ended 31 December 2003	-	-	(347,006)	(347,006)
Net profit for the year ended 31 December 2004	-	-	2,846,368	2,846,368
Transfer from surplus on revaluation of property, plant and equipment - note 5	-	-	92,749	92,749
Total recognised income and expense for the period	-	-	2,939,117	2,939,117
Balance as on 31 December 2004	**1,388,023**	**465,845**	**6,200,112**	**8,053,980**
Final dividend for the year ended 31 December 2004	-	-	(555,209)	(555,209)
Interim dividend for the year	-	-	(277,605)	(277,605)
Net profit for the year ended 31 December 2005	-	-	2,280,057	2,280,057
Transfer from surplus on revaluation of property, plant and equipment - note 5	-	-	92,749	92,749
Total recognised income and expense for the period	-	-	2,372,806	2,372,806
Balance as on 31 December 2005	**1,388,023**	**465,845**	**7,740,104**	**9,593,972**

The annexed notes 1 to 43 form an integral part of these financial statements.

M J Jaffer	Waqar A Malik	Feroz Rizvi
Chairman / Director	*Chief Executive*	*Chief Financial Officer*

1. Status and Nature of Business

ICI Pakistan Limited ("the Company") is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The Company is engaged in the manufacture of polyester staple fibre, POY chips, soda ash, paints, specialty chemicals, sodium bicarbonate and polyurethanes; marketing of seeds, toll manufactured and imported pharmaceuticals and animal health products; and merchanting of general chemicals. It also acts as an indenting agent. The Company's registered office is situated at 5 West Wharf, 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 and the requirements of the Companies Ordinance, 1984 (the Ordinance). Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (the SECP) differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain property, plant and equipment have been included at revalued amounts and certain exchange elements referred to in notes 2.8 have been incorporated in the cost of the relevant property, plant & equipment.

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

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 39.

2.3 Staff retirement benefits

The Company's retirement benefit plans comprise of provident funds, pensions, gratuity schemes and a medical scheme for eligible retired employees.

Defined benefit plans

The Company operates a funded pension scheme and a funded gratuity scheme for management staff. The pension and gratuity schemes are salary schemes providing pension and lump sums, respectively. Pension and gratuity schemes for management staff are invested through two approved trust funds. The Company recognises expense on the existing pension and gratuity funds in accordance with IAS 19 "Employee Benefits". The gratuity scheme for non-management staff and the pensioners' medical scheme are unfunded.

An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected average remaining working lives of employees as allowed under the relevant provision of IAS 19 "Employee Benefits".

Defined contribution plans

The Company operates two registered contributory provident funds for all its staff and a registered defined contribution superannuation fund for its management staff, who have either opted for this fund by 31 July 2004 or have joined the Company after 30 April 2004.

2.4 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.

2.5 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

2.6 Dividend

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

2.7 Taxation

Income tax on profit and loss for the year comprises current and deferred tax. Income tax is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and rebates, if any.

Deferred

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

The Company recognises a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Further, the Company recognises deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

2.8 Property, plant and equipment and depreciation

Property, plant and equipment (except freehold land, pertaining to all businesses, and leasehold land and plant and machinery pertaining to Soda Ash business) are stated at cost less accumulated depreciation and impairment losses. Leasehold land and plant and machinery of Soda Ash business are stated at revalued amounts less accumulated depreciation. Freehold land are stated at cost except for pertaining to Soda Ash business which is stated at revalued amount. Capital work-in-progress is stated at cost. Cost of certain property, plant and equipment comprises historical cost, exchange differences recognised in accordance with the previous Fourth Schedule to the Ordinance, cost of exchange risk cover in respect of foreign currency loans obtained for the acquisition of property, plant and equipment upto the commencement of commercial production and the cost of borrowings during construction period in respect of loans taken for specific projects.

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. The cost of leasehold land is amortised in equal installments over the lease period. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month of disposal.

Incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of property, plant and equipment to retained earnings (unappropriated profit).

Maintenance and normal repairs are charged to income as and when incurred. Renewals and improvements are capitalised when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are taken to the profit and loss account, and the related surplus on revaluation of property, plant and equipment is transferred directly to retained earnings (unappropriated profit).

2.9 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs are amortised over their estimated useful lives.

2.10 Investments

Investments in subsidiary and non-listed equity security classified as available for sale are stated at cost less provision for impairment.

2.11 Stores and spares

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

2.12 Stock-in-trade

Stock-in-trade is valued at lower of weighted average cost and net realisable value, except for imported general chemicals which are valued at lower of cost, as determined on a first-in-first out basis, and net realizable value. All 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 net estimated costs of completion and selling expenses.

2.13 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

2.14 Financial liabilities

All financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

2.15 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupees at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the foreign exchange rates at the balance sheet date.

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

2.16 Impairment losses

The carrying amounts of the Company's assets other than stores and spares, stock-in-trade and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the assets recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.17 Revenue recognition

- Revenue from the sale of goods is recognized in profit and loss when the significant risks and rewards of ownership have been transferred to the customer. For those products which are often sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

- Commission income is recognised on date of shipment from suppliers.

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

- Dividend income is recognised when the right to receive payment is established.

2.18 Segment reporting

A segment is a distinguishable component within a company that is engaged in providing products and under a common control environment (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

2.19 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and current and or deposit 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.

2.20 Off-setting

Monetary assets and liabilities are offset and the net amount is reported in the financial statements only when there is 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.

2.21 Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Amounts in Rs '000

3. Issued, Subscribed and Paid-up Capital

2005	2004		2005	2004
(Numbers)				
125,840,190	125,840,190	Ordinary shares of Rs 10 each fully paid in cash	**1,258,402**	1,258,402
318,492	318,492	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	**3,185**	3,185
25,227	25,227	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**252**	252
12,618,391	12,618,391	Ordinary shares issued pursuant to the Scheme as fully paid for consideration of investment in associate (note 3.1)	**126,184**	126,184
138,802,300	138,802,300		**1,388,023**	1,388,023

3.1 With effect from 1 October 2000 the Pure Terephthalic Acid (PTA) Business of the Company was demerged under a Scheme of Arrangement ("the Scheme") dated 12 December 2000 approved by the shareholders and sanctioned by the High Court of Sindh.

3.2 ICI Omicron B.V., which is a wholly owned subsidiary of Imperial Chemical Industries PLC, UK, held 105,229,125 (2004: 105,229,125) ordinary shares of Rs 10 each at 31 December 2005.

4. Capital Reserves

	2005	2004
Share premium - note 4.1	**465,259**	465,259
Capital receipts - note 4.2	**586**	586
	465,845	465,845

4.1 Share premium includes the premium amounting to Rs 0.902 million received on shares issued for the Company's Polyester Plant installation in 1980 and share premium of Rs 464.357 million representing the difference between nominal value of Rs 10 per share of 12,618,391 ordinary shares issued by the Company and the market value of Rs 590.541 million of the 126,183,909 ordinary shares corresponding to 25% holding acquired in Pakistan PTA Limited, an associate, at the date of acquisition i.e. 2 November 2001 and the number of shares that have been issued were determined in accordance with the Scheme in the ratio between market value of the shares of two companies based on the mean of the middle market quotation of the Karachi Stock Exchange over the ten trading days between 22 October 2001 to 2 November 2001.

4.2 Capital receipts represent the amount received from various ICI PLC group companies overseas for the purchase of property, plant and equipment. The remitting companies have no claim to their repayments.

5. Surplus on Revaluation of Property, Plant and Equipment

	2005	2004
Balance as on 1 January	**587,064**	679,813
Less: Transfer to retained earnings (unappropriated profit) in respect of incremental depreciation charged during the year-net of deferred tax	**(92,749)**	(92,749)
Balance as on 31 December	**494,315**	587,064

Amounts in Rs '000

	2005	2004
6. Deferred Liability		
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	**90,604**	82,601

6.1 Staff Retirement Benefits

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

	Funded			Unfunded
	Pension	Gratuity	**Total**	
Current service cost	25,744	18,165	**43,909**	**4,746**
Interest cost	71,929	21,823	**93,752**	**11,864**
Expected return on plan assets	(65,240)	(18,645)	**(83,885)**	**-**
Termination cost	30,995	-	**30,995**	**1,043**
Recognition of actuarial loss	30,368	2,425	**32,793**	**6,023**
Charge for the year	93,796	23,768	**117,564**	**23,676**
Year 2004	95,802	21,900	**117,702**	**12,522**
Movements in the net asset / (liability) recognised in the balance sheet are as follows:				
Opening balance	42,583	(10,639)	**31,944**	**(83,089)**
Charge for the year	(93,796)	(23,768)	**(117,564)**	**(23,676)**
Contributions / payments during the year	122,418	25,990	**148,408**	**15,794**
Closing balance	71,205	(8,417)	**62,788**	**(90,971)**
The amounts recognised in the balance sheet are as follows:				
Fair value of plan assets	783,507	230,935	**1,014,442**	**-**
Present value of defined benefit obligation	(780,301)	(266,191)	**(1,046,492)**	**(152,859)**
Deficit	3,206	(35,256)	**(32,050)**	**(152,859)**
Unrecognised actuarial loss	67,999	26,839	**94,838**	**61,888**
Recognised asset / (liability)	71,205	(8,417)	**62,788**	**(90,971)**
Year 2004	42,583	(10,639)	**31,944**	**(83,089)**

The unfunded liability included in the above table includes Rs 0.367 million (2004: Rs 0.488 million) pertaining to ICI Pakistan PowerGen Limited.

These figures are based on the latest actuarial valuation, as at 31 December 2005. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected future service of current members.

The discount rate was taken as 10.80 percent per annum. Salary inflation was assumed to average 8.7 percent per annum over the future working lives of current employees. Medical cost trend was assumed to average 5.5 percent per annum in the long term. Return on plan assets was assumed equal to the discount rate. Actual return on plan assets during 2005 was Rs. 153 million (2004: Rs 50 million).

The Company contributed Rs. 35.999 million (2004: Rs 34.657 million) and Rs. 15.936 million (2004: Rs. 6.274 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

Amounts in Rs '000

	2005	2004
7. Short-Term Financing		
Running finances utilised under mark-up arrangements - note 7.1	-	112,102
Term finances - note 7.2	-	-
	-	112,102

7.1 The facilities for running finance available from various banks amount to Rs 4,245 million (2004: Rs 4,245 million) and carry mark-up ranging from 2.95 to 9.92 percent per annum (2004: 2.95 to 6.46 percent per annum). The purchase prices are payable on various dates by 31 March 2006. The facilities are secured by hypothecation charge over the present and future stock-in-trade and book debts of the Company and first pari passu charge over plant and machinery of Polyester Business of the Company.

7.2 The facilities for term finance available from various banks amount to Rs 550 million (2004: Rs 550 million). However no such facility was utilised as on 31 December 2005.

8. Trade and Other Payables

	2005	2004
Trade creditors - note 8.1	1,695,656	1,717,699
Bills payable	1,239,226	1,869,372
Sales tax, excise and custom duties	56,082	129,170
Mark-up accrued on short term financing	3,350	2,105
Accrued interest / return on unsecured loan - note 8.2	345,912	344,352
Accrued expenses	530,377	427,086
Workers' profit participation fund - note 8.3	89,163	58,821
Distributors' security deposits - payable on termination of distributorship - note 8.4	55,176	53,320
Contractors' earnest / retention money	9,043	16,056
Advances from customers	192,135	130,450
Unclaimed dividends	4,604	4,621
Payable for capital expenditure	37,017	17,699
Payable for staff retirement benefit schemes - note 8.5	8,417	10,639
Provision for compensated absences	20,000	17,162
Others	274,572	294,364
	4,560,730	5,092,916

8.1 The above balances include amounts due to following associated undertakings:

	2005	2004
Pakistan PTA Limited	193,655	227,488
ICI Paints UK	789	-
ICI Paints Asia Pacific	1,727	1,339
	196,171	228,827

8.2 This represents amount payable to Mortar Investments International Limited.

Amounts in Rs '000

8.3 Workers' profit participation fund

	2005	2004
Balance as on 1 January	**58,821**	47,819
Allocation for the year - note 28	**87,139**	58,462
	145,960	106,281
Interest on funds utilised in the Company's businesses at 30 percent (2004: 18.75 percent) per annum - note 27	**2,043**	349
	148,003	106,630
Less:		
- Amount paid on behalf of the Fund	**1,899**	3,620
- Deposited with the Government of Pakistan	**56,941**	44,189
	58,840	47,809
Balance as on 31 December	**89,163**	58,821

8.4 Interest on security deposits from certain distributors is payable at 7.5 percent (2004: 7.5 percent) per annum as specified in the respective agreements.

8.5 An amount of Rs. 10.639 million payable to Gratuity Fund was netted off against prepayment to Management Pension Fund in 2004 (refer to note 20.1), this has now been reclassified.

9. Contingencies and Commitments

9.1 Claims against the Company not acknowledged as debts are as follows:

	2005	2004
Local bodies	**22,340**	28,078
Sales tax authorities	**99,277**	97,192
Others	**60,856**	53,804
	182,473	179,074

9.2 Guarantees issued by the Company in respect of financial and operational obligations of Pakistan PTA Limited pursuant to the Scheme amounting to Rs 2,640 million (2004 : Rs 2,730 million) against which Pakistan PTA Limited has issued counter guarantees to the Company.

9.3 Guarantee issued by the Company in respect of financing obtained by Senior Executives amounted to Rs 48.5 million (2004: Rs 26 million), in accordance with the terms of employment.

9.4 Commitments in respect of capital expenditure - Rs. 676.390 million (2004: Rs 493.993 million).

9.5 Faysal Management Services (Private) Limited has floated Fayzan Manufacturing Modaraba ("the Modaraba") which commissioned a spinning and processing plant ("Manufacturing Facility") at a capital cost of Rs 1,356 million. The Manufacturing Facility is producing Polyester Staple Fiber from polymer provided by ICI Pakistan Limited under a Toll Manufacturing Agreement. This agreement is for a period of four and half years from the commencement of commercial production and is renewable with mutual consent. At the completion of the agreement term or on its termination, the Company will purchase the Manufacturing Facility from the Modaraba at a price approximating the fair value of the Manufacturing Facility, provided the Modaraba is able to deliver free and unencumbered title to the Manufacturing Facility.

The Toll Manufacturing Agreement provides for a fee to be paid by the Company to the Modaraba, which is based on the quantity of polymer processed by the Modaraba and includes a capacity fee of Rs 4.619 million (2004: Rs 4.619 million) per month for making the Manufacturing Facility available to the Company. The Company also provides chemicals and other raw materials to the Modaraba at market price.

Amounts in Rs '000

9.6 Commitments for rentals under operating lease agreements in respect of vehicles and plant and machinery amounting to Rs.118.190 million (2004: Rs 94.968 million) are as follows:

Year	Vehicles	Plant and machinery	Total
2006	42,619	1,002	**43,621**
2007	35,007	1,002	**36,009**
2008	25,502	250	**25,752**
2009	12,808	-	**12,808**
	115,936	2,254	**118,190**
Payable not later than one year			**43,621**
Payable later than one year but not later than five years			**74,569**
			118,190

The above operating lease agreements are renewable for a further period of three years at the discretion of the Company.

9.7 Outstanding foreign exchange contracts as at 31 December 2005 entered into by the Company to hedge the anticipated future transactions amounted to Rs. 1,509.247 million (2004: Rs 1,761.942 million).

