



ICI Pakistan Limited

We have audited the annexed unconsolidated balance sheet of ICI Pakistan Limited ("the Company") as at 31 December 2007 and the related unconsolidated profit and loss account, unconsolidated cash flow statement and unconsolidated 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 unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated cash flow statement and unconsolidated 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 2007 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: 14 February 2008

Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

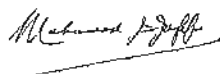
Amounts in Rs '000

	Note	2007	2006
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital 1,500,000,000 ordinary shares of Rs 10 each		<u>15,000,000</u>	<u>15,000,000</u>
Issued, subscribed and paid-up capital	3	1,388,023	1,388,023
Capital reserves	4	465,845	465,845
Unappropriated profit		<u>9,544,582</u>	<u>8,411,142</u>
Total equity		11,398,450	10,265,010
Surplus on Revaluation of Property, Plant and Equipment	5	1,012,167	1,124,220
LIABILITIES			
Non-current liability			
Deferred liability	6	119,571	104,079
Current liabilities			
Short-term financing	7	-	3,613
Trade and other payables	8	6,276,103	5,432,662
		<u>6,276,103</u>	<u>5,436,275</u>
Contingencies and Commitments	9		
Total equity and liabilities		<u>18,806,291</u>	<u>16,929,584</u>

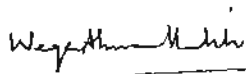
Amounts in Rs '000

	Note	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	10	8,506,736	8,343,260
Intangible asset	11	39,737	71,774
		8,546,473	8,415,034
Deferred tax asset - net	12	354,456	1,029,589
Long-term investments	13	582,500	212,500
Long-term loans	14	204,867	175,687
Long-term deposits and prepayments	15	59,888	72,919
		1,201,711	1,490,695
		9,748,184	9,905,729
Current assets			
Stores and spares	16	605,480	705,639
Stock-in-trade	17	2,311,336	2,347,790
Trade debts	18	1,049,464	730,676
Loans and advances	19	137,680	174,039
Trade deposits and short-term prepayments	20	343,570	287,159
Other receivables	21	658,489	549,933
Taxation recoverable		337,032	437,468
Cash and bank balances	22	3,615,056	1,791,151
		9,058,107	7,023,855
Total assets		18,806,291	16,929,584

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



M J Jaffer
Chairman / Director



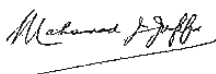
Waqar A Malik
Chief Executive



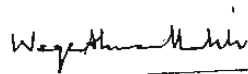
Feroz Rizvi
Chief Financial Officer

Amounts in Rs '000			
	Note	2007	2006
Turnover	23	25,973,009	21,947,688
Sales tax, commission and discounts	23	(2,943,274)	(2,373,570)
Net sales and commission income		23,029,735	19,574,118
Cost of sales	24	(18,223,615)	(15,492,648)
Gross profit		4,806,120	4,081,470
Selling and distribution expenses	25	(1,074,549)	(876,075)
Administration and general expenses	26	(760,201)	(726,377)
		2,971,370	2,479,018
Financial charges	27	(146,421)	(319,301)
Other operating charges	28	(222,345)	(171,127)
		(368,766)	(490,428)
Other operating income	29	165,919	129,207
Profit before taxation		2,768,523	2,117,797
Taxation	30	(983,723)	(662,169)
Profit after taxation		1,784,800	1,455,628
		(Rupees)	(Rupees)
Earnings per share - Basic and diluted	31	12.86	10.49

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Feroz Rizvi
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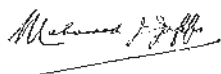
Amounts in Rs '000

	2007	2006
Cash Flows from Operating Activities		
Profit before taxation	2,768,523	2,117,797
Adjustments for:		
Depreciation and amortisation	874,389	779,713
Gain on disposal of property, plant and equipment	(1,100)	(6,701)
Provision for non-management staff gratuity and eligible retired employees' medical scheme	26,207	27,807
Mark-up on bank deposits and loan to subsidiary	(45,469)	(34,834)
Interest / mark-up expense	119,905	253,355
	<u>3,742,455</u>	<u>3,137,137</u>
Movement in:		
Working capital	594,701	375,918
Long-term loans	(29,180)	91,702
Long-term deposits and prepayments	13,031	(50,709)
	<u>4,321,007</u>	<u>3,554,048</u>
Cash generated from operations		
Payments for :		
Non-management staff gratuity and eligible retired employees' medical scheme	(10,715)	(14,332)
Taxation	(208,154)	(62,623)
	<u>4,102,138</u>	<u>3,477,093</u>
Net cash generated from operating activities		
Cash Flows from Investing Activities		
Payments for capital expenditure	(1,069,615)	(1,082,459)
Proceeds from disposal of property, plant and equipment	7,514	7,442
Profit / mark-up received	34,665	34,834
Long term investment	(370,000)	-
Net cash used in investing activities	(1,397,436)	(1,040,183)

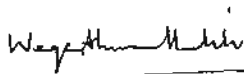
Amounts in Rs '000

	2007	2006
Cash Flows from Financing Activities		
Repayment of liability under finance lease	-	(1,239,200)
Interest / mark-up paid	(113,747)	(334,385)
Dividend paid	(763,437)	(763,443)
Net cash used in financing activities	(877,184)	(2,337,028)
Net increase in cash and cash equivalents	1,827,518	99,882
Cash and cash equivalents at 1 January	1,787,538	1,687,656
Cash and cash equivalents at 31 December	<u>3,615,056</u>	<u>1,787,538</u>
Movement in Working Capital		
<i>(Increase) / decrease in current assets</i>		
Stores and spares	100,159	(16,320)
Stock-in-trade	36,454	163,691
Trade debts	(318,788)	(83,667)
Loans and advances	36,359	(62,346)
Trade deposits and short-term prepayments	(56,411)	(95,816)
Other receivables	(97,752)	(263,140)
	(299,979)	(357,598)
<i>Increase in current liabilities</i>		
Trade and other payables	894,680	733,516
	<u>594,701</u>	<u>375,918</u>
Cash and cash equivalents at 31 December comprise of:		
Cash and bank balances - note 22	3,615,056	1,791,151
Running finances utilised under mark-up arrangements - note 7	-	(3,613)
	<u>3,615,056</u>	<u>1,787,538</u>

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



M J Jaffer
Chairman / Director



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Chief Executive

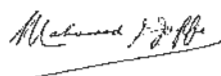


Feroz Rizvi
Chief Financial Officer

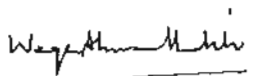
Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
Balance as on 1 January 2006	1,388,023	465,845	7,639,204	9,493,072
Changes in equity for 2006				
Final dividend for the year ended 31 December 2005 @ Rs 3.00 per share	-	-	(416,407)	(416,407)
Profit for the year ended 31 December 2006	-	-	1,455,628	1,455,628
Transfer from surplus on revaluation of property, plant and equipment net of deferred tax - note 5	-	-	79,723	79,723
Total recognised Income and expense for the year	-	-	1,535,351	1,535,351
Interim dividend for the year 2006 @ Rs 2.50 per share	-	-	(347,006)	(347,006)
Balance as on 31 December 2006	1,388,023	465,845	8,411,142	10,265,010
Changes in equity for 2007				
Final dividend for the year ended 31 December 2006 @ Rs 3.00 per share	-	-	(416,407)	(416,407)
Profit for the year ended 31 December 2007	-	-	1,784,800	1,784,800
Transfer from surplus on revaluation of property, plant and equipment net of deferred tax - note 5	-	-	112,053	112,053
Total recognised Income and expense for the year	-	-	1,896,853	1,896,853
Interim dividend for the year 2007 @ Rs 2.50 per share	-	-	(347,006)	(347,006)
Balance as on 31 December 2007	1,388,023	465,845	9,544,582	11,398,450

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

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 merchandising 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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

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 note 2.8 have been recognised 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 recognised 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.

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 also operates gratuity scheme for non-management staff and the pensioners' medical scheme which are unfunded. The pension and gratuity plans are final salary plans. The pensioner's medical plan reimburses actual medical expenses. The Company recognises expense in accordance with IAS 19 "Employee Benefits".

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 its entire 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. Provisions are measured at the present value of the expected expenditures, discounted at a tax rate that reflects current market assessment of the time value of money and the risk specific to the obligation.

2.5 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost using the effective interest method.

2.6 Dividend

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

2.7 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in equity or below equity, in which case it is recognised in equity or below equity respectively.

Current

Provision for current taxation is based on taxable income at the enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for current tax includes adjustments to charge for prior years, if any.

Deferred

Deferred tax is recognised 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, leasehold land and plant & machinery) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land & plant machinery are stated at revalued amounts less accumulated depreciation. 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 after taking into account the residual value if material. 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 available for use and on disposals up to the month of disposal.

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

Surplus on revaluation of property, plant and equipment is credited to the surplus on revaluation account. Revaluation is carried out with sufficient regularity to ensure that the carrying amount of assets does not differ materially from the fair value. To the extent of the incremental depreciation charged on the revalued assets the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to 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 profits).

2.9 Intangible assets

Intangible assets are measured initially at cost and subsequently stated at cost less accumulated depreciation and impairment losses, if any.

Computer software

Acquired computer software licenses 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 recognised 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 Impairment

Financial assets

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

Non-Financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the assets's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.11 Investments

Investments in subsidiary and non listed equity securities classified as available for sale are stated at cost less provision for impairment, if any.

