



ICI Pakistan Limited is now part of the AkzoNobel Group

Climate of change

ICI Pakistan Limited Annual Report 2008



AkzoNobel
Tomorrow's Answers Today







Climate of change

Every mind, every day, every place has a climate of its own. Yet change is inevitable and with every moment, some aspect of our life acclimatizes to it. Changes like shifts in global economies and politics, the coming together of companies such as AkzoNobel and ICI, or variations in the environment around us, are obvious to us on a daily basis. Other changes like human behavior, growth and emotions are much more intricate. But the fact remains that life is a combination of climates that constantly undergo change. With this reality, we grow and move forward with each passing day.





Our mission

To be the partner of first choice for customers and suppliers, ensuring sustained leadership position in the markets where we compete, delivering long-term business value through a high performance culture, innovation, ethics and responsible care.



Strategic thrust

To achieve our mission we will:

- Give highest priority to Health, Safety, Environment and Ethical matters.
- Ensure our products deliver maximum value to customers by maintaining dependable supply, consistent quality, and reliability.
- Uphold excellent service levels to foster long-term relationships with customers and suppliers.
- Achieve the highest possible operating efficiencies and lowest costs, and expand the business through selective capacity increase and new product launches.
- Develop and retain a team of highly capable people dedicated to delivering the mission.



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Company information

Board of directors

M J Jaffer Chairman Non-Executive
Waqar A Malik Chief Executive

Mueen Afzal * Non-Executive
Ali A Aga ** Executive
Bart Kaster Non-Executive

Pervaiz A Khan *** Executive
Tariq Iqbal Khan Non-Executive
James R Rees Non-Executive
Feroz Rizvi Executive
M Nawaz Tiwana Non-Executive
Muhammad Zahir Executive

Audit sub committee

M J Jaffer Chairman Non-Executive
Mueen Afzal Non-Executive
Bart Kaster Non-Executive

Remuneration sub committee

M Nawaz Tiwana Chairman Non-Executive
James R Rees Non-Executive

Chief Financial Officer

Feroz Rizvi

Company Secretary

Nasir Jamal

Executive management team

Waqar A Malik Chief Executive
Ali A Aga * Vice President, Soda Ash
Dr Amir Jafri Vice President, Paints
Jehanzeb Khan Vice President, Chemicals

Suhail Aslam Khan Vice President, Polyester
M Asif Malik General Manager, Technical
Feroz Rizvi Chief Financial Officer
Muhammad Zahir Vice President, Life Sciences
Corporate HR & CCPA

Bankers

Askari Bank Limited
Bank Alfalah Limited
Citibank N.A.
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
HSBC Bank Middle East Limited
MCB Bank Limited

Meezan Bank Limited
National Bank of Pakistan
Oman International Bank
Standard Chartered Bank (Pakistan) Limited
The Royal Bank of Scotland Limited (Formerly
ABN AMRO Bank (Pakistan) Limited)
United Bank Limited

Auditors

Internal auditors

Ford Rhodes Sidat Hyder & Co.,
Chartered Accountants

External auditors

KPMG Taseer Hadi & Co.,
Chartered Accountants

Registered office

ICI House, 5 West Wharf, Karachi-74000
Tel # 111-100-200, (021) 2313717-22
Fax # 2311739
Website: www.icipakistan.com
Email: ccpa_pakistan@ici.com

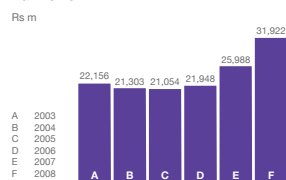
Shares Registrar

M/s. FAMCO Associates (Pvt) Ltd.
(Formerly Ferguson Associates (Pvt) Ltd.)
4th Floor, State Life Building 2-A
Wallace Road, Off. I. I. Chundrigar Road
Karachi-74000
Tel : (021) 2420755, 2427012, 2426597
: 2475606 & 2425467
Fax : (021) 2426752

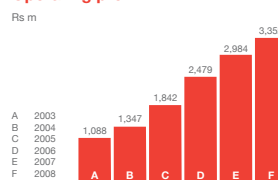
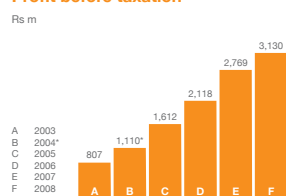
* names in alphabetical order

** appointed w.e.f. January 27, 2009

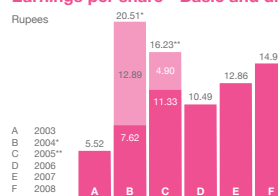
*** resigned w.e.f. January 23, 2009

Turnover

* Includes Rs 1,154 m in 2004 in respect of furnace oil and coal business

Operating profit**Profit before taxation**

* Excluding profit on sale of PPTA shares

Earnings per share - Basic and diluted

* Including profit on sale of PPTA shares

** Earning includes deferred tax credit recognised in 2005

2008 Highlights

- No major injury to Company employees, supervised or other contractors
- Net sales income and gross profit up by 21% and 17%
- Operating result up by 12%*
- Profit after tax at Rs 2,068.9 million crosses the Rs 2 billion mark for the first time. This was up 16% over 2007
- Earnings per share were up by 16%
- Dividend declared at Rs 6.5 per share (2007: Rs 6 per share).

* On a like to like basis, excluding the effect of termination of Kansai OEM operations in the Paints Business from 2007 and the necessary related oneoff provision in 2008, the operating results of the Company was higher by 22%.

Board members' profiles



M J Jaffer
Chairman (Non-Executive)

Appointed to the Board of Directors of ICI Pakistan Limited in October 1973, Mahomed Jaffer is the longest serving member of the Board. He is also Chairman of ICI Pakistan's Audit Committee. He retired as a senior partner of M/s Orr Dignam & Co, a leading corporate law firm of Pakistan. Specializing in arbitration law, Mahomed Jaffer has represented Pakistan as an alternate member in the International Court of Arbitration of the International Chamber of Commerce Paris since 1997. He is the President of the Aga Khan Hospital and Medical Foundation, a Director of the Pakistan Centre for Philanthropy & Tourism Promotion Services (Pakistan) Ltd and on the faculty of the Pakistan Institute of Corporate Governance. He also lectures extensively on corporate governance and related subjects.



Waqar A Malik
Chief Executive

Appointed as the Chief Executive of ICI Pakistan Limited on October 1, 2005, Waqar has over 23 years of extensive experience with the Group, in senior commercial, finance and strategy roles including an overseas secondment at ICI Group Headquarters in London. Waqar has attended Management and International Executive Programs at the INSEAD and Harvard Business School.

Waqar is the President of the OICCI, Vice President of the MAP, and non-Executive Director on the Boards of Engro Polymer and Chemicals Limited, IGI Insurance and the OGDCL. He is a Trustee of the Karachi Port Trust, Port Qasim Authority and The Duke of Edinburgh's Award Foundation of Pakistan. He is also a Member of the Board of Governors of National Management Foundation (LUMS) and the Indus Valley School of Art and Architecture.



Feroz Rizvi
Director & CFO

Appointed to the Board of Directors of ICI Pakistan Limited in October 2006, Feroz is the Chief Financial Officer and has been with ICI Pakistan for over 25 years during which he has held various senior positions. He is also a Director of ICI Pakistan PowerGen Limited and remained a Director of Pakistan PTA Limited from 2005 to 2006. Feroz is also a Director on the Board of Faysal Asset Management Limited.



M Nawaz Tiwana
Director (Non-Executive)

Appointed to the Board of Directors of ICI Pakistan Limited in April 1997, he is the Chairman of ICI Pakistan's Remuneration Committee. Nawaz has held various positions such as Managing Director, Pakistan International Airlines Corporation and Chairman, Port Qasim Authority as well as Chairman, State Cement Corporation of Pakistan.



Ali A Aga
Director & Vice President
Soda Ash Business

Appointed to the Board of Directors of ICI Pakistan Limited in January 2009, Ali is Vice President Soda Ash Business and has been with ICI Pakistan for the last 20 years. He has diverse experience in commercial, human resource and general management roles. Ali is also a Non-Executive Director of Pakistan PTA Limited and a Director on the Board of ICI Pakistan PowerGen Limited.



Tariq Iqbal Khan
Director (Non-Executive)

Appointed to the Board of Directors of ICI Pakistan Limited in October 2001, he is the Chairman and Managing Director of National Investment Trust Ltd. Tariq has served as Chairman and M.D. of ICP and is a Founder Director of the Islamabad Stock Exchange. He has also served as a Member, Tax Policy and Co-ordination in the Federal Board of Revenue, and was later appointed Commissioner with the Securities and Exchange Commission of Pakistan.



Muhammad Zahir
Director & Vice President Life Sciences
Business, Corporate HR and CCPA

Elected to the Board of Directors of ICI Pakistan Limited in April 2005, Zahir is Vice President Life Sciences, Corporate HR & CCPA. He has been in the Company for over 28 years during which he has held various senior positions in commercial, HR and general management.



Bart Kaster
Director (Non-Executive)

Elected to the Board of Directors of ICI Pakistan Limited in April 2008, Bart has been associated with the AkzoNobel Group since 1980 during which he has held senior positions and various assignments in Europe and Asia.

Bart is also a Director of AkzoNobel UK Limited, AkzoNobel Decorative Coatings Ltd and ICI Limited.



James R Rees
Director (Non-Executive)

Elected to the Board of Directors of ICI Pakistan Limited in April 2008, James is an experienced executive and is currently the General Manager of AkzoNobel's Car Refinishes Business Unit, a global business headquartered in the Netherlands. He joined AkzoNobel in 2003 and was previously the General Manager of the Americas Sub Business Unit Car Refinishes at AkzoNobel.

James is also on the Board of AkzoNobel Comex S. A. de C.V. and Anco Servicios Profesionales S. A. de C.V.



Mueen Afzal
Director (Non-Executive)

Appointed to the Board of Directors of ICI Pakistan Limited in May 2003, he joined the Civil Service of Pakistan in 1964 and held important positions, including Finance Secretary for the Government of Pakistan, Health Secretary, and Secretary General, Finance and Economic Affairs from 1999 to 2002. He was awarded the Hilal-e-Imtiaz for distinguished public service in 2002.

Mueen is also on the Board of Directors of Pakistan Tobacco Company Limited, Murree Brewery Co. Limited, Azgard Nine Limited and has also served as a Director of Pakistan International Airlines Corporation.

Board & management committees with brief terms of reference

Committees of the board

Audit committee

The audit committee reviews the system of internal controls, risk management and the audit process besides assisting the Board in reviewing financial statements and announcements to shareholders. In carrying out its duties the audit committee has the authority to discuss directly with management, internal or external auditors and may obtain outside legal advice on any issues within its remit.

The Committee comprises of Non-Executive Directors including the Chairman. The Audit committee meets at least four times in a year besides privately meeting the external auditors and the Head of Internal Audit. Our Company Secretary acts as Secretary to the Audit Committee

Remuneration committee

The Remuneration committee is a Sub-Committee of the Board and is responsible for reviewing the remuneration and benefits of the Chief Executive, Executive Directors and other senior managers. It also reviews the overall remuneration budget of the Company.

The Committee consists of two Non- Executive Directors. The Vice President or General Manager Human Resource acts as the Secretary and the Committee meets at least once a year.

Banking committee

This Committee comprising two Executive and one Non-Executive Director has been constituted to approve matters relating to opening, closing, and day to day operations of bank accounts. The resolutions passed by the Banking Committee are subsequently ratified by the Board.

Share transfer committee

The Share transfer committee consists of two Executive Directors and one Non-Executive Director. This Committee approves registrations, transfers and transmission of shares. Resolutions passed by the Share transfer committee are subsequently placed at Board meetings for ratification.

Management committees

Executive management committee

The CEO is the Chairman of the Executive management committee. The Committee comprises the Chief Financial Officer, five Vice Presidents, and one General Manager. This Committee meets once a month under the chairmanship of the Chief Executive and is responsible for strategic business planning, decision making and overall management of the Company.

HSE management committee

The health, safety & environment committee, chaired by the CEO, periodically reviews and monitors company wide HSE practices. It oversees the health, safety & environment functions of our Company and is also responsible for ensuring that all our operations are environment-friendly and compliant with regulatory and Group framework.

Succession planning forum

This forum is chaired by the CEO and meets periodically to review the company's succession planning and talent pipeline at all levels. This forum is supported by the following capability groups:

- Commercial capability group
- Technical capability group
- HR, finance and IT capability group

Supply chain network

Chaired by the Vice President Chemicals Business, the supply chain network comprises of Supply chain managers of each of the Company's businesses, and aims to improve procurement and material handling effectiveness by seeking and capitalizing of synergistic opportunities and sharing of best practices.

Our code of conduct

We have always had a strong sense of business principles and high ethical standards for the conduct of our business. Our business principles and ethical standards are enshrined in the ICI Pakistan Code of Conduct ("Code"). In view of the acquisition of ICI Plc by

AkzoNobel in January 2008, the Code was revised to bring it in line with the code of conduct of AkzoNobel. The revised Code was approved by the Board of Directors at its meeting held on 23 October 2008.

A brief overview of the code is provided below.

Business principles

- Each employee should implement our core values, comply with and observe applicable laws, support fundamental human rights and give due regard to health, safety and environment.

Business integrity

- Bribery and any other form of unethical business practices are prohibited.
- We promote free enterprise and require strict compliance with competition laws.
- As responsible corporate citizens, we encourage participation in community activities and take all measures for the safety and health of our employees as well as for the protection of the environment.
- Employees are expected to maintain confidentiality and to act in the Company's interests at all times.

Company responsibilities

The Code encourages us to:

- adopt the spirit of open communication
- provide equal opportunities and a healthy, safe and secure environment
- ensure the rights of employees to join unions/associations
- protect personal data of employees
- engage in an active performance and development dialog.

Employee responsibilities

The Code provides employees guidance on their responsibilities vis a vis:

- Media relations and disclosures
- Inside information
- Corporate identity,
- Protecting our intellectual property
- Internet use
- Business travel policy
- Prohibition on substance abuse.

Our values

Our values are the beliefs that underpin our business. They define what we are and what we aim to be. They reflect the way we should operate both internally and externally. And they're summed up in the line 'Tomorrow's Answers Today'.

We believe in:

- 1 **Focusing on our customer's future first**
- 2 **Embracing entrepreneurial thinking**
- 3 **Developing the talents of our people**
- 4 **The courage and curiosity to question**
- 5 **Integrity and responsibility in our actions**

These values give us standards to measure ourselves by, particularly in our dealings with customers, suppliers, our own people and the wider world. The values have real meaning for us and the way we behave.

Here's what each of them means in practice:

Focusing on our customers' future first

We can guarantee our future only by giving our customers products and services that improve their future. So this value comes first. It's our priority and the reason why we exist. We've always met the needs of our customers – that's why we've grown. But now we make it very clear: it's the basis of everything we do.

Embracing entrepreneurial thinking

New thinking and new ideas are everything – if we're to compete. So we need an environment and a mindset that encourages new ideas from individuals and teams.

"Yes", not "Yes, but..."

"Why not?" not "Why?"

We might fail occasionally, but we'll get great ideas to market more quickly as a result. And we'll keep more people with truly original ideas within the company.

Developing the talents of our people

Our business will grow if our people grow too. So we're committed to professional and personal development. We'll do all we can to develop existing talents, nurture new skills and progress within AkzoNobel. Through this commitment, we'll attract and retain people of the highest quality to develop the business.

The courage and curiosity to question

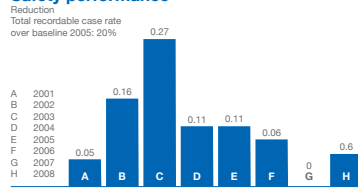
AkzoNobel isn't one of those companies with a set way of doing things. We dislike rigid hierarchies and we want our people to take a broad, interested view of the world. We like them to ask questions. "Is there a better way?" There generally is a better way, if we challenge ourselves and our customers to look at things differently. It's the way we improve.

Integrity and responsibility in our actions

Business needs to work within a framework. Our employees have to be aware of rules and regulations that they must comply with, in whatever part of the world they work. But integrity and responsibility go deeper than that. They're about doing things in the right way, as individuals and as a company.

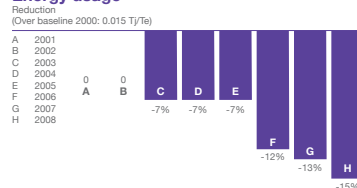
Ethical and responsible behavior matters to our business. If we do the right things, people will know we're a company that can be trusted. They'll then be more likely to work with us and invest in us – which is good for our long-term growth.

Safety performance



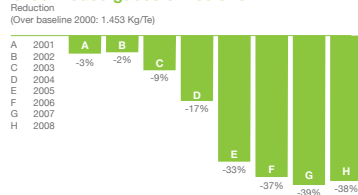
* Includes Rs 1,154 m in 2004 in respect of furnace oil and coal business

Energy usage

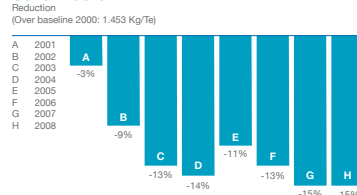


* Includes Rs 1,154 m in 2004 in respect of furnace oil and coal business

Greenhouse gases emissions



Solid Waste



Health, safety and environment*

Our Company continues to demonstrate its strong commitment to all aspects of safety, health and environment linked to our business operations. There was no Lost Time Case or Restricted Work Case (LTC, RWC) at any manufacturing site, trading business or corporate function during 2008. Regrettably, there was one Medical Case of an employee of the Paints business.

All employees are dedicated in their efforts to maintain and improve on the standards demanded by the ICI Group SSHE Responsible Care Management System (RCMS) in achieving the challenging performance objectives arising out of its comprehensive implementation.

The safety performance of our businesses continues to improve with the following man-hours without LTC to employees & supervised contractors:

- Soda Ash 5.8 million man-hours
- Polyester 9.3 million man-hours
- Paints 8.7 millions man-hours
- Chemicals 4.5 million man-hours
- Life Sciences 5.9 million man-hours

Full compliance with the health assessment and work environment monitoring programs contributed in completion of 2008 without a reportable Occupational Illness.

All effluent treatment plants were operated and maintained to the best technical standards and the liquid effluents from all sites were in compliance with the applicable National Environmental Quality Standards (NEQS). In 2008 an order of the Environment Protection Agency related to our Paints site was challenged by us before the Environmental Tribunal.



* More details in the Sustainability Report.