10. Property, Plant and Equipment

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

	2005	2004
Operating property, plant and equipment - note 10.2	**4,690,508**	5,048,725
Capital work-in-progress - note 10.6	**1,347,365**	201,441
	6,037,873	5,250,166

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

	Cost and revaluation at 1 January 2005	Additions / (disposals)	Cost and revaluation at 31 December 2005	Accumulated depreciation at 1 January 2005	Charge for the year / (accumulated depreciation on disposals)	Accumulated depreciation at 31 December 2005	Book value at 31 December 2005	Depreciation rate on original cost and revaluation %
Freehold land	49,706	-	49,706	-	-	-	49,706	-
Leasehold land	83,471	-	83,471	47,281	10,286	57,567	25,904	2 to 4
Limebeds on freehold land	118,272	-	118,272	30,932	6,026	36,958	81,314	3.33 to 7.5
Buildings on freehold land	687,525	26,298 (174)	713,649	479,214	42,888 (174)	521,928	191,721	5 to 10
Buildings on leasehold land	713,708	29,532	743,240	327,240	34,991	362,231	381,009	2.5 to 10
Plant and machinery	11,578,767	214,629 (69,639)	11,723,757	7,444,613	525,720 (68,985)	7,901,348	3,822,409	3.33 to 10
Railway sidings	297	-	297	297	-	297	-	3.33
Rolling stock and vehicles	121,602	4,425 (2,941)	123,086	110,049	4,178 (2,753)	111,474	11,612	10 to 25
Furniture and equipment	494,696	34,491 (5,562)	523,625	359,693	41,922 (4,823)	396,792	126,833	10 to 33.33
2005	**13,848,044**	**309,375** **(78,316)**	**14,079,103**	**8,799,319**	**666,011** **(76,735)**	**9,388,595**	**4,690,508**	
2004	13,341,341	532,083 (25,380)	13,848,044	8,159,246	656,261 (16,188)	8,799,319	5,048,725	

Amounts in Rs '000

10.3 The above balances represent the value of operating property, plant and equipment subsequent to revaluation on 1 October 1959 and 30 September 2000, which had resulted in a surplus of Rs 14.207 million and Rs 1,569.869 million respectively. The incremental values of the operating property, plant and equipment so revalued are being depreciated over the remaining useful lives of these assets.

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

	Net Book Value	
	2005	2004
Freehold land	**20,929**	20,929
Leasehold land	**42**	47
Plant and machinery	**3,154,494**	3,339,362
Rolling stock and vehicles	**11,612**	13,145
Furniture and equipment	**126,833**	135,500
	3,313,910	3,508,983

10.5 The depreciation charge for the year has been allocated as follows:

Cost of sales - note 24	**635,858**	624,572
Selling and distribution expenses - note 25	**409**	444
Administration and general expenses - note 26	**29,744**	31,245
	666,011	656,261

10.6 The following is a statement of capital work-in-progress:

Designing, consultancy and engineering fee	**100,285**	289
Civil works and buildings	**107,759**	7,176
Plant and machinery	**1,027,743**	179,922
Miscellaneous equipment	**24,577**	3,971
Advances to suppliers / contractors	**87,001**	10,083
	1,347,365	201,441

Amounts in Rs '000

10.7 Details of operating property, plant and equipment disposed off during the year:

	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Particulars of buyers
Building					
Written down value not exceeding Rs 50,000 each	174	174	-	52	Various
Plant and machinery					
Sold by tender	21,489	20,896	593	1,555	Haider Ali & Co, Lahore
Sold by negotiation	47,491	47,430	61	1,237	SKM Agronomics, Lahore
Written down value not exceeding Rs 50,000 each	659	659	-	32	Various
	69,639	68,985	654	2,824	
Rolling stock and vehicles					
Sold by negotiation	2,212	2,212	-	200	Rasool Mohammad, Khewra
Sold by auction	192	6	186	663	Agrosy Enterprises, Lahore
Written down value not exceeding Rs 50,000 each	537	535	2	326	Various
	2,941	2,753	188	1,189	
Furniture and equipment					
Sold by negotiations	746	477	269	567	CAD CAM Centre, Lahore
Sold by auction	286	211	75	33	Khan Scrap Dealer, Sheikhupura
Insurance claim	215	39	176	176	Adamjee Insurance Company Ltd.
Donation	721	721	-	-	Sindh Judicial Academy, Karachi
Written down value not exceeding Rs 50,000 each	3,594	3,375	219	296	Various
	5,562	4,823	739	1,072	
2005	**78,316**	**76,735**	**1,581**	**5,137**	
2004	25,380	16,188	9,192	15,287	

Amounts in Rs '000

11. Intangible Assets

	Cost at 1 January 2005	Additions / (disposals)	Cost at 31 December 2005	Accumulated amortisation at 1 January 2005	Charge for the year / (accumulated amortisation on disposals)	Accumulated amortisation at 31 December 2005	Book value at 31 December 2005	Amortisation rate on original cost %
Computer software	168,781	-	168,781	32,933	32,037	64,970	103,811	20 to 33.33
2005	**168,781**	**-**	**168,781**	**32,933**	**32,037**	**64,970**	**103,811**	
2004	141,202	27,579	168,781	9,091	23,842	32,933	135,848	

	2005	2004
11.1 The amortisation charge for the year has been allocated as follows:		
Cost of sales - note 24	**15,128**	11,346
Selling and distribution expenses - note 25	**2,657**	1,807
Administration and general expenses - note 26	**14,252**	10,689
	32,037	23,842

12. Deferred Tax Asset - net

Deductible temporary differences		
Recognised tax losses	**2,401,255**	1,685,321
Provisions for retirement benefits, doubtful debts and others	**167,310**	160,981
Taxable temporary differences		
Property, plant and equipment	**(972,865)**	(976,008)
	1,595,700	870,294

The amount of deductible temporary differences for which no deferred tax asset is recognised in the financial statements amounted to Rs. 37 million (2004: Rs. 3,832.243 million).

13. Long - Term Investments

Unquoted		
Subsidiary		
ICI Pakistan PowerGen Limited (wholly owned) - note 13.1 2,100,000 ordinary shares (2004: 2,100,000) of Rs 100 each	**210,000**	210,000
Others		
Equity security available for sale		
Arabian Sea Country Club Limited	**2,500**	2,500
	212,500	212,500

13.1 The value of the Company's investment on the basis of net assets of the Subsidiary as disclosed in the audited financial statements for the year ended 31 December 2005 amounted to Rs 190.807 million (2004: Rs 233.072 million).

Amounts in Rs '000

	2005	2004
14. Long-Term Loans - Considered good		
Due from Subsidiary - Unsecured		
- Long term loan - note 14.1	**120,000**	120,000
Due from Directors, Executives and Employees - note 14.2	**147,389**	123,962
	267,389	243,962

14.1 The loan carries a rate of return of 4 percent per annum payable quarterly and the principal amount of loan is receivable from ICI Pakistan PowerGen Limited in five equal semi-annual installments, starting from March 2007. The loan is for refinancing certain banking facilities availed by ICI Pakistan PowerGen Limited in previous years to meet working capital requirements.

14.2 Due from Directors and Executives

	Motor car	House building	Total	Total
Due from:				
- Director	-	-	**-**	5,758
- Executives	38,396	25,495	**63,891**	50,026
	38,396	25,495	**63,891**	55,784
Less: Receivable within one year				
- Director	-	-	**-**	1,355
- Executives	4,422	10,701	**15,123**	14,893
	4,422	10,701	**15,123**	16,248
	33,974	14,794	**48,768**	39,536
Due from Employees			**121,045**	102,148
Less: Receivable within one year			**22,424**	17,722
			98,621	84,426
			147,389	123,962
Outstanding for period:				
- less than three years but over one year			**114,566**	90,555
- more than three years			**32,823**	33,407
			147,389	123,962

14.3 Reconciliation of the carrying amount of loans to Directors and Executives:

	2005	2004
Opening balance at the beginning of the year	**55,784**	60,847
Disbursements	**31,164**	20,762
Repayments	**(23,057)**	(25,825)
Balance at the end of the year	**63,891**	55,784

The loan to director and executives includes an amount of Rs. 1.910 million (2004: Rs 9.506 million) in respect of House building relating to key management personnel.

14.4 Loans for purchase of motor cars and house building are repayable between two to ten years. These loans are interest free and granted to the employees of the Company in accordance with their terms of employment.

14.5 The maximum aggregate amount of long-term loans and advances due from the Directors and Executives at the end of any month during the year was Rs 5.645 million and Rs 69.443 million (2004: Rs 6.322 and Rs 61.107 million) respectively.

Amounts in Rs '000

		2005	2004
15.	**Long-Term Deposits and Prepayments**		
	Deposits	**10,307**	19,110
	Prepayments	**11,903**	7,099
		22,210	26,209
16.	**Stores and Spares**		
	Stores (include in-transit Rs 33.764 million; 2004: Rs 8.869 million)	**62,825**	14,890
	Spares (include in-transit Rs Nil; 2004: Rs 3.372 million)	**603,348**	621,514
	Consumables	**78,882**	81,854
		745,055	718,258
	Less: Provision for slow moving and obsolete items	**55,736**	55,006
		689,319	663,252
17.	**Stock-in-Trade**		
	Raw and packing materials (include in-transit Rs 398.029 million; 2004: Rs 291.949 million)	**1,294,615**	1,341,068
	Work-in-process	**113,101**	142,348
	Finished goods (include in-transit Rs 67.33 million; 2004: Rs 139.035 million)	**1,158,930**	1,464,674
		2,566,646	2,948,090
	Less: Provision for slow moving and obsolete stock		
	- Raw materials	**17,109**	16,946
	- Finished goods	**38,056**	18,267
		55,165	35,213
		2,511,481	2,912,877
18.	**Trade Debts**		
	Considered good		
	- Secured	**379,381**	490,148
	- Unsecured	**363,209**	403,229
		742,590	893,377
	Considered doubtful	**144,567**	162,483
		887,157	1,055,860
	Less: Provision for:		
	- Doubtful debts	**144,567**	162,483
	- Discounts payable	**95,581**	77,978
		240,148	240,461
		647,009	815,399

Amounts in Rs '000

		2005	2004
19.	**Loans and Advances**		
	Considered good		
	Loans due from:		
	Director and Executives - note 14.2	**15,123**	16,248
	Employees - note 14.2	**22,424**	17,722
		37,547	33,970
	Advances to:		
	Executives	**2,626**	536
	Employees	**1,983**	1,144
	Contractors and suppliers	**68,272**	41,962
	Others	**1,265**	1,565
		74,146	45,207
		111,693	79,177
	Considered doubtful	**9,003**	9,003
		120,696	88,180
	Less: Provision for doubtful loans and advances	**9,003**	9,003
		111,693	79,177

19.1 The maximum aggregate amount of advances due from the Directors and Executives at the end of any month during the year was Rs Nil and Rs 5.095 million (2004: Rs Nil and Rs 0.864 million) respectively.

		2005	2004
20.	**Trade Deposits and Short-Term Prepayments**		
	Trade deposits	**15,153**	11,843
	Short-term prepayments - note 20.1	**167,040**	135,580
	Balances with statutory authorities	**9,150**	17,025
		191,343	164,448

20.1 In 2004, an amount of Rs. 10.639 million payable to management gratuity fund was netted off against prepayments to management pension fund, this has now been reclassified (refer to note 8.5).

		2005	2004
21.	**Other Receivables**		
	Considered good		
	Excise duty, sales tax and octroi refunds due	**115,940**	179,000
	Due from Associate - note 21.1	**68,154**	67,582
	Insurance claims	**8,372**	6,600
	Commission receivable	**29,833**	42,790
	Others	**64,494**	97,333
		286,793	393,305
	Considered doubtful	**46,720**	29,061
		333,513	422,366
	Less: Provision for doubtful receivables	**46,720**	29,061
		286,793	393,305

21.1 The maximum aggregate amount due from ICI Omicron B.V. at the end of any month during the year was Rs 68.154 million (2004: Rs 67.582 million).

		2005	2004
22.	**Cash and Bank Balances**		
	Deposit accounts	**300,000**	1,103,000
	Current accounts	**1,349,846**	656,546
	In hand:		
	Cheques	**29,553**	50,356
	Cash	**8,257**	6,875
		1,687,656	1,816,777

Amounts in Rs '000

23. Operating Results

	Polyester 2005	Polyester 2004	General Chemicals 2005	General Chemicals 2004	Soda Ash 2005	Soda Ash 2004	Paints 2005	Paints 2004	Others 2005	Others 2004	Company 2005	Company 2004
Sales												
Inter-segment	-	-	**395,326**	351,188	-	-	-	-	**591**	84,403	-	-
Others	**9,145,181**	10,236,433	**1,120,379**	1,932,287	**4,072,588**	3,447,333	**4,114,019**	3,575,338	**2,547,320**	2,052,111	**20,999,487**	21,243,502
	9,145,181	10,236,433	**1,515,705**	2,283,475	**4,072,588**	3,447,333	**4,114,019**	3,575,338	**2,547,911**	2,136,514	**20,999,487**	21,243,502
Commission income	-	-	**54,008**	59,996	-	-	-	-	**803**	-	**54,811**	59,996
Turnover	**9,145,181**	10,236,433	**1,569,713**	2,343,471	**4,072,588**	3,447,333	**4,114,019**	3,575,338	**2,548,714**	2,136,514	**21,054,298**	21,303,498
Sales tax	**492,929**	1,505,507	**184,314**	322,573	**480,606**	504,974	**516,902**	471,622	**28,851**	75,870	**1,703,602**	2,880,546
Commission and discounts to distributors and customers	**81,775**	74,821	**24,199**	42,870	**93,511**	86,632	**409,008**	334,378	**265,746**	244,771	**874,239**	783,472
	574,704	1,580,328	**208,513**	365,443	**574,117**	591,606	**925,910**	806,000	**294,597**	320,641	**2,577,841**	3,664,018
Net sales and commission income	**8,570,477**	8,656,105	**1,361,200**	1,978,028	**3,498,471**	2,855,727	**3,188,109**	2,769,338	**2,254,117**	1,815,873	**18,476,457**	17,639,480
Cost of sales - note 24	**8,174,206**	8,300,936	**1,127,909**	1,753,512	**2,605,417**	2,139,624	**2,159,682**	1,888,594	**1,565,662**	1,236,696	**15,236,959**	14,883,771
Gross profit	**396,271**	355,169	**233,291**	224,516	**893,054**	716,103	**1,028,427**	880,744	**688,455**	579,177	**3,239,498**	2,755,709
Selling and distribution expenses - note 25	**37,714**	38,126	**47,719**	81,246	**74,657**	88,769	**361,681**	291,780	**293,800**	244,538	**815,571**	744,459
Administration and general expenses - note 26	**141,532**	159,758	**49,988**	64,919	**228,329**	217,103	**130,687**	93,177	**143,049**	129,505	**693,585**	664,462
Operating result	**217,025**	157,285	**135,584**	78,351	**590,068**	410,231	**536,059**	495,787	**251,606**	205,134	**1,730,342**	1,346,788
23.1 Segment assets	**5,614,165**	5,183,527	**577,943**	613,249	**4,089,248**	3,655,345	**1,206,949**	1,001,867	**768,272**	933,795	**12,256,577**	11,387,783
23.2 Unallocated assets	-	-	-	-	-	-	-	-	-	-	**2,483,044**	2,540,880
											14,739,621	13,928,663
23.3 Segment liabilities	**2,118,803**	2,710,562	**324,049**	454,824	**655,062**	568,809	**605,239**	468,727	**597,666**	720,876	**4,300,819**	4,923,798
23.4 Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	**350,515**	363,821
											4,651,334	5,287,619
23.5 Non-cash items (excluding depreciation)	**8,030**	3,692	**1,129**	375	**9,942**	6,708	**1,108**	820	**3,390**	868	**23,599**	12,463
23.6 Capital expenditure	**869,453**	185,924	**7,358**	5,948	**481,310**	257,341	**82,477**	72,513	**14,701**	26,026	**1,455,299**	547,752