2.12 Stores and spares

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

2.13 Stock-in-trade

Stock-in-trade is valued at lower of weighted average cost and estimated net realisable value.

Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value signifies the estimated selling price in the ordinary course of business less net estimated costs of completion and selling expenses.

2.14 Trade debts and other receivables

Trade debts and other receivables are recognised 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.

2.15 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. Exchange differences are taken to the profit and loss account.

2.16 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupees, which is the company's functional and presentation currency.

2.17 Revenue recognition

- Revenue from the sale of goods is recognised 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 and mark-up on loan to subsidiaries is accounted for on a time-apportioned basis using the effective interest method.
- Dividend income is recognised when the right to receive payment is established.

2.18 Financial expense

Financial expenses are recognised using the effective interest method and comprise foreign currency losses and interest expense on borrowings.

2.19 Segment reporting

A segment is a distinguishable component within a company that is engaged in providing products 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.

2.20 Finance lease

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance lease. Assets subject to finance lease are stated at amounts equal to the fair value or, if lower, the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Assets acquired under finance leases are depreciated in accordance with the Company's depreciation policy on property, plant and equipment. The finance cost is charged to profit and loss account and is included under financial charges.

2.21 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

2.22 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.

2.23 Borrowings and their cost

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

2.24 Financial liabilities

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

2.25 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.

2.26 Off-setting

Financial 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 realize the assets and to settle the liabilities simultaneously.

Amounts in Rs '000

3. Issued, Subscribed and Paid-up Capital

2007	2006		2007	2006
(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 under scheme of arrangement for amalgamation	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
<u>138,802,300</u>	<u>138,802,300</u>		<u>1,388,023</u>	<u>1,388,023</u>

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 (2006: 105,229,125) ordinary shares of Rs 10 each at 31 December 2007. Effective 2 January 2008 Akzo Nobel N.V. has completed its acquisition of ICI PLC, UK, the parent company of ICI Omicron B.V. Accordingly with effect from 2 January 2008 Akzo Nobel has become the ultimate holding company of ICI Pakistan Limited. ICI Pakistan Limited continues to be the direct subsidiary of ICI Omicron B.V.

4. Capital Reserves

Share premium - note 4.1	465,259	465,259
Capital receipts - note 4.2	586	586
	<u>465,845</u>	<u>465,845</u>

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 these 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

Balance as on 1 January	1,124,220	494,315
Revaluation surplus	-	667,967
Reversal of net deferred tax liability on surplus earlier recognised	-	41,661
	-	709,628
Less: Transfer to retained earnings (unappropriated profit) in respect of incremental depreciation charged during the year net of deferred tax	(112,053)	(79,723)
Balance as on 31 December	<u>1,012,167</u>	<u>1,124,220</u>

Amounts in Rs '000

	2007		2006					
6. Deferred Liability								
Provisions for non-management staff gratuity and eligible retired employees' medical scheme			<u>119,571</u>	<u>104,079</u>				
6.1 Staff Retirement Benefits								
	2007		2006					
	Funded	Unfunded	Funded	Unfunded				
	Pension	Gratuity	Total	Pension	Gratuity	Total		
6.1.1 The amounts recognised in the profit and loss account against defined benefit schemes are as follows:								
Current service cost	21,658	20,464	42,122	5,175	23,048	19,297	42,345	4,943
Interest cost	81,443	30,945	112,388	17,438	80,165	27,451	107,616	15,719
Expected return on plan assets	(93,010)	(25,008)	(118,018)	-	(89,043)	(24,991)	(114,034)	-
Termination cost	1,896	-	1,896	-	17,233	-	17,233	479
Recognition of actuarial loss	14,116	4,316	18,432	3,678	18,859	1,826	20,685	6,758
Charge for the year	<u>26,103</u>	<u>30,717</u>	<u>56,820</u>	<u>26,291</u>	<u>50,262</u>	<u>23,583</u>	<u>73,845</u>	<u>27,899</u>
6.1.2 Movements in the net asset / (liability) recognised in the balance sheet are as follows:								
Opening balance	130,793	(6,469)	124,324	(104,444)	71,205	(8,417)	62,788	(90,971)
Charge for the year - note 6.1.1	(26,103)	(30,717)	(56,820)	(26,291)	(50,262)	(23,583)	(73,845)	(27,899)
Contributions / payments during the year	85,501	55,957	141,458	10,926	109,850	25,531	135,381	14,426
Closing balance	<u>190,191</u>	<u>18,771</u>	<u>208,962</u>	<u>(119,809)</u>	<u>130,793</u>	<u>(6,469)</u>	<u>124,324</u>	<u>(104,444)</u>
6.1.3 The amounts recognised in the balance sheet are as follows:								
Fair value of plan assets - note 6.1.5	1,038,068	274,870	1,312,938	-	842,376	224,733	1,067,109	-
Present value of defined benefit obligation - note 6.1.4	(977,855)	(373,060)	(1,350,915)	(204,472)	(778,855)	(293,785)	(1,072,640)	(163,843)
Surplus / (Deficit)	60,213	(98,190)	(37,977)	(204,472)	63,521	(69,052)	(5,531)	(163,843)
Unrecognised actuarial loss	129,978	116,961	246,939	84,663	67,272	62,583	129,855	59,399
Recognised asset / (liability)	<u>190,191</u>	<u>18,771</u>	<u>208,962</u>	<u>(119,809)</u>	<u>130,793</u>	<u>(6,469)</u>	<u>124,324</u>	<u>(104,444)</u>
6.1.4 Movement in the present value of defined benefit obligation:								
Opening balance	778,855	293,785	1,072,640	163,844	780,301	266,191	1,046,492	152,859
Service cost	21,658	20,464	42,122	5,175	23,048	19,297	42,345	4,943
Interest cost	81,443	30,945	112,388	17,438	80,165	27,451	107,616	15,719
Benefits paid	(78,983)	(25,599)	(104,582)	(10,926)	(75,245)	(23,702)	(98,947)	(14,426)
Termination cost	1,896	-	1,896	-	17,233	-	17,233	479
Actuarial loss / (gain)	172,986	53,465	226,451	28,941	(46,647)	4,548	(42,099)	4,269
Present value of the defined benefit obligation at the end of the year	<u>977,855</u>	<u>373,060</u>	<u>1,350,915</u>	<u>204,472</u>	<u>778,855</u>	<u>293,785</u>	<u>1,072,640</u>	<u>163,843</u>
6.1.5 Movement in the fair value of plan assets:								
Opening balance	842,376	224,733	1,067,109	-	783,507	230,935	1,014,442	-
Expected return	93,010	25,008	118,018	-	89,043	24,991	114,034	-
Contributions	85,501	55,957	141,458	-	109,850	25,531	135,381	-
Benefits paid	(78,983)	(25,599)	(104,582)	-	(75,245)	(23,702)	(98,947)	-
Actuarial gain / (loss)	96,164	(5,229)	90,935	-	(64,779)	(33,022)	(97,801)	-
Fair value of plan assets at the end of the year	<u>1,038,068</u>	<u>274,870</u>	<u>1,312,938</u>	<u>-</u>	<u>842,376</u>	<u>224,733</u>	<u>1,067,109</u>	<u>-</u>
6.1.6 Historical Information								
As at 31 December				2007	2006	2005	2004	2003
Present Value of defined benefit obligation				1,555,387	1,236,483	1,199,351	1,220,952	1,289,235
Fair value of plan assets				1,312,938	1,067,109	1,014,442	910,995	910,381
Deficit				<u>242,449</u>	<u>169,374</u>	<u>184,909</u>	<u>309,957</u>	<u>378,854</u>
Experience adjustments on plan liabilities				16%	1%	8%	(2%)	12%
Experience adjustments on plan assets				7%	(9%)	7%	(2%)	1%

Amounts in Rs '000

	2007	2006
6.1.7 Major categories / composition of plan assets are as follows:		
Debt instruments	63%	62%
Equity	13%	10%
Mixed Funds	18%	16%
Cash	6%	12%

The unfunded liability included in the above table includes Rs 0.238 million (2006: Rs 0.365 million) pertaining to ICI Pakistan PowerGen Limited.

These figures are based on the latest actuarial valuation, as at 31 December 2007. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected future service of current members.

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2007 was Rs 208.953 million (2006: Rs 16.233 million).

6.1.8 The principal actuarial assumptions at the reporting date were as follows:

Discount rate	11.0%	11.0%
Expected return on plan assets	11.0%	11.0%
Future salary increases	8.9%	8.9%
Future pension increases	6.0%	6.0%

6.1.9 Medical cost trend is assumed to follow inflation. The sensitivity to reflect the effect of a 1% movement in the assumed medical cost trend were as follows:

	2007	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	12,152	13,890	10,733
Effect on the defined benefit obligation	111,337	124,590	100,243

6.1.10 The Company contributed Rs 40.978 million (2006: Rs 39.158 million) and Rs 18.204 million (2006: Rs 17.104 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

7. Short-Term Financing

Running finances utilised under mark-up arrangements - note 7.1	-	3,613
Term finances - note 7.2	-	-
	<u>-</u>	<u>3,613</u>

7.1 The facilities for running finance available from various banks amounted to Rs 2,571 million (31 December 2006: Rs 2,571 million) and carry mark-up during the period ranging from 9.59 to 11.63 percent per annum (31 December 2006: 8.76 to 11.84 percent per annum). The purchase prices are payable on various dates by 30 September 2008. 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 (2006: Rs 550 million). However no such facility was utilised as on 31 December 2007.