Human resource – The talent factory

Tomorrow's Answers Today – at ICI Pakistan it is our clear vision to be a talent factory, recognized for providing development opportunities for our people and strong leadership practices in recognition of our belief that enhanced management capability is the only enabler of high productivity and the only true sustainable competitive advantage for our company, creating successes that spawn business legacy.

With a human capital of over 1,300 strong in our talent factory, we take pride in the fact that our employees are the ones who shape the future of our company, and hence our focus in HR remains to unleash the organisations intellectual energy through excellence in world class HR processes and practices

Some initiatives which translate this commitment into action include :

We strive to ensure that opportunity for growth, challenging and varied career experiences are provided to all employees. To this end our capability groups in areas of commercial, technical, finance and HR form the foundation of our talent strategy. These groups ascertain bench strength in each functional area and plan future career roadmaps for our talent providing opportunity to grow and develop at the same time ensuring a strong line of succession and business continuity within the organization.

Investment in leadership being a key area in developing a talent factory, 4 of our senior executives attended world class leadership training programs at INSEAD and Oxford, whereas company wide we invested approximately 14,759 man hours developing the skills of our managers.

P&D dialog

The appraisal system was redefined and launched globally as the performance & development dialog in 2008. This was rolled out in Pakistan, along with the new values-based success factors ensuring talent growth and development and sharper focus on accountabilities



“Passion for People” training catalog for 2009 provides a single reference point for all training and development options offered by our company.

New hiring continues to be our source for talent intake, both directly and through our campus roadshows. In 2008 we hired 6 fresh graduates in the Graduate recruit program, 20 trainees in the various engineering disciplines, 4 in the finance, 3 in the IT function and 6 in the general commercial function.

We have a strong commitment to diversity and to the community. We remain committed to our principal of being an equal opportunity employer providing an enabling environment that celebrates differences enhancing our creativity and productivity.



Highlights of corporate social responsibility (CSR)*

Our CSR policy statement:

We endeavor to ensure that we qualify as responsible corporate citizens, by ensuring a sustainable improvement in the lives of the communities we operate in.

Education

- We continue to support the post-quake rehabilitation work in the northern areas by providing additional teachers at the Government Girls Primary School we built at Bararkot back in 2007 at a cost of Rs 15.1 million.
- We continued our support to the Institute of Behavioral Psychology (IBP), in 2008, through donations.
- ABSA school for the deaf caters to over 400 hearing-impaired students. Our engagement with this school continued in 2008.
- Our Polyester Business continued its support for a primary school in the village of Tibbi Harrya, which included support for both the teachers & the students in various forms.
- Our Paints Business continued its support for the SOS village in Lahore, aimed at providing entertainment, sporting opportunities & financial support to the children with the active involvement of our employees.

Health

- We set up two medical camps at the most impacted areas of Wam & Kawas after the Balochistan earthquake. Additionally our employees and our Foundation joined hands to contribute Rs 2 million to the rehabilitation effort.
- Our Soda Ash Business has been organizing monthly eye clinics at Khewra in partnership with LRBT since 1991. Till end 2008, 10,823 surgeries have been completed and over 104,012 out-patients have been treated.
- We continue to extend our support through the donation of funds to the Shaukat Khanum Memorial Trust (SKMT), which provides state of the art cancer care to patients through the country.
- With a humble beginning in 1985, the Kidney Centre provides its facilities to hundreds of people annually. We have been a longstanding contributor towards the Center's funding.
- Our Life Sciences Business has initiated & formed a volunteer team for a project to provide clean water to the small community of Kakapir at Hawksbay.
- As part of community relations program of our Chemicals Business, a campaign titled "Spreading Knowledge, Good Health & Happiness" was arranged at the Child Development Center (CDC), Sher Shah. Apart from a complete health screening of children, they were provided 300 books & a talk on general hygiene.

* More details in the Sustainability Report.



Environment

- Our collaboration with WWF Pakistan continued as we joined hands with them to support:
 - The Kakapir Village School,
 - The WWF Nature Carnival, and
 - The WWF Save the Turtle Project
- Our Soda Ash Business continued with its forestation project, called Project Green. By the end of 2008, 361,000 trees had been planted over an area of 152 acres.
- Jinnah Park, a community park project for the residents of Pind Daden Khan was completed & handed over by our Soda Ash Business to the community at an impressive ceremony.

Among others, we also provided funding and financial support to the Layton Rehmatullah Benevolent Trust (LRBT), Lady Dufferin Foundation Trust, Marie Adelaide Leprosy Centre (MALC), Nayab Memorial Educational Society & Concern for Children.



CSR initiative*

Balochistan earthquake relief effort

The devastating earthquake that struck Balochistan was a chilling reminder of the greater tragedy that hit our northern areas in October 2005.

Along with our employees we rose to the occasion to support the Balochistan earthquake relief & rehabilitation effort.

In order to support the relief effort, two medical camps were immediately set up in the most affected areas of Wam & Kawas. These were organized in the early days to provide immediate relief to the local population. In the next phase of rehabilitation, we got together with our employees and donated an amount of Rs 2 million to the National Disaster

Management Authority, which is leading the relief & rehabilitation effort.

Some of our employees even took time off and travelled to Balochistan to support the aid workers in the rehabilitation process.

* More details in the Sustainability Report.



Clockwise from top right:

A night-time view of the re-branded ICI Head Office

A re-branded employee security pass

A new-look business card

Transitioning to a new future

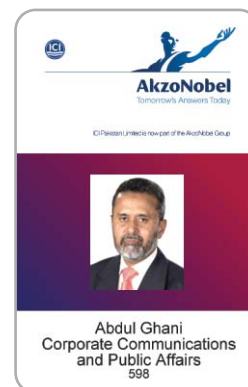
We at ICI Pakistan Limited are now part of the AkzoNobel Group, and are transitioning to a new future as part of the largest paints & coatings company in the world.

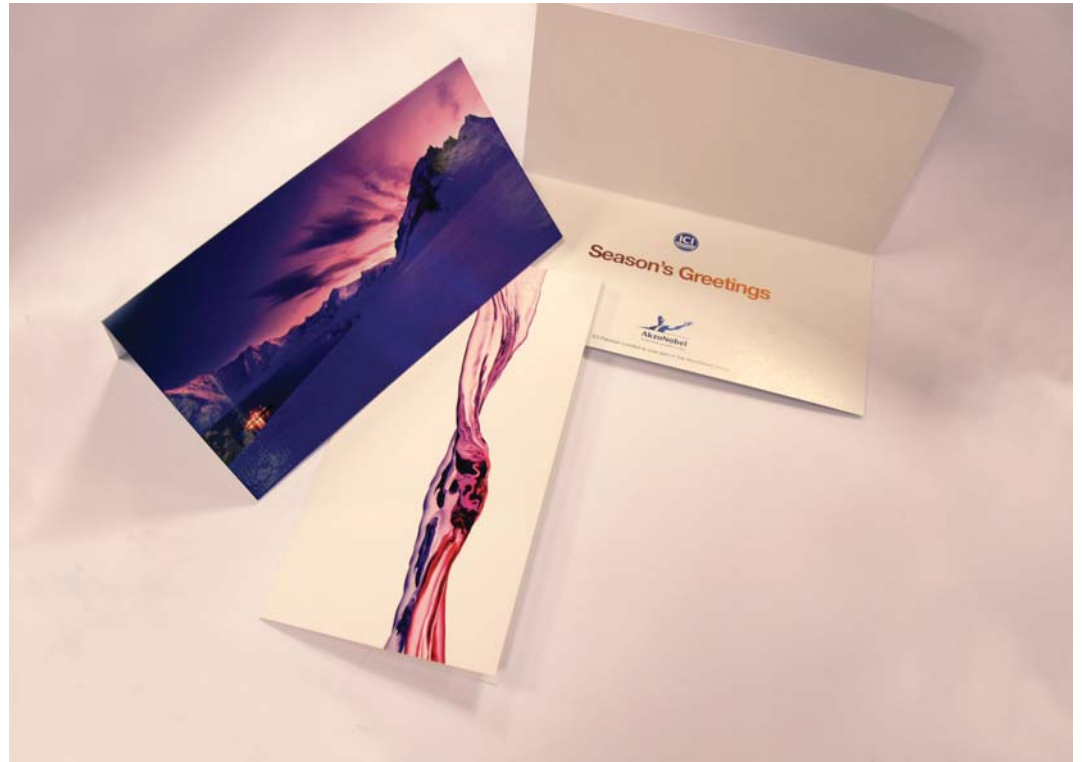
The acquisition of ICI Plc by AkzoNobel was officially completed in January 2008 and the two companies became one. The combination of AkzoNobel and ICI Plc has created a leading industrial company in coatings and chemicals.

AkzoNobel is a Fortune 500 company and listed on the Euronext Amsterdam stock exchange. AkzoNobel is also the Chemicals industry leader on the Dow Jones Sustainability Indexes as well as being included on the FTSE4Good Index.

AkzoNobel launched its new corporate identity on 25th April 2008. The new identity includes a revitalized logo, affectionately called “Bruce”, and strives to depict the spirit of the company: energetic and more purposeful than ever before, and with a commanding yet welcoming presence. AkzoNobel is poised for the future as a company that endeavors to deliver Tomorrows Answers Today.

Here at ICI Pakistan Limited we have been fully involved in our own transition to the new identity. Our corporate identity transition program was approved in 2008 and since then we have been well on our way, having implemented various re-branding projects that reflect our enthusiasm for our new identity.





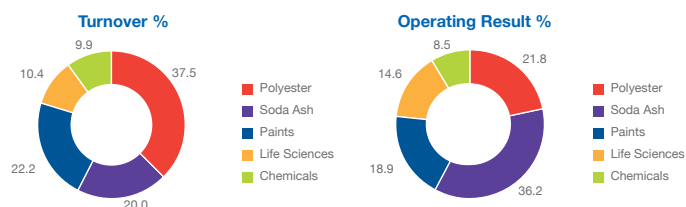
Top

ICI season's greeting cards with AkzoNobel branding

Bottom

The Executive Management Team poses for a photograph in the re-branded Head Office lobby





Our portfolio

Paints Business

Our Paints Business operates in the decorative, industrial and the refinish segments and markets a wide range of quality products and services. We are the number one paints and coatings company in Pakistan with our brand Dulux, a household name. Our vision is to further strengthen our position as the leading paints company in Pakistan and drive our operations with a relentless focus on the needs of our customers. The global acquisition of ICI by AkzoNobel provides tremendous opportunity for us to broaden our product offering to the market.

Soda Ash Business

We are the largest player in the soda ash market in Pakistan, producing and catering to approximately 70% of the country's requirement for this commodity. Soda ash is used in manufacturing glass, soap, detergents, packaging and the paper industry. We also produce sodium bicarbonate at the same facility.

Situated in Khewra the plant began commercial production in 1944 with the nameplate capacity of 18ktpa. Since then the plant has been modernized and expanded manifolds. The last expansion of 50ktpa in 2007 has taken the plant to the annual capacity of 285 ktpa. Another back to back expansion of 65 ktpa is underway and expected to be on line in April 2009. This will take the plant to a total annual capacity of 350 ktpa.

Our Soda Ash Plant is located in a remote rural area of district Jhelum. Over the years we have also continuously made meaningful contributions to the community of this economically deprived region in terms of health, education and environment.

Polyester Business

We have a leading market position and are known for our unrivaled technical service and product quality. We manufacture and market polyester staple fibre (PSF), a synthetic cotton, mainly used in the textile industry for producing blended (with cotton) polyester rich yarn, fabrics and clothing. We started manufacturing operations in 1982 at Sheikhpura near Lahore.

Life Sciences Business

Our Life Sciences Business comprises of pharmaceuticals, hybrid seeds, animal health, and the recently launched vegetable seeds segment. The pharmaceuticals segment markets a portfolio of leading prescription drugs sourced from reputed principals and has also launched a range of branded generics. The animal health segment markets superior quality veterinary medicines for livestock and poultry from world-renowned companies as well as some of our own brands. Our seeds segment is one of the leading providers of hybrid seeds in the country and a market leader in both the hybrid sunflower and fodder segments. The vegetable seeds segment has recently entered the market with OPVs (Open Pollinated Varieties) and is planning to introduce hybrids in the near future.

Chemicals Business

Our Chemicals Business comprises a unique and diversified portfolio encompassing general chemicals, specialty chemicals, and national starch products. The general chemicals business imports, blend, distributes and sells over 250 products / variants from over a dozen well-reputed international trading partners serving every key industry in Pakistan. The specialty chemicals business manufactures and markets textile auxiliaries, adhesives, paint lattices, crop protection emulsifiers and a range of process chemicals. Based in Karachi the plant has been operational since 1968.

Delivering value to customers

Understanding our consumers' needs has always been our key to delivering value to them. To suit changing demands we continue to offer new products and solutions true to the foundations of our customer focused strategy. Each of our businesses strive in their own unique way to produce value that exceeds expectations.

Paints

Given our reputation as market leaders in innovation in the paints & coatings industry, we have to our credit the development of the first odorless enamel range enabling our customers to enjoy their newly painted homes without the unpleasant smell normally associated with paints. Through our newly launched channel modernization initiative, we are in the process of enhancing the consumer experience by modernizing retail outlets and providing value-added services. All this through our well-trained housing and color consultancy team providing new color trends and interior design solutions at the customer's doorstep.

Soda Ash

Our Soda Ash Business continues to devise innovative ways of delivering value to our customers. An international standard 50kg laminated pack size was developed under a new initiative for safer handling and enhanced shelf life. And all this at no extra cost to our customers.

Polyester

Our Polyester Business, in its endeavor to provide value to our customers, more efficiently, has switched its power engines to the more eco-friendly gas, reducing our emissions. In fact we have applied for carbon credits. This effort not only means that we reduced our carbon footprint by a significant amount, but we have contributed to the sustainability of the environment.

Chemicals

Our Chemicals Business continues to improve its portfolio of products by including a major new supplier, enhancing our product range in the textile & construction chemicals sector. This simply means more choices for our ever-increasing customer base.

Life Sciences

Our Life Sciences Business ensures high service to its customers by focusing on the training and development of its large sales team for all three segments. Significant additions to our product range include vegetable seeds and generic pharmaceuticals, which when complemented by comprehensive knowledge of these products available with our sales teams results in more choice for our customers.



Awards and achievements

2nd Best Corporate Report Award 2007

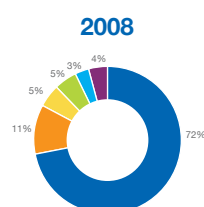
A joint evaluation committee of the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan declared our Annual Report for the year ended December 31 2007 to be the 2nd Best Corporate Report amongst listed companies in the chemical & fertilizer sector.

FBR Award

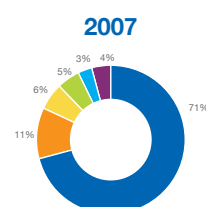
We were awarded Taxpayers Excellence Award 2009 by the Large Taxpayer Unit, Karachi, a division/function of Federal Board of Revenue, Islamabad. Since 1995, we have paid over Rs 31billion in Government duties & taxes.

25th MAP Corporate Excellence Award

We were also declared the winner of the 25th MAP Corporate Excellence Award in the chemicals and allied sector organized by the Management Association of Pakistan. Under this Companies are evaluated on the basis of financial performance and best management practices.



- Materials and services
- Government taxes and duties*
- Employees' remuneration & benefits
- Operating & other costs
- Dividends
- Profit retained



- Materials and services
- Government taxes and duties*
- Employees' remuneration & benefits
- Operating & other costs
- Dividends
- Profit retained

Our value addition and its distribution

	Amounts in Rs' 000			
	2008	%	2007	%
Value addition				
Net sales including sales tax	30,184,991	99	24,608,117	99
Other operating income	254,425	1	153,285	1
	30,439,416	100	24,761,402	100
Value distribution				
Materials and services	21,844,724	72	17,510,161	71
Government taxes and duties*	3,215,378	11	2,819,647	11
Employee remuneration & benefits	1,638,591	5	1,395,554	6
Operating & other costs	1,671,851	5	1,251,240	5
Dividends	832,814	3	763,413	3
Profit retained	1,236,058	4	1,201,387	4
	30,439,416	100	24,761,402	100

* Includes deferred tax charge Rs 952.106 million (2007: Rs 675.133 million).



Directors' report
Leading the way to change



From left to right

James R Rees
Non-executive Director
Tariq Iqbal Khan
Non-executive Director
M Nawaz Tiwana
Non-executive Director
Muhammad Zahir
Executive Director
M J Jaffer
Non-executive Chairman
Waqar A Malik
Chief Executive
Feroz Rizvi
Executive Director
Mueen Afzal
Non-executive Director
Ali A Aga
Executive Director

Not in picture

Bart Kaster
Non-executive Director

The Directors are pleased to present their report together with the audited financial statements of the Company for the year ended December 31, 2008.

Overview

Domestic business conditions during the year remained extremely challenging without any substantial sign of improvement. Security concerns, extended energy outages, high inflation, hike in interest rate, depreciation of the Pak rupee coupled with recession in the developed world put the domestic economy under immense pressure and affected the demand supply dynamics of the business environment.

Despite extremely difficult trading environment, the full year operating results were 12% higher compared to 2007. All businesses, except Paints, contributed towards this growth with improved unit margins driven by efficiency improvement initiatives and sustainable increase in selling prices. Paints Business achieved double-digit volume growth on the back of strong sales in the decorative and refinish segments however, its overall operating result was marred by one off provisioning amounting to Rs 115.2 million post termination

of agreement with Kansai in 2007 for the OEM business in the industrial segment as reported during the year. On a like to like basis excluding the effect of termination of Kansai OEM operations in Paints Business from 2007 and the related one off provisioning in 2008, operating result of the Company was higher by 22% at Rs 3,467.6 million (2007: 2,842 million).