23.7 Inter-segment sales
Inter-segment sales have been eliminated from the total.

23.8 Inter-segment pricing
Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.

Amounts in Rs '000

24. Cost of Sales

	Polyester		General Chemicals		Soda Ash		Paints		Others		Company	Company
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Raw and packing materials consumed												
Opening stock	**793,251**	501,917	**56,466**	26,124	**74,980**	48,123	**197,540**	85,186	**201,885**	120,802	**1,324,122**	782,152
Purchases												
Inter-segment	-	-	-	-	-	-	**395,917**	435,591	-	-	-	-
Others	**6,243,432**	7,562,477	**191,711**	180,968	**862,392**	669,346	**1,616,382**	1,279,169	**590,749**	682,519	**9,504,666**	10,374,479
	6,243,432	7,562,477	**191,711**	180,968	**862,392**	669,346	**2,012,299**	1,714,760	**590,749**	682,519	**9,504,666**	10,374,479
	7,036,683	8,064,394	**248,177**	207,092	**937,372**	717,469	**2,209,839**	1,799,946	**792,634**	803,321	**10,828,788**	11,156,631
Closing stock	**(749,881)**	(793,251)	**(52,841)**	(56,466)	**(88,874)**	(74,980)	**(202,570)**	(197,540)	**(183,340)**	(201,885)	**(1,277,506)**	(1,324,122)
	6,286,802	7,271,143	**195,336**	150,626	**848,498**	642,489	**2,007,269**	1,602,406	**609,294**	601,436	**9,551,282**	9,832,509
Salaries, wages and benefits	**242,913**	227,257	**2,056**	2,180	**313,578**	339,660	**62,706**	62,747	**32,378**	37,893	**653,631**	669,737
Stores and spares consumed	**72,722**	78,267	**221**	465	**114,827**	76,718	**1,162**	1,187	**4,110**	3,810	**193,042**	160,447
Conversion fee paid to contract manufacturers												
- Modaraba - note 9.5	**293,139**	274,492	-	-	-	-	-	-	-	-	**293,139**	274,492
- Others	-	-	-	-	-	-	-	-	**104,930**	93,435	**104,930**	93,435
Oil, gas and electricity	**454,812**	551,201	**183**	342	**646,367**	526,747	**8,515**	8,517	**3,680**	3,831	**1,113,557**	1,090,638
Rent, rates and taxes	**832**	848	**8**	18	**504**	423	**445**	3	**36**	36	**1,825**	1,328
Insurance	**44,380**	43,185	**1**	2	**30,551**	25,800	**19,281**	14,354	**683**	647	**94,896**	83,988
Repairs and maintenance	**250**	5,213	**38**	61	**489**	537	**12,272**	11,256	**1,325**	1,379	**14,374**	18,446
Depreciation & amortisation - note 10.5 & 11.1	**283,196**	290,118	**673**	461	**332,283**	316,375	**27,285**	22,377	**7,549**	6,587	**650,986**	635,918
Excise duty	-	-	-	-	-	-	**361**	134,197	**1,675**	2,557	**2,036**	136,754
Technical fees	**1,532**	2,298	-	-	-	-	**23,352**	15,607	-	-	**24,884**	17,905
Royalty	-	-	**7,237**	6,595	-	-	-	-	-	-	**7,237**	6,595
General expenses	**59,284**	50,107	**430**	708	**40,597**	45,545	**15,327**	15,359	**7,802**	7,276	**123,440**	118,995
Opening stock of work-in-process	**120,400**	59,393	-	-	-	-	**19,366**	19,008	**2,582**	1,568	**142,348**	79,969
Closing stock of work-in-process	**(83,195)**	(120,400)	**(2,373)**	-	-	-	**(25,213)**	(19,366)	**(2,320)**	(2,582)	**(113,101)**	(142,348)
Cost of goods manufactured	**7,777,067**	8,733,122	**203,810**	161,458	**2,327,694**	1,974,294	**2,172,128**	1,887,652	**773,724**	757,873	**12,858,506**	13,078,808
Opening stock of finished goods	**914,054**	490,922	**229,919**	387,825	**33,314**	79,198	**80,660**	82,405	**188,460**	143,826	**1,446,407**	1,184,176
Finished goods purchased	**17,568**	1,902	**860,564**	1,435,970	**340,045**	119,446	-	-	**859,674**	527,071	**2,077,851**	2,084,389
	8,708,689	9,225,946	**1,294,293**	1,985,253	**2,701,053**	2,172,938	**2,252,788**	1,970,057	**1,821,858**	1,428,770	**16,382,764**	16,347,373
Closing stock of finished goods	**(530,229)**	(914,054)	**(162,688)**	(229,919)	**(93,636)**	(33,314)	**(93,106)**	(80,660)	**(241,215)**	(188,460)	**(1,120,874)**	(1,446,407)
Provision for obsolete stocks shown under administration & general and selling & distribution expenses	**(2,514)**	(9,216)	**(3,696)**	(1,822)	**(2,000)**	-	-	(803)	**(14,981)**	(3,614)	**(23,191)**	(15,455)
	8,175,946	8,302,676	**1,127,909**	1,753,512	**2,605,417**	2,139,624	**2,159,682**	1,888,594	**1,565,662**	1,236,696	**15,238,699**	14,885,511
Recovery from ICI Pakistan PowerGen Limited	**(1,740)**	(1,740)	-	-	-	-	-	-	-	-	**(1,740)**	(1,740)
	8,174,206	8,300,936	**1,127,909**	1,753,512	**2,605,417**	2,139,624	**2,159,682**	1,888,594	**1,565,662**	1,236,696	**15,236,959**	14,883,771

24.1 Inter-segment purchases
Inter-segment purchases have been eliminated from the total.

24.2 Staff retirement benefits
Salaries, wages and benefits include Rs. 64.692 million (2004: Rs 77.561 million) in respect of staff retirement benefits.

24.3 Severance cost
Salaries, wages and benefits include Rs. 53.776 million (2004: Rs 42.825 million) in respect of severance cost.

Amounts in Rs '000

25. Selling and Distribution Expenses

	Polyester 2005	Polyester 2004	General Chemicals 2005	General Chemicals 2004	Soda Ash 2005	Soda Ash 2004	Paints 2005	Paints 2004	Others 2005	Others 2004	Company 2005	Company 2004
Salaries and benefits	**18,461**	20,608	**22,045**	41,565	**25,347**	23,945	**116,532**	105,972	**135,166**	132,033	**317,551**	324,123
Repairs and maintenance	**11**	47	**180**	216	**1,247**	1,137	**1,149**	1,368	**1,698**	1,140	**4,285**	3,908
Advertising and sales promotion	**5,207**	3,259	**1,615**	756	**1,555**	1,788	**104,275**	70,948	**45,237**	28,563	**157,889**	105,314
Rent, rates and taxes	-	51	**168**	249	**1,363**	1,273	**8,429**	7,103	**3,089**	3,108	**13,049**	11,784
Insurance	-	-	**2,515**	3,343	**926**	1,206	-	138	**4,153**	4,229	**7,594**	8,916
Lighting, heating and cooling	-	-	**121**	161	**1,035**	1,369	**2,487**	2,569	**1,542**	1,704	**5,185**	5,803
Depreciation and amortisation note 10.5 & 11.1	**248**	175	**738**	964	**159**	155	**250**	500	**1,671**	457	**3,066**	2,251
Outward freight and handling	**8,294**	6,183	**3,911**	10,639	**30,003**	43,652	**76,570**	62,869	**8,574**	7,745	**127,352**	131,088
Provision for doubtful debts												
- trade	-	-	-	-	-	-	**2,100**	-	**4,466**	-	**6,566**	-
- others	-	-	-	-	-	-	-	-	**5,088**	-	**5,088**	-
Provision for obsolete stock	-	-	-	1,822	-	-	-	803	-	-	-	2,625
Traveling expenses	**2,377**	2,944	**4,608**	7,164	**2,717**	2,416	**25,302**	16,768	**37,280**	29,141	**72,284**	58,433
Postage, telegram, telephone and telex	**557**	585	**2,772**	4,822	**1,663**	2,037	**5,576**	4,849	**5,900**	7,726	**16,468**	20,019
General expenses	**2,559**	4,274	**9,046**	9,545	**8,642**	9,791	**19,011**	17,893	**39,936**	28,692	**79,194**	70,195
	37,714	38,126	**47,719**	81,246	**74,657**	88,769	**361,681**	291,780	**293,800**	244,538	**815,571**	744,459

25.1 Staff retirement benefits
Salaries and benefits include Rs. 37.494 million (2004: Rs 42.331 million) in respect of staff retirement benefits.

25.2 Severance cost
Salaries and benefits include Rs. 4.314 million (2004: Rs 16.500 million) in respect of severance cost.

26. Administration and General Expenses

	Polyester 2005	Polyester 2004	General Chemicals 2005	General Chemicals 2004	Soda Ash 2005	Soda Ash 2004	Paints 2005	Paints 2004	Others 2005	Others 2004	Company 2005	Company 2004
Salaries and benefits	**84,761**	98,161	**28,924**	27,929	**151,179**	150,505	**55,552**	46,436	**85,882**	101,445	**406,298**	424,476
Repairs and maintenance	**4,057**	3,005	**433**	460	**2,714**	3,073	**3,541**	3,834	**1,504**	2,472	**12,249**	12,844
Advertising and sales promotion	**1,621**	1,084	**490**	355	**3,011**	2,139	**386**	252	**1,853**	3,252	**7,361**	7,082
Rent, rates and taxes	**3,723**	3,247	**955**	674	**7,023**	5,342	**1,464**	1,195	**2,313**	2,672	**15,478**	13,130
Insurance	**778**	752	**306**	276	**2,197**	2,126	**282**	-	**2,255**	1,872	**5,818**	5,026
Lighting, heating and cooling	**2,517**	2,694	**563**	565	**4,136**	4,504	**1,752**	1,807	**2,467**	2,999	**11,435**	12,569
Depreciation & amortisation - note 10.5 & 11.1	**5,713**	5,930	**4,568**	3,670	**13,765**	13,054	**6,780**	6,162	**13,170**	13,118	**43,996**	41,934
Provision for doubtful debts												
- trade	-	-	-	7,385	-	-	-	4,620	-	-	-	12,005
- others	-	-	-	16,063	-	-	-	-	-	-	-	16,063
Provision for obsolete stock	**2,514**	9,216	**3,696**	-	**2,000**	-	-	-	**14,981**	3,614	**23,191**	12,830
Traveling expenses	**5,611**	5,402	**1,232**	2,015	**6,288**	5,671	**3,704**	5,693	**8,334**	9,103	**25,169**	27,884
Postage, telegram, telephone and telex	**2,827**	1,287	**527**	603	**2,530**	1,813	**6,261**	5,454	**2,931**	3,558	**15,076**	12,715
General expenses	**27,650**	29,220	**8,294**	4,924	**33,486**	28,876	**50,965**	17,724	**24,399**	30,403	**144,794**	111,147
	141,772	159,998	**49,988**	64,919	**228,329**	217,103	**130,687**	93,177	**160,089**	174,508	**710,865**	709,705
Less: Recovery from ICI Pakistan PowerGen Limited	**240**	240	-	-	-	-	-	-	-	-	**240**	240
Less: Service charges from Pakistan PTA Limited - note 26.2	-	-	-	-	-	-	-	-	**17,040**	45,003	**17,040**	45,003
	141,532	159,758	**49,988**	64,919	**228,329**	217,103	**130,687**	93,177	**143,049**	129,505	**693,585**	664,462

26.1 Staff retirement benefits
Salaries and benefits include Rs. 58.874 million (2004: Rs 51.204 million) in respect of staff retirement benefits.

26.2 Service charges from Associate
This represents amount charged by the Company for certain administrative services rendered by it to the Associate in accordance with the Service Level Agreement between the two companies.

26.3 Severance cost
Salaries and benefits include Rs. 17.671 million (2004: Rs 78.175 million) in respect of severance cost.

Amounts in Rs '000

		2005	2004
27.	**Financial Charges**		
	Mark-up on:		
	Short-term financing	**14,622**	11,377
	Redeemable capital	**-**	47,386
	Interest on:		
	Long-term loans	**1,326**	45,854
	Workers' profit participation fund - note 8.3	**2,043**	349
	Discounting charges on receivables	**80,930**	105,917
	Exchange loss	**29,462**	43,138
	Others	**5,327**	4,919
		133,710	258,940
28.	**Other Operating Charges**		
	Auditors' remuneration - note 28.1	**5,923**	4,471
	Donations - note 28.2	**14,929**	4,608
	Workers' profit participation fund - note 8.3	**87,139**	58,462
		107,991	67,541
28.1	**Auditors' remuneration**		
	Audit fee	**1,840**	1,600
	Certifications including SOX documentation, half yearly review and group reporting	**3,757**	2,591
	Out-of-pocket expenses	**326**	280
		5,923	4,471

28.2 Donations include Rs 9.0 million and Rs1.0 million on account of Company's contribution to the President's Relief Fund and Pharma Bureau of Information & Statistics, respectively, for earthquake victims and Rs 4.015 million (2004: Rs 3.831 million) to ICI Pakistan Foundation, Mr Waqar A Malik, Chief Executive, and Mr Asif Jooma, Director of the Company, are amongst the Trustees of the Foundation.

		2005	2004
29.	**Other Operating Income**		
	Profit on short-term and call deposits	**5,248**	3,181
	Return on loan due from Subsidiary / Associate	**4,839**	1,039
	Scrap sales	**29,735**	17,670
	Gain on disposal of property, plant and equipment	**3,556**	6,095
	Insurance claims	**5,614**	-
	Provisions and accruals no longer required written back	**14,420**	16,241
	Gain on sale of investment - note 29.1	**-**	1,788,524
	Others	**101,548**	45,893
		164,960	1,878,643

29.1 This represents Rs 1,788.524 million on account of gain on sale of 25% equity investment in Pakistan PTA Limited on 1 September 2004.

Amounts in Rs '000

		2005	2004
30.	**Taxation**		
	Current - note 30.1	**98,950**	96,988
	Deferred tax liability realised on taxable income	**678,200**	440,995
	Deferred tax asset recognised	**(1,359,200)**	(440,995)
	Deferred tax on surplus on revaluation of property, plant and equipment transferred to retained earnings - note 30.2	**(44,406)**	(44,406)
		(725,406)	(44,406)
		(626,456)	52,582

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

30.2 This represents deferred tax credited to profit and loss account amounting to Rs 44.406 million (2004: Rs 44.406 million) on surplus on revaluation of property, plant and equipment transferred to retained earnings (unappropriated profit) pertaining to incremental depreciation charged during the current year.

31. Earnings per Share - Basic and Diluted

	2005	2004
Profit after taxation for the year	**2,280,057**	2,846,368
	Number of shares	
Weighted average number of ordinary shares in issue during the year	**138,802,300**	138,802,300
	(Rupees)	
Earning per share	**16.43**	20.51

32. Remuneration of Directors and Executives

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

	Chairman		**Chief Executive**		**Directors**		**Executives**		**Total**	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Managerial remuneration	**1,150**	1,167	**10,817**	7,499	**19,123**	16,709	**327,028**	284,115	**358,118**	309,490
Retirement benefits	-	-	**881**	-	**3,820**	3,641	**65,361**	65,396	**70,062**	69,037
Group insurance	-	-	**44**	17	**87**	52	**1,772**	1,501	**1,903**	1,570
Rent and house maintenance	-	-	**3,810**	3,356	**4,428**	3,334	**73,405**	69,302	**81,643**	75,992
Utilities	-	-	**573**	466	**809**	951	**24,460**	26,954	**25,842**	28,371
Medical expenses	-	-	**149**	187	**236**	95	**9,472**	8,444	**9,857**	8,726
Leave passage	-	-	**40**	-	**148**	57	**278**	532	**466**	589
	1,150	1,167	**16,314**	11,525	**28,651**	24,839	**501,776**	456,244	**547,891**	493,775
Number of persons	**1**	1	**2**	1	**4**	3	**202**	196	**209**	201

32.1 The Directors and certain Executives are provided with free use of Company cars in accordance with their entitlement. The Chief Executive is provided with Company owned and maintained furnished accommodation and free use of Company car.