Amounts in Rs '000

	2007	2006
8. Trade and Other Payables		
Trade creditors - note 8.1	2,081,618	2,000,796
Bills payable	2,214,797	1,507,414
Sales tax, excise and custom duties	96,058	56,819
Mark-up accrued on short term financing	11,680	7,504
Accrued interest / return on unsecured loan - note 8.2	354,709	352,728
Accrued expenses	637,989	587,109
Technical service fee	40,269	19,755
Workers' profit participation fund - note 8.3	150,790	113,788
Workers' welfare fund	98,942	42,356
Distributors' security deposits - payable on termination of distributorship - note 8.4	56,092	56,670
Contractors' earnest / retention money	8,599	9,217
Advances from customers	185,049	211,155
Unclaimed dividends	4,550	4,574
Payable for capital expenditure	107,123	164,495
Payable for staff retirement benefit schemes	-	6,469
Provision for compensated absences	20,000	20,000
Others	207,838	271,813
	<u>6,276,103</u>	<u>5,432,662</u>
8.1 The above balances include amounts due to following associated undertakings:		
Pakistan PTA Limited	1,197,090	168,974
ICI Paints UK	3,770	917
ICI Paints Asia Pacific	11,600	5,168
ICI Paints Malaysia Limited	21	-
National Starch and Chemicals	657	830
ICI India Limited	937	-
	<u>1,214,075</u>	<u>175,889</u>
8.2 This represents amount payable to Mortar Investments International Limited.		
8.3 Workers' profit participation fund		
Balance as on 1 January	113,788	89,163
Allocation for the year - note 28	145,964	111,571
	259,752	200,734
Interest on funds utilised in the Company's business at 41.25 percent (2006: 37.5 percent) per annum - note 27	4,774	2,058
	264,526	202,792
Less:		
- Amount paid to and on behalf of the Fund	10,192	10,829
- Deposited with the Government of Pakistan	103,544	78,175
	113,736	89,004
Balance as on 31 December	<u>150,790</u>	<u>113,788</u>
8.4 Interest on security deposits from certain distributors is payable at 7.5 percent (2006: 7.5 percent) per annum as specified in the respective agreements.		

		Amounts in Rs '000	
		2007	2006
9.	Contingencies and Commitments		
9.1	Claims against the Company not acknowledged as debts are as follows:		
	Local bodies	12,870	13,819
	Sales Tax authorities	97,192	97,192
	Others	92,130	85,474
		<u>202,192</u>	<u>196,485</u>
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 2,460 million (2006: Rs 2,550 million) against which Pakistan PTA Limited has issued counter guarantees to the Company.		
9.3	Guarantees issued by the Company in respect of financing obtained by Senior Executives amounted to Rs 18 million (2006: Rs 32 million), in accordance with the terms of employment.		
9.4	Commitments in respect of capital expenditure - Rs 243.131 million (2006: Rs 32.884 million).		
9.5	Commitments for rentals under operating lease agreements in respect of vehicles amounting to Rs 115.502 million (2006: Rs 108.389 million) are as follows:		
	Year		
	2007	-	40,396
	2008	45,450	32,852
	2009	37,119	22,219
	2010	28,768	12,922
	2011	4,165	-
		<u>115,502</u>	<u>108,389</u>
	Payable not later than one year	45,450	40,396
	Payable later than one year but not later than five years	70,052	67,993
		<u>115,502</u>	<u>108,389</u>
9.6	Outstanding foreign exchange contracts as at 31 December 2007 entered into by the Company to hedge the anticipated future transactions amounted to Rs 623.133 million (2006: Rs 1,321.424 million).		

Amounts in Rs '000

10. Property, Plant and Equipment**2007****2006****10.1** The following is a statement of property, plant and equipment:

Operating property, plant and equipment - note 10.2	7,728,909	7,167,583
Capital work-in-progress - note 10.7	777,827	1,175,677
	<u>8,506,736</u>	<u>8,343,260</u>

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

	Land		Limebeds on leasehold land	Buildings		Plant and machinery	Railway sidings	Rolling stock and vehicles	Furniture and equipment	Total
	Freehold	Leasehold		On freehold land	On leasehold land					
2007										
Net carrying value basis										
Year ended 31 December 2007										
Opening net book value (NBV)	836,702	106,459	75,337	261,712	354,344	5,379,846	-	25,052	128,131	7,167,583
Additions/transfer (at cost)	-	-	-	6,400	186,197	1,180,450	-	4,592	32,453	1,410,092
Disposals/transfer (at NBV)	-	-	-	-	(664)	(2,858)	-	(2,403)	(489)	(6,414)
Depreciation charge	-	(78,549)	(6,011)	(25,152)	(55,509)	(635,130)	-	(5,751)	(36,250)	(842,352)
Closing net book value (NBV)	<u>836,702</u>	<u>27,910</u>	<u>69,326</u>	<u>242,960</u>	<u>484,368</u>	<u>5,922,308</u>	<u>-</u>	<u>21,490</u>	<u>123,845</u>	<u>7,728,909</u>
Gross carrying value basis										
At 31 December 2007										
Cost/Revaluation	836,702	567,799	118,322	857,020	938,726	14,658,112	297	141,079	572,991	18,691,048
Accumulated Depreciation	-	(539,889)	(48,996)	(614,060)	(454,358)	(8,735,804)	(297)	(119,589)	(449,146)	(10,962,139)
Net book value	<u>836,702</u>	<u>27,910</u>	<u>69,326</u>	<u>242,960</u>	<u>484,368</u>	<u>5,922,308</u>	<u>-</u>	<u>21,490</u>	<u>123,845</u>	<u>7,728,909</u>
Depreciation rate % per annum	-	2 to 4	3.33 to 7.5	5 to 10	2.5 to 10	3.33 to 10	3.33	10 to 25	10 to 33.33	
2006										
Net carrying value basis										
Year ended 31 December 2006										
Opening net book value (NBV)	49,706	25,904	81,314	191,721	381,009	3,822,409	-	11,612	126,833	4,690,508
Additions/transfer (at cost)	-	-	50	122,600	10,766	2,301,010	-	20,307	43,992	2,498,725
Revaluation	786,996	90,841	-	-	-	(209,870)	-	-	-	667,967
Disposals/transfer (at NBV)	-	-	-	-	-	(41)	-	(437)	(263)	(741)
Depreciation charge	-	(10,286)	(6,027)	(52,609)	(37,431)	(533,662)	-	(6,430)	(42,431)	(688,876)
Closing net book value (NBV)	<u>836,702</u>	<u>106,459</u>	<u>75,337</u>	<u>261,712</u>	<u>354,344</u>	<u>5,379,846</u>	<u>-</u>	<u>25,052</u>	<u>128,131</u>	<u>7,167,583</u>
Gross carrying value basis										
At 31 December 2006										
Cost/Revaluation	836,702	567,799	118,322	850,620	754,006	13,536,096	297	140,705	564,773	17,369,320
Accumulated Depreciation	-	(461,340)	(42,985)	(588,908)	(399,662)	(8,156,250)	(297)	(115,653)	(436,642)	(10,201,737)
Net book value	<u>836,702</u>	<u>106,459</u>	<u>75,337</u>	<u>261,712</u>	<u>354,344</u>	<u>5,379,846</u>	<u>-</u>	<u>25,052</u>	<u>128,131</u>	<u>7,167,583</u>
Depreciation rate % per annum	-	2 to 4	3.33 to 7.5	5 to 10	2.5 to 10	3.33 to 10	3.33	10 to 25	10 to 33.33	

Amounts in Rs '000

10.3 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 land and plant and machinery were revalued again on 15 December 2006 resulting in a net surplus of Rs 667.967million. The valuation was conducted by independent valuers. Valuations for plant and machinery was the open market value of the asset based on estimated gross replacement cost, depreciated to reflect the residual service potential of the asset having paid due regard to age, condition and obsolescence. Land was valued on the basis of fair market value.

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

	2007	2006
Net Book Value		
Freehold land	20,929	20,929
Leasehold land	32	37
Plant and machinery	5,622,648	5,028,634
Rolling stock and vehicles	21,490	25,052
Furniture and equipment	123,845	128,131
	<u>5,788,944</u>	<u>5,202,783</u>

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

Cost of sales - note 24	807,881	655,652
Selling and distribution expenses - note 25	1,068	947
Administration and general expenses - note 26	33,403	32,277
	<u>842,352</u>	<u>688,876</u>

10.6 Assets held under finance lease

The depreciation charge of Rs Nil (2006: Rs 58.8 million) has been allocated to the cost of sales - note 24.