Back row, from left to right

Jehanzeb Khan
Vice President,
Chemicals Business

M Asif Malik
General Manager, Technical

Muhammad Zahir
Vice President,
Life Sciences,
Corporate HR & CCPA

Suhail Aslam Khan
Vice President,
Polyester Business,

Front row, from left to right

Ali A Aga
Vice President,
Soda Ash Business

Waqar A Malik
Chief Executive

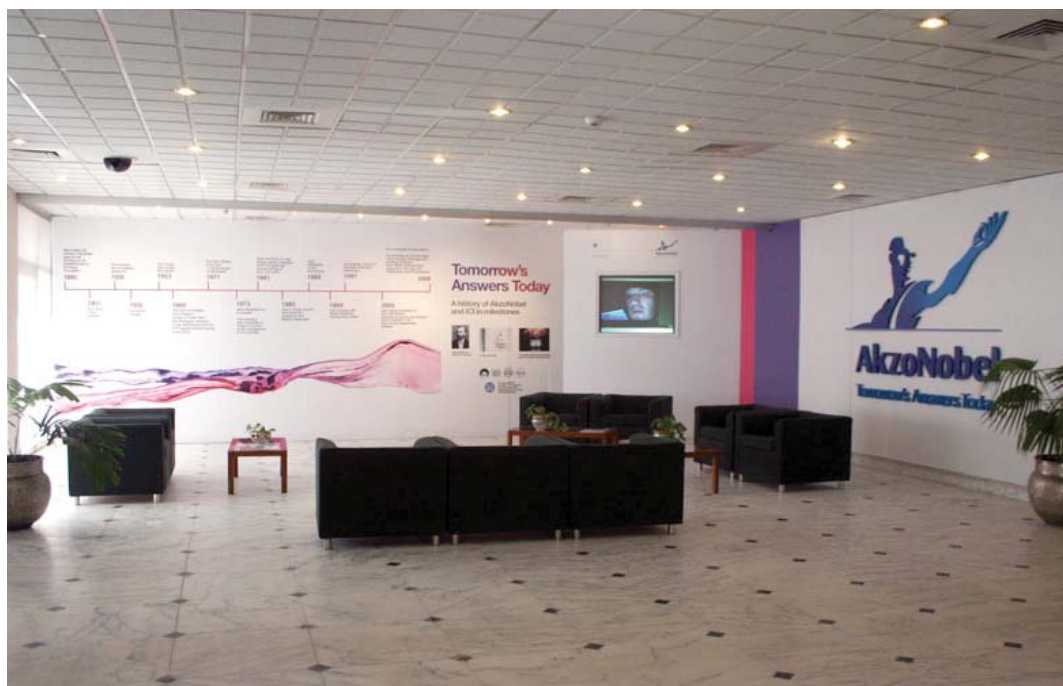
Feroz Rizvi
Chief Financial Officer

Dr Amir Jafri
Vice President,
Paints Business

2008 Key highlights:

- Your Company completed the year without any major injury (lost time case) to the company employees, supervised contractors or other contractors.
- Net sales income and gross profit were 21% and 17% higher respectively compared to last year. As a result the Company crossed Rs 2 billion after tax profit mark* for the first time, registering a growth of 16% over last year.
- Soda Ash and Life Sciences Businesses posted highest ever operating result, which was higher than 2007 by 41% and 21% respectively.
- Business development continued apace; two businesses, Chemicals and Paints recently introduced AkzoNobel (new ultimate parent company as reported during the year) products in Pakistan. Paints Business launched the Car Refinish brand Sikkens whereas Chemicals Business launched products within the surfactants and functional chemicals range.
- The energy saving and cost reduction project, Cogen (waste heat recover and power plant) undertaken by the Company's wholly owned subsidiary ICI Pakistan PowerGen was successfully completed and commissioned as per plan and budget, without any safety related incident. Project has started to yield envisaged savings.
- The 65ktpa expansion project in the Soda Ash Business is on track for completion as per plan in early Q2 2009.
- As part of the Company's commitment towards social responsibility, ICI Pakistan spent Rs 15.8 million to support education, health, environment and community related projects. In addition, the Company setup medical camps in the Balochistan earth quake affected areas and contributed Rs 2 million along with its employees towards the reconstruction effort.
- Your Company was awarded the Corporate Excellence Award by the Management Association of Pakistan (MAP) and 2nd Prize in the chemical sector for the Best Corporate Report Award jointly organized by the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan.

*Excluding the one off gain on sale of PPTA shares in 2004 and effect of deferred taxation in 2005.



A view of the re-branded lobby at the Head Office in Karachi.

Financial performance

Summary of financial results for the full year is given below:

	Amount in Rs million		
	2008	2007	Improvement
Turnover	31,921.9	25,988.4	23%
Net Sales Income	27,963.9	23,024.1	21%
Gross Profit	5,647.3	4,818.8	17%
Operating Result	3,352.4	2,984.0	12%
Profit Before Tax	3,129.9	2,768.5	13%
Profit After Tax	2,068.9	1,784.8	16%
Earning Per Share (Rs.)	14.9	12.9	16%

Dividends

Your Directors are pleased to announce a final dividend of 40% i.e. Rs 4.0 per share of Rs 10.00 each of the issued and paid-up capital of Rs 1,388,023,000. This, including the interim dividend of 25%, makes a total dividend of 65%.

Projects

The 65ktpa Soda ash expansion project at a revised cost of Rs 1,850 million, as reported earlier, is progressing as per plan.

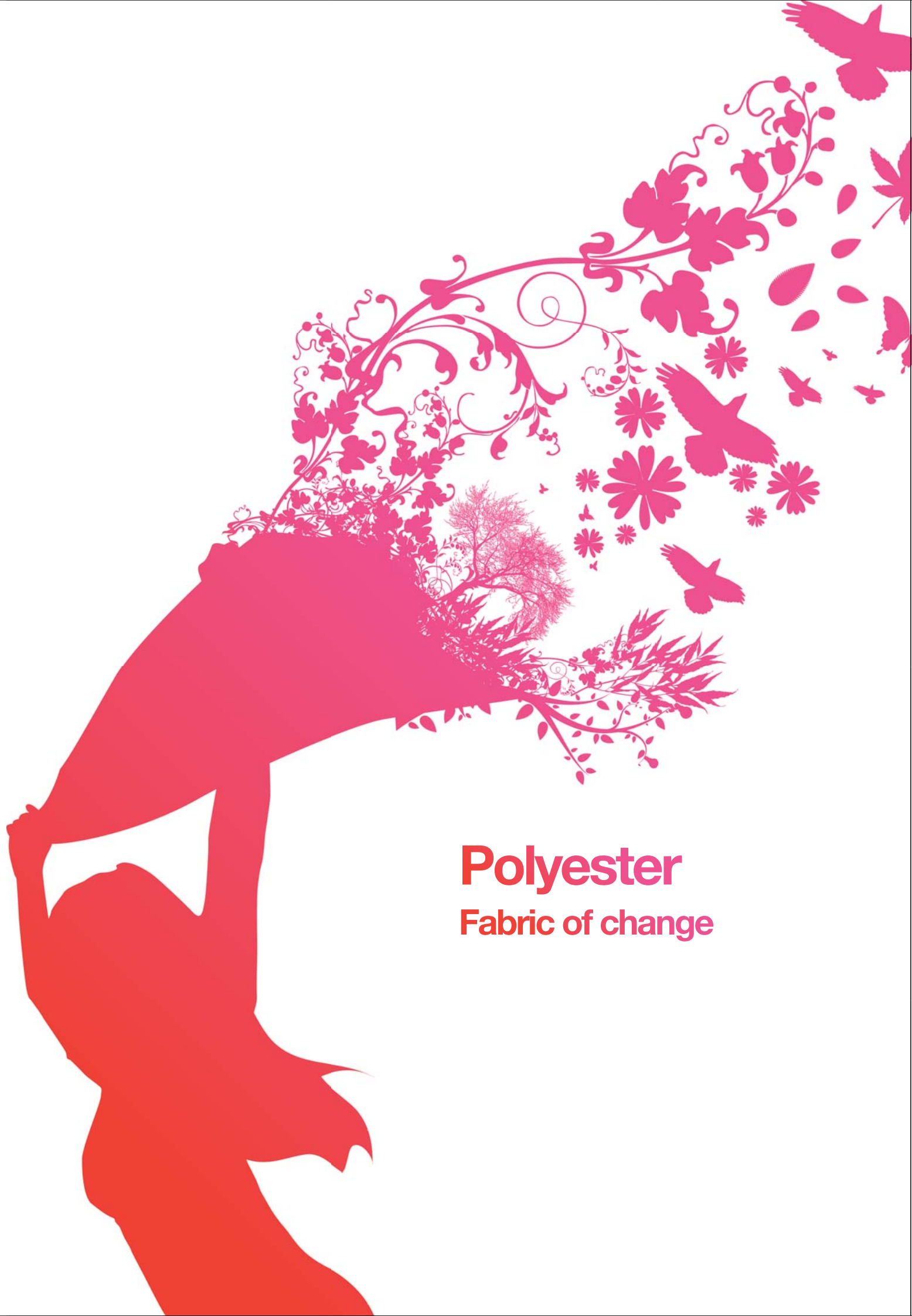
Health, safety and environment (HSE)

Your Company continues to demonstrate its strong commitment to all aspects of health, safety, environment and security linked to its business operations.

- No major injury (lost time case) was reported by any manufacturing sites, trading business or corporate functions.
- Full compliance with the health assessment and work environment monitoring programs resulted in completing the year without a reportable occupational illness.
- Liquid effluents from all sites were in compliance with the applicable National Environment Quality Standards (NEQS).

Acknowledgement

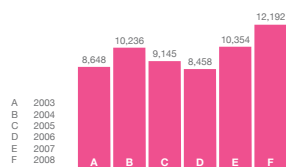
Your Company's performance as reflected in the improved results for 2008 would not have been possible without the contribution of highly diligent and committed employees, devoted customers and continued support received from suppliers and contractors. The Board would like to thank all the stakeholders for their valuable support and untiring efforts, which enabled the Company to achieve this all round performance.



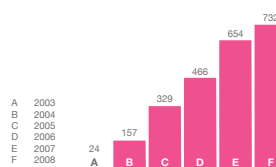
Polyester

Fabric of change

Turnover



Operating Result



	Q4 2008	Variance*	Full year 2008	Variance*
Operating Result - Rs Million	79.7	(78)%	731.7	12%
Sales Volume (Fibre & POY Chips) Tonnes	22,236	(35)%	112,042	(1)%
Production Volume (Fibre & POY Chips) Tonnes	20,440	(39)%	112,011	1%

* Compared to the same periods last year

Crude oil prices and its derivatives remained bullish in the first three quarters of the year due to tight fundamentals and continuous weakening of the US dollar against major currencies. However in Q3, the entire crude chain started to collapse due to the credit crunch and turbulence in the US and European financial markets precipitating a global economic slowdown. Crude from its peak of USD 145/barrel ended the year at USD 38/barrel pulling down feedstock and PSF prices along with it.

Additionally, severe power shortages in Pakistan adversely affected the downstream industry. Reduction in demand for textile products in the domestic as well as export markets (due to the economic slowdown) resulted in a 13% contraction of the domestic PSF market. The market was also affected by product being regularly dumped into Pakistan by the regional producers particularly from China. The business along with two other PSF manufacturers had filed an antidumping application against imports from China at uneconomical prices. The National Tariff Commission (NTC) subsequent to the investigation ascertaining the level of injury to the local PSF industry, imposed an antidumping duty of 10.44% effective February 2009. Final decision on continuation of this duty shall be taken in four months time.

Contraction in PSF demand was mitigated by the reduced operating level at a major local PSF producer and the business managed to maintain its previous year's sales volume through acquisition and retention of new

customers despite significant reduction in sales volume in Q4 2008. The sales volume in Q4 2008 was 35% lower than Q4 2007 due to the curtailment of operations by the downstream textile manufacturers as a result of destocking in anticipation of price reduction and on account of unprecedented power and gas load shedding.

Subsequent to the Economic Coordination Committee approval for zero rating of domestically procured as well as imported PTA, the State Bank of Pakistan commenced payments against refund claims filed by the PSF manufacturers including those pending since July 1 2008. Earlier w.e.f. July 1 2008, duty protection on PTA was reduced from 15% to 7.5% and the authority for refund of PTA tariff to PSF manufacturers was changed from the Federal Board of Revenue to the State Bank of Pakistan.

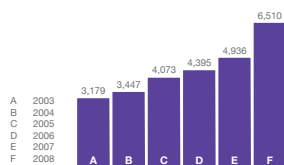
With better unit margins on account of manufacturing efficiencies, increase in selling prices in parity with regional prices and tight control over selling and administration expenses (excluding non recurring item provided against obsolete and slow moving spares), business posted 12% growth in its operating result compared with last year. The operating result excludes the effect of exchange losses (Rs 80 million) on imports arising due to depreciation of the Pak rupee against major currencies and discontinuation of foreign exchange forward contract by the State Bank of Pakistan disclosed under the financial charges.



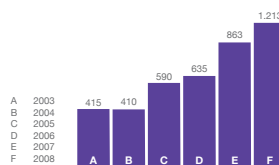
Soda Ash

Materializing change

Turnover



Operating Result



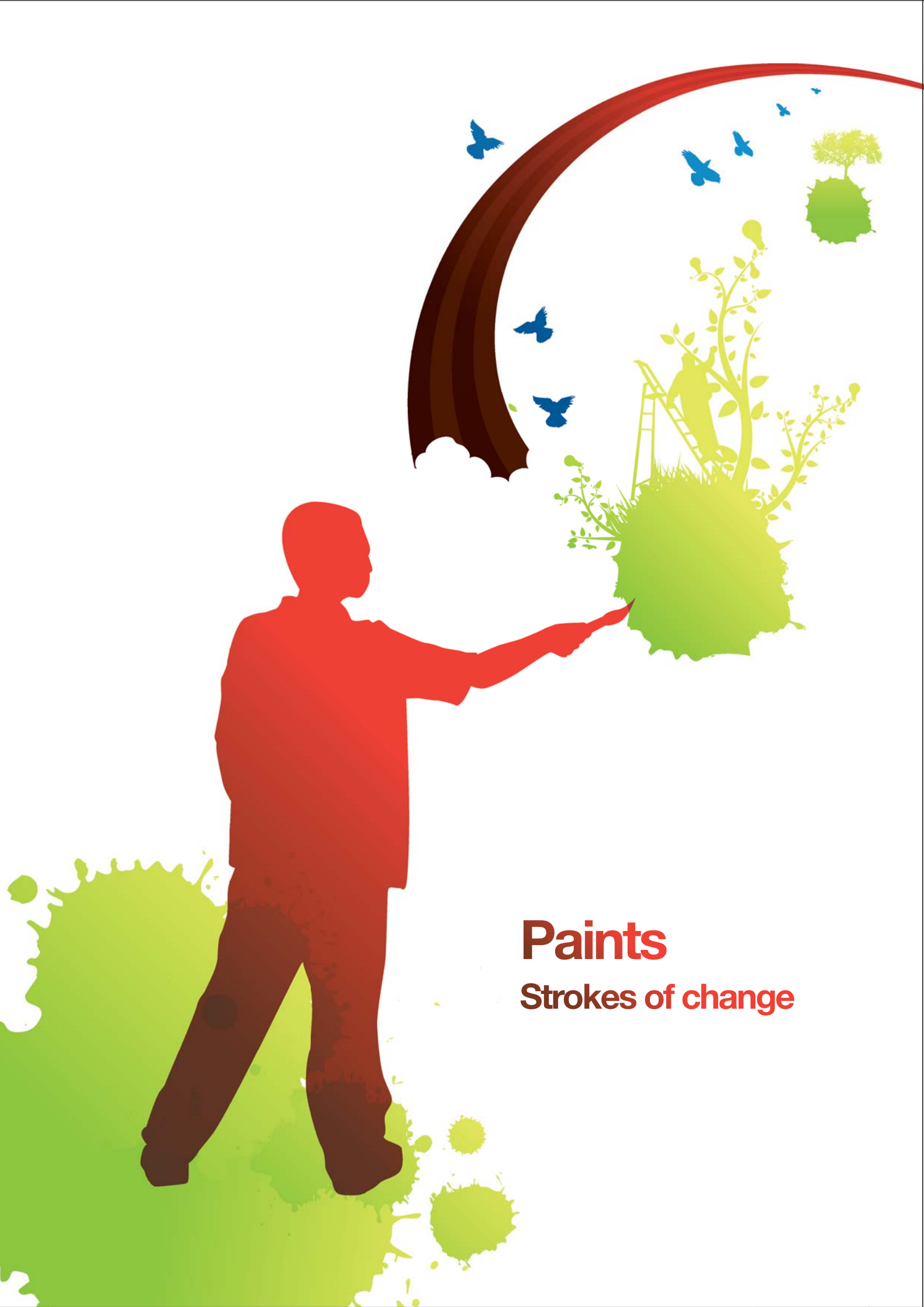
	Q4 2008	Variance*	Full year 2008	Variance*
Operating Result - Rs Million	306.7	39%	1,213.0	41%
Sales Volume - Tonnes Soda Ash & Sodium Bicarbonate	68,221	(7)%	267,422	(4)%
Production Volume - Tonnes Soda Ash & Sodium Bicarbonate	69,318	(1)%	268,245	3%

* Compared to the same periods last year

Soda Ash demand-supply in the international market remained very tight during the first half of the year with capacity limitation and production issues with the major suppliers in USA and China. Consequently, this led to unprecedented increase in spot prices of soda ash due to low availability. Demand started to ease off in Q3 onwards owing to the global financial crisis leading to destocking and reduction in demand. The operating levels of major producers in China reportedly came down to 50%, and soda ash prices softened.

In line with the international market, the domestic soda ash market also remained tight during the first three quarters of the year primarily on account of unprecedented load shedding of natural gas and production constraint faced by the competitor. In addition, non-availability of imported product further exacerbated the situation. However, towards the end of Q3, demand weakened due to economic slowdown and severe energy crisis, which adversely affected the downstream industries. Although sales volume for the full year was 4% lower than 2007, on a like to like basis (excluding the imported product for resale) sales volume was in line with the previous year.

Despite consistent increase in international coke and local gas prices during the year, the business improved per unit margins due to higher prices and significant savings affected in supply chain and manufacturing. The business achieved highest ever operating result, which was 41% higher compared to last year.



Paints

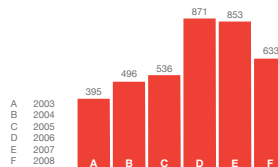
Strokes of change



Turnover



Operating Result



	Q4 2008	Variance*	Full year 2008	Variance*
Operating Result - Rs Million	53.0	(59)%	633.3	(26)%
Sales Volume - Kilolitres	9,174	(3)%	43,034	11%
Production Volume - Kilolitres	9,217	(6)%	43,305	11%

* Compared to the same periods last year

Performance in Q4, which is a major contributing period towards annual sale volumes for decorative segment, suffered in 2008, as the major painting months of October and November did not materialize with the prevailing economic conditions. However, on full year basis, despite extremely difficult trading conditions, the decorative segment achieved 16% growth in sale volumes with further expansion of Dulux portfolio and launch of new products in the Paintex range whereas refinish segment grew by 13% through channel expansion. However, industrial segment continued to suffer with slowdown in auto industry and discontinuation of top coat supplies to the OEM sector resulting from the termination of business relationship with Kansai. With double digit volume growth in the decorative and refinish segments, overall volumes grew by 11% compared to last year.