32.2 Aggregate amount charged in the financial statements for fee to Directors was Rs. 2.732 million (2004: Rs 2.702 million), and for the remuneration of one director seconded by Pakistan PTA Limited amounted to Rs 8.382 million (2004: Rs. 7.668 million).

32.3 The above balances include an amount of Rs. 122.972 million (2004: Rs. 97.101 million) on account of remuneration of key management personnel out of which Rs. 23.748 million (2004: Rs 9.696 million) relates to post employment benefits.

Amounts in Rs '000

33. Transactions with Related Parties

The related parties comprise parent company (ICI Omicron B.V.), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key management employees and staff retirement funds. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2005	2004
Subsidiary Company		
Purchase of goods, materials and services	**286,553**	303,151
Provision of services and other receipts	**1,980**	1,980
Return on loan to Subsidiary	**4,839**	1,039
Sale of goods and materials	-	46,191
Loan disbursed to Subsidiary	-	120,000
Associated companies		
Purchase of goods, materials and services	**5,250,074**	6,162,160
Provision of services and other receipts	**17,041**	45,002
Sale of goods and materials	**11,373**	10,626
Dividends	**631,368**	263,065
Donations	**4,015**	3,831
Interest on loans from group companies	-	38,975
Repayment of loan to group companies	-	2,011,800
Sale of shares to parent company	-	972,995
Others		
Purchase of goods, materials and services	**622**	134
Provision of services and other receipts	**982**	-
Sale of goods and materials	**41,055**	28,773

34. Plant Capacity and Annual Production

- in metric tonnes except Paints which is in thousands of litres:

	2005		2004	
	Annual Name Plate Capacity	**Production**	Annual Name Plate Capacity	Production
Polyester	**56,000**	**52,611**	56,000	67,247
Soda Ash	**230,000**	**237,283**	226,625	233,272
Paints	**-**	**28,539**	-	24,883
Chemicals	**-**	**8,119**	-	9,437
Sodium Bicarbonate	**15,500**	**16,707**	11,176	15,706

34.1 The capacity of Paints and Chemicals is indeterminable because these are multi-product plants involving varying processes of manufacture.

34.2 Production in Polyester business was below the name plate capacity mainly due to planned shutdown of the plant in November / December 2005.

35. Fair Value of Financial Assets and Liabilities

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

Amounts in Rs '000

36. 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 indicate their effective interest / mark-up rates at the balance sheet date and the periods in which they will re-price or mature:

	Effective Mark-up / interest rates %	Interest / mark-up bearing: Maturity upto one year	Interest / mark-up bearing: Maturity one to five years	Interest / mark-up bearing: Maturity after five years	Non-interest /mark-up bearing	Total
Financial Assets						
Long-term loans	4	-	120,000	-	147,389	267,389
Long-term deposits	-	-	-	-	10,307	10,307
Trade debts	-	-	-	-	647,009	647,009
Loans and advances	-	-	-	-	42,156	42,156
Trade deposits	-	-	-	-	15,153	15,153
Other receivables	-	-	-	-	170,853	170,853
Cash and bank balances	7.9	300,000	-	-	1,387,656	1,687,656
		300,000	120,000	-	2,420,523	2,840,523
Financial Liabilities						
Trade and other payables	7.5 & 30	144,339	-	-	4,416,391	4,560,730
		144,339	-	-	4,416,391	4,560,730
Net financial assets / (liabilities)	**2005**	**155,661**	**120,000**	**-**	**(1,995,868)**	**(1,720,207)**
Net financial assets / (liabilities)	2004	878,757	120,000	-	(2,858,770)	(1,860,013)

37. Credit and Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. The Company does not have significant exposure to any individual customer. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The sector wise analysis of receivables, comprising trade debts, deposits, loans excluding loans to associates and other receivables is given below:

	2005	2004
Public Sector		
- Government	**29,307**	46,337
- Armed forces	**7,811**	2,345
- Communication	**403**	535
- Oil and gas	**104**	7,414
- Health	**487**	569
- Others	**45,284**	33,759
	83,396	90,959
Private Sector		
- Institutional	**7,065**	20,666
- Trade	**647,009**	815,399
- Bank	**1,945**	2,423
- Others	**345,298**	409,142
	1,001,317	1,247,630
	1,084,713	1,338,589

38. Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is exposed to foreign currency risk on sales, purchases and borrowings, if any, that are entered in a currency other than Pak Rupees. The Company uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate.

39. Accounting Estimates and Judgements

Income Taxes

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. Furthermore, the Company may be able to avail the benefit of the payment of turnover tax, provided sufficient taxable profits are available in next five years when this credit can be utilised.

Pension and Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 6 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to 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 might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

40. Forthcoming Requirements Under International Accounting Standard (IAS) 8"Accounting Policies, Changes in Accounting Policies, Changes in Accounting Estimates and Errors"

During the current year the International Financial Reporting Interpretation Committee (IFRIC) of the International Accounting Standards Board issued IFRIC Interpretation 4 (IFRIC-4) “Determining whether an Arrangement contains a Lease”. The interpretation is effective for financial periods beginning on or after 1 January 2006. The interpretation requires that determining whether an arrangement is, or contains, a lease which shall be based on the substance of the arrangement and requires an assessment of whether:

(a) fulfilment of the arrangement is dependent on the use of a specific / captive asset or assets; and
(b) the arrangement conveys a right to use the asset.

The Company has in place certain arrangements which under IFRIC - 4 requires re-assessment for potential classification as a finance lease. The financial impact, if any, as a result of this re-assessment is under review.

41. Dividend

The directors in their meeting held on 2 March 2006 have declared a final dividend of Rs.3.00 per share in respect of year ended 31 December 2005. The financial statements for the year ended 31 December 2005 do not include the effect of the above dividend which will be accounted for in the period in which it is declared.

42. Date of Authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on 2 March 2006.

43. General

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

M J Jaffer	Waqar A Malik	Feroz Rizvi
Chairman / Director	*Chief Executive*	*Chief Financial Officer*

No. of Shareholders	Categories				No. of Shares
6,647	From	1	To	100	237,837
4,893	From	101	To	500	1,163,036
1,366	From	501	To	1,000	1,000,408
1,393	From	1,001	To	5,000	2,930,381
183	From	5,001	To	10,000	1,332,071
59	From	10,001	To	15,000	732,248
26	From	15,001	To	20,000	472,039
18	From	20,001	To	25,000	418,570
11	From	25,001	To	30,000	303,619
6	From	30,001	To	35,000	189,187
5	From	35,001	To	40,000	188,186
4	From	40,001	To	45,000	170,464
6	From	45,001	To	50,000	300,000
3	From	50,001	To	55,000	156,064
4	From	55,001	To	60,000	236,500
3	From	65,001	To	70,000	210,000
2	From	70,001	To	75,000	146,943
4	From	75,001	To	80,000	309,193
3	From	80,001	To	85,000	245,502
1	From	85,001	To	90,000	86,600
1	From	90,001	To	95,000	92,400
3	From	95,001	To	100,000	300,000
3	From	100,001	To	105,000	309,630
1	From	105,001	To	110,000	108,000
1	From	110,001	To	115,000	112,200
1	From	135,001	To	140,000	137,000
1	From	140,001	To	145,000	141,800
4	From	145,001	To	150,000	599,195
1	From	150,001	To	155,000	155,000
1	From	155,001	To	160,000	159,500
1	From	160,001	To	165,000	161,100
1	From	170,001	To	175,000	175,000
1	From	175,001	To	180,000	179,873
2	From	195,001	To	200,000	400,000
1	From	235,001	To	240,000	240,000
1	From	245,001	To	250,000	250,000
1	From	335,001	To	340,000	338,100
1	From	395,001	To	400,000	400,000
1	From	415,001	To	420,000	419,500
1	From	445,001	To	450,000	445,500
1	From	485,001	To	490,000	488,375
1	From	495,001	To	500,000	500,000
1	From	565,001	To	570,000	569,333
1	From	655,001	To	660,000	659,100
1	From	680,001	To	685,000	680,330
1	From	810,001	To	815,000	812,955
1	From	815,001	To	820,000	816,000
1	From	840,001	To	845,000	840,700

Pattern of Shareholding as at 31 December 2005

No. of Shareholders	Categories				No. of Shares
1	From	860,001	To	865,000	864,276
1	From	890,001	To	895,000	893,010
1	From	970,001	To	975,000	974,300
1	From	1,205,001	To	1,210,000	1,207,800
1	From	1,245,001	To	1,250,000	1,246,300
1	From	2,835,001	To	2,840,000	2,839,912
1	From	4,225,001	To	4,230,000	4,228,138
1	From	105,225,001	To	105,230,000	105,229,125
14,681					**138,802,300**

Categories of Shareholders	Number	Shares Held	Percentage
INDIVIDUALS	9,992	3,674,812	2.65
INVESTMENT COMPANIES	31	13,453	0.01
INSURANCE COMPANIES	12	873,428	0.63
JOINT STOCK COMPANIES	33	154,069	0.11
ASSOCIATED COMPANY (a)	1	105,229,125	75.81
FINANCIAL INSTITUTIONS	18	27,770	0.02
MODARABA COMPANIES	3	176	0.00
OTHERS	14	204,513	0.15
FOREIGN FUNDS	3	2,266	0.00
CENTRAL DEPOSITORY COMPANY (b)	4,574	28,622,688	20.62
TOTAL	**14,681**	**138,802,300**	**100.00**

(a) Represents the 75.81% shareholding of the ICI Omicron,B.V. a subsidiary of ICI Plc, UK
(b) Categories of Account Holders and Sub Account Holders as per Central Depository Register

CHARITABLE TRUST	3	14,560	0.05
COOPERATIVE SOCIETIES	1	5,000	0.02
FINANCIAL INSTITUTIONS	36	8,080,808	28.23
INDIVIDUALS	4,395	8,133,993	28.42
INSURANCE COMPANIES	9	3,726,602	13.02
INVESTMENT COMPANIES	9	1,311,717	4.58
JOINT STOCK COMPANIES	93	2,767,708	9.67
LEASING COMPANIES	3	7,525	0.03
MODARABA MANAGEMENT CO	1	29,475	0.10
MODARABAS	3	83,091	0.29
MUTUAL FUND	9	2,928,600	10.23
OTHERS	12	1,533,609	5.36
TOTAL	**4,574**	**28,622,688**	**100.00**

ADDITIONAL INFORMATION

Shareholder's Category	Number of Shareholders	Number of Shares Held
Associated Companies (name wise details)		
ICI Omicron B.V.	1	105,229,125
Pakistan PTA Limited		NIL
ICI Pakistan PowerGen Limited		NIL
NIT & ICP (name wise details)		
Investment Corporation of Pakistan	1	13,416
National Bank of Pakistan, Trustee Department (NIT)	1	882,258
Directors, CEO and their spouse and minor children (name wise details)		
M J Jaffer	1	21,325
Waqar A Malik	1	1
Asif Jooma	1	238
Pervaiz A Khan	1	225
M Nawaz Tiwana	1	1
Mrs Khatoon M. Jaffer W/o Mr. M J Jaffer	1	15,989
Mr Akbar Jaffer S/o Mr. M J Jaffer	1	15,081
Muhammad Zahir	1	309
Executives	73	14,976
Public sector companies & corporation		
Banks, Development Finance Institutions Non-Banking Finance Institutions, Insurance Companies, Modarbas & Mutual Funds	252	19,101,223
Shareholders holding 10% or more voting interest (name wise details)		
ICI Omicron B.V.	1	105,229,125
Common Director's shareholdings in Associated Companies		
Pakistan PTA Limited		
Waqar A Malik	1	1
David J Gee	1	1
Phillip Gillett	1	1
ICI Pakistan PowerGen Limited		
Waqar A Malik	1	1
Asif Jooma	1	1
Pervaiz A Khan	1	1

Comparison of Results for Six Years

	2000			2001
	Continued	Discontinued	Company	
Assets / Liabilities				
Property, plant and equipment			5,673,385	5,945,482
Intangible assets			-	-
			5,673,385	5,945,482
Long-term Investments			212,500	813,253
Current Assets			3,346,076	4,710,987
Less Current Liabilities			2,334,012	4,230,621
Working capital			1,012,064	480,366
Other net Assets / (Liabilities)			(2,670,035)	(1,788,347)
Total Net Assets			4,227,914	5,450,754
Financed by:				
Share Capital			1,261,839	1,388,023
Reserves			214,119	967,489
Surplus on Revaluation of property, plant and equipment			1,895,736	1,895,736
Shareholders' Equity			3,371,694	4,251,248
Long-term Loans			666,668	1,133,333
Deferred Liability			189,552	66,173
Total Funds Invested			4,227,914	5,450,754
Profits/(Loss)				
Turnover	11,715,055	8,760,473	18,839,719	12,815,431
Net sales & Commission income	9,784,132	7,576,861	15,725,184	10,569,573
Gross profit	2,613,951	(134,936)	2,479,015	2,465,404
Operating Results	1,542,154	(368,602)	1,173,552	1,398,862
Profit / (Loss) before Taxation	1,251,588	(2,923,265)	(1,671,677)	619,777
Taxation	(49,142)	(29,511)	(78,653)	(53,159)
Profit / (Loss) after Taxation	1,202,446	(2,952,776)	(1,750,330)	566,618
Dividend	-	-	-	277,605
Profit/(loss) after taxation & dividend	1,202,446	(2,952,776)	(1,750,330)	289,013
Investors Ratio				
Gross profit to Sales			15.76	23.33
Debtor turnover (in days) - Sales			8	18
Stock turnover (in days) - COGS			64	81
Fixed assets turnover to Sales - (%)			277.17	177.77
Market Value / share			10.85	35.30
Price Earning ratio			(6.06)	7.55
Return on Capital Employed - (%)			(51.91)	13.33
Debt : Equity ratio			62:38	54:46
Current ratio			1.43	1.11
Interest cover - times			0.42	1.80
(Loss) / Earnings after tax per share			(1.79)	4.68
Dividends - Rupee per share			-	2.00
Dividend cover - times			-	2.04

Amounts in Rs'000

2002	2003	2004	**2005**
5,742,781	5,395,447	5,250,166	**6,037,873**
-	132,111	135,848	**103,811**
5,742,781	5,527,558	5,386,014	**6,141,684**
2,327,460	2,333,760	212,500	**212,500**
4,618,700	5,305,892	7,189,684	**6,500,138**
3,956,958	3,903,777	5,092,916	**4,560,730**
661,742	1,402,115	2,096,768	**1,939,408**
(1,877,650)	(3,047,183)	1,028,363	**1,885,299**
6,854,333	6,216,250	8,723,645	**10,178,891**
1,388,023	1,388,023	1,388,023	**1,388,023**
3,202,991	4,073,846	6,665,957	**8,205,949**
784,424	679,813	587,064	**494,315**
5,375,438	6,141,682	8,641,044	**10,088,287**
1,400,000	-	-	**-**
78,895	74,568	82,601	**90,604**
6,854,333	6,216,250	8,723,645	**10,178,891**
15,073,813	22,156,265	21,303,498	**21,054,298**
12,218,937	18,127,295	17,639,480	**18,476,457**
2,327,095	2,664,367	2,755,709	**3,239,498**
1,077,114	1,087,681	1,346,788	**1,730,342**
723,094	806,552	2,898,950	**1,653,601**
1,131,638	(40,308)	(52,582)	**626,456**
1,854,732	766,244	2,846,368	**2,280,057**
312,305	-	347,006	**832,814**
1,542,427	766,244	2,499,362	**1,447,243**
19.04	14.70	15.62	**17.53**
19	13	15	**14**
69	45	61	**65**
212.77	327.94	327.51	**300.84**
53.95	85.00	89.65	**140.50**
4.04	15.40	4.37	**8.55**
34.50	13.22	32.94	**22.60**
45:55	40:60	0:100	**0:100**
1.17	1.36	1.41	**1.43**
2.72	3.11	12.38	**13.87**
13.36	5.52	20.51	**16.43**
2.25	-	2.50	**6.00**
6.68	2.45	8.20	**2.74**

Notice of Meeting

Notice is hereby given that the Fifty-fourth Annual General Meeting of ICI PAKISTAN LIMITED will be held on Wednesday, 26 April, 2006 at 10.00 am at the Registered Office of the Company, ICI House, 5 West Wharf, Karachi 74000, to transact the following business:

1. To receive and consider the accounts of the Company for the year ended December 31, 2005, the report of the Auditors thereon and the report of the Directors.