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

Designing, consultancy and engineering fee	23,741	30,965
Civil works and buildings	92,658	164,844
Plant and machinery	529,461	899,307
Miscellaneous equipment	47,298	52,950
Advances to suppliers / contractors	84,669	27,611
	<u>777,827</u>	<u>1,175,677</u>

Amounts in Rs '000

10.8 Details of operating property, plant and equipment disposals having net book value in excess of Rs 50,000 are as follows:

	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
Building					
Scrapped	1,250	721	529	2	Shahbaz & Company, Malakwal
Plant and machinery					
Sold by negotiation	181	59	122	128	Shaz Services, Karachi
Scrapped	17,088	14,478	2,610	321	Shahbaz & Company, Malakwal
Rolling stock and vehicles					
Sold by negotiation	225	-	225	800	M/s Asif Brothers, Karachi
Sold by auction	2,260	82	2,178	4,365	Various
Furniture and equipment					
Sold by negotiations	15,364	14,944	420	764	Various

	2007	2006
11. Intangible Asset		
Net carrying value basis		
Year ended 31 December		
Opening net book value (NBV)	71,774	103,811
Additions (at cost)	-	-
Amortisation charge	(32,037)	(32,037)
Closing net book value (NBV)	<u>39,737</u>	<u>71,774</u>
Gross carrying amount		
At 31 December		
Cost	168,781	168,781
Accumulated amortisation	(129,044)	(97,007)
Net book value	<u>39,737</u>	<u>71,774</u>

11.1 The amortisation charge for the year has been allocated as follows:

Cost of sales - note 24	15,128	15,128
Selling and distribution expenses - note 25	2,657	2,657
Administration and general expenses - note 26	14,252	14,252
	<u>32,037</u>	<u>32,037</u>

Amounts in Rs '000

	2006	Charge / (reversal)	2007
12. Deferred Tax Asset - net			
<i>Deductible temporary differences</i>			
Tax losses carried forward	1,880,628	591,479	1,289,149
Provisions for retirement benefits, doubtful debts and others	149,395	(20,494)	169,889
<i>Taxable temporary differences</i>			
Property, plant and equipment	(1,000,434)	104,148	(1,104,582)
	<u>1,029,589</u>	<u>675,133</u>	<u>354,456</u>

	2007	2006
13. Long - Term Investments		
<i>Unquoted Subsidiary</i>		
ICI Pakistan PowerGen Limited (wholly owned) - note 13.1 & 13.2 5,800,000 ordinary shares (2006: 2,100,000) of Rs 100 each	580,000	210,000
<i>Others</i>		
<i>Equity security available for sale</i>		
Arabian Sea Country Club Limited	2,500	2,500
	<u>582,500</u>	<u>212,500</u>

13.1 During the year the Company has made a further investment of Rs 370 million in the wholly owned subsidiary. This investment has been approved by the shareholders in the annual general meeting held on 26 April 2007 and extraordinary general meeting held on 20 July 2007 in which Company had agreed to invest a further sum of Rs 600 million (including Rs 400 million in equity and Rs 200 million as loan).

13.2 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 2007 amounted to Rs 288.332 million (2006: Rs 83.829 million).

14. Long-Term Loans - Considered good

Due from Subsidiary - Unsecured		
- Long term loan - note 14.1 & 19	96,000	72,000
Due from Directors, Executives and Employees - note 14.2	108,867	103,687
	<u>204,867</u>	<u>175,687</u>

14.1 This represents loan given to ICI Pakistan PowerGen Limited which was rescheduled during the current year. As per the old agreement the loan carried a rate of return of 4% per annum payable quarterly and principal amount payable in five equal semi annual instalments starting from March 2007. As per the revised agreement the loan carries a rate of return of three months KIBOR + 1% on each instalment and the principal amount is due in five equal semi-annual instalments, commencing from 1 October 2008. The above terms have been approved by the shareholders in the annual general meeting held on 26 April 2007.

		Amounts in Rs '000	
		2007	2006
14.2	Due from Executives and Employees		
		Motor car	House building
			Total
			Total
	Due from Executives	37,463	34,450
		71,913	75,682
	Less: Receivable within one year	5,164	12,840
		18,004	17,682
		<u>32,299</u>	<u>21,610</u>
		53,909	58,000
	Due from Employees	82,509	73,023
	Less: Receivable within one year	27,551	27,336
		54,958	45,687
		<u>108,867</u>	<u>103,687</u>
	Outstanding for period:		
	- less than three years but over one year	58,134	59,395
	- more than three years	50,733	44,292
		<u>108,867</u>	<u>103,687</u>

14.3 Reconciliation of the carrying amount of loans to Executives:

Opening balance at beginning of the year	75,682	63,891
Disbursements	30,893	56,551
Repayments	(34,662)	(44,760)
Balance at end of the year	<u>71,913</u>	<u>75,682</u>

The loan to executives includes an amount of Rs 4.145 million (2006: Rs 5.420 million) in respect of house building relating to key management personnel. Loan outstanding during the year relates to Mr. Ali A. Aga, who was provided this loan as per his terms of employment.

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 including executives 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 Executives at the end of any month during the year was Rs 83.397 million (2006: Rs 75.682 million).

15. Long-Term Deposits and Prepayments

Deposits	21,120	54,987
Prepayments	38,768	17,932
	<u>59,888</u>	<u>72,919</u>

	Amounts in Rs '000	
	2007	2006
16. Stores and Spares		
Stores (include in-transit Rs 30.528 million; 2006: Rs 19.579 million)	65,519	47,740
Spares	520,644	629,792
Consumables	74,978	83,768
	<u>661,141</u>	<u>761,300</u>
Less: Provision for slow moving and obsolete items	55,661	55,661
	<u>605,480</u>	<u>705,639</u>
17. Stock-in-Trade		
Raw and packing material (include in-transit Rs 244.345 million; 2006: Rs 355.516 million)	1,116,753	940,720
Work-in-process	192,127	141,151
Finished goods (include in-transit Rs 28.068 million; 2006: Rs 56.948 million)	1,120,188	1,333,205
	<u>2,429,068</u>	<u>2,415,076</u>
Less: Provision for slow moving and obsolete stock		
- Raw material	89,363	31,046
- Finished goods	28,369	36,240
	<u>117,732</u>	<u>67,286</u>
	<u>2,311,336</u>	<u>2,347,790</u>
18. Trade Debts		
<i>Considered good</i>		
- Secured	291,456	277,509
- Unsecured	901,469	544,366
	<u>1,192,925</u>	<u>821,875</u>
<i>Considered doubtful</i>	146,457	111,734
	<u>1,339,382</u>	<u>933,609</u>
Less: Provision for:		
- Doubtful debts	146,457	111,734
- Discounts payable	143,461	91,199
	<u>289,918</u>	<u>202,933</u>
	<u>1,049,464</u>	<u>730,676</u>

		Amounts in Rs '000	
		2007	2006
19.	Loans and Advances		
	<i>Considered good</i>		
	Loans due from:		
	Executives - note 14.2	18,004	17,682
	Employees - note 14.2	27,551	27,336
	Subsidiary - unsecured - note 14.1	24,000	48,000
		<u>69,555</u>	<u>93,018</u>
	Advances to:		
	Directors and Executives	8,903	1,679
	Employees	1,070	2,846
	Contractors and suppliers	54,802	74,127
	Others	3,350	2,369
		<u>68,125</u>	<u>81,021</u>
		<u>137,680</u>	<u>174,039</u>
	<i>Considered doubtful</i>	8,120	8,120
		<u>145,800</u>	<u>182,159</u>
	Less: Provision for doubtful loans and advances	8,120	8,120
		<u>137,680</u>	<u>174,039</u>
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 1.992 million and Rs 8.068 million (2006: Rs Nil and Rs 7.782 million) respectively.		
20.	Trade Deposits and Short-Term Prepayments		
	Trade deposits	12,323	4,208
	Short-term prepayments	306,275	268,606
	Balances with statutory authorities	24,972	14,345
		<u>343,570</u>	<u>287,159</u>
21.	Other Receivables		
	<i>Considered good</i>		
	Duties, sales tax and octroi refunds due	306,870	185,955
	Due from Associate - note 21.1	67,582	67,582
	Insurance claims	21,267	-
	Commission receivable	22,560	23,354
	Interest income receivable from subsidiary	3,239	1,210
	Interest income receivable	8,775	-
	Rebates receivable	108,414	194,627
	Others	119,782	77,205
		<u>658,489</u>	<u>549,933</u>
	<i>Considered doubtful</i>	15,904	20,733
		<u>674,393</u>	<u>570,666</u>
	Less: Provision for doubtful receivables	15,904	20,733
		<u>658,489</u>	<u>549,933</u>
21.1	The maximum aggregate amount due from ICI Omicron B.V. at the end of any month during the year was Rs 67.582 million (2006: Rs 67.582 million).		
22.	Cash and Bank Balances		
	Deposit accounts	1,950,000	520,000
	Current accounts	1,385,398	1,074,470
	In hand		
	- Cheques	262,972	183,976
	- Cash	16,686	12,705
		<u>3,615,056</u>	<u>1,791,151</u>