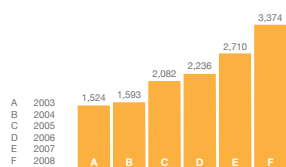
Although business posted growth in volumes, regular and sharp increase in raw material prices put unit margins under pressure. In addition, the Business had to make a one-off provision of Rs 115.2 million post termination of agreement with Kansai in 2007 for OEM business. Reduction in unit margins coupled with this additional one off provisioning led to 26% decline in operating result compared to last year. On a like to like basis, excluding the effect of the termination of Kansai OEM operations, from 2007, and related one-off provisions in 2008, operating result was 5% higher than last year.

Life Sciences

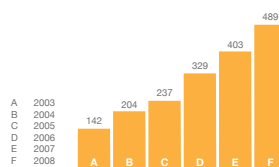
Living with change



Turnover



Operating Result



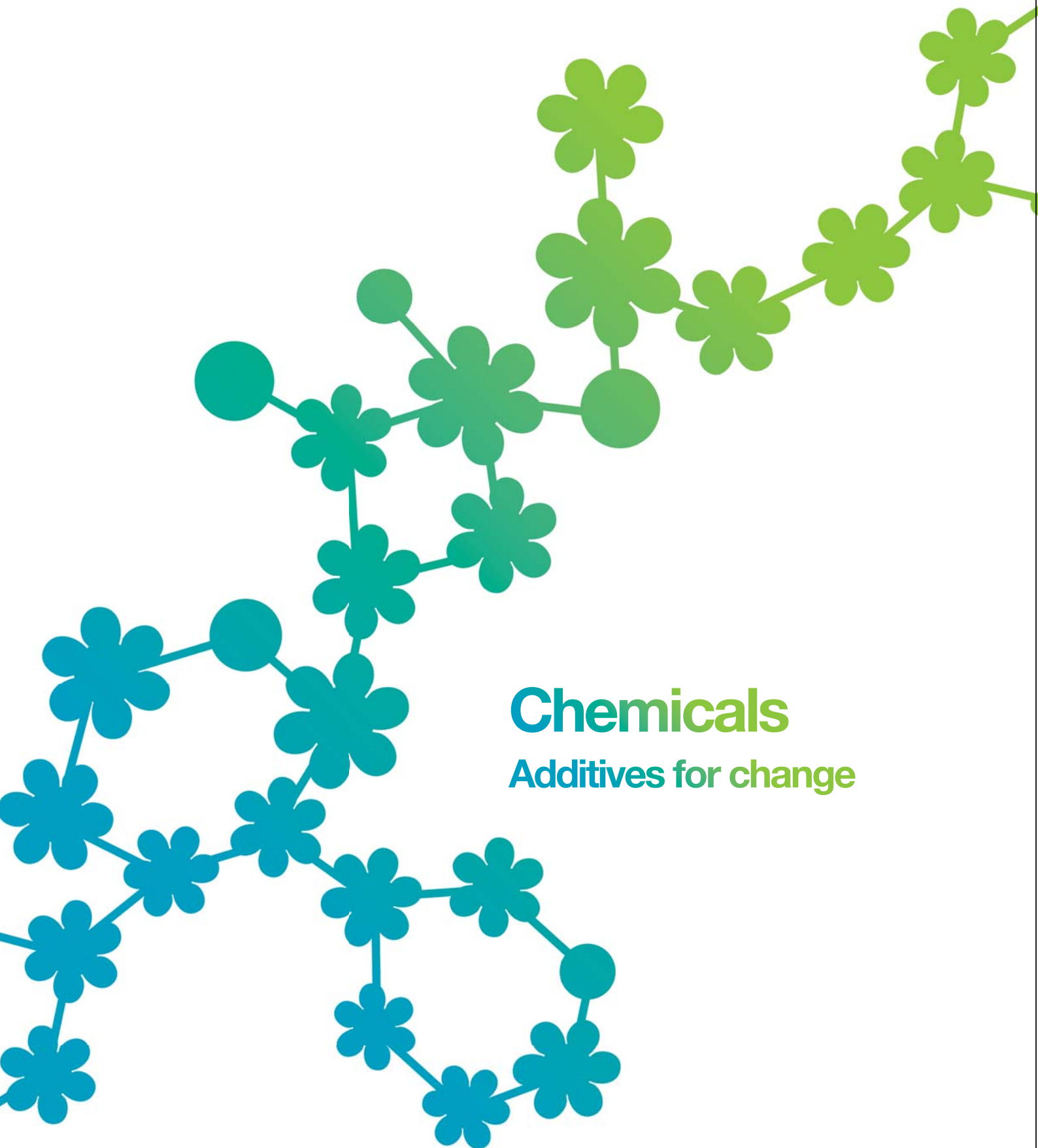
	Q4 2008	Variance*	Full year 2008	Variance*
Operating Result - Rs Million	164.2	(18)%	488.9	21%
Turnover - Rs Million	1,084.6	4%	3,374.1	25%

* Compared to the same periods last year

Life Sciences Business delivered another successful year with double-digit growth in all the segments emanating from aggressive strategy defending leadership positions and diversification of portfolio. The pharmaceutical segment grew by 18% faster than the industry average on the back of consistent growth of the cardiovascular portfolio and branded generic products launched in 2006-07. Animal health segment grew by 20% compared to last year with strong performance of the livestock division and recovery of poultry industry, which suffered during the earlier part of the year due

to higher prices and shortage of grains used for commercial feed. Seeds segment was up by 39% over last year with higher sales of sunflower seeds.

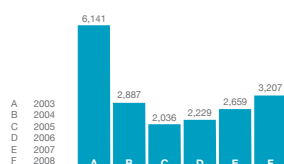
Overall, operating result was 21% higher than 2007 primarily on the back of volume growth.



Chemicals

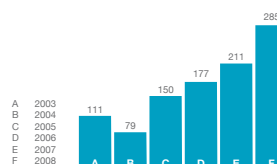
Additives for change

Turnover



* Includes figures for the furnace oil business which was discontinued subsequently.

Operating Result



	Q4 2008	Variance*	Full year 2008	Variance*
Operating Result - Rs Million	66.2	8%	285.4	35%
Sales Volume - Tonnes	3,695	(28)%	21,062	(1)%
Production Volume - Tonnes**	1,749	(23)%	9,780	5%

* Compared to the same periods last year

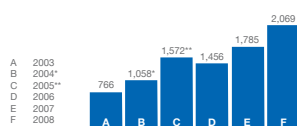
** Relates to Polyurethanes and Specialty Chemicals

Business faced difficult trading conditions as margins remained under immense pressure on account of escalating raw material prices and weakening of the Pak rupee against major currencies. This pressure on margins was mitigated albeit partially by passing cost increases across all the segments resulting in higher net sales income. Growth in specialty chemicals suffered on the back of continuous slowdown in the textile sector and shortage of gas supply to the downstream textile industry. The trading as well as polyurethane segments showed improvement in margins delivering better results. Effective control over selling and

administration expenses, which were lower than last year despite inflationary pressure and improved unit margins on account of price increases enabled the business to post a growth of 35% in operating result over last year. However, considering the impact of foreign exchange losses on account of imports arising due to depreciation of the Pak rupee against major currencies and discontinuation of foreign exchange forward contract by the State Bank of Pakistan, which have been reflected under the financial charges, the operating result net of these charges, on a like to like basis, was 9% higher over 2007.

Profit after taxation

Rs m

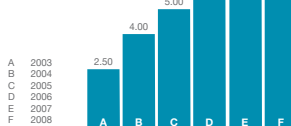


*Excluding profit on sale of PPTA shares

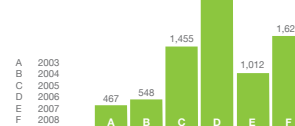
**Excluding impact of deferred tax credit

Dividend

Rupees per share

**Capital Expenditure**

Rs m



*Includes purchase of plant & machinery from Fayzan Manufacturing Modaraba

Profit and finance

Despite difficult business conditions in 2008, your Company posted double-digit growth in profitability over 2007 and delivered strong financial results.

Company's operating result at Rs 3,352.4 million for the year ended December 31, 2008 was 12% higher than 2007. Selling & administration expenses increased compared to last year primarily due to one off provisioning in Paints (related to termination of Kansai OEM business) and Polyester Businesses as explained earlier and higher promotional & freight expenses to support business growth in the Paints and Life Sciences Businesses. Financial charges for the year at Rs 219.3 million were higher than last year mainly due to exchange losses as explained earlier. Financial charges include a reversal for arrangement fee amounting to Rs 171.2 million on foreign currency loan arranged through Mortar Investments International Limited (MIIL), a subsidiary of your Company's principal shareholder prior to 2000. In view of exchange losses suffered by the Company, MIIL has agreed to waive off this arrangement fee and was netted off against exchange losses. Excluding the effect of this arrangement fee reversal, the Company would have incurred exchange losses of Rs 263.8 million, which were reduced to Rs 92.6 million, still higher by Rs 70.4 million over 2007. Other operating income increased over last year by Rs 101.1 million on account of higher interest income resulting from improved cash position.

Profit before tax at Rs 3,129.9 million and profit after tax at Rs 2,068.9 million were higher than last year by 13% and 16% respectively. Earnings per share at Rs 14.91 increased by 16% over 2007.

The reported results are evidence of your Company's management capability and a very strong balance sheet, despite an extremely difficult business environment.

Contribution towards the economy

Your Company contributed Rs 2,154.3 million during the year to the National Exchequer through taxes, levies, excise duty, sales tax and surcharges and Rs 22,859 million in the last ten years.

Capital expenditure

The Company spent Rs 1,625.8 million in 2008 on major capital projects and sustenance to ensure efficiency and integrity of assets.

Work on the 65ktpa Soda ash expansion project at a revised cost of Rs 1,850 million, as reported earlier, is progressing as per plan. The project is expected to be completed in Q1 2009 as per plan.

Taxation

As reported in previous years, the Income Tax Department had reopened the settled issue of PTA de-merger, with a view of applying tax on de-merged assets relating to PTA business. After extensive discussions with the Federal Board of Revenue (FBR) on the matter, FBR has finally confirmed the Company's contention that the de-merger is a non-taxable event and the de-merger was effective from October 1, 2000. The only issue that remains unsettled is the allowability of un-absorbed depreciation relating to PTA assets.

People

Your Company places high regard in grooming talent, as it believes that its employees are the sustainable competitive advantage for the future. In line with this the Company's HR policies remained strongly focused on creating a culture of high performance ensuring attraction, retention and development of key talent. Your Company believes that creating opportunities for ongoing learning and growth through on the job training, career progression,

and in house and external programs is essential in the development of the individuals. In line with this ambition, the Company imparted total training of 14,759 man-hours in 2008 focusing on improving managerial, personal and functional effectiveness.

As of December 31 2008, total manpower stood at 1,306

Future outlook

Your Company delivered a strong set of results, best ever in its history** despite tough business conditions in the latter half of 2008. Going forward, the upsurge and spread of security incidents, growing energy deficit, higher interest rates and inflation, sharp slowdown of domestic economic growth and recession in the developed world pose unique challenges.

Your Company has a strong balance sheet and a track record of overcoming tough business conditions. The Company will manage these challenges head-on. We shall focus on controlling costs, generate further savings through manufacturing and supply chain efficiencies and prudently manage cash.

Introduction of new products in Chemicals, Paints and Life sciences businesses is expected to give competitive edge in the market. Post 65ktpa commissioning the Company has plans to export the excess product, if any, to the regional market on positive netbacks.

Your Company draws the attention of the Government to the following specific issues:

- Prolonged non-availability of gas in the winter months to the manufacturing sector is a cause of concern. The Government needs to prioritise gas availability for the manufacturing sector through an appropriate policy. In addition, cross subsidies given to other sectors also need to be removed.
- In the budget for 2008-09 import tariff on PSF was inexplicably reduced from 6.5% down to 4.5%, which resulted in an anomaly whereby, except for PSF, the tariff structure of entire textile chain remained unchanged. The PSF manufacturers had filed an application with the Anomaly Commission in July 2008 for the removal of this anomaly however, decision on this issue remains pending. This unilateral reduction in the tariff without consulting stakeholders is highly unfair and will affect the long-term viability of the PSF industry in Pakistan. Government is urged to restore the tariff to 6.5%.
- In absence of strict implementation of the Intellectual Property Rights, counterfeiting is on the rise. Consequently, not only the consumers suffer, it also hampers the growth and development of industry in addition to the Government losing the evaded duties and taxes. The development of Paints and Pharmaceutical industries is being severely impacted due to this, and the Government of Pakistan is requested to take corrective measures.
- Rise in pharmaceutical raw material and finished goods prices without any increase in selling prices since 2001 in lieu of price ceiling imposed by the Government will continue to squeeze margins. This long pending issue needs to be resolved quickly to prevent the collapse of pharmaceutical industry and ensure timely and continued availability of quality medicines.
- The seeds segment is expected to face stiff competition from "Grow More Wheat" campaign with increase in wheat support price. The Government needs to maintain a fair balance between various crops when providing incentives especially sunflower in order to reduce the imported edible oil bills and promote self-sufficiency in this crop.

**Excluding the one off gain on sale of PPTA shares in 2004 and effect of deferred taxation in 2005

Auditors

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

Board changes

At the fifty-sixth Annual General Meeting of ICI Pakistan Limited held on March 28, 2008, the shareholders of the Company elected a ten-member Board of Directors for a fresh three-year term commencing from April 29, 2008 namely, Messrs M J Jaffer, Waqar A Malik, Mueen Afzal, Bart Kaster, Pervaiz A Khan, Tariq Iqbal Khan, James R Rees, Feroz Rizvi, M Nawaz Tiwana and Muhammad Zahir.

The new Directors, Bart Kaster and James R Rees have replaced David R Carter and Philip Gillett respectively upon their retirement as Directors of the Company on April 28, 2008.

On January 23, 2009, Pervaiz A Khan resigned from the Board consequent to his retirement from the services of ICI Pakistan Limited. To fill the vacancy, Ali A Aga was appointed on the Board for the remainder of the term to expire on April 28, 2011.

The Board wishes to place on record the valuable contribution made by the outgoing Directors David R Carter, Philip Gillett and Pervaiz A Khan and welcomes the new Directors Bart Kaster, James R Rees and Ali A Aga on the Board of the Company.

The Audit and Remuneration Committees of the Board constituted to assure good governance, held frequent meetings and submitted their considered recommendations to the Board.

Compliance with the code of corporate governance

As required under the code of corporate governance dated March 28 2002, the Directors are pleased to state as follows:

- The financial statements, prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any deviation from these has been adequately disclosed.
- The system of internal control and other such procedures, which are in place, are being continuously reviewed by the Internal Audit Function. The process of review will continue and any weakness in controls will be removed.
- There are no doubts upon the Company's ability to continue as a going concern.

- There has been no deviation from the best practices of corporate governance as detailed in the Listing Regulations.
- Key operating and financial data for the last 10 years is summarised on page 106.
- Outstanding taxes and levies are given in the Notes to the Financial Statements.
- The management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with best practices.

Investment in retirement benefits

The value of investments, made by the staff retirement funds operated by the Company as per their respective audited financial statements for the year ended December 31 2007, are as follows:

	Value (Rs '000's)
1 ICI Pakistan Management Staff Provident Fund	678,014
2 ICI Pakistan Management Staff Gratuity Fund	300,697
3 ICI Pakistan Management Staff Pension Fund	1,008,733
4 ICI Pakistan Management Staff Defined Contribution Superannuation Fund	190,703
5 ICI Pakistan Non-Management Staff Provident Fund	421,864

Directors attendance

During the year, 4 (four) Board of Directors, 4 (four) Audit Committee and 1 (one) Remuneration Committee meetings were held. Attendance by each Director/CFO/Company Secretary was as follows.

Name of Directors	Board of Directors Attendance	Audit Committee Attendance	Remuneration Committee Attendance
1 Mr M J Jaffer	4	4	-
2 Mr Waqar A Malik	4	-	-
3 Mr Mueen Afzal	4	4	-
4 Mr M Nawaz Tiwana	4	-	1
5 Mr David R Carter (i)	1	-	1
6 Mr Philip Gillett (ii)	-	-	-
7 Mr Muhammad Zahir	4	-	-
8 Mr Pervaiz A Khan	4	-	-
9 Mr Tariq Iqbal Khan	1	-	-
10 Mr Feroz Rizvi	4	-	-
11 Mr Bart Kaster (iii)	1	2	-
12 Mr James R Rees (iv)	2	-	-
13. Mr Nasir Jamal Company Secretary	4	4	-

(i) Retired w.e.f. April 28, 2008

(ii) Retired w.e.f. April 28, 2008

(iii) Appointed w.e.f. April 29, 2008

(iv) Appointed w.e.f. April 29, 2008

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

Pattern of shareholding

A statement showing the pattern of shareholding in the Company and additional information as at December 31 2008 appears on page 108.

ICI Omicron B.V. (AkzoNobel group company) continues to hold 75.81% shares, while Institutions held 19.08%, and individuals and others held the balance 5.11%.

The highest and lowest market prices during 2008 were Rs 213.50 and Rs 68.66 per share respectively.

The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

Group financial statements

The audited financial statements of the ICI Group for the year ended December 31 2008 are attached. The ICI Pakistan Group comprises of ICI Pakistan Limited and ICI Pakistan PowerGen Limited, a wholly owned subsidiary.