2. To declare a cash dividend @ 30% i.e. Rs.3/- per ordinary share Rs 10 each for the year ended December 31, 2005 as recommended by the Directors, payable to the Members whose names appear in the Register of Members as at 17 April 2006.

3. To appoint the Auditors of the Company and to fix their remuneration.

By the Order of the Board

07 March 2006
Karachi

Nausheen Ahmad
Company Secretary

Notes:

1. Share Transfer Books of the Company will remain closed from 17 April 2006 to 26 April 2006 (both days inclusive).
2. Entitlement to dividend and to attend the Fifty-Fourth Annual General Meeting as a Member will be according to the Members Register as at 17 April 2006.
3. All Members are entitled to attend and vote at the Meeting.
4. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote for him/her. A proxy must be a Member of the Company.
5. An instrument of proxy applicable for the Meeting (in which you can direct the proxy how you wish him to vote) is being provided with the notice sent to Members. Further copies of the instrument of proxy may be obtained from the Registered Office of the Company during normal office hours.
6. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must, to be valid, be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
7. Members are requested to notify immediately changes, if any, in their registered address.
8. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his 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 specimen 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 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 sha1l be submitted (unless it has been provided earlier) along with proxy form to the Company.

The Directors are pleased to present their report together with the audited Group results of ICI Pakistan Limited for the year ended 31 December 2005. The ICI Pakistan Group comprises financial statements of ICI Pakistan Limited and ICI Pakistan PowerGen Limited, a wholly owned subsidiary.

The Directors Report, giving a commentary on the performance of ICI Pakistan Limited for the year ended 31 December 2005 has been presented separately.

Net sales income for ICI Pakistan PowerGen Limited for the year was 5% lower than last year due to lower demand for electric power from the Polyester Plant resulting from comparatively lower PSF production. With rising crude oil prices the unit variable cost increased due to higher furnace oil prices however, there was no corresponding increase in the selling price. Consequently, the Company incurred an operating loss of Rs 37.6 million for the year ended 31 December 2005 compared with an operating profit of Rs 42.8 million last year. As a result, loss before taxation for the year ended 31 December 2005 was Rs 42.3 million compared to a profit of Rs 36.1 million last year.

M J Jaffer
Chairman

Waqar A Malik
Chief Executive

Dated: 02 March 2006

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of ICI Pakistan Limited ("the Holding Company") and ICI Pakistan PowerGen Limited ("the Subsidiary") as at 31 December 2005 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended.

These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial 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.

In our opinion, the consolidated financial statements examined by us present fairly the financial position of the Holding Company and its Subsidiary as at 31 December 2005, and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Date: 02 March 2006
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Consolidated Balance Sheet as at 31 December 2005

Amounts in Rs '000

	Note	2005	2004
Share Capital and Reserves			
Authorised capital			
1,500,000,000 ordinary shares of Rs 10 each		**15,000,000**	15,000,000
Issued, subscribed and paid-up capital	4	**1,388,023**	1,388,023
Capital reserves	5	**465,845**	465,845
Unappropriated profit		**7,720,911**	6,223,183
		9,574,779	8,077,051
Surplus on Revaluation of Property, Plant and Equipment	6	**494,315**	587,064
Non-Current Liabilities			
Deferred liability	7	**90,971**	83,089
Current Liabilities			
Short-term financing	8	**-**	112,102
Trade and other payables	9	**4,616,961**	5,148,387
		4,616,961	5,260,489
Contingencies and Commitments	10		
		14,777,026	14,007,693

Amounts in Rs '000

	Note	2005	2004
Property, plant and equipment	11	**6,288,454**	5,514,366
Intangible assets	12	**103,811**	135,848
		6,392,265	5,650,214
Deferred Tax Asset - net	13	**1,595,700**	870,294
Long-Term Investments	14	**2,500**	2,500
Long-Term Loans	15	**148,690**	124,413
Long-Term Deposits and Prepayments	16	**22,210**	26,209
Current Assets			
Stores and spares	17	**734,029**	706,876
Stock-in-trade	18	**2,529,180**	2,923,737
Trade debts	19	**672,428**	840,869
Loans and advances	20	**112,584**	92,326
Trade deposits and short-term prepayments	21	**195,648**	165,784
Other receivables	22	**293,590**	395,748
Taxation recoverable		**374,941**	344,545
Cash and bank balances	23	**1,703,261**	1,864,178
		6,615,661	7,334,063
		14,777,026	14,007,693

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

M J Jaffer
Chairman / Director

Waqar A Malik
Chief Executive

Feroz Rizvi
Chief Financial Officer

Consolidated Profit and Loss Account for the Year Ended 31 December 2005

Amounts in Rs '000

	Note	**2005**	2004
Turnover	24	**21,054,298**	21,303,498
Sales tax, commission and discounts	24	**(2,615,217)**	(3,703,559)
Net sales and commission income		**18,439,081**	17,599,939
Cost of sales	25	**(15,236,786)**	(14,791,058)
Gross profit		**3,202,295**	2,808,881
Selling and distribution expenses	26	**(815,571)**	(744,459)
Administration and general expenses	27	**(693,940)**	(674,843)
		1,692,784	1,389,579
Financial charges	28	**(133,935)**	(263,252)
Other operating charges	29	**(108,130)**	(69,583)
		(242,065)	(332,835)
Other operating income	30	**160,618**	3,361,826
Share in post acquisition profit of associate before taxation		**-**	246,993
Profit before taxation		**1,611,337**	4,665,563
Taxation	31	**626,456**	(71,671)
Profit after taxation		**2,237,793**	4,593,892
		(Rupees)	(Rupees)
Earnings per share - Basic and Diluted	32	**16.12**	33.10

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

M J Jaffer	Waqar A Malik	Feroz Rizvi
Chairman / Director	*Chief Executive*	*Chief Financial Officer*

Amounts in Rs '000

	2005	2004
Cash Flows from Operating Activities		
Profit before taxation	**1,611,337**	4,665,563
Adjustments for:		
Gain on disposal of investment in Associate	**-**	(3,272,074)
Depreciation and amortisation	**738,401**	711,607
Share in post acquisition profit of Associate	**-**	(246,993)
Gain on disposal of property, plant and equipment	**(3,556)**	(6,095)
Provision for non-management staff gratuity and eligible retired employees' medical scheme	**23,676**	12,522
Return on bank deposits	**(5,248)**	(4,518)
Interest / mark-up expense	**98,899**	215,186
	2,463,509	2,075,198
Movement in:		
Working capital	**35,379**	63,863
Long-term loans	**(24,277)**	(129,450)
Long-term deposits and prepayments	**3,999**	(2,155)
Cash generated from operations	**2,478,610**	2,007,456
Payments for:		
Non-management staff gratuity and eligible retired employees' medical scheme	**(15,794)**	(7,979)
Taxation	**(129,345)**	(87,036)
Net cash generated from operating activities	**2,333,471**	1,912,441
Cash Flows from Investing Activities		
Long-term investments	**-**	3,909,784
Payments for capital expenditure	**(1,462,777)**	(596,085)
Proceeds from disposal of property, plant and equipment	**5,137**	15,287
Profit / mark-up received	**5,248**	4,518
Net cash (used in) / generated from investing activities	**(1,452,392)**	3,333,504

Consolidated Cash Flow Statement for the Year Ended 31 December 2005

Amounts in Rs '000

	2005	2004
Cash Flows from Financing Activities		
Long-term borrowings less repayments	**-**	(3,981,800)
Interest / mark-up paid	**(97,063)**	(188,522)
Dividend paid	**(832,831)**	(347,054)
Net cash used in financing activities	**(929,894)**	(4,517,376)
Net (decrease) / increase in cash and cash equivalents	**(48,815)**	728,569
Cash and cash equivalents at 1 January	**1,752,076**	1,023,507
Cash and cash equivalents at 31 December	**1,703,261**	1,752,076

Movement in Working Capital

(Increase) / decrease in current assets		
Stores and spares	**(27,153)**	(167)
Stock-in-trade	**394,557**	(846,085)
Trade debts	**168,441**	(171,636)
Loans and advances	**(20,258)**	(1,911)
Trade deposits and short-term prepayments	**(29,864)**	15,454
Other receivables	**103,196**	(71,965)
	588,919	(1,076,310)
Increase / (decrease) in current liabilities		
Trade and other payables	**(553,540)**	1,140,173
	35,379	63,863

Cash and cash equivalents at 31 December comprise of:

Cash and bank balances - note 23	**1,703,261**	1,864,178
Running finances utilised under mark-up arrangements - note 8	**-**	(112,102)
	1,703,261	1,752,076

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

M J Jaffer
Chairman / Director

Waqar A Malik
Chief Executive

Feroz Rizvi
Chief Financial Officer

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2005

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
Balance as on 1 January 2004	**1,388,023**	**465,845**	**1,883,548**	**3,737,416**
Final dividend for the year ended 31 December 2003	-	-	(347,006)	(347,006)
Net profit for the year ended 31 December 2004	-	-	4,593,892	4,593,892
Transfer from surplus on revaluation of property, plant and equipment - note 6	-	-	92,749	92,749
Total recognised income and expense for the period	-	-	4,686,641	4,686,641
Balance as on 31 December 2004	**1,388,023**	**465,845**	**6,223,183**	**8,077,051**
Final dividend for the year ended 31 December 2005	-	-	(555,209)	(555,209)
Interim dividend for the year	-	-	(277,605)	(277,605)
Net profit for the year ended 31 December 2005	-	-	2,237,793	2,237,793
Transfer from surplus on revaluation of property, plant and equipment - note 6	-	-	92,749	92,749
Total recognised income and expense for the period	-	-	2,330,542	2,330,542
Balance as on 31 December 2005	**1,388,023**	**465,845**	**7,720,911**	**9,574,779**

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

M J Jaffer
Chairman / Director

Waqar A Malik
Chief Executive

Feroz Rizvi
Chief Financial Officer

1. Status and Nature of Business

1.1 The Group consists of:

- ICI Pakistan Limited; and
- ICI Pakistan PowerGen Limited.

ICI Pakistan Limited ("the Company") is incorporated in Pakistan and is listed on Karachi, Lahore and Islamabad Stock Exchanges.

ICI Pakistan PowerGen Limited ("the Subsidiary") is incorporated in Pakistan as an unlisted public company and is a wholly owned subsidiary company of ICI Pakistan Limited.

The Company is engaged in the manufacture of polyester staple fibre, POY chips, soda ash, paints, specialty chemicals, sodium bicarbonate and polyurethanes; marketing of seeds, toll manufactured and imported pharmaceuticals and animal health products; and merchanting of general chemicals. It also acts as an indenting agent.

The Subsidiary is engaged in generating, selling and supplying electricity to the Company.

The Group's registered office is situated at 5 West Wharf, Karachi.

2. Basis of Presentation

The consolidated financial statements include the financial statements of ICI Pakistan Limited and ICI Pakistan PowerGen Limited. The financial statements of the Subsidiary have been consolidated on a line-by-line basis.

All inter Group balances and transactions have been eliminated.

3. Summary of Significant Accounting Policies

3.1 Statement of compliance

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

3.2 Accounting convention

These financial statements have been prepared under the historical cost convention, except that certain property, plant and equipment have been included at revalued amounts and certain exchange elements referred to in notes 3.8 have been incorporated in the cost of the relevant property, plant and equipment.

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

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

3.3 Staff retirement benefits

The Group's retirement benefit plans comprise of provident funds, pensions, gratuity schemes and a medical scheme for eligible retired employees.

Defined benefit plans

The Group operates a funded pension scheme and a funded gratuity scheme for management staff. The pension and gratuity schemes are salary schemes providing pension and lump sums, respectively. Pension and gratuity schemes for management staff are invested through two approved trust funds. The Group recognises expense on the existing pension and gratuity funds in accordance with IAS 19 "Employee Benefits". The gratuity scheme for non-management staff and the pensioners' medical scheme are unfunded.

An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected average remaining working lives of employees as allowed under the relevant provision of IAS 19 "Employee Benefits".

Defined contribution plans

The Group operates two registered contributory provident funds for all its staff and a registered defined contribution superannuation fund for its management staff, who have either opted for this fund by 31 July 2004 or have joined the Group after 30 April 2004.

3.4 Provisions

A provision is recognized in the balance sheet when the Group 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.

3.5 Trade and other payables

Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost.

3.6 Dividend

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

3.7 Taxation

Income tax on profit and loss for the year comprises current and deferred tax. Income tax is recognized in the profit and loss account, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and rebates, if any.

Deferred

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

The Group recognises a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Further, the Group recognises deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

3.8 Property, plant and equipment and depreciation

Property, plant and equipment (except freehold land, pertaining to all businesses, and leasehold land and plant and machinery pertaining to Soda Ash business) are stated at cost less accumulated depreciation and impairment losses. Capital work-in-progress is stated at cost. Cost of certain property, plant and equipment comprises historical cost, exchange differences recognised in accordance with the previous Fourth Schedule to the Ordinance, cost of exchange risk cover in respect of foreign currency loans obtained for the acquisition of property, plant and equipment upto the commencement of commercial production and the cost of borrowings during construction period in respect of loans taken for specific projects.

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. The cost of leasehold land is amortised in equal installments over the lease period. Depreciation on additions is charged from the month in which the asset is put to use and on disposals up to the month of disposal.

Incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of property, plant and equipment to retained earnings (unappropriated profit).

Maintenance and normal repairs are charged to income as and when incurred. Renewals and improvements are capitalised when it is probable that respective future economic benefits will flow to the Group and the cost of the item can be measured reliably, and the assets so replaced, if any, are retired.

Gains and losses on disposal of assets are taken to the profit and loss account, and the related surplus on revaluation of property, plant and equipment is transferred directly to retained earnings (unappropriated profit).

3.9 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs are amortised over their estimated useful lives.

3.10 Investments

Investments in non-listed equity security classified as available for sale is stated at cost less provision for impairment.

3.11 Stores and spares

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

3.12 Stock-in-trade

Stock-in-trade is valued at lower of weighted average cost and net realisable value, except for imported general chemicals which are valued at lower of cost, as determined on a first-in-first out basis, and net realizable value. All 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 net estimated costs of completion and selling expenses.

3.13 Trade debts and other receivables

Trade debts and other receivables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

3.14 Financial liabilities

All financial liabilities are initially recognized at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost.