Amounts in Rs '000

23. Operating Results

	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Company	Company
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Sales												
Inter-segment	-	-	-	-	-	-	-	-	483,496	442,877	-	-
Others	10,344,658	8,458,475	4,936,218	4,394,676	5,812,097	5,071,975	2,710,278	2,236,181	2,089,499	1,723,943	25,892,750	21,885,250
	10,344,658	8,458,475	4,936,218	4,394,676	5,812,097	5,071,975	2,710,278	2,236,181	2,572,995	2,166,820	25,892,750	21,885,250
Commission income	-	-	-	-	-	-	-	-	80,259	62,438	80,259	62,438
Turnover	10,344,658	8,458,475	4,936,218	4,394,676	5,812,097	5,071,975	2,710,278	2,236,181	2,653,254	2,229,258	25,973,009	21,947,688
Sales tax	3,042	2,205	701,316	528,575	717,941	628,464	2	5	187,162	145,951	1,609,463	1,305,200
Commission and discounts to distributors and customers	81,846	43,998	71,037	91,705	754,714	600,370	302,892	221,496	123,322	110,801	1,333,811	1,068,370
	84,888	46,203	772,353	620,280	1,472,655	1,228,834	302,894	221,501	310,484	256,752	2,943,274	2,373,570
Net sales and commission income	10,259,770	8,412,272	4,163,865	3,774,396	4,339,442	3,843,141	2,407,384	2,014,680	2,342,770	1,972,506	23,029,735	19,574,118
Cost of sales - note 24	9,429,385	7,763,951	2,952,549	2,808,514	2,831,789	2,434,777	1,595,024	1,314,129	1,898,364	1,614,154	18,223,615	15,492,648
Gross profit	830,385	648,321	1,211,316	965,882	1,507,653	1,408,364	812,360	700,551	444,406	358,352	4,806,120	4,081,470
Selling and distribution expenses - note 25	41,816	33,056	122,486	90,789	487,410	397,408	293,772	256,877	129,065	97,945	1,074,549	876,075
Administration and general expenses - note 26	146,717	148,791	226,236	239,866	167,734	139,985	115,667	114,487	103,847	83,248	760,201	726,377
Operating result	641,852	466,474	862,594	635,227	852,509	870,971	402,921	329,187	211,494	177,159	2,971,370	2,479,018
23.1 Segment assets	6,593,630	6,801,307	5,117,075	4,524,663	2,282,076	2,037,346	780,799	732,725	808,722	633,983	15,582,302	14,730,024
23.2 Unallocated assets											3,223,989	2,199,560
											18,806,291	16,929,584
23.3 Segment liabilities	2,780,508	2,482,402	880,592	908,835	811,225	662,390	1,063,928	738,972	499,470	383,387	6,035,723	5,175,986
23.4 Unallocated liabilities											359,951	364,368
											6,395,674	5,540,354
23.5 Non-cash Items (excluding depreciation & amortisation)	5,855	10,659	15,356	7,519	1,281	932	2,484	5,888	1,231	2,809	26,207	27,807
23.6 Depreciation & amortisation	365,961	342,696	428,203	366,241	49,381	39,238	14,725	16,144	16,119	15,394	874,389	779,713
23.7 Capital expenditure	219,416	244,169	675,424	826,173	73,411	101,172	12,225	12,841	31,767	25,582	1,012,243	1,209,937
23.8 Inter-segment sales												
Inter-segment sales have been eliminated from the total.												
23.9 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		Soda Ash		Paints		Life Sciences		Chemicals		Company 2007	Company 2006
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006		
Raw and packing materials consumed												
Opening stock	431,019	749,881	137,713	88,874	191,552	202,570	86,305	141,217	63,085	94,964	909,674	1,277,506
Purchases												
Inter-segment	-	-	-	-	483,496	442,877	-	-	-	-	-	-
Others	8,056,597	6,296,153	1,000,168	898,633	2,201,831	1,873,099	624,893	419,197	692,100	462,274	12,575,589	9,949,356
	8,056,597	6,296,153	1,000,168	898,633	2,685,327	2,315,976	624,893	419,197	692,100	462,274	12,575,589	9,949,356
	8,487,616	7,046,034	1,137,881	987,507	2,876,879	2,518,546	711,198	560,414	755,185	557,238	13,485,263	11,226,862
Closing stock	(506,824)	(431,019)	(135,447)	(137,713)	(146,172)	(191,552)	(159,410)	(86,305)	(79,537)	(63,085)	(1,027,390)	(909,674)
	7,980,792	6,615,015	1,002,434	849,794	2,730,707	2,326,994	551,788	474,109	675,648	494,153	12,457,873	10,317,188
Salaries, wages and benefits	217,280	194,546	345,449	339,125	86,261	68,020	2,625	4,329	20,128	21,549	671,743	627,569
Stores and spares consumed	83,697	83,030	79,714	119,030	6,992	1,528	-	-	4,105	4,136	174,508	207,724
Conversion fee paid to contract manufacturers	-	-	-	-	-	-	134,795	123,100	4,874	3,549	139,669	126,649
Oil, gas and electricity	453,313	460,456	804,066	756,102	12,046	11,327	-	-	6,820	5,073	1,276,245	1,232,958
Rent, rates and taxes	1,318	846	499	525	444	445	-	-	176	180	2,437	1,996
Insurance	46,510	53,228	28,268	33,953	14,965	21,907	6	8	376	581	90,125	109,677
Repairs and maintenance	740	948	837	441	12,172	12,079	-	-	1,940	1,561	15,689	15,029
Depreciation & amortisation - note 10.5, & 11.1	359,755	337,203	413,407	352,512	39,799	30,729	662	681	9,386	8,455	823,009	729,580
Excise duty	-	-	-	-	23,996	988	-	-	-	8	23,996	996
Technical fees	-	-	-	-	31,210	29,474	-	-	-	-	31,210	29,474
Royalty	-	-	-	-	11,024	-	-	-	13,924	9,839	24,948	9,839
General expenses	74,664	63,180	53,494	42,779	21,893	20,320	1,438	801	8,856	11,162	160,345	138,242
Opening stock of work-in-process	88,102	83,195	-	-	50,570	25,213	-	-	2,479	4,693	141,151	113,101
Closing stock of work-in-process	(72,892)	(88,102)	-	-	(115,205)	(50,570)	(3,084)	-	(946)	(2,479)	(192,127)	(141,151)
Cost of goods manufactured	9,233,279	7,803,545	2,728,168	2,494,261	2,926,874	2,498,454	688,230	603,028	747,766	562,460	15,640,821	13,518,871
Opening stock of finished goods	572,009	530,229	99,359	93,636	150,675	93,106	285,909	219,095	189,013	184,808	1,296,965	1,120,874
Finished goods purchased	-	2,186	141,783	334,976	-	-	951,168	780,508	1,156,050	1,055,899	2,249,001	2,173,569
	9,805,288	8,335,960	2,969,310	2,922,873	3,077,549	2,591,560	1,925,307	1,602,631	2,092,829	1,803,167	19,386,787	16,813,314
Closing stock of finished goods	(375,903)	(572,009)	(12,876)	(99,359)	(188,092)	(150,675)	(330,283)	(285,909)	(184,665)	(189,013)	(1,091,819)	(1,296,965)
Provision for obsolete stocks - note 26	-	-	(3,885)	(15,000)	(57,668)	(6,108)	-	(2,593)	(9,800)	-	(71,353)	(23,701)
	9,429,385	7,763,951	2,952,549	2,808,514	2,831,789	2,434,777	1,595,024	1,314,129	1,898,364	1,614,154	18,223,615	15,492,648

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 44.875 million (2006: Rs 47.611 million) in respect of staff retirement benefits.

24.3 Severance cost

Salaries, wages and benefits include Rs Nil million (2006: Rs 10.754 million) in respect of severance cost.

Amounts in Rs '000

25. Selling and Distribution Expenses

	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Company	Company
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Salaries and benefits	26,030	20,266	13,128	38,649	140,474	129,420	119,687	111,839	42,133	41,161	341,452	341,335
Repairs and maintenance	89	16	854	1,138	1,580	1,516	1,228	1,077	511	379	4,262	4,126
Advertising and sales promotion	344	878	1,082	424	136,015	96,238	74,202	60,687	2,014	990	213,657	159,217
Rent, rates and taxes	-	80	1,196	1,713	9,564	9,077	3,953	4,188	570	693	15,283	15,751
Insurance	-	-	808	642	147	10	2,002	2,189	3,652	3,720	6,609	6,561
Lighting, heating and cooling	12	-	859	841	3,426	2,752	1,552	1,267	281	239	6,130	5,099
Depreciation and amortisation - note 10.5 & 11.1	248	248	330	209	-	-	1,670	1,670	1,477	1,477	3,725	3,604
Outward freight and handling	7,145	4,705	92,212	37,439	120,687	100,900	-	-	20,710	20,040	240,754	163,084
Provision for doubtful trade debts	-	-	-	-	-	1,200	-	2,116	-	-	-	3,316
Travelling expenses	3,695	3,672	2,848	1,597	49,410	43,534	45,168	37,651	12,772	7,627	113,893	94,081
Postage, telegram, telephone and telex	457	422	879	745	6,497	5,596	4,677	4,211	3,530	2,659	16,040	13,633
General expenses	3,796	2,769	8,290	7,392	19,610	7,165	39,633	29,982	41,415	18,960	112,744	66,268
	<u>41,816</u>	<u>33,056</u>	<u>122,486</u>	<u>90,789</u>	<u>487,410</u>	<u>397,408</u>	<u>293,772</u>	<u>256,877</u>	<u>129,065</u>	<u>97,945</u>	<u>1,074,549</u>	<u>876,075</u>

25.1 Staff retirement benefits

Salaries, wages and benefits include Rs 38.171 million (2006: Rs 31.471 million) in respect of staff retirement benefits.

25.2 Severance cost

Salaries and benefits include Rs Nil million (2006: Rs 20.936 million) in respect of severance cost.