M J Jaffer
Chairman



Waqar A Malik
Chief Executive

Dated: February 18, 2009
Karachi

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2008

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the stock exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six non-executive directors and four executive directors.
2. The directors voluntarily confirmed that none of them is serving as a director in more than ten listed companies, including ICI Pakistan Limited, except for Mr Tariq Iqbal Khan who has been granted a waiver from the application of the relevant clause of the Code by the Securities and Exchange Commission of Pakistan.
3. The Directors have voluntarily declared that all the resident directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF. None of the directors is a member of a stock exchange.
4. No casual vacancy occurred in the Board during the year under review.
5. The Board of Directors of the Company, in its meeting held on February 23, 2001, adopted a Statement of Ethics and Business Practices. This statement under its title 'The Way We Do Things Around Here' and then 'ICI Way' had been regularly circulated within the Company since 2001. On October 23, 2008, the Directors adopted a new Code of Conduct in line with the Code of Conduct of their new parent company, AkzoNobel N.V. which is being circulated among all employees of the Company.
6. The Board of Directors at its meeting held on February 25, 2005 approved and adopted a vision/mission statement pursuant to an 'Employee Satisfaction Survey' conducted under supervision of the Board. The statement has been further revised and circulated to the employees of the Company. The Board of Directors has also approved and adopted a corporate strategy for the Company and significant policies. The corporate strategy is reviewed by the Board from time to time as appropriate.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors, have been taken by the Board.
8. During the year four regular meetings of the Board were held which were all presided over by the Chairman. Written notices of the regular Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of all four meetings were appropriately recorded and circulated in time.
9. The Directors have been provided with copies of the Listing Regulations of the Stock Exchange, the Company's Memorandum and Articles of Association and the Code of Corporate Governance. Orientation courses, both in-house and external, were also arranged for the Board in 2003 & 2006. Besides a comprehensive paper on 'Roles and Responsibilities of Directors' was also circulated to the directors for their perusal in November 2006. In April 2008, another booklet titled "A Handbook of Directors" was circulated amongst the Directors. The Directors are therefore well conversant with their duties and responsibilities.
10. No new appointment of CFO, Company Secretary or Head of Internal Audit has been made during the year.
11. The Report of the Directors for the year ended December 31, 2008 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board. The 2nd quarterly and annual accounts were also initiated by the external auditors before presentation to the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Audit Sub Committee of the Board has been in existence since 1992. It comprises three members, all of whom are non-executive Directors including the Chairman of the committee. ICI Pakistan also has a Remuneration Committee comprising two non-executive Directors, which has also been in operation since 1997.
16. There have been four Audit Committee meetings during the year under review. The Directors have approved the revised terms of reference of the Audit Committee in light of the Code of Corporate Governance.
17. ICI Pakistan has had an effective internal audit function in place since the late 1970s. The Board has outsourced the internal audit function to M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. They are involved in the internal audit function on a full time basis.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.



M J Jaffer
Chairman



Waqar A Malik
Chief Executive

Dated: February 18, 2009
Karachi

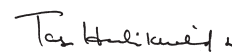
Review report to the members on statement of compliance with best practices of code of corporate governance

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

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

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

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



KPMG Taseer Hadi & Co.
Chartered Accountants

Dated: February 18, 2009
Karachi

Climate of change

Sustainability Report 2008



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Climate of change

"Eternal truths will be neither true nor eternal unless they have fresh meaning for every new social situation."

- Franklin D. Roosevelt

To us, this has been the test of our values: that they are timeless and self-renewing. They ensure our own readiness for the one constant we can afford to depend on: change. Change, both evolutionary and revolutionary - for we understand that exponential progress can only come from revolutionary change.

Handling the kinds of chemicals that we do, we cannot emphasize enough our keen awareness of the environment. So together, this year's 'climate' at ICI Pakistan was shaped, more so than in other years, with the celebration of change. Change for the better.

In 2008, among ICI Pakistan's climactic changes included integration in the AkzoNobel group. With that has come change that we've embraced.

For instance, you'll see how that the ICI Pakistan values have been amalgamated and fused into the AkzoNobel values. This transition has been a natural, evolutionary process for us. One that we enjoy learning and growing with.

We hope that you will enjoy our theme, and the substance behind it, as much as we enjoyed putting it together.



To our stakeholders, from our CEO



Dear Stakeholder,

In the 68 years that ICI Pakistan Limited has existed, we have taken any impact of all our operations seriously.

With this report, we're bringing in more clarity because we understand that, together, we have a promising future.

With this effort we are also commencing a candid dialogue, a dialogue that helps us understand how our businesses can perform better, more sustainably with greater **360°** value creation.

These are our initial steps to a new beginning and in fact some of you have helped us through this journey – as we align our structures for a better-flowing sustainability reporting capability. This will, of course, organically emerge as our sustainability program embeds itself into the core of our organization.

Integrity & honesty have been our forte – as you, our stakeholders tell us. The sustainability-related expectations in Pakistan's emerging market environment can be generous and forgiving. But we understand that we must be positioned for tomorrow's opportunities, today.

In this report, we also share with you parts of our heritage that we are particularly proud of. Here, you will find more details on the sections we highlighted earlier, in this annual report.

We've worked hard and it's been a long road. We have found that our engagement with many of you throughout our supply chains, has been among the highlights of the strength that our sustainability program is building on. It is heartening for us when you tell us what our efforts towards an inclusive, empowering approach to growth have meant to you, our stakeholder.

Our sustainability report is for you, with whom our progress is synergistically and inextricably entwined.

A handwritten signature in black ink, which appears to read 'Waqar A. Malik'. The signature is written in a cursive style and is positioned above a horizontal line.

Waqar A. Malik
Chief Executive

Bird's eye view of 2008



Fewer drops to dispose

Our water usage is down to 11.9 m3 per ton of production this year. That's 4.8% lower than 2007 and 26% lower than our baseline year, 2005.

Safety first

We completed a total of 8.38 Million man-hours, Lost Time Case-free. That means no calendar day was lost due to a work-related injury, for employees and supervised contractors.

Nurturing the talent factory

901 of our colleagues were trained in 2008.

Precious pulses preserved

Our energy consumption is down to 0.0125 tera-joules per ton of production - that's 9.8% lower than our baseline year 2005 and 3.5 % lower that 2007.

Getting warmer

Our CSR Program is moving from a nascent stage to sustainable, strategic philanthropy. Our businesses and foundation together spent Rs 15.8 million in 2008 towards community development.

I: Managing sustainable change

Positioning to weather: Timeless values

Our values define what we are made of - and who we aim to be. They reflect the way we should operate, internally and externally. And they're summed up in our tagline: 'Tomorrow's Answers Today'.

We believe the future belongs to those smart enough to challenge it. Exponential progress belongs to those who not only think with courage, but have the determination to deliver on their thought.

Our values give us standards to measure ourselves by, particularly in human interactions. They have real meaning for us and the way we behave. Through them, our practices and curious attitude set us apart.

- 1 **Focusing on our customers' future first**
- 2 **Embracing entrepreneurial thinking**
- 3 **Developing the talents of our people**
- 4 **The courage and curiosity to question**
- 5 **Integrity and responsibility in our actions**

Making the best decisions: Acclimatizing governance

We work hard to provide our people with systems that ensure that, no matter what their environment, they are empowered to make the best, and the right, decisions.

We also reaffirm our commitment to key sustainability issues in the non-financial Letter of Representation that our Chief Executive signs - renewing the company's written promise, every year.

Besides this, you may have noticed that in each of our annual reports, a statement of compliance with the Code of Corporate Governance is signed by the Chairman and the Chief Executive.

Code of conduct

In sync with our existing Code of Conduct, we launched, through AkzoNobel, a new Code of Conduct - which was approved by the ICI Pakistan board in October 2008.

Competition Law compliance forms an integral part of ICI Pakistan's Code of Conduct. Our representatives attended awareness sessions with the Competition Commission of Pakistan (CCP) to gain a fuller understanding of the new law.

We filed exemption applications for over 45 agreements in accordance with the Competition Ordinance - the CCP approved all exemptions sought.

In January 2009 ICI Pakistan's Corporate Legal Department organized a session on "The Supportive Role of the Competition Commission of Pakistan in Promoting Business". Held at the ICI Pakistan Karachi head office, our management and in-house legal counsels from other corporations also attended.

Speak Up: Our whistle blowing program

Speak Up is ICI Pakistan's 'whistle-blowing' system to report corrupt, unethical or illegal behavior - if employees do not feel able to use the normal management routes. Speak Up was introduced internationally at the end of 2003, and since then has received approximately 200 calls within the group, globally.

Our employees know not to ignore situations they suspect might turn into business conduct violations. We urge them to directly express their concern. That simple expression could help prevent a colleague or friend from making a mistake.

Speak Up is always available if they'd rather not talk directly with their colleagues or management. At the global Speak up hotline, employees can interact in a language of their choice. Complete anonymity is assured to employees using this program.

In 2008, the Speak Up program was accessed 8 times by ICI Pakistan employees. Each instance was investigated by senior executives from the Group and the ICI Pakistan businesses involved, with action taken to resolve the situation. A summary of the outcome was made available to the person who initiated this action cycle.

While we encourage local resolution, we value the Speak Up program. The issues raised through the program are reviewed twice a year by the Audit Committee of the ICI Pakistan Board of Directors.

The next sphere: Voluntary commitments

We also strive to adhere to cutting edge standards of sustainability.

UNGC Signatory

To us, signing the United Nations Global Compact means that within our sphere of influence, we embrace, support and enact its Ten Principles. These form a set of core values in the areas of human rights, labor standards, the environment and anti-corruption.

Global sustainability indices

We at ICI Pakistan are also proud to be a part of the AkzoNobel Group - which is on the DJSI and FTSE4GOOD.

To share some background: A number of independent indices follow the sustainability performance of companies. Their benchmarks are an important tool for the financial community in selecting sustainable investment opportunities.

The Dow Jones Sustainability World Indexes (DJSI), benchmarks the sustainability performance of companies based on environmental, social and economic performance, including forward-looking financial indicators. The DJSI Chemicals industry sector consists of around 90 companies. Membership is restricted to the top ten percent of companies with the highest scores on environmental, social and governance performance.

Created by the FTSE Group, a global index company, the FTSE4GOOD Index series is designed to identify companies that meet globally recognized corporate responsibility standards.



How we thrive: The talent factory

ICI Pakistan is one of the largest companies in the country. And, an employer of choice.

With a human capital of over 1,300 employees in our Talent Factory, we know that our employees shape our company's future. Our talent factory team is on a mission: to unleash the organization's intellectual energy to propel extraordinary business growth. We value and encourage continuous improvement at all levels - all for forming a sustainable structure that will carry us through this climate of change

Our high performance culture gives us the impetus to deliver success, today and tomorrow.



What the talent factory approach means to us

We understand that our business will grow only if our people grow too. This is why one of our values is all about developing their talent.

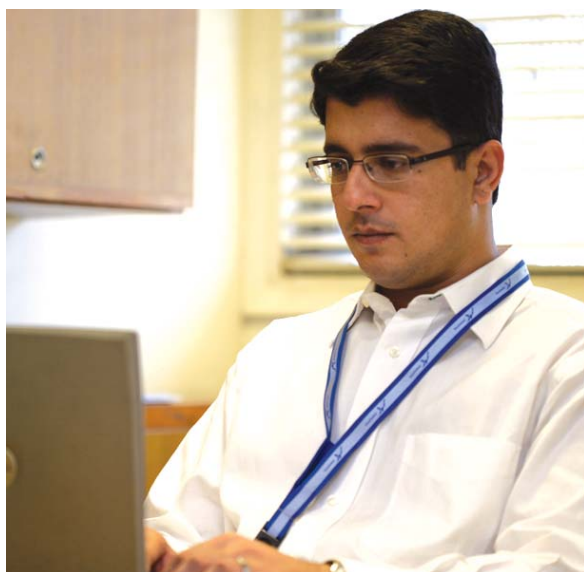
We firmly believe all our employees have talents that need to be developed and nurtured. We know - we hired them!

Nurturing the talent factory: 2008 trainings overview

Talent Development Overview

We're even more excited because now, as part of the larger AkzoNobel group, we can offer our talent more growth and career opportunities through a broader scope of businesses, all over the world.

- In 2008, we invested in training 901 of our employees
- 530 employees attended in-house workshops tailored to their needs



In terms of the type of training, the details are:
Managerial effectiveness

- 540 person-days invested
- 4 senior executives attended leadership programs at INSEAD and Oxford University

Personal effectiveness

- 449 person-days invested

Functional effectiveness

- 842 person-days invested
- 75 junior to middle level managers were trained on selling skills specific to our products

In 2009, our talent factory team is working to integrate the Performance & Development Dialog and the employee survey into our existing indicators.

HSE talent development

Given the nature of our business, we invest heavily in HSE training and practice. 100 managers were trained on various HSE aspects and seven of them attended AkzoNobel's HSE Conference in Kuala Lumpur.



II: A sustainable environment

Primarily, our risks stem from the hazardous materials we handle – throughout our supply chain. In our ‘Supply Chain Ethics and Empowerment’ section, we share more about how we have worked hard to prevent risk from emerging.

Health and safety indicators

We have a robust HSE Management System, covering safety, health, environmental performance and product stewardship.

Sharing experiences and best practices is an essential part of raising the bar of our overall performance. For example, we have an incident logging database called the “Learning Events Database”. We use this for reporting any incident which could cause an injury or illness. We report on what we define as the 3 pillars of an injury free performance:

- Personal Safety
- Process Safety
- Product Safety

We analyze and investigate reported incidents. We share the learnings and recommendations. Through this routine sharing of incidents, our businesses are able to investigate and analyze vulnerabilities. We use this information as a leading indicator to improve our practices.

Our cross-functional “Safety Improvement Teams” involve shop floor-level team members into the HSE improvement processes.

In addition to internal HSE audits, we open ourselves to inspection by external auditors for ISO certification. Furthermore, we have integrated these systems to leverage audit findings towards developing and implementing robust improvement plans - enabling us to continuously upgrade our safety standards.

360° Environmental impact performance review

Health, safety and environment (HSE) flow through every aspect of our business. Sustained improvement is delivered by a rolling program of five year targets. Challenge 2010 is focused on a broader sustainability base and its targets are based on percentage reductions from the 2005 burden values per ton of production. We report the percentage changes from the baseline year 2005.

We, at ICI Pakistan Limited, plan to make significant progress by 2010 towards our long term goal to eliminate all emissions of hazardous materials. Internally we intend to determine our environmental footprints across key activities and products, so that future improvements are targeted for maximum impact.

a) Land

Effective and innovative solutions to waste management throughout the year enabled us to significantly reduce the amount of waste generated. Hazardous waste is down per ton of production – with some increase in non-hazardous waste.

We continue to review all our sites for possible soil and groundwater contamination.

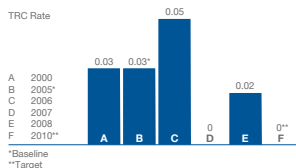
A few examples from our operation sites follow.

Paints; Solvent recycling

In the paints industry, the thorough cleaning of manufacturing equipment is critical for product consistency. Solvents are the only solution for the complete removal of the remnants of the previous batch within our equipment. Thus, high consumption of thinner and resulting level of wastage- was among this business’s main concerns.

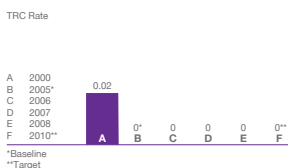
Total recordable case rate

Employees & supervised contractors
Reduction Target over Baseline 2005: 20%



Total recordable case rate

Non supervised (other) contractors
Reduction Target over Baseline 2005: 20%



The challenge was to develop a low cost, efficient solvent recycling facility – one that would conform to our standards and be commercially viable. Inputs and information towards a permanent solution were exchanged with a local contractor and a project outline was defined.

80 percent of the used solvent was recovered in a trial run. After evaluation, our R&D lab approved this for reuse as a cleaning solvent. Benefits include:

- Cost reduction
- A reduction in the fire load on the site
- The shifting of our waste disposal hierarchy from a lower to the higher category of recycle after process – in line with Challenge 2010.

Soda Ash: Reducing NPOs (Non-Product Output)

The Soda Ash plant had product drying equipment as old, well, as itself - called finishing machines. The sealing arrangement of these machines contained hazardous asbestos. Through technology upgrades, during our 50 kiloton per annum expansion project, these machines were replaced with steam calciners - which reduced asbestos usage, thus significantly lowering our generation of hazardous NPOs.

Polyester: Reducing NPOs

During the production of polyester, polymer waste is produced at different stages of the fiber making process. Project Salvage was initiated for the reduction of non-hazardous NPOs. The waste generated in the process was recycled and significantly reduced our non hazardous NPOs.

b) Air

We achieved an across-the-board reduction in air emissions from the targets set in our baseline year, 2005. Our acid gases are comprised of process emissions from manufacturing and combustion emissions from the energy that we use. We share with you below the initiatives our businesses have taken towards energy efficiency and resource conservation.

Polyester: Reducing emissions

To produce more electricity, gas turbines operating on natural gas were substituted for dual fuel engines operating on furnace oil and natural gas. We installed waste heat recovery boilers to capture free steam from this process. Overall, this has reduced energy related emissions CO2 in Polyester Business by 23% over baseline 2005 and reduced energy consumption by 18.5% over baseline 2005.

We also undertook several energy saving projects, including:

- Cooling water pressure reduction
- Steam reduction at draw lines oven zones
- Installation of a bigger capacity compressor
- Installation of a reverse osmosis plant
- Single baler operation.

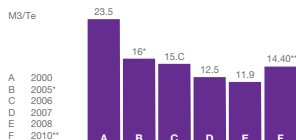
Soda Ash: Energy improvement

Energy improvement and hence carbon footprint reduction contributors included:

- Improvement of water quality from the Jhelum river by adding more bore hole pumps near the river bed, resulting in improved heat transfer at different stages of the process
- Targeted energy improvements carried out include chemical cleaning of different process units, boilers, application of stringent energy monitoring system and an improved steam balance of the plant.

Water usage

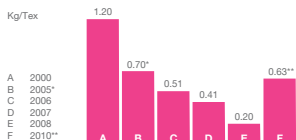
M3 per ton of production
Reduction Target over Baseline 2005: 10%



*Baseline
**Target

Aquatic oxygen demand

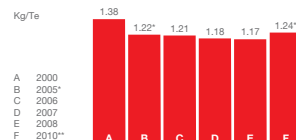
Kg per ton of production
Reduction Target over Baseline 2005: 10%



*Baseline
**Target

Total waste

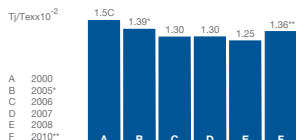
Kg per ton of production
Reduction Target over Baseline 2005: 10%



*Baseline
**Target

Energy

Terejoule per ton of production
Reduction Target over Baseline 2005: 5%



*Baseline
**Target

Energy associated CO2

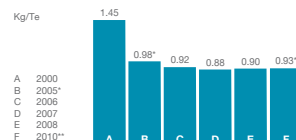
Kg per ton of production
Reduction Target over Baseline 2005: 10%



*Baseline
**Target

Greenhouse gases

Kg per ton of production
Reduction Target over Baseline 2005: 5%



*Baseline
**Target

c) Water

We achieved an important decrease of 73 percent in our aquatic oxygen demand (AOD) and 26 percent in our water usage, since our baseline targets were set in 2005.