3.15 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupees at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the foreign exchange rates at the balance sheet date.

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

3.16 Impairment Losses

The carrying amounts of the Group's assets other than stores and spares, stock-in- trade and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indications exist, the assets recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

3.17 Revenue recognition

- Revenue from the sale of goods is recognized in profit and loss when the significant risks and rewards of ownership have been transferred to the customer. For those products which are often sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.
- Revenue from power generation is recognized on transmission of electricity to customers.
- Commission income is recognised on date of shipment from suppliers.
- Profit on short-term deposits is accounted for on time-apportioned basis on the principal outstanding and at the rate applicable.
- Dividend income is recognised when the right to receive payment is established.

3.18 Segment reporting

A segment is a distinguishable component within a Group that is engaged in providing products and under a common control environment (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

3.19 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and current and or deposit accounts held with banks. Running finance facilities availed by the Group, which are payable on demand and form an integral part of the Group's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

3.20 Off-setting

Monetary assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognised amount and the Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

3.21 Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Amounts in Rs '000

4. Issued, Subscribed and Paid-up Capital

2005	2004		2005	2004
(Numbers)				
125,840,190	125,840,190	Ordinary shares of Rs 10 each fully paid in cash	**1,258,402**	1,258,402
318,492	318,492	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash	**3,185**	3,185
25,227	25,227	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**252**	252
12,618,391	12,618,391	Ordinary shares issued pursuant to the Scheme as fully paid for consideration of investment in associate (note 4.1)	**126,184**	126,184
138,802,300	138,802,300		**1,388,023**	1,388,023

4.1 With effect from 1 October 2000 the Pure Terephthalic Acid (PTA) Business of the Company was demerged under a Scheme of Arrangement ("the Scheme") dated 12 December 2000 approved by the shareholders and sanctioned by the High Court of Sindh.

4.2 ICI Omicron B.V., which is a wholly owned subsidiary of Imperial Chemical Industries PLC, UK, held 105,229,125 (2004: 105,229,125) ordinary shares of Rs 10 each at 31 December 2005.

5. Capital Reserves

	2005	2004
Share premium - note 5.1	**465,259**	465,259
Capital receipts - note 5.2	**586**	586
	465,845	465,845

5.1 Share premium includes the premium amounting to Rs 0.902 million received on shares issued for the Company's Polyester Plant installation in 1980 and share premium of Rs 464.357 million representing the difference between nominal value of Rs 10 per share of 12,618,391 ordinary shares issued by the Company and the market value of Rs 590.541 million of the 126,183,909 ordinary shares corresponding to 25% holding acquired in Pakistan PTA Limited, an associate, at the date of acquisition i.e. 2 November 2001 and the number of shares that have been issued were determined in accordance with the Scheme in the ratio between market value of the shares of two companies based on the mean of the middle market quotation of the Karachi Stock Exchange over the ten trading days between 22 October 2001 to 2 November 2001.

5.2 Capital receipts represent the amount received from various ICI PLC group companies overseas for the purchase of property, plant and equipment. The remitting companies have no claim to their repayments.

6. Surplus on Revaluation of property, plant and equipment

	2005	2004
Balance as on 1 January	**587,064**	679,813
Less: Transfer to retained earnings (unappropriated profit) in respect of incremental depreciation charged during the year-net of deferred tax	**(92,749)**	(92,749)
Balance as on 31 December	**494,315**	587,064

Amounts in Rs '000

	2005	2004
7. Deferred Liability		
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	**90,971**	83,089

7.1 Staff Retirement Benefits

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

	Funded			Unfunded
	Pension	Gratuity	**Total**	
Current service cost	25,744	18,165	**43,909**	**4,746**
Interest cost	71,929	21,823	**93,752**	**11,864**
Expected return on plan assets	(65,240)	(18,645)	**(83,885)**	**-**
Termination cost	30,995	-	**30,995**	**1,043**
Recognition of actuarial loss	30,368	2,425	**32,793**	**6,023**
Charge for the year	93,796	23,768	**117,564**	**23,676**
Year 2004	95,802	21,900	**117,702**	**12,522**

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

	Pension	Gratuity	Total	Unfunded
Opening balance	42,583	(10,639)	**31,944**	**(83,089)**
Charge for the year	(93,796)	(23,768)	**(117,564)**	**(23,676)**
Contributions / payments during the year	122,418	25,990	**148,408**	**15,794**
Closing balance	71,205	(8,417)	**62,788**	**(90,971)**

The amounts recognised in the balance sheet are as follows:

	Pension	Gratuity	Total	Unfunded
Fair value of plan assets	783,507	230,935	**1,014,442**	**-**
Present value of defined benefit obligation	(780,301)	(266,191)	**(1,046,492)**	**(152,859)**
Deficit	3,206	(35,256)	**(32,050)**	**(152,859)**
Unrecognised actuarial loss	67,999	26,839	**94,838**	**61,888**
Recognised asset / (liability)	71,205	(8,417)	**62,788**	**(90,971)**
Year 2004	42,583	(10,639)	**31,944**	**(83,089)**

These figures are based on the latest actuarial valuation, as at 31 December 2005. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected future service of current members.

The discount rate was taken as 10.80 percent per annum. Salary inflation was assumed to average 8.7 percent per annum over the future working lives of current employees. Medical cost trend was assumed to average 5.5 percent per annum in the long term. Return on plan assets was assumed equal to the discount rate. Actual return on plan assets during 2005 was Rs. 153 million (2004:Rs 50 million).

The Company contributed Rs. 35.999 million (2004: Rs 34.657 million) and Rs. 15.936 million (2004: Rs. 6.274 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

Amounts in Rs '000

		2005	2004
8.	**Short-Term Financing**		
	Running finances utilised under mark-up arrangements - note 8.1	-	112,102
	Term finances - note 8.2	-	-
		-	112,102

8.1 The facilities for running finance available from various banks amount to Rs 4,355 million (2004: Rs 4,350 million) and carry mark-up ranging from 2.95 to 10.34 percent per annum (2004: 2.48 to 6.46 percent per annum). The purchase prices are payable on various dates by 31 March 2006. The facilities are secured by hypothecation and floating charge over the present and the future stock-in-trade and book debts of the Company and the Subsidiary and first pari passu charge over plant and machinery of Polyester business of the Company.

8.2 The facilities for term finance available from various banks amount to Rs 550 million (2004: Rs 550 million). However no such facility was utilised as on 31 December 2005.

9. Trade and Other Payables

	2005	2004
Trade creditors - note 9.1	**1,721,194**	1,740,380
Bills payable	**1,239,226**	1,869,372
Sales tax, excise and custom duties	**56,082**	132,772
Mark-up accrued on short-term financing	**3,794**	2,479
Accrued interest / return on unsecured loan - note 9.2	**345,912**	344,352
Accrued expenses	**536,989**	430,478
Workers' profit participation fund - note 9.3	**89,180**	60,719
Distributors' security deposits - payable on termination of distributorship - note 9.4	**55,176**	53,320
Contractors' earnest / retention money	**9,043**	16,056
Advances from customers	**192,135**	130,450
Unclaimed dividends	**4,604**	4,621
Payable for capital expenditure	**37,345**	18,089
Payable for staff retirement benefit schemes - note 9.5	**8,417**	10,639
Provision for compensated absences	**20,000**	17,162
Others	**297,864**	317,498
	4,616,961	5,148,387

9.1 The above balances include amounts due to following associated undertakings:

	2005	2004
Pakistan PTA Limited	**193,655**	227,488
ICI Paints UK	**789**	-
ICI Paints Asia Pacific	**1,727**	1,339
	196,171	228,827

9.2 This represents amount payable to Mortar Investments International Limited.

Amounts in Rs '000

		2005	2004
9.3	**Workers' profit participation fund**		
	Balance as on 1 January	**60,719**	48,295
	Allocation for the year - note 29	**87,139**	60,360
		147,858	108,655
	Interest on funds utilised in the Company's businesses at 30 percent (2004: 18.75 percent) per annum - note 28	**2,060**	373
		149,918	109,028
	Less:		
	- Amount paid to and on behalf of the fund	**1,899**	3,656
	- Deposited with the Government of Pakistan	**58,839**	44,653
		60,738	48,309
	Balance as on 31 December	**89,180**	60,719

9.4 Interest on security deposits from certain distributors is payable at 7.5 percent (2004: 7.5 percent) per annum as specified in the respective agreements.

9.5 An amount of Rs. 10.639 million payable to Gratuity Fund was netted off against prepayment to Management Pension Fund in 2004 (refer to note 21), this has now been reclassified.

10. Contingencies and Commitments

10.1 Claims against the Group not acknowledged as debts are as follows:

	2005	2004
Local bodies	**30,471**	28,078
Sales tax authorities	**99,277**	97,192
Others	**60,856**	53,804
	190,604	179,074

10.2 Guarantees issued by the Company in respect of financial and operational obligations of Pakistan PTA Limited pursuant to the Scheme amounting to Rs 2,640 million (2004 : Rs. 2,730 million) against which Pakistan PTA Limited has issued counter guarantees to the Company.

10.3 Guarantees issued by the Company in respect of financing obtained by Senior Executives amounted to Rs 48.5 million (2004: Rs 26 million), in accordance with the terms of employment.

10.4 Commitments in respect of capital expenditure - Rs. 676.390 million (2004: Rs 493.993 million).

10.5 Faysal Management Services (Private) Limited has floated Fayzan Manufacturing Modaraba ("the Modaraba") which commissioned a spinning and processing plant ("Manufacturing Facility") at a capital cost of Rs 1,356 million. The Manufacturing Facility is producing Polyester Staple Fiber from polymer provided by ICI Pakistan Limited under a Toll Manufacturing Agreement. This agreement is for a period of four and half years from the commencement of commercial production and is renewable with mutual consent. At the completion of the agreement term or on its termination, the Company will purchase the Manufacturing Facility from the Modaraba at a price approximating the fair value of the Manufacturing Facility, provided the Modaraba is able to deliver free and unencumbered title to the Manufacturing Facility.

The Toll Manufacturing Agreement provides for a fee to be paid by the Company to the Modaraba, which is based on the quantity of polymer processed by the Modaraba and includes a capacity fee of Rs 4.619 million (2004: Rs 4.619 million) per month for making the Manufacturing Facility available to the Company. The Company also provides chemicals and other raw materials to the Modaraba at market price.

Amounts in Rs '000

10.6 Commitments for rentals under operating lease agreements in respect of vehicles and plant and machinery amounting to Rs.118.190 million (2004: Rs 94.968 million) are as follows:

Year	Vehicles	Plant and machinery	Total
2006	42,619	1,002	**43,621**
2007	35,007	1,002	**36,009**
2008	25,502	250	**25,752**
2009	12,808	-	**12,808**
	115,936	2,254	**118,190**

Payable not later than one year	**43,621**
Payable later than one year but not later than five years	**74,569**
	118,190

The above operating lease agreements are renewable for a further period of three years at the discretion of the Company.

10.7 Outstanding foreign exchange contracts as at 31 December 2005 entered into by the Company to hedge the anticipated future transactions amounted to Rs. 1,509.247 million (2004: Rs 1,761.942 million).

	2005	2004

11 Property, Plant and Equipment

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

	2005	2004
11.1 Operating property, plant and equipment - note 11.2	**4,919,042**	5,257,721
Capital work-in-progress - note 11.6	**1,369,412**	256,645
	6,288,454	5,514,366

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

	Cost and revaluation at 1 January 2005	Additions / (disposals)	Cost and revaluation at 31 December 2005	Accumulated depreciation at 1 January 2005	Charge for the year / (accumulated depreciation on disposals)	Accumulated depreciation at 31 December 2005	Book value at 31 December 2005	Depreciation rate on original cost and revaluation %
Freehold land	49,706	-	49,706	-	-	-	49,706	-
Leasehold land	83,471	-	83,471	47,281	10,286	57,567	25,904	2 to 4
Limebeds on freehold land	118,272	-	118,272	30,932	6,026	36,958	81,314	3.33 to 7.5
Buildings on freehold land	687,525	26,298 (174)	713,649	479,214	42,888 (174)	521,928	191,721	5 to 10
Buildings on leasehold land	739,152	30,524	769,676	350,614	35,784	386,398	383,278	2.5 to 10
Plant and machinery	12,051,723	273,528 (69,639)	12,255,612	7,710,795	565,255 (68,985)	8,207,065	4,048,547	3.33 to 10
Railway sidings	297	-	297	297	-	297	-	3.33
Rolling stock and vehicles	121,602	4,425 (2,941)	123,086	110,049	4,178 (2,753)	111,474	11,612	10 to 25
Furniture and equipment	495,372	34,491 (5,562)	524,301	360,217	41,947 (4,823)	397,341	126,960	10 to 33.33
2005	**14,347,120**	**369,266 (78,316)**	**14,638,070**	**9,089,399**	**706,364 (76,735)**	**9,719,028**	**4,919,042**	
2004	13,823,628	548,872 (25,380)	14,347,120	8,417,822	687,765 (16,188)	9,089,399	5,257,721	

11.3 The above balances includes the value of certain operating property, plant and equipment subsequent to revaluation on 1 October 1959 and 30 September 2000, which had resulted in a surplus of Rs 14.207 million and Rs 1,569.869 million respectively. The incremental values of the operating property, plant and equipment so revalued are being depreciated over the remaining useful lives of these assets.

Amounts in Rs '000

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

Net Book Value	**2005**	2004
Freehold land	**20,929**	20,929
Leasehold land	**42**	47
Plant and machinery	**3,380,630**	3,546,136
Rolling stock and vehicles	**11,612**	13,145
Furniture and equipment	**126,960**	135,652
	3,540,173	3,715,909

11.5 The depreciation charge for the year has been allocated as follows:

Cost of sales - note 25	**676,211**	656,076
Selling and distribution expenses - note 26	**409**	444
Administration and general expenses - note 27	**29,744**	31,245
	706,364	687,765

11.6 The following is a statement of capital work-in-progress:

Designing, consultancy and engineering fee	**100,285**	289
Civil works and buildings	**107,759**	7,650
Plant and machinery	**1,049,790**	234,652
Miscellaneous equipment	**24,577**	3,971
Advances to suppliers / contractors	**87,001**	10,083
	1,369,412	256,645

11.7 Details of operating property, plant and equipment disposed off during the year:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
Building					
Written down value not exceeding Rs 50,000 each	174	174	-	52	Various
Plant and machinery					
Sold by tender	21,489	20,896	593	1,555	Haider Ali & Co, Lahore
Sold by negotiation	47,491	47,430	61	1,237	SKM Agronomics, Lahore
Written down value not exceeding Rs 50,000 each	659	659	-	32	Various
	69,639	68,985	654	2,824	
Rolling stock and vehicles					
Sold by negotiation	2,212	2,212	-	200	Rasool Mohammad, Khewra
Sold by auction	192	6	186	663	Agrosy Enterprises, Lahore
Written down value not exceeding Rs 50,000 each	537	535	2	326	Various
	2,941	2,753	188	1,189	
Furniture and equipment					
Sold by negotiations	746	477	269	567	CAD CAM Centre, Lahore
Sold by auction	286	211	75	33	Khan Scrap Dealer, Sheikhupura
Insurance claim	215	39	176	176	Adamjee Insurance Company Ltd.
Donation	721	721	-	-	Sindh Judicial Academy, Karachi
Written down value not exceeding Rs 50,000 each	3,594	3,375	219	296	Various
	5,562	4,823	739	1,072	
2005	**78,316**	**76,735**	**1,581**	**5,137**	
2004	25,380	16,188	9,192	15,287	

Amounts in Rs '000

12. Intangible Assets

	Cost at 1 January 2005	Additions / (disposals)	Cost at 31 December 2005	Accumulated amortisation at 1 January 2005	Charge for the year / (accumulated amortisation on disposals)	Accumulated amortisation at 31 December 2005	Book value at 31 December 2005	Amortisation rate on original cost %
Computer software	168,781	-	168,781	32,933	32,037	64,970	103,811	20 to 33.33
2005	**168,781**	**-**	**168,781**	**32,933**	**32,037**	**64,970**	**103,811**	
2004	141,202	27,579	168,781	9,091	23,842	32,933	135,848	

	2005	2004
12.1 The amortisation charge for the year has been allocated as follows:		
Cost of sales - note 25	**15,128**	11,346
Selling and distribution expenses - note 26	**2,657**	1,807
Administration and general expenses - note 27	**14,252**	10,689
	32,037	23,842

13. Deferred Tax Asset - net

	2005	2004
Deductible temporary differences		
Recognised tax losses	**2,401,255**	1,685,321
Provisions for retirement benefits, doubtful debts and others	**167,310**	160,981
Taxable temporary differences		
Property, plant and equipment	**(972,865)**	(976,008)
	1,595,700	870,294

The amount of deductible temporary differences for which no deferred tax asset is recognised in the financial statements amounted to Rs. 37 million (2004: Rs. 3,832.243 million).