26. Administration and General Expenses

Salaries and benefits	69,540	109,618	141,059	146,368	72,233	51,765	63,240	64,600	62,287	54,356	408,359	426,707
Repairs and maintenance	1,917	2,241	2,802	2,779	5,595	4,331	1,254	1,246	639	571	12,207	11,168
Advertising and sales promotion	1,455	1,783	3,418	4,615	-	573	935	1,379	776	941	6,584	9,291
Rent, rates and taxes	2,876	2,871	2,490	3,145	605	531	451	568	513	629	6,935	7,744
Insurance	734	849	2,107	2,444	420	303	5,877	3,556	443	507	9,581	7,659
Lighting, heating and cooling	2,489	2,481	4,037	4,226	2,530	2,141	2,477	1,843	832	848	12,365	11,539
Depreciation & amortisation - note 10.5 & 11.1	5,958	5,245	14,466	13,520	9,582	8,509	12,393	13,793	5,256	5,462	47,655	46,529
Provision for doubtful trade debts	36,100	-	-	-	-	-	-	-	-	-	36,100	-
Provision for obsolete stock	-	-	3,885	15,000	57,668	6,108	-	2,593	9,800	-	71,353	23,701
Travelling expenses	5,114	6,902	9,147	10,724	10,063	6,524	9,185	7,807	4,005	3,500	37,514	35,257
Postage, telegram, telephone and telex	965	1,333	1,715	1,861	7,919	5,892	2,202	2,399	947	761	13,748	12,246
General expenses	19,569	15,468	41,110	35,184	1,119	53,308	17,653	14,903	18,349	15,673	97,800	134,536
	<u>146,717</u>	<u>148,791</u>	<u>226,236</u>	<u>239,866</u>	<u>167,734</u>	<u>139,985</u>	<u>115,667</u>	<u>114,487</u>	<u>103,847</u>	<u>83,248</u>	<u>760,201</u>	<u>726,377</u>

26.1 Staff retirement benefits

Salaries, wages and benefits include Rs 57.267 million (2006: Rs 61.12 million) in respect of staff retirement benefits.

26.2 Severance cost

Salaries and benefits include Rs 4.554 million (2006: Rs 43.148 million) in respect of severance cost.

		Amounts in Rs '000	
		2007	2006
27.	Financial Charges		
	Mark-up on short-term financing and others	20,909	8,927
	Interest on:		
	- Workers' profit participation fund - note 8.3	4,774	2,058
	- Finance lease	-	143,166
	Discounting charges on receivables	92,241	99,204
	Exchange loss	22,192	61,016
	Interest on security deposits	3,928	3,967
	Others	2,377	963
		<u>146,421</u>	<u>319,301</u>
28.	Other Operating Charges		
	Auditors' remuneration - note 28.1	5,188	7,749
	Donations - note 28.2	14,692	9,448
	Workers' profit participation fund - note 8.3	145,964	111,571
	Workers' welfare fund	56,501	42,359
		<u>222,345</u>	<u>171,127</u>
28.1	Auditors' remuneration		
	Audit fee	2,340	2,120
	Group reporting and SOX audit review	1,573	4,469
	Half yearly review and other certifications	890	810
	Out-of-pocket expenses	385	350
		<u>5,188</u>	<u>7,749</u>
28.2	Donations include Rs 11.277 million (2006: Rs 8.539 million) to ICI Pakistan Foundation (Head office, Karachi) Mr. Waqar A Malik, Chief Executive; Mr. Pervaiz A. Khan and Mr. Feroz Rizvi, Directors of the Company and Mr. Ali Asrar Aga and Mr. Nasir Jamal, Executives of the Company are amongst the Trustees of the Foundation.		
29.	Other Operating Income		
	Income from investment from related party		
	Return on loan due from Subsidiary	10,956	4,800
	Return from other financial assets		
	Profit on short-term and call deposits	34,513	30,034
	Income from non-financial assets		
	Scrap sales	41,005	35,236
	Gain on disposal of property, plant and equipment	1,100	6,701
	Others		
	Provisions and accruals no longer required written back	20,962	1,655
	Income on technical assistance	27,903	7,298
	Service fees from related parties - note 29.1	7,982	7,077
	Sundries	21,498	36,406
		<u>165,919</u>	<u>129,207</u>

Amounts in Rs '000

29.1 This represents amount charged by the Company for certain management and other services rendered to its related parties (Pakistan PTA Limited and ICI Pakistan PowerGen Limited), in accordance with the Service Agreements based on commercial terms between the companies.

	2007	2006
30. Taxation		
Current	126,545	-
Prior years	182,045	-
Total current tax charge - note 30.1	308,590	-
Deferred - note 12 & 30.1	675,133	662,169
Net tax charged - note 30.2	<u>983,723</u>	<u>662,169</u>

30.1 This represents tax charge on income taxable under Final Tax Regime (FTR) and the revision of tax calculations in respect of current and prior years as the Company's tax liability under FTR is higher than the turnover tax. This revision has also resulted in an increase in deferred tax asset of prior years amounting to Rs 231.199 million recognised in the current year.

30.2 Tax reconciliation

Profit for the year	2,768,523	2,117,797
Tax @ 35%	968,983	741,229
Tax impact on adoption of IFRIC 4	-	(41,685)
Additional net deferred tax asset available after adjustment of FTR for prior years	(231,199)	(12,950)
Prior years' tax charge	182,045	-
Tax impact on income under FTR of the current year	16,893	-
Permanent difference	5,142	3,284
Others	41,859	(27,709)
	<u>983,723</u>	<u>662,169</u>

31. Earnings per share - Basic and diluted

Profit after taxation for the year	1,784,800	1,455,628
	Number of shares	
Weighted average number of ordinary shares in issue during the year	<u>138,802,300</u>	<u>138,802,300</u>
	Rupees	
Earnings per share	<u>12.86</u>	<u>10.49</u>

Amounts in Rs '000

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	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Managerial remuneration	1,000	1,066	16,380	12,370	32,485	20,263	330,003	340,783	379,868	374,482
Retirement benefits	-	-	3,396	3,173	5,451	4,322	71,618	81,867	80,465	89,362
Group insurance	-	-	30	30	90	68	2,403	2,574	2,523	2,672
Rent and house maintenance	-	-	5,424	8,480	-	4,113	77,257	80,125	82,681	92,718
Utilities	-	-	670	1,213	-	916	19,055	19,680	19,725	21,809
Medical expenses	-	-	2,836	121	1,361	114	7,426	9,522	11,623	9,757
Leave passage	-	-	257	624	-	750	-	150	257	1,524
	<u>1,000</u>	<u>1,066</u>	<u>28,993</u>	<u>26,011</u>	<u>39,387</u>	<u>30,546</u>	<u>507,762</u>	<u>534,701</u>	<u>577,142</u>	<u>592,324</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>5</u>	<u>6</u>	<u>211</u>	<u>212</u>	<u>218</u>	<u>220</u>

- 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 three Directors was Rs 2.276 million (2006: Rs 2.408 million), and for the remuneration of our director seconded by Pakistan PTA Limited amounted to Rs Nil (2006: Rs 6.794 million)
- 32.3** The above balances include an amount of Rs 78.079 million (2006: Rs 105.693 million) on account of remuneration of key management personnel out of which Rs 13.255 million (2006: Rs 12.844 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 (note 32) and staff retirement funds (note 6). Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2007	2006
Subsidiary Company		
Purchase of goods, materials and services	265,070	196,045
Provision of services and other receipts	1,980	1,980
Return on loan to Subsidiary	10,956	4,800
Investment by ICI Pakistan	370,000	-
Associated companies		
Purchase of goods, materials and services	6,059,706	5,600,876
Provision of services and other receipts	6,002	14,123
Sale of goods and materials	7,563	7,337
Dividends	315,687	315,678
Donations	11,277	8,539
Others		
Purchase of goods, materials and services	196	840
Provision of services and other receipts	1,705	4,826
Sale of goods and materials	58,300	18,142

34. Plant Capacity and Annual Production

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

	2007		2006	
	Annual Name Plate Capacity	Production	Annual Name Plate Capacity	Production
Polyester	122,000	110,656	122,000	96,559
Soda Ash	285,000	258,320	235,000	239,500
Paints	-	39,188	-	35,564
Chemicals	-	9,259	-	8,101
Sodium Bicarbonate	20,000	22,768	20,000	20,500

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

35. Fair Value of Financial Assets and Liabilities

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

Amounts in Rs '000

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			Non-Interest /mark-up bearing	Total
		Maturity upto one year	Maturity one to five years	Maturity after five years		
2007						
Financial Assets						
Long term investment	-	-	-	-	2,500	2,500
Long term loans	4 & Kibor + 1	-	96,000	-	108,867	204,867
Long term deposits	-	-	-	-	21,120	21,120
Trade debts	-	-	-	-	1,049,464	1,049,464
Loans and advances	4 & Kibor + 1	24,000	-	-	113,680	137,680
Trade deposits	-	-	-	-	12,323	12,323
Other receivables	-	-	-	-	351,619	351,619
Cash and bank balances	8.50	1,950,000	-	-	1,665,056	3,615,056
		<u>1,974,000</u>	<u>96,000</u>	<u>-</u>	<u>3,324,629</u>	<u>5,394,629</u>
Financial Liabilities						
Trade and other payables	7.50	56,092	-	-	5,689,172	5,745,264
		<u>56,092</u>	<u>-</u>	<u>-</u>	<u>5,689,172</u>	<u>5,745,264</u>
Net financial assets / (liabilities)		<u>1,917,908</u>	<u>96,000</u>	<u>-</u>	<u>(2,364,543)</u>	<u>(350,635)</u>
2006						
Financial Assets						
Long term investment	-	-	-	-	2,500	2,500
Long term loans	4	-	72,000	-	103,687	175,687
Long term deposits	-	-	-	-	54,987	54,987
Trade debts	-	-	-	-	730,676	730,676
Loans and advances	4	48,000	-	-	49,543	97,543
Trade deposits	-	-	-	-	4,208	4,208
Other receivables	-	-	-	-	431,749	431,749
Cash and bank balances	-	520,000	-	-	1,271,151	1,791,151
		<u>568,000</u>	<u>72,000</u>	<u>-</u>	<u>2,648,501</u>	<u>3,288,501</u>
Financial Liabilities						
Trade and other payables	7.50	56,670	-	-	4,951,874	5,008,544
		<u>56,670</u>	<u>-</u>	<u>-</u>	<u>4,951,874</u>	<u>5,008,544</u>
Net financial assets / (liabilities)		<u>511,330</u>	<u>72,000</u>	<u>-</u>	<u>(2,303,373)</u>	<u>(1,720,043)</u>

Amounts in Rs '000

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:

	2007	2006
Public Sector		
- Government	157,883	69,759
- Armed forces	5,038	2,835
- Communication	2,368	422
- Oil and gas	1,379	2,574
- Health	1,251	-
- Trade	63,647	63,385
- Others	22,371	45,160
	<u>253,937</u>	<u>184,135</u>
Private Sector		
- Institutional	84,991	24,052
- Trade	985,817	667,291
- Bank	8,775	2,148
- Others	326,053	499,724
	<u>1,405,636</u>	<u>1,193,215</u>
	<u>1,659,573</u>	<u>1,377,350</u>

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. Capital Risk Management

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

40. 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.