Polyester: Cleaner water

During the process of esterification, water is a by-product. This water has a high level of volatile organic compounds which are then distilled in the Organic Stripping Column (OSC). As the polyester manufacturing rate increased, the OSC became a bottle neck with reduced efficiency.

Now, the OSC distributor has been modified and the bottleneck resolved. The OSC functions better and relatively cleaner water is sent to the waste water treatment section. The quality of the effluent being discharged from the site has also improved. This treated water is also reused at our site for irrigation and horticulture.

Paints: 45% Water Usage Reduction

The only liquid effluent produced at our Paints plant is from the washing of reusable tanks. We now process this water through an effluent treatment plant at-site. While in the past this treated water was disposed as waste, we now store the effluent water in newly built tanks and use it for washing purposes - instead of fresh water. With 100 percent recycled water being used for tank washing purposes, this site's total water usage reduction (m3/te of product) is 45 percent lower than in the baseline year, 2005.

d) Leveraging operational efficiencies

We at ICI Pakistan, believe that world class manufacturing leads to world class health, safety and environmental performance. Evidence points to the fact that the opposite, is not true. Through a focused approach on maintaining "fit for purpose" plants we have phased out obsolete equipment, improved manufacturing and operational practices and accrued cost benefits in energy related indices.

As you've seen in the graphs above, each of our sites and locations is stretching improvement objectives ahead of our Sustainability Challenge 2010 targets.

We have made solid progress in reducing our energy consumption and greenhouse gases per ton of production – a manifestation of the strength of our commitment to environmental responsibility at all levels of our organization.

Although we've shared details of our Operational Efficiencies in preceding sections, particularly the one entitled Air, some more follow below.

Chemicals Business

- Reduced the third shift of operations through better Production Planning
- Process mapping to reduce batch cycle times
- Energy saver lights installed
- Products with low gross margins and high energy consumption replaced
- Cleaning water usage reduced through jet pressure cleaning.

Paints

- One MSD (multi shaft disperser) replaced five HSDs (high speed dispersers)
- Reduced product cycle times to minimum via product formulation changes
- High oil consumption and resin wastage due to drum-handling by forklift trucks was reduced by replacing drums with bulk dispensing
- Installed motion sensors in conference rooms to automatically switch off lights when vacant
- Product cycle time reduced to minimum through product formulation change

Full-circle: Product life cycle management

At ICI Pakistan, we define product stewardship as: "the activities which enable a business to ensure that a product is developed, promoted, distributed and marketed in a socially acceptable manner with respect to HSE&S matters and to demonstrate that this has been done. It includes a knowledge of the foreseeable uses to which the product could reasonably be put and the fate of the product after use or disposal into the environment."

To give you an overview: we begin upstream, with intensive supplier-evaluations. Every few years, we consolidate our information collected on suppliers' policies and practices, and then select and work with the best.

Distribution channel measurement and logistics are also carefully evaluated. In this report we've shared stories of the time and energy we've invested in making some of our Hauliers, CEFIC-compliant.

We also look at the responsible management of our raw materials and ensure that waste is minimized and disposed responsibly.

Warehousing options are assessed with scrutiny similar to that exercised for other outsourced steps in our value chain.

No product life cycle program is complete without investing in customer awareness. We conduct product handling assessments evaluations and a few capacity building projects with our customers.

III: Sustainable communities

Supply chain ethics and empowerment

At ICI Pakistan we consider ourselves all-weather friends, not the seasonal kind. We want to help our stakeholders get to the fair-weather – and keep enjoying it.

We do what it takes to meet our code of conduct, formally and in spirit. Along with many of our contractors, whom we've helped train, we create a rigorous stream of documentation to track our materials.

In this report, we share with you some stories that remind us why we're so proud to be a part of the ICI Pakistan family.

'What did you do for ICI today?'

Azad Transporters: 4 generations & going strong

"Our father used to hold his uncle's pinky finger and come to ICI Pakistan with him," shared Mohammad Azad, one of three brothers currently running Azad Transporters. That, was the induction of his family's third 'generation' into their work with ICI Pakistan.

His paternal grandfather, Haji Mohammad was ICI Pakistan's first transporter. Back then he used a camel cart to transport dry cargo for ICI Pakistan, within Karachi.

No one knows exactly when he started working with ICI Pakistan. The brothers do know that in 1932, their grandfather bought his first petrol vehicle from a military auction. Enterprising spirit that he was, he had the vehicle fixed, painted and started using it instead of the camel cart. He worked at ICI Pakistan during the day, and at night would transport wood as fuel for cooking.

The Azad Transporters family now has four trucks, two heavy and two light, with a total capacity to transport around 60 tons at any given time.

"The ICI Pakistan HSE people have helped us identify what materials are DG [dangerous goods] and

non-DG," shared another brother, Mohammad Ashfaq. They now use the protective gear needed to handle their cargo. They still love their work, and have a profound sense of responsibility towards delivering results: they've come to work after their Eid prayers when needed.

"When we'd go home after work, our grandmother would ask us, how much work did you do for ICI Pakistan today," Azad said, highlighting how long his family's livelihood had been tied with ICI Pakistan. "Our relationship and cooperation with everyone has been great - that is how we've had such a long-term relationship with ICI Pakistan," said Azad.

"ICI Pakistan is our home," Azad said. "Our community doesn't call us by our last name, everyone just knows us as 'ICI Pakistan Wallay' (the 'ICI Pakistan people')."

We at ICI Pakistan would like to believe that such is the result when we conduct our relationships based on our values.

ICI Pakistan: 'The force behind our transformation'

Partners in progress: Shakoor and Company

We've been interacting with Shakoor and Company since 1981, when our Polyester plant was set up. The company was set up by Abdul Shakoor in 1965 when he moved to Pakistan from Kenya. On his way here, he bought four 10-ton Bedford vehicles from London – and with that he started his company.

Before working with ICI Pakistan, the company had a total carrying capacity of 280 tons. In sync with ICI's needs, Shakoor and Company expanded alongside. Then, ICI's business and their professional reputation further catapulted the company's growth. Now, their carrying capacity is 7,800 tons. With 485 employees, they currently cater to 18 companies in eight industrial sectors.

Our relationship further deepened a decade ago. In 1998, ICI Pakistan worked with the company to become CEFIC compliant. The European Chemical Industry Council (Conseil Européen de l'Industrie Chimique) is a Brussels-based international scientific

association that has rigorous standards for handling industrial chemicals.

The CEFIC compliance project was a 36-month effort that our HSE department helped define. Together, with the international expertise we engaged, a tri-partite committee implemented this system. We helped two of our major business partners develop the technical expertise and systems required to meet the rigorous CEFIC road safety guidelines for chemical transportation and handling.

“We now have professional management – we have Chartered Accountants, MBAs, mechanical engineers,” he said, adding that this is still far from the norm within his industry in Pakistan. “Even our HR system is modeled after ICI,” Mr. Shakoor said.

He emphasizes that ICI Pakistan was the force behind his company’s transformation – otherwise companies tend to shy from taking such initiatives on their own.

“My father always says,” he summed up, “whatever we are now, almost all of it is because of ICI.”

Strategizing philanthropy: a welcome change

We endeavor to ensure that we qualify as responsible corporate citizens, by ensuring a sustainable improvement in the lives of the communities we operate in.

The ICI Pakistan Foundation was created as a trust in 1991 to channel our support of various social development initiatives in the health care and education sectors. The Foundation is allocated a percentage of the company’s profit every year to invest in philanthropic activities. Our grants are intended to complement rather than substitute government or other private funding.

In addition to what we’ve called our corporate social responsibility initiatives, our businesses support

organizations and events in the education, health and environment sectors in and around the communities where their manufacturing sites are located. Some of our ongoing commitments are highlighted in the table that follows on the next page:



Philanthropic activities table

A sampling of philanthropic activities over the years

Initiative	Manifestation	Units of Measure	2008 Social Value Contributed	Cum. Social Value Contributed	Since	Cum. Years
Winnington Hospital Community Health Services	ICI's Winnington Hospital, Khewra provides free weekly out-patient facilities, including free medications when needed	Patients Treated/Month, free	15,420*	-	1972**	36
		Lab Tests Provided	960	-		
		Free (65%) & at-Cost Rs. Value of Free Consultations Provided to Community*	3,084,000*	-		
LRBT Eye Clinic Program	2-day monthly clinics, free to the public, includes OPD consultation & surgeries	Minor & major surgeries performed	744	10,823	1991	17
		Out-patients treated	6,844	104,012		
		Rs. Value of ICI Support to Eye Clinic	663,944	-		
Project Green	Forestation of used lime beds at our Khewra plant	Trees planted Acres covered	-	361,000 152	1992	16
Education Support to Tibbi Harya	Holistic soft & infrastructural support to school in village, including cold drinking water, building extension & transportation	Rs. Invested % Increase in students since ICI Involvement Students enrolled since ICI Involvement	284,000	2,023,000 160 67	2002	6
Clean Water for Khewra	Facilitating Community Access to 24 hour running water for domestic use	Water Taps Provided		10	1944**	64
SOS Children's Village	Monetary donations & outdoor activities with the children	Rs. Invested Smiles Celebrated	1,700,000	4,900,000 Priceless	2005	3
Support for the 2005 Earthquake	a) Monetary donations for re-building Bararkot school building destroyed by the earthquake	Rs. Invested Children Enrolled		15,100,000 108	2005	3
	b) Company & employee donation	Rs. Value		- 32,000,000***		
WWF Communities	Donations to WWF's work with local communities, including their Save the Turtle project	Rs. Invested	621,000	4,642,000 -	1999	9

*estimated on a weekly free consultation for about 300 patients @ Rs 200

**approximate year of commencement

***includes Rs 4.2 m Employee Contribution

All Rs values in bold



We want to tell you a bit more about some of our initiatives.

a) Winnington Hospital & our MedTeam

Founded in 1943, our Winnington Hospital is located on-site at our Soda Ash plant, Khewra.

In addition to serving our staff, in the 1970s, the hospital also started serving the community by providing free daily out-patient facilities.

Equipped with a well-established operation theater, the hospital serves as a hub of medical activity for the benefit of the Khewra community. For instance, we actively participate in all the immunization campaigns launched by the Government. The Hospital is used to conduct regular immunization for all community children against infectious diseases.

In collaboration with local NGOs, the hospital team volunteers their personal time one Sunday every month to conduct medical camps in the vicinity of Khewra and the Pind Dadan Khan district. Our doctors also network to be able to offer complimentary medication to those who need help affording complete healthcare.



b) LRBT Eye Clinic & IOL Bank

With the assistance of Layton Rahmatulla Benevolent Trust (LRBT) doctors, we conduct Eye Clinic programs at our Winnington Hospital, Khewra. The two-day monthly clinics, open to the public, include consultation as well as major and minor surgeries. All performed free of cost since inception in 1991.

Over the years, the program has been strengthened to respond to increasing community needs for eye care services. Our team has also built an intraocular lens (IOL) Bank and has 50 IOLs on standby at any given point. All patients operated for cataracts are now implanted with IOLs.



c) Education support to Tibbi Harya

We also actively support the Sheikhpura Community, with particular focus on the small village of Tibbi Harya, adjacent to our Polyester Plant. In collaboration with Idara-e-Taleem-o-Aghai, a local NGO, we have improved the infrastructure of the community school.

With the extension of the school building and induction of qualified teachers the number of students has increased from 42 to 109. We support the community in other ways too: for instance, we provide transport to the teachers and cold drinking water for the school.

Our employees are individually involved too: their personal contributions under the 'adopt a school' program support students with school fees and uniforms, when needed.

d) Project Green

Initiated in 1992, Project Green is a tree plantation drive at Khewra on its dried up lime beds. To date we have filled 152 acres of used lime beds and planted 361000 trees, with a survival rate of 84%. The biodiversity of the area has improved considerably turning it into a sanctuary of birds and mammals, plus a recreational area for the local people.





What the future holds

It's not exactly breaking news that we're committed to the communities where we live and work.

In 2009, we're formalizing our employee community engagement program. We encourage our employees to get involved in community activities. The aim of our individually tailored volunteer program, for instance, is to encourage employees to apply their unique abilities to actively contribute to their local communities - while developing their own talents and leadership skills all while feeling good!

We're also excited about our project with the fishing community in Karachi. So we can't help but give you a sneak peak into the nascent program: together with the EU and Tameer Micro Finance Bank our Chemicals business will provide the technical passion and input required to provide fishermen with insulated catch holds. This will help sustain the quality of their catch. And, meet export standards that the community currently cannot meet, given the lack of a climate conducive for their catch to remain fit for human consumption - as defined by various international authorities.

In 2009 we're also going to launch the next phase of our partnership with the Pakistan Center for Philanthropy (PCP): A company-managed donation program. Employees have the option to donate any percentage of their salary to 'approved' non-profit organizations through PCP's Give2Pakistan program - of which we are the first corporate partners. This is to facilitate our employees donating to high impact, credible and transparent NPOs. (Non Profit Organizations).

To find out how these initiatives turn out, you will have to wait for our next sustainability report.



Assurance Statement

To the Stakeholders of ICI Pakistan Ltd.

ICI Pakistan Limited's Sustainability Report 2008 (the Report) has been prepared by the management of ICI Pakistan Limited, who retain responsibility for its content. URS has been engaged by ICI Pakistan Limited to conduct an assurance engagement on information reported in ICI Pakistan Limited's Sustainability Report 2008 (the Report), to carry out a reasonable assurance engagement on the full Report.

Intended Audience

This assurance report is made solely to the management of ICI Pakistan Limited in accordance with the terms of our engagement. This statement may not be relied upon by individuals or organizations external to ICI Pakistan Limited.

Disclaimer

URS advises stakeholders not to rely on the assurance statement in the course of financial or other critical decision making about the client company.

Declaration of Independence

This is the first year URS has provided independent assurance services in relation to ICI Pakistan's sustainability reporting. With the exception of this assurance work and ISO 9001/14001 certification services, URS have provided no other services relating to ICI Pakistan's approach to sustainability or any of the business processes relating to the management of the issues discussed in the Report.

Our Assurance Team

Our assurance team has been drawn from our verification and assessment team. All members of the team are experienced in social, ethical and environmental assurance having worked on similar engagements for a number of significant local and international businesses.

Scope & Level of Assurance

- In The Report, ICI Pakistan Limited describes its efforts and progress in relation to sustainability in 2008.
- Our engagement was designed to provide limited assurance on whether the information in The Report is fairly stated.

- 'Fairly stated' means that the reported information properly reflects the information contained in the underlying sources such that it is consistent with the source information.
- We do not provide any assurance on the achievability of future information (such as targets, expectations and ambitions).

Basis for Assurance

There are currently no statutory requirements in Pakistan in relation to the independent review of corporate responsibility reports. The AccountAbility AA1000 Assurance Standard sets out principles for social and environmental report assurance and we have used this standard to set out our conclusions by reference to the assurance principles described in the AA1000 Assurance Standard.

We have also reviewed the Report against the Global Reporting Initiative's G3 Sustainability Reporting Guidelines (GRI).

Limitations

Our review did not include:

- Testing the processes for gathering or reporting the various data presented in the Report. Therefore, we provide no assurance on the completeness, quality and accuracy of the data included in the Report.
- Conducting stakeholder dialogue activities. Therefore, our conclusions on materiality and responsiveness are based on the review of outputs of stakeholder dialogue provided to us by ICI Pakistan.

Methodology

We conducted the following activities in order to assure The Report:

- Review of the systems and processes used to generate the information in the report;
- Review of the systems used for generating, validating and aggregating the data at corporate level;
- Visited five ICI Pakistan sites in Karachi, Lahore, Sheikhpura and Khewra to assess the quality of the local data management systems and the reliability of the reported data;
- Interviews with staff and management;
- Review of internal and external documentation;



Assurance Statement

- Media analysis and internet search on the selected issues, to obtain independent information and context for these issues in the reporting period.

During our investigation we discussed the necessary improvements in The Report with ICI Pakistan Limited and determined that these changes have been adequately incorporated in the final version.

Our conclusions

In our opinion, the report provides a fair representation of the progress ICI Pakistan is making in living out its commitments to managing its sustainability and environmental performance. The main findings are identified below

Materiality

Has ICI Pakistan provided a balanced representation of material issues concerning ICI Pakistan's corporate responsibility performance?

- The Report provides a balanced representation of material aspects concerning ICI Pakistan's corporate responsibility performance.
- ICI Pakistan has not undertaken engagement activities with key stakeholders in order to determine the selection of issues reported. We understand from ICI Pakistan that this process will be used in determining the content of future corporate responsibility reports.
- The Report does not cover the core GRI indicators, nor does it explain the reasons for any omissions.

Completeness

Does ICI Pakistan have complete information on which to base a judgement of what is material for inclusion in the Report?

- We are not aware of any material issues excluded or misstatements made in relation to the information provided to the Corporate Communications & Public Affairs office on which judgements are made in respect of progress against corporate responsibility and the content of the Report.
- Corporate responsibility/Sustainability key performance indicators have yet to be implemented against which each

operating business unit should report progress.

- We have tested claims and statements made in the Report regarding ICI Pakistan's Sustainability performance by obtaining supporting evidence from ICI Pakistan.

Responsiveness

Has ICI Pakistan responded to stakeholder concerns?

- We consider that the Report's scope and content addresses issues expressed in the stakeholder dialogue outputs provided to us by ICI Pakistan.
- ICI Pakistan is developing a method to track the identification, management and mitigation of sustainability issues in response to stakeholder dialogue. We understand from ICI Pakistan, that this method will be implemented in the financial year 2009 and it has therefore not been included in our review.

Recommendations

- The Report does not include stakeholder views of the accuracy and usefulness of information included in The Report. The reporting process would benefit from the inclusion of external stakeholder views and to include in future reports feedback from stakeholders on the usefulness, clarity and content of this report.
- Future reporting would benefit from a more comprehensive picture of targets and progress for all areas of the business in order that readers can obtain a clear picture of the progress and/or failures for comparison.
- The Report includes coverage given to stakeholder engagement and channels for stakeholder feedback. The challenge now is for ICI Pakistan to show how it has taken account of the feedback received, difficulties and dilemmas it has encountered and the difference made as a result of its sustainability engagements.
- Use of the Global Reporting Initiative Guidelines to benchmark the report is recommended.

We have provided our detailed observations and areas for improvement in a separate report to the ICI Pakistan's management.