14. Long-Term Investments

	2005	2004
Unquoted		
Equity security available for sale		
Arabian Sea Country Club Limited	**2,500**	2,500

Amounts in Rs '000

		2005	2004
15.	**Long-Term Loans - Considered good**		
	Due from Directors, Executives and Employees - note 15.1	**148,690**	124,413

15.1 Due from Directors and Executives

	Motor car	Housing building	Total	Total
Due from				
- Director	-	-	-	5,758
- Executives	38,396	25,495	**63,891**	50,026
	38,396	25,495	**63,891**	55,784
Less: Receivable within one year				
- Director	-	-	-	1,355
- Executives	4,422	10,701	**15,123**	14,893
	4,422	10,701	**15,123**	16,248
	33,974	14,794	**48,768**	39,536
Due from Employees			**122,463**	102,730
Less: Receivable within one year			**22,541**	17,853
			99,922	84,877
			148,690	124,413
Outstanding for period:				
- less than three years but over one year			**114,920**	90,951
- more than three years			**33,770**	33,462
			148,690	124,413

15.2 Reconciliation of the carrying amount of loans to Directors and Executives:

	2005	2004
Opening balance at the beginning of the year	**55,784**	60,847
Disbursements	**31,164**	20,762
Repayments	**(23,057)**	(25,825)
Balace at the end of the year	**63,891**	55,784

The loan to director and executives includes an amount of Rs. 1.910 million (2004: Rs 9.506 million) in respect of House building relating to key management personnel.

15.3 Loans for purchase of motor cars and house building are repayable between two to ten years. All loans are interest free and granted to the employees of the Group in accordance with their terms of employment.

15.4 The maximum aggregate amount of long-term loans and advances due from the Directors and Executives at the end of any month during the year was Rs. 5.645 million and Rs. 69.443 million (2004: Rs 6.322 and Rs 61.107 million) respectively.

16. Long-Term Deposits and Prepayments

	2005	2004
Deposits	**10,307**	19,110
Prepayments	**11,903**	7,099
	22,210	26,209

Amounts in Rs '000

		2005	2004
17.	**Stores and Spares**		
	Stores (include in-transit Rs 33.764 million; 2004: Rs 8.869 million)	**62,835**	18,755
	Spares (include in-transit Rs Nil; 2004: Rs 3.372 million)	**659,290**	678,973
	Consumables	**85,340**	81,854
		807,465	779,582
	Less: Provision for slow moving and obsolete items	**73,436**	72,706
		734,029	706,876
18.	**Stock-in-Trade**		
	Raw and packing materials (include in-transit Rs 469.029 million; 2004: Rs 291.949 million)	**1,312,314**	1,351,928
	Work-in-process	**113,101**	142,348
	Finished goods (include in-transit Rs 67.33 million; 2004: Rs 139.035 million)	**1,158,930**	1,464,674
		2,584,345	2,958,950
	Less: Provision for slow moving and obsolete stock		
	- Raw materials	**17,109**	16,946
	- Finished goods	**38,056**	18,267
		55,165	35,213
		2,529,180	2,923,737
19.	**Trade Debts**		
	Considered good		
	- Secured	**379,381**	515,618
	- Unsecured	**388,628**	403,229
		768,009	918,847
	Considered doubtful	**144,567**	162,483
		912,576	1,081,330
	Less: Provision for:		
	- Doubtful debts	**144,567**	162,483
	- Discounts payable	**95,581**	77,978
		240,148	240,461
		672,428	840,869

Amounts in Rs '000

		2005	2004
20.	**Loans and Advances**		
	Considered good		
	Loans due from:		
	Directors and Executives - note 15.1	**15,123**	16,248
	Employees - note 15.1	**22,541**	17,853
		37,664	34,101
	Advances to:		
	Executives	**2,626**	536
	Employees	**1,991**	1,162
	Contractors and suppliers	**69,038**	54,962
	Others	**1,265**	1,565
		74,920	58,225
		112,584	92,326
	Considered doubtful	**9,003**	9,003
		121,587	101,329
	Less: Provision for doubtful loans and advances	**9,003**	9,003
		112,584	92,326

20.1 The maximum aggregate amount of advances due from the Directors and Executives at the end of any month during the year was Rs. Nil and Rs. 5.095 million (2004: Rs Nil and Rs 0.864 million) respectively.

		2005	2004
21.	**Trade Deposits and Short-Term Prepayments**		
	Trade deposits	**18,104**	11,843
	Short-term prepayments - note 21.1	**168,394**	136,916
	Balances with statutory authorities	**9,150**	17,025
		195,648	165,784

21.1 In 2004, an amount of Rs. 10.639 million payable to management gratuity fund was netted off against prepayments to management pension fund, this has now been reclassified (refer to note 9.5).

		2005	2004
22.	**Other Receivables**		
	Considered good		
	Excise duty, sales tax and octroi refunds due	**120,577**	180,548
	Due from Associate - note 22.1	**68,154**	67,582
	Insurance claims	**8,372**	6,600
	Commission receivable	**29,833**	42,790
	Others	**66,654**	98,228
		293,590	395,748
	Considered doubtful	**46,720**	29,061
		340,310	424,809
	Less: Provision for doubtful receivables	**46,720**	29,061
		293,590	395,748

22.1 The maximum aggregate amount due from ICI Omicron B.V. at the end of any month during the year was Rs. 68.154 million (2004: Rs 67.582 million).

		2005	2004
23.	**Cash and Bank Balances**		
	Deposit accounts	**300,000**	1,103,000
	Current accounts	**1,365,451**	703,947
	In hand:		
	- Cheques	**29,553**	50,356
	- Cash	**8,257**	6,875
		1,703,261	1,864,178

Amounts in Rs '000

24. Operating Results

	Polyester 2005	Polyester 2004	General Chemicals 2005	General Chemicals 2004	Soda Ash 2005	Soda Ash 2004	Paints 2005	Paints 2004	Others 2005	Others 2004	Group 2005	Group 2004
Sales												
Inter-segment	-	-	395,326	351,188	-	-	-	-	287,144	387,554	-	-
Others	9,145,181	10,236,433	1,120,379	1,932,287	4,072,588	3,447,333	4,114,019	3,575,338	2,547,320	2,052,111	20,999,487	21,243,502
	9,145,181	10,236,433	1,515,705	2,283,475	4,072,588	3,447,333	4,114,019	3,575,338	2,834,464	2,439,665	20,999,487	21,243,502
Commission income	-	-	54,008	59,996	-	-	-	-	803	-	54,811	59,996
Turnover	9,145,181	10,236,433	1,569,713	2,343,471	4,072,588	3,447,333	4,114,019	3,575,338	2,835,267	2,439,665	21,054,298	21,303,498
Sales tax	492,929	1,505,507	184,314	322,573	480,606	504,974	516,902	471,622	66,227	115,411	1,740,978	2,920,087
Commission and discounts to distributors and customers	81,775	74,821	24,199	42,870	93,511	86,632	409,008	334,378	265,746	244,771	874,239	783,472
	574,704	1,580,328	208,513	365,443	574,117	591,606	925,910	806,000	331,973	360,182	2,615,217	3,703,559
Net sales and commission income	8,570,477	8,656,105	1,361,200	1,978,028	3,498,471	2,855,727	3,188,109	2,769,338	2,503,294	2,079,483	18,439,081	17,599,939
Cost of sales - note 25	8,174,206	8,300,936	1,127,909	1,753,512	2,605,417	2,139,624	2,159,682	1,888,594	1,852,042	1,447,134	15,236,786	14,791,058
Gross profit	396,271	355,169	233,291	224,516	893,054	716,103	1,028,427	880,744	621,252	632,349	3,202,295	2,808,881
Selling and distribution expenses - note 26	37,714	38,126	47,719	81,246	74,657	88,769	361,681	291,780	293,800	244,538	815,571	744,459
Administration and general expenses - note 27	141,532	159,758	49,988	64,919	228,329	217,103	130,687	93,177	143,404	139,886	693,940	674,843
Operating result	217,025	157,285	135,584	78,351	590,068	410,231	536,059	495,787	214,048	247,925	1,692,784	1,389,579
24.1 Segment assets	5,614,165	5,062,488	577,943	613,249	4,089,248	3,655,345	1,206,949	1,001,867	1,135,579	1,343,864	12,623,884	11,676,813
24.2 Unallocated assets	-	-	-	-	-	-	-	-	-	-	2,153,142	2,330,880
											14,777,026	14,007,693
24.3 Segment liabilities	2,118,803	2,713,139	324,049	455,744	655,062	575,591	605,239	468,727	654,264	694,657	4,357,417	4,907,858
24.4 Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	350,515	435,720
											4,707,932	5,343,578
24.5 Non-cash items (excluding depreciation)	8,030	5,992	1,129	40	9,942	5,504	1,108	585	3,467	401	23,676	12,522
24.6 Capital expenditure	869,471	185,924	7,340	5,948	481,260	257,341	82,482	72,513	41,480	57,022	1,482,033	578,748

24.7 Inter-segment sales

Inter-segment sales have been eliminated from the total.

24.8 Inter-segment pricing

Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.

Amounts in Rs '000

25. Cost of Sales

	Polyester		General Chemicals		Soda Ash		Paints		Others		Group	Group
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Raw and packing materials consumed												
Opening stock	**793,251**	501,917	**56,466**	26,124	**74,980**	48,123	**197,540**	85,186	**212,745**	152,157	**1,334,982**	813,507
Purchases												
Inter-segment	**-**	-	-	-	-	-	**395,917**	435,591	-	-	-	-
Others	**6,243,432**	7,562,477	**191,711**	180,968	**862,392**	669,346	**1,616,382**	1,279,169	**744,336**	792,732	**9,658,253**	10,484,692
	6,243,432	7,562,477	**191,711**	180,968	**862,392**	669,346	**2,012,299**	1,714,760	**744,336**	792,732	**9,658,253**	10,484,692
	7,036,683	8,064,394	**248,177**	207,092	**937,372**	717,469	**2,209,839**	1,799,946	**957,081**	944,889	**10,993,235**	11,298,199
Closing stock	**(749,881)**	(793,251)	**(52,841)**	(56,466)	**(88,874)**	(74,980)	**(202,570)**	(197,540)	**(201,039)**	(212,745)	**(1,295,205)**	(1,334,982)
	6,286,802	7,271,143	**195,336**	150,626	**848,498**	642,489	**2,007,269**	1,602,406	**756,042**	732,144	**9,698,030**	9,963,217
Salaries, wages and benefits	**242,913**	227,257	**2,056**	2,180	**313,578**	339,660	**62,706**	62,747	**41,529**	45,546	**662,782**	677,390
Stores and spares consumed	**72,722**	78,267	**221**	465	**114,827**	76,718	**1,162**	1,187	**21,014**	37,239	**209,946**	193,876
Conversion fee paid to contract manufacturers												
- Modaraba - note 10.5	**293,139**	274,492	-	-	-	-	-	-	-	-	**293,139**	274,492
- Others	-	-	-	-	-	-	-	-	**104,930**	93,435	**104,930**	93,435
Oil, gas and electricity	**454,812**	551,201	**183**	342	**646,367**	526,747	**8,515**	8,517	**71,423**	3,831	**894,747**	787,487
Rent, rates and taxes	**832**	848	**8**	18	**504**	423	**445**	3	**637**	763	**2,426**	2,055
Insurance	**44,380**	43,185	**1**	2	**30,551**	25,800	**19,281**	14,354	**1,751**	3,110	**95,964**	86,451
Repairs and maintenance	**250**	5,213	**38**	61	**489**	537	**12,272**	11,256	**1,458**	1,548	**14,507**	18,615
Depreciation and amortisation - note 11.5 & 12.1	**283,196**	290,118	**673**	461	**332,283**	316,375	**27,285**	22,377	**47,902**	38,091	**691,339**	667,422
Excise duty	-	-	-	-	-	-	**361**	134,197	**4,130**	5,168	**4,491**	139,365
Technical fees	**1,532**	2,298	-	-	-	-	**23,352**	15,607	-	-	**24,884**	17,905
Royalty Fee	-	-	**7,237**	6,595	-	-	-	-	-	-	**7,237**	6,595
General expenses	**57,544**	48,367	**430**	708	**40,597**	45,545	**15,327**	15,359	**9,026**	8,450	**122,924**	118,429
Opening stock of work-in-process	**120,400**	59,393	-	-	-	-	**19,366**	19,008	**2,582**	1,568	**142,348**	79,969
Closing stock of work-in-process	**(83,195)**	(120,400)	**(2,373)**	-	-	-	**(25,213)**	(19,366)	**(2,320)**	(2,582)	**(113,101)**	(142,348)
Cost of goods manufactured	**7,775,327**	8,731,382	**203,810**	161,458	**2,327,694**	1,974,294	**2,172,128**	1,887,652	**1,060,104**	968,311	**12,856,593**	12,984,355
Opening stock of finished goods	**914,054**	490,922	**229,919**	387,825	**33,314**	79,198	**80,660**	82,405	**188,460**	143,826	**1,446,407**	1,184,176
Finished goods purchased	**17,568**	1,902	**860,564**	1,435,970	**340,045**	119,446	-	-	**859,674**	527,071	**2,077,851**	2,084,389
	8,706,949	9,224,206	**1,294,293**	1,985,253	**2,701,053**	2,172,938	**2,252,788**	1,970,057	**2,108,238**	1,639,208	**16,380,851**	16,252,920
Closing stock of finished goods	**(530,229)**	(914,054)	**(162,688)**	(229,919)	**(93,636)**	(33,314)	**(93,106)**	(80,660)	**(241,215)**	(188,460)	**(1,120,874)**	(1,446,407)
Provision for obsolete stocks shown under administration & general and selling & distribution expenses	**(2,514)**	(9,216)	**(3,696)**	(1,822)	**(2,000)**	-	-	(803)	**(14,981)**	(3,614)	**(23,191)**	(15,455)
	8,174,206	8,300,936	**1,127,909**	1,753,512	**2,605,417**	2,139,624	**2,159,682**	1,888,594	**1,852,042**	1,447,134	**15,236,786**	14,791,058

25.1 Inter-segment purchases
Inter-segment purchases have been eliminated from the total.

25.2 Oil, gas and electricity includes inter-segment purchases of Rs. 286.553 million (2004: 303.151 million) which have been eliminated from the total.

25.3 Staff retirement benefits
Salaries, wages and benefits include Rs 67.769 million (2004: Rs 78.603 million) in respect of staff retirement benefits.