The tax department reopened the income tax assessment for the assessment year 2001-2002 on the ground that demerger of PTA business from ICI Pakistan Ltd. was effective from the completion date i.e. August 6, 2001. This was challenged by the Company in the High Court which upheld the Company's contention that the department did not have the right to reopen this finalized assessment. The department has however filed an appeal in the Supreme Court against the High Court's order.

For the assessment year 2002-2003, the Company has filed the writ petition in the Supreme Court challenging the tax department's contention that the effective date of PTA's demerger was August 6, 2001 rather than the effective date given in the Scheme of Arrangement as October 1, 2000 and reopen a settled issue through review of the PTA tax demerger.

The Income tax department reopened the assessment for the year 1998-99 which was set aside by the Income Tax Appellate Tribunal (ITAT). The department revised its order working out an additional tax liability of Rs 298.8 million which in view of our tax consultant is contrary to the direction given by the ITAT, in his view the Company has a strong case and would be able to get the decision in its favour.

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. The future cashflows used in the impairment testing of assets is based on management's best estimates which may change in future periods. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

41. Initial Application of a standard or an interpretation

Standards, amendments and interpretations effective in 2007

Amendment to IAS 1 - "Presentation of Financial Statements - Capital Disclosures", introduces new disclosures about the level of an entity's capital and how it manages capital. Adoption of this amendment has only resulted in additional disclosures given in note 39 to the financial statements.

Standards or Interpretations not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics. The changes affect the presentation of owner changes in equity and of comprehensive income. It introduces a requirement to include in a complete set of financial statements, a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Revised IAS 23-Borrowing costs (effective from 1 January 2009). Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on Company's financial statements.

IFRIC 11 – IFRS 2-Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 requires that a share based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as equity settled share based payment regardless of how the equity instruments are obtained. IFRIC 11 is not expected to have any material impact on the Company's financial statements.

IFRIC 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private concession arrangements. IFRIC 12 is not relevant to the Company's operations.

IFRIC 13- Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers.

IFRIC 14 IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset.

42. Dividend

The directors in their meeting held on 14 February 2008 have declared a final dividend of Rs 3.50 per share in respect of year ended 31 December 2007. The financial statements for the year ended 31 December 2007 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 14 February 2008.

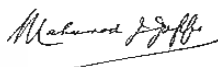
44. General

44.1 Figures have been rounded off to the nearest thousand rupees.

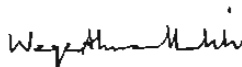
44.2 Corresponding Figures

Corresponding figures have been rearranged and reclassified, whenever necessary, for better presentation and disclosure.

Reclassification from component	Reclassification to component	Amounts in Rs '000
Cost of sales	Other operating income-Service fees from related parties	1,740
Administration and general expenses	Other operating income-Service fees from related parties	240
Other operating income-Others	Other operating income-Income on technical assistance	7,298
Other operating income-Others	Other operating income-Service fees from related parties	5,097
Financial charges-Others	Financial charges-Interest on security deposits	3,967
Other receivable-Others	Other receivable-Duties, sales tax and octroi refund due	67,771
Other receivable-Others	Other receivable-Rebates receivable	194,627
Other receivable-Others	Other receivable-Interest income receivable	1,210
Trade payable-Others	Trade payable-Accrued expenses	13,995
Trade payable-Others	Trade payable-Technical service fee	19,755



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

No. of Shareholders	From	Categories	To	No. of Shares
6,315	1		100	222,452
4,180	101		500	998,644
1,131	501		1000	836,208
1,174	1001		5000	2,485,861
153	5001		10000	1,096,639
44	10001		15000	545,247
31	15001		20000	559,187
16	20001		25000	368,557
8	25001		30000	225,598
9	30001		35000	288,107
8	35001		40000	296,286
8	45001		50000	395,200
3	50001		55000	151,904
1	55001		60000	59,900
1	60001		65000	63,500
2	65001		70000	136,000
3	70001		75000	219,043
6	75001		80000	463,440
2	80001		85000	169,100
3	95001		100000	299,000
4	100001		105000	411,430
1	105001		110000	108,000
1	110001		115000	112,200
1	120001		125000	125,000
3	125001		130000	377,600
2	130001		135000	265,400
1	135001		140000	139,400
1	150001		155000	150,900
1	165001		170000	165,900
1	170001		175000	170,300
1	175001		180000	179,873
2	180001		185000	364,700
1	190001		195000	195,000
1	195001		200000	200,000
2	205001		210000	416,400
1	210001		215000	214,923
1	215001		220000	217,400
1	245001		250000	249,800
1	300001		305000	302,600
1	310001		315000	312,276
1	375001		380000	376,000
1	380001		385000	382,500
1	400001		405000	401,100
2	410001		415000	826,000
1	445001		450000	446,800
1	450001		455000	452,900
1	485001		490000	487,000
2	510001		515000	1,024,200
1	535001		540000	535,100
1	595001		600000	598,032
1	745001		750000	750,000
1	800001		805000	804,500
1	895001		900000	900,000
1	985001		990000	986,500
1	2835001		2840000	2,839,912
1	3485001		3490000	3,485,400
1	3715001		3720000	3,718,256
1	105225001		105230000	105,229,125
13,146				138,802,300

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Associated Company (a)	1	105,229,125	75.81
Investment Companies	13	6,778	0.01
Insurance Companies	8	4,091	0.00
Joint Stock Companies	30	25,636	0.02
Others	24	314,014	0.23
Financial Institutions	12	20,048	0.01
Modaraba Companies	3	176	0.00
Mutual Funds	7	984	0.00
Individuals	8,891	2,884,961	2.08
Central Depository Company (b)	4,157	30,316,487	21.84
Total	13,146	138,802,300	100.00

(a) Represents the 75.81% shareholding of 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	8	180,731	0.60
Cooperative Societies	2	7,200	0.02
Financial Institutions	42	12,996,101	42.87
Individuals	3,898	4,660,394	15.37
Insurance Companies	13	4,452,360	14.68
Investment Companies	16	612,035	2.02
Joint Stock Companies	111	1,229,961	4.06
Modarabas	6	114,376	0.38
Mutual Funds	38	5,750,300	18.97
Others	23	313,029	1.03
Total	4,157	30,316,487	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 and ICP (name wise details)		
National Bank of Pakistan, Trustee Department (NIT)	3	830,553
Investment Corporation of Pakistan	2	2,140
Directors, CEO and their spouse and minor children (name wise details)		
M J Jaffer	1	21,325
Waqar A Malik	1	1
Mueen Afzal	1	1
Pervaiz A Khan	2	225
Feroz Rizvi	1	1
M Nawaz Tiwana	1	1
Muhammad Zahir	1	309
Khatoon M Jaffer w/o M J Jaffer	1	15,989
Akbar Jaffer s/o M J Jaffer	1	15,081
Executives	47	12,680
Public Sector Companies and Corporations	10	3,216,692
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	341	21,978,435
Shareholders holding 10% or more voting interest		
ICI Omicron B.V.	1	105,229,125
Common Director's shareholdings in Associated Companies		
Pakistan PTA Limited		
Waqar A Malik	1	1
David R Carter	1	1
Phillip Gillett	1	1
ICI Pakistan PowerGen Limited		
Waqar A Malik	1	1
Pervaiz A Khan	1	1
Feroz Rizvi	1	1