On behalf of United Registrar of Systems
Ali Khan, Feb 2009

About this document

This is our first year of Sustainability reporting. We've worked hard and tried our best, but we have deeper ambitions for our 2009 Sustainability Report. We will be looking more formally at the Global Reporting Initiatives Guidelines and also hope to include more comparative target analyses with our annual sustainability-related targets.

Credits

Sustainability Report written by:
Khadeeja Balkhi, Sustainability Consultant.

Report designed by:
Adétude Private Limited

Contact us

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ICI Pakistan Limited Financial Statements



ICI Pakistan Limited is now part
of the AkzoNobel Group



AkzoNobel
Tomorrow's Answers Today

Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of ICI Pakistan Limited ("the Company") as at 31 December 2008 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 2008 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: 18 February 2009
Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants

Balance Sheet As at 31 December 2008

Amounts in Rs '000

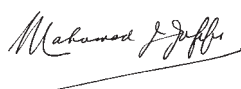
	Note	2008	2007
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital 1,500,000,000 ordinary shares of Rs 10 each		<u>15,000,000</u>	<u>15,000,000</u>
Issued, subscribed and paid-up capital	3	1,388,023	1,388,023
Capital reserves	4	465,845	465,845
Unappropriated profit		<u>10,830,012</u>	<u>9,544,582</u>
Total Equity		12,683,880	11,398,450
Surplus on Revaluation of Property, Plant and Equipment	5	962,795	1,012,167
LIABILITIES			
Non-Current Liabilities			
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	6	142,250	119,571
Deferred tax liability - net	7	597,650	-
		739,900	119,571
Current Liability			
Trade and other payables	8	4,281,110	6,250,235
Contingencies and Commitments	9		
Total Equity and Liabilities		<u>18,667,685</u>	<u>18,780,423</u>

Balance Sheet As at 31 December 2008

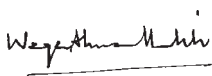
Amounts in Rs '000

	Note	2008	2007
ASSETS			
Non-current Assets			
Property, plant and equipment	10	9,353,769	8,506,736
Intangible asset	11	7,700	39,737
		<u>9,361,469</u>	<u>8,546,473</u>
Deferred tax asset - net	7	-	354,456
Long-term investments	12	712,500	582,500
Long-term loans	13	330,605	204,867
Long-term deposits and prepayments	14	30,684	37,357
		<u>1,073,789</u>	<u>1,179,180</u>
		<u>10,435,258</u>	<u>9,725,653</u>
Current Assets			
Stores and spares	15	538,540	605,480
Stock-in-trade	16	2,951,956	2,311,336
Trade debts	17	1,003,612	1,023,596
Loans and advances	18	193,254	137,680
Trade deposits and short-term prepayments	19	404,662	341,129
Other receivables	20	749,388	683,461
Taxation recoverable		419,934	337,032
Cash and bank balances	21	1,971,081	3,615,056
		<u>8,232,427</u>	<u>9,054,770</u>
Total Assets		<u><u>18,667,685</u></u>	<u><u>18,780,423</u></u>

The annexed notes 1 to 45 form an integral part of these financial statements.



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive

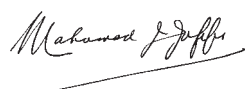


Feroz Rizvi
Chief Financial Officer

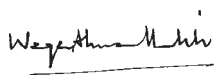
Profit and Loss Account For the year ended 31 December 2008

		Amounts in Rs '000	
	Note	2008	2007
Turnover	23	31,921,873	25,988,351
Sales tax, excise duty, commission and discounts	23	(3,957,958)	(2,964,228)
Net sales, commission and toll income		27,963,915	23,024,123
Cost of sales	24	(22,316,574)	(18,205,369)
Gross profit		5,647,341	4,818,754
Selling and distribution expenses	25	(1,220,525)	(1,074,549)
Administration and general expenses	26	(1,074,456)	(760,201)
		3,352,360	2,984,004
Financial charges	27	(219,308)	(146,421)
Other operating charges	28	(257,569)	(222,345)
		(476,877)	(368,766)
Other operating income	29	254,425	153,285
Profit before taxation		3,129,908	2,768,523
Taxation	30	(1,061,036)	(983,723)
Profit after taxation		2,068,872	1,784,800
		(Rupees)	(Rupees)
Earnings per share - Basic and diluted	31	14.91	12.86

The annexed notes 1 to 45 form an integral part of these financial statements.



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

Cash Flow Statement

For the year ended 31 December 2008

	Amounts in Rs '000	
	2008	2007
Cash Flows from Operating Activities		
Profit before taxation	3,129,908	2,768,523
Adjustments for:		
Depreciation and amortisation	806,044	874,389
Gain on disposal of property, plant and equipment	(7,437)	(1,100)
Provision for non-management staff gratuity and eligible retired employees' medical scheme	33,640	26,207
Mark-up on bank deposits and loan to subsidiary	(129,412)	(45,469)
Interest / mark-up expense	122,519	111,304
	3,955,262	3,733,854
Movement in:		
Working capital	(2,751,805)	548,170
Long-term loans	(21,738)	(5,180)
Long-term deposits and prepayments	6,673	35,562
Cash generated from operations	1,188,392	4,312,406
Payments for :		
Non-management staff gratuity and eligible retired employees' medical scheme	(10,961)	(10,715)
Taxation	(191,832)	(208,154)
Net cash generated from operating activities	985,599	4,093,537
Cash Flows from Investing Activities		
Payments for capital expenditure	(1,515,828)	(1,069,615)
Proceeds from disposal of property, plant and equipment	12,130	7,514
Profit / mark-up received	127,611	34,665
Long-term investment	(130,000)	(370,000)
Loan to subsidiary company - net	(176,000)	-
Net cash used in investing activities	(1,682,087)	(1,397,436)

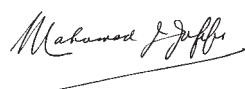
Cash Flow Statement

For the year ended 31 December 2008

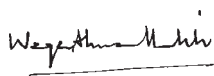
Amounts in Rs '000

	2008	2007
Cash Flows from Financing Activities		
Interest / mark-up paid	(114,672)	(105,146)
Dividend paid	(832,815)	(763,437)
Net cash used in financing activities	(947,487)	(868,583)
Net (decrease) / increase in cash and cash equivalents	(1,643,975)	1,827,518
Cash and cash equivalents at 1 January	3,615,056	1,787,538
Cash and cash equivalents at 31 December - note 21	1,971,081	3,615,056
Movement in Working Capital		
<i>(Increase) / decrease in current assets</i>		
Stores and spares	66,940	100,159
Stock-in-trade	(640,620)	36,454
Trade debts	19,984	(292,920)
Loans and advances	16,426	12,359
Trade deposits and short-term prepayments	(63,533)	(53,970)
Other receivables	(64,126)	(122,724)
	(664,929)	(320,642)
<i>(Decrease) / increase in current liability</i>		
Trade and other payables	(2,086,876)	868,812
	(2,751,805)	548,170

The annexed notes 1 to 45 form an integral part of these financial statements.



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



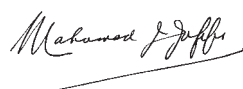
Feroz Rizvi
Chief Financial Officer

Statement of Changes in Equity For the year ended 31 December 2008

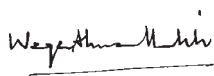
Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
Balance as on 1 January 2007	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
Changes in equity for 2008				
Final dividend for the year ended 31 December 2007 @ Rs. 3.50 per share	-	-	(485,808)	(485,808)
Profit for the year ended 31 December 2008	-	-	2,068,872	2,068,872
Transfer from surplus on revaluation of property, plant and equipment net of deferred tax - note 5	-	-	49,372	49,372
Total recognised income and expense for the year	-	-	2,118,244	2,118,244
Interim dividend for the year 2008 @ Rs. 2.50 per share	-	-	(347,006)	(347,006)
Balance as on 31 December 2008	1,388,023	465,845	10,830,012	12,683,880

The annexed notes 1 to 45 form an integral part of these financial statements.



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

Notes to the Financial Statements For the year ended 31 December 2008

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 paints, pharmaceuticals and animal health products; and merchandising of general chemicals. It also acts as an indenting agent and toll manufacturer. The Company's registered office is situated at 5 West Wharf, Karachi.

2. Summary of Significant Accounting Policies

The accounting policies adopted are the same as those which were applied for the previous financial year.

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 41.

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".

Past-service costs are recognised immediately in income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Notes to the Financial Statements For the year ended 31 December 2008

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. In addition to this the Company also provides group insurance to all its employees.

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 pre-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 rate 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 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 and 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.

Notes to the Financial Statements

For the year ended 31 December 2008

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 derecognised.

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 amortisation 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 it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Non-Financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset'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.

Notes to the Financial Statements

For the year ended 31 December 2008

2.11 Investments

Investments in subsidiary (ICI Pakistan PowerGen Limited) 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 realisable 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 the date of shipment from suppliers.
- Profit on short-term deposits and mark-up on loan to subsidiary is accounted for on a time-apportioned basis using the effective interest rate method.
- Dividend income is recognised when the right to receive payment is established.
- Toll manufacturing income is recognised when services are rendered.

2.18 Financial expense

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

2.19 Segment reporting

Segment reporting is based on the business segments of the Company, whereby the business segments are engaged in

Notes to the Financial Statements

For the year ended 31 December 2008

providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are Polyester, Soda Ash, Paints, Life Sciences and Chemicals, which also reflects the management structure of the Company.

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 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 recognised initially at fair value, net of transaction costs incurred. 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 realise the assets and to settle the liabilities simultaneously.

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

3. Issued, Subscribed and Paid-up Capital

2008 (Numbers)	2007		2008	2007
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
138,802,300	138,802,300		1,388,023	1,388,023

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

3.2 ICI Omicron B.V., which is a wholly owned subsidiary of AkzoNobel N.V., held 105,229,125 (2007: 105,229,125) ordinary shares of Rs 10 each at 31 December 2008. AkzoNobel N.V., acquired ICI PLC, UK, effective 2 January 2008, the parent company of ICI Omicron B.V., and became 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
	465,845	465,845

4.1 Share premium includes the premium amounting to Rs 0.902 million received on shares issued for the Company's Polyester Plant installation in 1980 and share premium of Rs 464.357 million representing the difference between nominal value of Rs 10 per share of 12,618,391 ordinary shares issued by the Company and the market value of Rs 590.541 million of 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	1,012,167	1,124,220
Less: Transfer to unappropriated profit in respect of incremental depreciation charged during the year net of deferred tax	(49,372)	(112,053)
Balance as on 31 December	962,795	1,012,167

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

	2008				2007				
	Funded			Unfunded	Funded			Unfunded	
	Pension	Gratuity	Total		Pension	Gratuity	Total		
6. Provisions for non-management staff gratuity and eligible retired employees' medical scheme - note 6.1	142,250				119,571				
6.1 Staff Retirement Benefits									
6.1.1 The amounts recognised in the profit and loss account against defined benefit schemes are as follows:									
Current service cost	27,894	25,302	53,196	5,813	21,658	20,464	42,122	5,175	
Interest cost	102,880	39,967	142,847	22,172	81,443	30,945	112,388	17,438	
Expected return on plan assets	(92,075)	(30,167)	(122,242)	-	(93,010)	(25,008)	(118,018)	-	
Termination cost	-	-	-	-	1,896	-	1,896	-	
Past service cost	(69,114)	-	(69,114)	-	-	-	-	-	
Recognition of actuarial loss	18,053	8,414	26,467	5,742	14,116	4,316	18,432	3,678	
Net (Surplus) / Charge for the year	(12,362)	43,516	31,154	33,727	26,103	30,717	56,820	26,291	
6.1.2 Movements in the net asset / (liability) recognised in the balance sheet are as follows:									
Opening balance	190,191	18,771	208,962	(119,809)	130,793	(6,469)	124,324	(104,444)	
Net Surplus / (Charge) for the year - note 6.1.1	12,362	(43,516)	(31,154)	(33,727)	(26,103)	(30,717)	(56,820)	(26,291)	
Contributions / payments during the year	36,163	86,893	123,056	11,047	85,501	55,957	141,458	10,926	
Closing balance	238,716	62,148	300,864	(142,489)	190,191	18,771	208,962	(119,809)	
6.1.3 The amounts recognised in the balance sheet are as follows:									
Fair value of plan assets - note 6.1.5	815,658	310,404	1,126,062	-	1,038,068	274,870	1,312,938	-	
Present value of defined benefit obligation - note 6.1.4	(1,117,525)	(442,477)	(1,560,002)	(259,784)	(977,855)	(373,060)	(1,350,915)	(204,472)	
(Deficit) / Surplus	(301,867)	(132,073)	(433,940)	(259,784)	60,213	(98,190)	(37,977)	(204,472)	
Unrecognised actuarial loss	540,583	194,221	734,804	117,295	129,978	116,961	246,939	84,663	
Recognised asset / (liability)	238,716	62,148	300,864	(142,489)	190,191	18,771	208,962	(119,809)	
6.1.4 Movement in the present value of defined benefit obligation:									
Opening balance	977,855	373,060	1,350,915	204,472	778,855	293,785	1,072,640	163,844	
Current service cost	27,894	25,302	53,196	5,813	21,658	20,464	42,122	5,175	
Interest cost	102,880	39,967	142,847	22,172	81,443	30,945	112,388	17,438	
Benefits paid	(92,439)	(38,789)	(131,228)	(11,047)	(78,983)	(25,599)	(104,582)	(10,926)	
Termination cost	-	-	-	-	1,896	-	1,896	-	
Past service cost - note 6.1.8	(69,114)	-	(69,114)	-	-	-	-	-	
Actuarial loss / (gain)	170,449	42,937	213,386	38,374	172,986	53,465	226,451	28,941	
Present value of the defined benefit obligation at the end of the year	1,117,525	442,477	1,560,002	259,784	977,855	373,060	1,350,915	204,472	
6.1.5 Movement in the fair value of plan assets:									
Opening balance	1,038,068	274,870	1,312,938	-	842,376	224,733	1,067,109	-	
Expected return	92,075	30,167	122,242	-	93,010	25,008	118,018	-	
Contributions	36,163	86,893	123,056	-	85,501	55,957	141,458	-	
Benefits paid	(92,439)	(38,789)	(131,228)	-	(78,983)	(25,599)	(104,582)	-	
Actuarial (loss) / gain	(258,209)	(42,737)	(300,946)	-	96,164	(5,229)	90,935	-	
Fair value of plan assets at the end of the year	815,658	310,404	1,126,062	-	1,038,068	274,870	1,312,938	-	
6.1.6 Historical information									
As at 31 December					2008	2007	2006	2005	2004
Present Value of defined benefit obligation					1,819,786	1,555,387	1,236,483	1,199,351	1,220,952
Fair value of plan assets					1,126,062	1,312,938	1,067,109	1,014,442	910,995
Deficit					693,724	242,449	169,374	184,909	309,957
Experience adjustments on plan liabilities					13%	16%	1%	8%	(2%)
Experience adjustments on plan assets					(27%)	7%	(9%)	7%	(2%)
6.1.7 Major categories / composition of plan assets are as follows:							2008	2007	
Debt instruments							20%	63%	
Equity							20%	13%	
Mixed Funds							-	18%	
Cash							60%	6%	

The unfunded liability included in the above table includes Rs 0.239 million (2007: Rs 0.238 million) pertaining to ICI Pakistan PowerGen Limited.

These figures are based on the latest actuarial valuation, as at 31 December 2008. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected future service life of current members.

The return on plan assets was assumed to equal the discount rate. Actual (loss) / return on plan assets during 2008 was Rs (178.704) million (2007: Rs 208.953 million).

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

6.1.8 Past service cost reflects a revision in the conversion factor for commutation of pension to lump sums.

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

	2008	2007
Discount rate	16.0%	11.0%
Expected return on plan assets	16.0%	11.0%
Future salary increases	13.8%	8.9%
Future pension increases	10.5%	6.0%

6.1.10 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:

	2008	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	13,420	15,292	11,883
Effect on the defined benefit obligation	162,429	183,527	144,769

6.1.11 The Company contributed Rs 49.339 million (2007: Rs 40.978 million) and Rs 23.509 million (2007: Rs 18.204 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

7. Deferred Tax (Liability) / Asset	2008			2007		
	Opening	(Charge) / reversal	Closing	Opening	(Charge) / reversal	Closing
Deductible temporary differences						
Tax losses carried forward	1,289,149	(1,074,724)	214,425	1,880,628	(591,479)	1,289,149
Provisions for retirement benefits, doubtful debts and others	169,889	116,906	286,795	149,395	20,494	169,889
Taxable temporary differences						
Property, plant and equipment	(1,104,582)	5,712	(1,098,870)	(1,000,434)	(104,148)	(1,104,582)
	354,456	(952,106)	(597,650)	1,029,589	(675,133)	354,456

8. Trade and Other Payables	2008	2007
Trade creditors - note 8.1	1,189,743	2,081,618
Bills payable	687,699	2,214,797
Sales tax, excise and custom duties	118,476	96,058
Mark-up accrued on short term financing	8,979	1,132
Accrued interest / return on unsecured loan - note 8.2 & 27.1	281,081	354,709
Accrued expenses	807,057	654,949
Technical service fee / Royalty	29,382	40,269
Workers' profit participation fund - note 8.3	168,694	150,790
Workers' welfare fund	162,818	98,942
Distributors' security deposits - payable on termination of distributorship - note 8.4	55,222	56,092
Contractors' earnest / retention money	9,680	8,599
Advances from customers	362,902	221,913
Unclaimed dividends	4,549	4,550
Payable for capital expenditure	217,028	107,123
Provision for compensated absences	20,000	20,000
Others	157,800	138,694
	4,281,110	6,250,235

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

Pakistan PTA Limited	342,989	1,197,090
AkzoNobel, UK (formerly ICI Plc, UK)	6,434	3,770
ICI Paints Asia Pacific	9,548	11,600
AkzoNobel Paints, Malaysia	1,882	21
National Starch and Chemicals	-	657
ICI India Limited	-	937
AkzoNobel Paints, Indonesia	95	-
CR Netherlands	40,100	-
	401,048	1,214,075

8.2 This represents amount payable to Mortar Investments International Limited.

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

	2008	2007
8.3 Workers' profit participation fund		
Balance as on 1 January	150,790	113,788
Allocation for the year - note 28	164,923	145,964
	315,713	259,752
Interest on funds utilised in the Company's business at 41.25 percent (2007: 41.25 percent) per annum - note 27	3,637	4,774
	319,350	264,526
Less:		
- Amount paid on behalf of the Fund	53,927	10,192
- Deposited with the Government of Pakistan	96,729	103,544
	150,656	113,736
Balance as on 31 December	168,694	150,790
8.4 Interest on security deposits from certain distributors is payable at 7.5 percent (2007: 7.5 percent) per annum as specified in the respective agreements.		
9. Contingencies and Commitments		
9.1 Claims against the Company not acknowledged as debts are as follows:		
Local bodies	14,531	12,870
Sales Tax authorities	92,844	97,192
Others	87,844	92,130
	195,219	202,192
9.2 A notice has been issued by the Environmental Protection Authority (EPA) against the Paints factory located at Ferozpur Road, Lahore. Pursuant to this an order has been passed by the EPA for violation of certain provisions of the Act. The Company has filed an appeal against the order in the Environmental Tribunal in Lahore and is of the opinion that the order is not justified.		
9.3 Guarantees issued by the Company in respect of financial and operational obligations of Pakistan PTA Limited pursuant to the Scheme amounting to Rs 2,370 million (2007: Rs 2,460 million) against which Pakistan PTA Limited has issued counter guarantees to the Company.		
9.4 Guarantee issued by the Company to a bank in respect of financing obtained by Senior Executives amounted to Rs 48 million (2007: Rs 18 million), in accordance with the terms of employment.		
9.5 Guarantee issued by the Company of Rs 133 million (2007: Nil) to a bank on behalf of its subsidiary ICI Pakistan PowerGen Limited for availing funded facility.		
9.6 A standby running finance facility of Rs 100 million (2007: Nil) is provided to ICI Pakistan PowerGen Limited at a markup rate of 6 months Kibor + 3%. No such facility was utilised as at 31 December 2008.		
9.7 Commitments in respect of capital expenditure and other expenditure amounted to Rs 594.881 million (2007: Rs 243.131 million).		
9.8 Commitments for rentals under operating lease agreements in respect of vehicles amounting to Rs 147.823 million (2007: Rs 115.502 million) are as follows:		
Year		
2008	-	45,450
2009	59,480	37,119
2010	52,383	28,768
2011	27,418	4,165
2012	8,542	-
	147,823	115,502
Payable not later than one year	59,480	45,450
Payable later than one year but not later than five years	88,343	70,052
	147,823	115,502
9.9 Outstanding foreign exchange contracts as at 31 December 2008 entered into by the Company to hedge the anticipated future transactions amounted to Rs 54.841 million (2007: Rs 623.133 million).		