25.4 Severance cost
Salaries, wages and benefits include Rs. 55.793 million (2004: Rs 42.825 million) in respect of severance cost.

Amounts in Rs '000

26. Selling and Distribution Expenses

	Polyester		General Chemicals		Soda Ash		Paints		Others		Group	Group
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Salaries and benefits	**18,461**	20,608	**22,045**	41,565	**25,347**	23,945	**116,532**	105,972	**135,166**	132,033	**317,551**	324,123
Repairs and maintenance	**11**	47	**180**	216	**1,247**	1,137	**1,149**	1,368	**1,698**	1,140	**4,285**	3,908
Advertising and sales promotion	**5,207**	3,259	**1,615**	756	**1,555**	1,788	**104,275**	70,948	**45,237**	28,563	**157,889**	105,314
Rent, rates and taxes	-	51	**168**	249	**1,363**	1,273	**8,429**	7,103	**3,089**	3,108	**13,049**	11,784
Insurance	-	-	**2,515**	3,343	**926**	1,206	-	138	**4,153**	4,229	**7,594**	8,916
Lighting, heating and cooling	-	-	**121**	161	**1,035**	1,369	**2,487**	2,569	**1,542**	1,704	**5,185**	5,803
Depreciation and amortisation - note 11.5 & 12.1	**248**	175	**738**	964	**159**	155	**250**	500	**1,671**	457	**3,066**	2,251
Outward freight and handling	**8,294**	6,183	**3,911**	10,639	**30,003**	43,652	**76,570**	62,869	**8,574**	7,745	**127,352**	131,088
Provision for doubtful debts												
- trade	-	-	-	-	-	-	**2,100**	-	**4,466**	-	**6,566**	-
- others	-	-	-	-	-	-	-	-	**5,088**	-	**5,088**	-
Provision for obsolete stock	-	-	-	1,822	-	-	-	803	-	-	-	2,625
Traveling expenses	**2,377**	2,944	**4,608**	7,164	**2,717**	2,416	**25,302**	16,768	**37,280**	29,141	**72,284**	58,433
Postage, telegram, telephone and telex	**557**	585	**2,772**	4,822	**1,663**	2,037	**5,576**	4,849	**5,900**	7,726	**16,468**	20,019
General expenses	**2,559**	4,274	**9,046**	9,545	**8,642**	9,791	**19,011**	17,893	**39,936**	28,692	**79,194**	70,195
	37,714	38,126	**47,719**	81,246	**74,657**	88,769	**361,681**	291,780	**293,800**	244,538	**815,571**	744,459

26.1 Staff retirement benefits

Salaries and benefits include Rs. 58.874 million (2004: Rs 50.962 million) in respect of staff retirement benefits.

26.2 Severance cost

Salaries and benefits include Rs. 4.314 million (2004: Rs 16.500 million) in respect of severance cost.

27. Administration and General Expenses

	Polyester 2005	Polyester 2004	General Chemicals 2005	General Chemicals 2004	Soda Ash 2005	Soda Ash 2004	Paints 2005	Paints 2004	Others 2005	Others 2004	Group 2005	Group 2004
Salaries and benefits	**84,761**	98,161	**28,924**	27,929	**151,179**	150,505	**55,552**	46,436	**85,882**	101,445	**406,298**	424,476
Repairs and maintenance	**4,057**	3,005	**433**	460	**2,714**	3,073	**3,541**	3,834	**1,504**	2,472	**12,249**	12,844
Advertising and sales promotion	**1,621**	1,084	**490**	355	**3,011**	2,139	**386**	252	**1,853**	3,252	**7,361**	7,082
Rent, rates and taxes	**3,723**	3,247	**955**	674	**7,023**	5,342	**1,464**	1,195	**2,313**	2,672	**15,478**	13,130
Insurance	**778**	752	**306**	276	**2,197**	2,126	**282**	-	**2,255**	1,872	**5,818**	5,026
Lighting, heating and cooling	**2,517**	2,694	**563**	565	**4,136**	4,504	**1,752**	1,807	**2,467**	2,999	**11,435**	12,569
Depreciation and amortisation - note 11.5 & 12.1	**5,713**	5,930	**4,568**	3,670	**13,765**	13,054	**6,780**	6,162	**13,170**	13,118	**43,996**	41,934
Provision for doubtful debts												
- trade	-	-	-	7,385	-	-	-	4,620	-	-	-	12,005
- others	-	-	-	16,063	-	-	-	-	-	-	-	16,063
Provision for obsolete stock	**2,514**	9,216	**3,696**	-	**2,000**	-	-	-	**14,981**	3,614	**23,191**	12,830
Traveling expenses	**5,611**	5,402	**1,232**	2,015	**6,288**	5,671	**3,704**	5,693	**8,334**	9,103	**25,169**	27,884
Postage, telegram, telephone and telex	**2,827**	1,287	**527**	603	**2,530**	1,813	**6,261**	5,454	**2,931**	3,558	**15,076**	12,715
General expenses	**27,410**	28,980	**8,294**	4,924	**33,486**	28,876	**50,965**	17,724	**24,754**	40,784	**144,909**	121,288
	141,532	159,758	**49,988**	64,919	**228,329**	217,103	**130,687**	93,177	**160,444**	184,889	**710,980**	719,846
Less: Service charges from Pakistan PTA Limited - note 27.2	-	-	-	-	-	-	-	-	**17,040**	45,003	**17,040**	45,003
	141,532	159,758	**49,988**	64,919	**228,329**	217,103	**130,687**	93,177	**143,404**	139,886	**693,940**	674,843

27.1 Staff retirement benefits

Salaries and benefits include Rs 37.494 million (2004: Rs 42.131million) in respect of staff retirement benefits.

27.2 Service charges from Associate

This represents amount charged by the Company for certain administrative services rendered by it to the Associate in accordance with the Service Level Agreement.

27.3 Severance cost

Salaries and benefits include Rs 17.671 million (2004: Rs 78.175 million) in respect of severance cost.

Amounts in Rs '000

		2005	2004
28.	**Financial Charges**		
	Mark-up on:		
	Short-term financing	**14,622**	12,880
	Redeemable capital	**-**	47,386
	Interest on:		
	Long-term loans	**1,287**	48,630
	Workers' profit participation fund - note 9.3	**2,060**	373
	Discounting charges on receivables	**80,930**	105,917
	Exchange loss	**29,670**	43,147
	Others	**5,366**	4,919
		133,935	263,252
29.	**Other operating charges**		
	Auditors' remuneration - note 29.1	**6,062**	4,615
	Donations - note 29.2	**14,929**	4,608
	Workers' profit participation fund - note 9.3	**87,139**	60,360
		108,130	69,583
29.1	**Auditors' remuneration**		
	Audit fee	**1,970**	1,744
	Certifications including SOX documentation, half yearly review and group reporting	**3,757**	2,591
	Out-of-pocket expenses	**335**	280
		6,062	4,615

29.2 Donations include Rs 9.0 million and Rs1.0 million on account of Company's contribution to the President's Relief Fund and Pharma Bureau of Information & Statistics, respectively, for earthquake victims and Rs 4.015 million (2004: Rs 3.831 million) to ICI Pakistan Foundation, Mr Waqar A Malik, Chief Executive, and Mr Asif Jooma, Director of the Company, are amongst the Trustees of the Foundation.

		2005	2004
30.	**Other operating income**		
	Profit on short-term and call deposits	**5,248**	3,183
	Scrap sales	**30,231**	18,340
	Gain on disposal of property, plant and equipment	**3,556**	6,095
	Provisions and accruals no longer required written back	**14,420**	16,241
	Insurance claim	**5,614**	-
	Gain on sale of investment - note 30.1	**-**	3,272,074
	Others	**101,549**	45,893
		160,618	3,361,826

30.1 This represents Rs 3,272.074 million on account of gain on sale of 25% equity investment in Pakistan PTA Limited on 1 September 2004.

Amounts in Rs '000

		2005	2004
31.	**Taxation**		
	Current - note 31.1	**98,950**	116,077
	Deferred tax liability realised on taxable income	**678,200**	440,995
	Deferred tax asset recognised	**(1,359,200)**	(440,995)
	Deferred tax on surplus on revaluation of property, plant and equipment transferred to retained earnings - note 31.2	**(44,406)**	(44,406)
		(725,406)	(44,406)
		(626,456)	71,671

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

31.2 This represents deferred tax credited to profit and loss account amounting to Rs 44.406 million (2004: Rs 44.406 million) on surplus on revaluation of property, plant and equipment transferred to retained earnings (unappropriated profit) pertaining to incremental depreciation charged during the current year.

		2005	2004
32.	**Earnings per Share - Basic and Diluted**		
	Profit after taxation for the year	**2,237,793**	4,593,892
		Number of shares	
	Weighted average number of ordinary shares in issue during the year	**138,802,300**	138,802,300
		(Rupees)	
	Earnings per share	**16.12**	33.10

Amounts in Rs '000

33. Remuneration of Directors and Executives

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

	Chairman		Chief Executive		Directors		Executives		Total	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
Managerial remuneration	**1,150**	1,167	**10,817**	7,499	**19,123**	16,709	**327,028**	284,115	**358,118**	309,490
Retirement benefits	-	-	**881**	-	**3,820**	3,641	**65,361**	65,396	**70,062**	69,037
Group insurance	-	-	**44**	17	**87**	52	**1,772**	1,501	**1,903**	1,570
Rent and house maintenance	-	-	**3,810**	3,356	**4,428**	3,334	**73,405**	69,302	**81,643**	75,992
Utilities	-	-	**573**	466	**809**	951	**24,460**	26,954	**25,842**	28,371
Medical expenses	-	-	**149**	187	**236**	95	**9,472**	8,444	**9,857**	8,726
Leave passage	-	-	**40**	-	**148**	57	**278**	532	**466**	589
	1,150	1,167	**16,314**	11,525	**28,651**	24,839	**501,776**	456,244	**547,891**	493,775
Number of persons	**1**	1	**2**	1	**4**	3	**202**	196	**209**	201

33.1 The Directors and certain Executives are provided with free use of Company cars in accordance with their entitlement. The Chief Executive is provided with Company owned and maintained furnished accommodation and free use of Company car.

33.2 Aggregate amount charged in the financial statements for fee to Directors was Rs. 2.732 million (2004: Rs 2.702 million), and for the remuneration of one director seconded by Pakistan PTA Limited amounted to Rs 8.382 million (2004: 7.668 million).

33.3 The above balances include an amount of Rs. 122.972 million (2004: Rs. 97.101 million) on account of remuneration of key management personnel out of which Rs. 23.748 million (2004: Rs 9.696 million) relates to post employment benefits.

34. Transactions with Related Parties

The related parties comprise parent company (ICI Omicron B.V.), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key employees and staff retirement funds. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2005	2004
Associated companies		
Purchase of goods, materials and services	**5,250,074**	6,162,160
Provision of services and other receipts	**17,041**	45,002
Sale of goods and materials	**11,373**	10,626
Dividends	**631,368**	263,065
Donations	**4,015**	3,831
Interest on loans from group companies	**-**	38,975
Repayment of loan to group companies	**-**	2,011,800
Sale of shares to parent company	**-**	972,995
Others		
Purchase of goods, materials and services	**622**	134
Provision of services and other receipts	**982**	-
Sale of goods and materials	**41,055**	28,773

Amounts in Rs '000

35. Plant Capacity and Annual Production

- in metric tonnes except Paints which is in thousands of litres and PowerGen which is in thousands of Kilowatts:

	2005		2004	
	Annual Name Plate Capacity	**Production**	Annual Name Plate Capacity	Production
Polyester - note 35.3	**56,000**	**52,611**	56,000	67,247
Soda Ash	**230,000**	**237,283**	226,625	233,272
Paints	**-**	**28,539**	-	24,883
Chemicals	**-**	**8,119**	-	9,437
Sodium Bicarbonate	**15,500**	**16,707**	11,176	15,706
PowerGen - note 35.2	**122,640**	**65,992**	122,640	70,174

35.1 The capacity of Paints and Chemicals is indeterminable because these are multi-product plants involving varying processes of manufacture.

35.2 Electricity by PowerGen is produced as per demand.

35.3 Production in Polyester business was below the name plate capacity mainly due to planned shutdown of the plant in November / December 2005.

36. Fair Value of Financial Assets and Liabilities

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

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 re-price or mature:

		Interest / mark-up bearing				
	Effective Mark-up / interest rates %	**Maturity upto one year**	**Maturity one to five years**	**Maturity after five years**	**Non-interest /mark-up bearing**	**Total**
Financial Assets						
Long-term loans	-	-	-	-	148,690	148,690
Long-term deposits	-	-	-	-	10,307	10,307
Trade debts	-	-	-	-	672,428	672,428
Loans and advances	-	-	-	-	42,281	42,281
Trade deposits	-	-	-	-	18,104	18,104
Other receivables	-	-	-	-	173,013	173,013
Cash and bank balances	7.9	300,000	-	-	1,403,261	1,703,261
		300,000	-	-	2,468,084	2,768,084
Financial Liabilities						
Trade and other payables	7.5 & 30	144,356	-	-	4,472,605	4,616,961
		144,356	-	-	4,472,605	4,616,961
Net financial assets / (liabilities)	**2005**	**155,644**	**-**	**-**	**(2,004,521)**	**(1,848,877)**
Net financial assets / (liabilities)	2004	876,859	-	-	(2,836,447)	(1,959,588)

Amounts in Rs '000

38. Credit and Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. The Group does not have significant exposure to any individual customer. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The sector wise analysis of receivables, comprising trade debts, deposits, loans excluding loans to associates and other receivables is given below:

	2005	2004
Public Sector:		
- Government	**33,106**	48,339
- Armed forces	**7,811**	2,345
- Communication	**403**	535
- Oil and gas	**104**	7,414
- Health	**487**	569
- Others	**45,284**	33,759
	87,195	92,961
Private Sector:		
- Institutional	**7,065**	20,666
- Trade	**672,428**	840,869
- Bank	**1,945**	2,423
- Others	**228,036**	290,165
	909,474	1,154,123
	996,669	1,247,084

39. Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Group is exposed to foreign currency risk on sales, purchases and borrowings, if any, that are entered in a currency other than Pak Rupees. The Group uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate.

40. Accounting Estimates and Judgements

Income Taxes

The Group takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. Furthermore, the Group may be able to avail the benefit of the payment, provided sufficient taxable profits are available in next five years when this credit can be utilised.

Pension and Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 7 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Group. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Group reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

41. Forthcoming Requirements Under International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Policies, Changes in Accounting Estimates and Errors"

During the current year the International Financial Reporting Interpretation Committee (IFRIC) of the International Accounting Standards Board issued IFRIC Interpretation 4 (IFRIC-4) “Determining whether an Arrangement contains a Lease”. The interpretation is effective for financial periods beginning on or after 1 January 2006. The interpretation requires that determining whether an arrangement is, or contains, a lease which shall be based on the substance of the arrangement and requires an assessment of whether:

(a) fulfilment of the arrangement is dependent on the use of a specific / captive asset or assets; and

(b) the arrangement conveys a right to use the asset.

The Company has in place certain arrangements which under IFRIC - 4 requires re-assessment for potential classification as a finance lease. The financial impact, if any, as a result of this re-assessment is under review.

42. Dividend

The directors of the Company in their meeting held on 2 March 2006 have declared a final dividend of Rs.3.00 per share in respect of year ended 31 December 2005. The financial statements for the year ended 31 December 2005 do not include the effect of the above dividend which will be accounted for in the period in which it is declared.

43. Date of Authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on 2 March 2006.

44. General

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

M J Jaffer	Waqar A Malik	Feroz Rizvi
Chairman / Director	*Chief Executive*	*Chief Financial Officer*