	1998			1999			Continued
	Continued	Discontinued	Company	Continued	Discontinued	Company	
Assets / Liabilities							
Property, plant and equipment			28,213,375			27,063,303	
Intangible assets			-			-	
Long-term Investments			28,213,375			27,063,303	
Current Assets			212,500			212,500	
Less Current Liabilities			5,662,482			6,318,640	
Working capital			7,394,721			4,531,044	
Deferred Liability			(1,732,239)			1,787,596	
Other Net Assets / (Liabilities)			(73,404)			(127,701)	
Total Net Assets			(4,736,268)			(7,031,978)	
Financed by:			21,883,964			21,903,720	
Share Capital			7,886,494			12,618,391	
Unappropriated profit and capital reserves			(609,017)			(4,419,252)	
Total Equity			7,277,477			8,199,139	
Surplus on Revaluation of property, plant and equipment			1,772,424			1,772,424	
Long-term Loans			12,834,063			11,932,157	
Total Funds Invested			21,883,964			21,903,720	
Profits/(Loss)							
Turnover	9,400,408	2,645,408	11,061,937	10,613,556	7,286,833	16,510,405	11,715,055
Net sales & Commission income	8,094,930	2,168,896	9,232,758	8,808,378	6,176,482	13,594,876	9,784,132
Gross profit / (loss)	1,829,200	(1,769,352)	59,848	2,092,961	(1,600,082)	492,879	2,613,951
Operating Results	887,619	(1,867,659)	(980,040)	1,112,341	(1,845,171)	(732,830)	1,542,154
Profit / (loss) before Taxation	680,092	(3,149,236)	(2,469,144)	906,121	(4,642,356)	(3,736,235)	1,251,588
Taxation	(140,309)	465,163	324,854	(50,000)	(24,000)	(74,000)	(49,142)
Profit / (loss) after Taxation	539,783	(2,684,073)	(2,144,290)	856,121	(4,666,356)	(3,810,235)	1,202,446
Less: Dividend	-	-	-	-	-	-	-
Profit / (loss) after taxation & dividend	539,783	(2,684,073)	(2,144,290)	856,121	(4,666,356)	(3,810,235)	1,202,446
Investors Ratio							
Gross profit to Sales	22.60	(81.58)	0.65	23.76	(25.91)	3.63	26.72
Gross profit ratio (turnover)			0.54			2.99	
Debtor turnover ratio (in days) - Sales			24			14	
Stock turnover ratio (in days) - COGS			69			72	
Fixed assets turnover to Sales (%)			32.72			50.23	
Market Value / share - 31 December			12.10			10.50	
Break up value per share with Surplus on revaluation			11.48			7.90	
Break up value per share excluding Surplus on revaluation			9.23			6.50	
Price Earning ratio			(4.45)			(2.50)	
Dividend (declared for the year) Yield - (%)			-			-	
Dividend (declared for the year) Payout - (%)			-			-	
Return on Capital Employed (%)			(29.46)			(46.47)	
Debt : Equity ratio			71:29			70:30	
Current ratio			0.77			1.39	
Acid Test			0.31			0.47	
Interest cover - times			(0.45)			(0.19)	
Earnings after tax per share			(2.72)			(4.20)	
Dividends - Rupee per share			-			-	
Dividend cover - times			-			-	

* The comparatives (2002 to 2004) have not been restated due change in accounting policy on adoption of IFRIC 4.

Comparison of Results for Ten Years
for the Year Ended 31 December 2007

ICI Pakistan Limited

Amounts in Rs'000

2000	2001	2002	2003	2004*	2005	2006	2007
Discontinued Company					Restated		
5,673,385	5,945,482	5,742,781	5,395,447	5,250,166	7,213,773	8,343,260	8,506,736
-	-	-	132,111	135,848	103,811	71,774	39,737
5,673,385	5,945,482	5,742,781	5,527,558	5,386,014	7,317,584	8,415,034	8,546,473
212,500	813,253	2,327,460	2,333,760	212,500	212,500	212,500	582,500
3,346,076	4,710,987	4,618,700	5,305,892	7,189,684	6,500,138	7,023,855	9,058,107
2,334,012	4,230,621	3,956,958	3,903,777	5,092,916	5,891,930	5,436,278	6,276,103
1,012,064	480,366	661,742	1,402,115	2,096,768	608,208	1,587,577	2,782,004
(189,552)	(66,173)	(78,895)	(74,568)	(82,601)	(90,604)	(104,076)	(119,571)
(2,670,035)	(1,788,347)	(1,877,650)	(3,047,183)	1,028,363	1,939,699	1,278,195	619,211
4,038,362	5,384,581	6,775,438	6,141,682	8,641,044	9,987,387	11,389,230	12,410,617
1,261,839	1,388,023	1,388,023	1,388,023	1,388,023	1,388,023	1,388,023	1,388,023
214,119	967,489	3,202,991	4,073,846	6,665,957	8,105,049	8,876,987	10,010,427
1,475,958	2,355,512	4,591,014	5,461,869	8,053,980	9,493,072	10,265,010	11,398,450
1,895,736	1,895,736	784,424	679,813	587,064	494,315	1,124,220	1,012,167
666,668	1,133,333	1,400,000	-	-	-	-	-
4,038,362	5,384,581	6,775,438	6,141,682	8,641,044	9,987,387	11,389,230	12,410,617
8,760,473	18,839,719	12,815,431	15,073,813	22,156,265	21,303,498	21,054,298	25,973,009
7,576,861	15,725,184	10,569,573	12,218,937	18,127,295	17,639,480	18,476,457	23,029,735
(134,936)	2,479,015	2,465,404	2,327,095	2,664,367	2,755,709	3,351,698	4,806,120
(368,602)	1,173,552	1,398,862	1,077,114	1,087,681	1,346,788	1,842,542	2,971,370
(2,923,265)	(1,671,677)	619,777	723,094	806,552	2,898,950	1,612,401	2,768,523
(29,511)	(78,653)	(53,159)	1,131,638	(40,308)	(52,582)	640,856	(983,723)
(2,952,776)	(1,750,330)	566,618	1,854,732	766,244	2,846,368	2,253,257	1,784,800
-	-	277,605	312,305	-	347,006	832,814	763,413
(2,952,776)	(1,750,330)	289,013	1,542,427	766,244	2,499,362	1,420,443	1,021,387
(1.78)	15.76	23.33	19.04	14.70	15.62	18.14	20.87
	13.16	19.24	15.44	12.03	12.94	15.92	18.50
8	18	19	13	15	14	13	14
64	81	69	45	61	65	57	47
277.00	177.77	212.77	327.94	327.51	252.49	232.61	269.46
10.85	35.30	53.95	85.00	89.65	140.50	115.50	196.65
26.72	32.09	38.73	44.25	62.25	71.95	82.05	89.41
11.70	17.78	33.08	39.35	58.02	68.39	73.95	82.12
(6.03)	7.55	4.04	15.40	4.37	8.65	11.01	15.29
-	5.67	4.17	-	2.79	4.27	4.76	2.80
-	48.99	16.84	-	12.19	36.96	52.45	42.77
(118.59)	24.05	40.40	14.03	35.34	23.74	14.18	15.66
78:22	67:33	49:51	42:58	0:100	0:100	0:100	0:100
1.43	1.11	1.17	1.36	1.41	1.10	1.29	1.44
0.54	0.51	0.56	0.67	0.71	0.56	0.73	0.98
0.42	1.80	2.72	3.11	12.38	6.72	8.44	28.42
(1.80)	4.68	13.36	5.52	20.51	16.23	10.49	12.86
-	2.00	2.25	-	2.50	6.00	5.50	5.50
-	2.04	6.68	2.45	8.20	2.71	1.91	2.34

Notice is hereby given that the Fifty-Sixth Annual General Meeting of ICI PAKISTAN LIMITED will be held on Friday, 28 March 2008 at 10.00 a.m. at the Registered Office of the Company, ICI House, 5 West Wharf, Karachi, to transact the following business:

1. To receive, consider and adopt the accounts of the Company for the year ended 31 December 2007, the report of the Auditors thereon and the report of the Directors.
2. To declare and approve Final cash dividend @ 35% i.e., Rs 3.50 per ordinary share of Rs 10/- each for the year ended 31 December 2007 as recommended by the Directors, payable to the Members whose names appear in the Register of Members as at 19 March 2008.
3. To appoint the Auditors of the Company and to fix their remuneration.
4. To elect 10 Directors as fixed by the Board in accordance with the provisions of the Companies Ordinance 1984 for a period of three years commencing from 29 April 2008.

The retiring Directors are Messrs M J Jaffer, Waqar A Malik, Mueen Afzal, David R Carter, Philip Gillett, Pervaiz A Khan, Tariq Iqbal Khan, Feroz Rizvi, M Nawaz Tiwana and Muhammad Zahir.

By the Order of the Board



Nasir Jamal
Company Secretary

21 February 2008
Karachi

Notes:

1. Share Transfer Books of the Company will remain closed from 19 March 2008 to 28 March 2008 (both days inclusive). Transfers received in order at the office of our Shares Registrar, M/s. Ferguson Associates (Pvt) Ltd. State Life Building 2-A, 4th Floor, Wallace Road, 11 Chundrigar Road, Karachi-74000, by the close of business on 18 March 2008 will be in time to entitle the transferees to the final dividend and to attend the Meeting.
 2. All Members are entitled to attend and vote at the Meeting.
 3. 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.
 4. An instrument of proxy applicable for the Meeting (in which you can direct the proxy how you wish him to vote) is being provided with the notice sent to Members. Further copies of the instrument of proxy may be obtained from the Registered Office of the Company during normal office hours.
 5. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notariately 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.
 6. Members are requested to notify immediately changes, if any, in their registered address to our Shares Registrar, M/s. Ferguson Associates (Pvt) Ltd.
 7. 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/her identity by showing his/her original National Identity Card (NIC) or original passport at the time of attending the meeting.
 - (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with 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 shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
8. Any person who seeks to contest the election of Directors shall file with the Company at its registered office not later than fourteen days before the above said meeting his / her intention to offer himself / herself for election as a Director in terms of Section 178 (3) of the Companies Ordinance, 1984 together with (a) consent in Form 28, (b) a Declaration with consent to act as a Director in the manner as provided under clause (ii) of the Code of Corporate Governance, (c) a Declaration in terms of clause (iii), (iv) and (v) of the Code of Corporate Governance.