Notes to the Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

10. Property, Plant and Equipment

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

Operating property, plant and equipment - note 10.2	7,516,758	7,728,909
Capital work-in-progress - note 10.6	1,837,011	777,827
	9,353,769	8,506,736

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

	Land		Lime beds on freehold land	Buildings		Plant and machinery	Railway sidings	Rolling stock and vehicles	Furniture and equipment	Total
	Freehold	Leasehold		On freehold land	On leasehold land					
2008										
Net carrying value basis Year ended 31 December 2008										
Opening net book value (NBV)	836,702	27,910	69,326	242,960	484,368	5,922,308	-	21,490	123,845	7,728,909
Addition/transfer (at cost)	-	-	15,498	14,113	23,470	447,949	-	20,278	45,241	566,549
Disposal/transfer (at NBV)	-	-	-	-	(135)	(3,443)	-	(198)	(917)	(4,693)
Depreciation charge	-	(20,761)	(6,568)	(32,397)	(51,758)	(613,338)	-	(9,828)	(39,357)	(774,007)
Closing net book value (NBV)	836,702	7,149	78,256	224,676	455,945	5,753,476	-	31,742	128,812	7,516,758
Gross carrying value basis At 31 December 2008										
Cost/Revaluation	836,702	567,799	133,820	871,133	961,296	15,084,152	297	124,837	606,786	19,186,822
Accumulated Depreciation	-	(560,650)	(55,564)	(646,457)	(505,351)	(9,330,676)	(297)	(93,095)	(477,974)	(11,670,064)
Net book value	836,702	7,149	78,256	224,676	455,945	5,753,476	-	31,742	128,812	7,516,758
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	
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
Addition/transfer (at cost)	-	-	-	6,400	186,197	1,180,450	-	4,592	32,453	1,410,092
Disposal/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)	836,702	27,910	69,326	242,960	484,368	5,922,308	-	21,490	123,845	7,728,909
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	836,702	27,910	69,326	242,960	484,368	5,922,308	-	21,490	123,845	7,728,909
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	

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.

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

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

Net Book Value	2008	2007
Freehold land	20,929	20,929
Leasehold land	15	32
Plant and machinery	5,538,264	5,622,648
Rolling stock and vehicles	31,742	21,490
Furniture and equipment	128,812	123,845
	<u>5,719,762</u>	<u>5,788,944</u>

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

Cost of sales - note 24	733,896	807,881
Selling and distribution expenses - note 25	947	1,068
Administration and general expenses - note 26	39,164	33,403
	<u>774,007</u>	<u>842,352</u>

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

Designing, consultancy and engineering fee	49,782	23,741
Civil works and buildings	274,207	92,658
Plant and machinery	1,300,228	529,461
Miscellaneous equipment	125,227	47,298
Advances to suppliers / contractors	87,567	84,669
	<u>1,837,011</u>	<u>777,827</u>

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

	2008				Particulars of buyers
	Cost	Accumulated depreciation	Net book value	Sale proceeds	
Building					
Scrapped	336	201	135	130	Shahbaz & Company, Malakwal
Plant and machinery					
Tender	912	508	404	866	Sheikh Khalil Ahmed, Lahore
Scrapped	12,373	9,604	2,769	1,150	Shahbaz & Company, Malakwal
Scrapped	405	210	195	961	ICI Pakistan PowerGen Limited
Rolling stock and vehicles					
Sold by negotiation - (Toyota Corolla Model 2004)	59	-	59	785	Bilal Saeed, Lahore
Sold by auction - (Suzuki Potohar)	221	156	65	307	Abdul Qadir, Lahore
Furniture and equipment					
Sold by negotiation	213	90	123	20	KBS Enterprises, Karachi
Sold by negotiation	109	31	78	20	General Traders, Karachi
Sold by auction	311	143	168	40	Irfan Traders, Lahore
Scrapped	275	156	119	75	Shahbaz & Company, Malakwal
Scrapped	172	108	64	50	Mega Computer, Lahore
	2007				
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

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

	2008	2007
11. Intangible Asset - SAP		
Net carrying value basis		
Year ended 31 December		
Opening net book value (NBV)	39,737	71,774
Amortisation charge	(32,037)	(32,037)
Closing net book value (NBV)	<u>7,700</u>	<u>39,737</u>
Gross carrying amount		
At 31 December		
Cost	168,781	168,781
Accumulated amortisation	(161,081)	(129,044)
Net book value	<u>7,700</u>	<u>39,737</u>
Rate of amortisation	<u>20%</u>	<u>20%</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>
12. Long - Term Investments - at cost		
Unquoted		
Subsidiary		
- ICI Pakistan PowerGen Limited (wholly owned) - note 12.1& 12.2 7,100,000 ordinary shares (2007: 5,800,000) of Rs 100 each	710,000	580,000
Others		
Equity security available for sale - Arabian Sea Country Club Limited	2,500	2,500
	<u>712,500</u>	<u>582,500</u>
12.1 During the year the Company has made a further investment of Rs 130 million (2007: Rs 370 million) in the wholly owned subsidiary. This investment has been approved by the shareholders in the extraordinary general meeting held on 20 July 2007 in which the Company had agreed to invest a sum of Rs 600 million (including Rs 400 million in equity and Rs 200 million as loan).		
12.2 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 2008 amounted to Rs 248.834 million (2007: Rs 288.333 million).		
13. Long-Term Loans - Considered good		
Due from Subsidiary - Unsecured - Long term loan - note 13.1& 18	200,000	96,000
Due from Executives and Employees - note 13.2	130,605	108,867
	<u>330,605</u>	<u>204,867</u>
13.1 This represents loans given to ICI Pakistan PowerGen Limited (wholly owned subsidiary) of Rs 120 million and Rs 200 million carrying mark-up at 3 months KIBOR + 1% and 3 months KIBOR + 2% respectively. These loans are repayable in five equal quarterly installments and nine equal semi annual installments commencing from 1 October 2008 and 1 October 2011 respectively.		

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

			2008	2007
13.2 Due from Executives and Employees	Motor car	House building	Total	Total
Due from Executives	57,166	44,951	102,117	71,913
Less: Receivable within one year	<u>7,717</u>	<u>14,913</u>	22,630	18,004
	<u>49,449</u>	<u>30,038</u>	79,487	53,909
Due from Employees			70,390	82,509
Less: Receivable within one year			19,272	27,551
			51,118	54,958
			130,605	108,867
Outstanding for period:				
- less than three years but over one year			90,819	58,134
- more than three years			39,786	50,733
			130,605	108,867
13.3 Reconciliation of the carrying amount of loans to Executives:				
Opening balance at beginning of the year			71,913	75,682
Disbursements			84,345	30,893
Repayments			(54,141)	(34,662)
Balance at end of the year			102,117	71,913
<p>The loan to executives includes an amount of Rs 2.870 million (2007: Rs 4.145 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.</p>				
13.4	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.			
13.5	The maximum aggregate amount of long-term loans due from the Executives at the end of any month during the year was Rs 102.117 million (2007: Rs 83.397 million).			
14. Long-Term Deposits and Prepayments				
Deposits			22,291	21,120
Prepayments			8,393	16,237
			30,684	37,357
15. Stores and Spares				
Stores (include in-transit Rs 13.271 million; 2007: Rs 30.528 million)			47,279	65,519
Spares			519,154	520,644
Consumables			76,768	74,978
			643,201	661,141
Less: Provision for slow moving and obsolete items			104,661	55,661
			538,540	605,480

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

	2008	2007
16. Stock-in-Trade		
Raw and packing material (include in-transit Rs 386.240 million; 2007: Rs 244.345 million)	1,489,937	1,116,753
Work-in-process	134,237	192,127
Finished goods (include in-transit Nil; 2007: Rs 28.068 million)	1,441,647	1,120,188
	3,065,821	2,429,068
Less: Provision for slow moving and obsolete stock		
- Raw material	67,435	89,363
- Finished goods	46,430	28,369
	113,865	117,732
	2,951,956	2,311,336
17. Trade Debts		
<i>Considered good</i>		
- Secured	305,110	480,439
- Unsecured	927,897	749,350
	1,233,007	1,229,789
<i>Considered doubtful</i>	193,363	135,400
	1,426,370	1,365,189
Less: Provision for Doubtful debts	193,363	135,400
Provision for Discounts	229,395	206,193
	422,758	341,593
	1,003,612	1,023,596
18. Loans and Advances		
<i>Considered good</i>		
Loans due from:		
Executives - note 13.2	22,630	18,004
Employees - note 13.2	19,272	27,551
Subsidiary - unsecured - note 13.1	96,000	24,000
	137,902	69,555
Advances to:		
Directors and Executives - note 18.1	5,530	8,903
Employees	5,174	1,070
Contractors and suppliers	41,561	54,802
Others	3,087	3,350
	55,352	68,125
	193,254	137,680
<i>Considered doubtful</i>	8,120	8,120
	201,374	145,800
Less: Provision for doubtful loans and advances	8,120	8,120
	193,254	137,680

18.1 The maximum aggregate amount of advances due from the Directors and Executives at the end of any month during the year was Rs 2.620 million and Rs 15.056 million (2007: Rs 1.992 million and Rs 8.068 million) respectively.

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

	2008	2007
19. Trade Deposits and Short-Term Prepayments		
Trade deposits	24,159	30,115
Short-term prepayments	380,503	311,014
	<u>404,662</u>	<u>341,129</u>
20. Other Receivables		
<i>Considered good</i>		
Duties, sales tax and octroi refunds due	260,181	331,842
Due from Associate - note 20.1	67,582	67,582
Insurance claims	23,360	21,267
Commission receivable	18,159	22,560
Interest income receivable from subsidiary	13,815	3,239
Interest income receivable	-	8,775
Rebates receivable	194,522	108,414
Others	171,769	119,782
	<u>749,388</u>	<u>683,461</u>
<i>Considered doubtful</i>	17,533	15,904
	<u>766,921</u>	<u>699,365</u>
Less: Provision for doubtful receivables	17,533	15,904
	<u>749,388</u>	<u>683,461</u>

20.1 The maximum aggregate amount due from ICI Omicron B.V. at the end of any month during the year was Rs 67.582 million (2007: Rs 67.582 million).

21. Cash and Bank Balances

Deposit accounts	120,000	1,950,000
Current accounts	1,614,887	1,385,398
In hand Cheques	221,248	262,972
In hand Cash	14,946	16,686
	<u>1,971,081</u>	<u>3,615,056</u>

22. Short-Term Financing

22.1 Running finance

The facilities for running finance available from various banks amounted to Rs 2,571 million (31 December 2007: Rs 2,571 million) and carry mark-up during the period ranging from 15.22 to 17.59 percent per annum (31 December 2007: 9.59 to 11.63 percent per annum). 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. No such facility was utilised as at 31 December 2008.

22.2 Term finance

The facilities for term finance available from various banks amount to Rs 550 million (31 December 2007: Rs 550 million). However no such facility was utilised as on 31 December 2008.

Notes to the Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

23. Operating Results

Note	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Company	Company
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Sales												
Inter-segment	-	-	-	-	-	-	-	-	569,840	483,496	-	-
Others	12,187,914	10,344,658	6,510,484	4,936,218	7,208,209	5,812,097	3,374,064	2,710,278	2,550,858	2,089,499	31,831,529	25,892,750
	12,187,914	10,344,658	6,510,484	4,936,218	7,208,209	5,812,097	3,374,064	2,710,278	3,120,698	2,572,995	31,831,529	25,892,750
Commission / Toll income	4,490	9,592	-	-	-	-	-	-	85,854	86,009	90,344	95,601
Turnover	12,192,404	10,354,250	6,510,484	4,936,218	7,208,209	5,812,097	3,374,064	2,710,278	3,206,552	2,659,004	31,921,873	25,988,351
Sales tax	-	-	1,064,410	680,999	905,199	717,941	-	-	251,467	185,054	2,221,076	1,583,994
Excise Duty	-	-	53,109	20,317	57,149	23,996	-	-	6,080	2,108	116,338	46,421
Commission and discounts to distributors and customers	54,254	81,846	126,512	71,037	956,653	754,714	360,139	302,894	122,986	123,322	1,620,544	1,333,813
	54,254	81,846	1,244,031	772,353	1,919,001	1,496,651	360,139	302,894	380,533	310,484	3,957,958	2,964,228
Net sales, commission & toll income	12,138,150	10,272,404	5,266,453	4,163,865	5,289,208	4,315,446	3,013,925	2,407,384	2,826,019	2,348,520	27,963,915	23,024,123
Cost of sales	24 11,155,231	9,429,385	3,716,355	2,952,549	3,695,790	2,807,793	2,007,005	1,595,024	2,312,033	1,904,114	22,316,574	18,205,369
Gross profit	982,919	843,019	1,550,098	1,211,316	1,593,418	1,507,653	1,006,920	812,360	513,986	444,406	5,647,341	4,818,754
Selling and distribution expenses	25 54,738	41,816	83,807	122,486	577,723	487,410	376,805	293,772	127,452	129,065	1,220,525	1,074,549
Administration and general expenses	26 196,463	146,717	253,314	226,236	382,363	167,734	141,217	115,667	101,099	103,847	1,074,456	760,201
Operating result	23.10 731,718	654,486	1,212,977	862,594	633,332	852,509	488,898	402,921	285,435	211,494	3,352,360	2,984,004
23.1 Segment assets	6,221,622	6,616,775	6,398,339	5,419,825	2,851,665	2,281,189	1,047,091	721,479	828,952	804,040	17,347,669	15,843,308
23.2 Unallocated assets											1,320,016	2,937,115
											18,667,685	18,780,423
23.3 Segment liabilities	1,053,424	2,770,608	1,506,505	917,456	1,096,805	811,225	763,269	1,011,096	301,285	499,470	4,721,288	6,009,855
23.4 Unallocated liabilities											299,722	359,951
											5,021,010	6,369,806
23.5 Non-cash items (excluding depreciation & amortisation)	5,718	5,855	17,493	15,356	4,710	1,281	2,691	2,484	3,028	1,231	33,640	26,207
23.6 Depreciation & amortisation	350,285	365,961	361,614	428,203	59,135	49,381	16,013	14,725	18,997	16,119	806,044	874,389
23.7 Capital expenditure	100,971	219,416	1,386,174	675,424	68,111	73,411	17,416	12,225	53,061	31,767	1,625,733	1,012,243
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.											
23.10	On a like to like basis excluding the effect of termination of Kansai OEM operations in Paints Business from 2007 and the necessary related one off provision in 2008, the operating results of the Company was higher by 22% at Rs 3,467 million (2007: Rs 2,842 million).											

Notes to the Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

24. Cost of Sales

	Polyester 2008		Soda Ash 2008		Paints 2008		Life Sciences 2008		Chemicals 2008		Company 2008	Company 2007
	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007	2007
Raw and packing materials consumed												
Opening 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
Purchases												
Inter-segment	-	-	-	-	569,840	483,496	-	-	-	-	-	-
Others	9,739,672	8,056,597	1,854,823	1,000,168	2,964,033	2,076,631	586,536	624,893	951,331	697,850	16,096,395	12,456,139
	9,739,672	8,056,597	1,854,823	1,000,168	3,533,873	2,560,127	586,536	624,893	951,331	697,850	16,096,395	12,456,139
	10,246,496	8,487,616	1,990,270	1,137,881	3,680,045	2,751,679	745,946	711,198	1,030,868	760,935	17,123,785	13,365,813
Closing stock - note 16	(512,080)	(506,824)	(370,987)	(135,447)	(324,080)	(146,172)	(111,021)	(159,410)	(104,334)	(79,537)	(1,422,502)	(1,027,390)
	9,734,416	7,980,792	1,619,283	1,002,434	3,355,965	2,605,507	634,925	551,788	926,534	681,398	15,701,283	12,338,423
Salaries, wages and benefits	256,109	217,280	410,304	345,449	74,667	60,261	2,764	2,625	23,539	20,128	767,383	645,743
Stores and spares consumed	90,866	83,697	118,300	79,714	1,763	6,992	-	-	4,288	4,105	215,217	174,508
Conversion fee paid to contract manufacturers	-	-	-	-	-	-	172,532	134,795	5,455	4,874	177,987	139,669
Oil, gas and electricity	665,838	453,313	1,170,754	804,066	16,851	12,046	-	-	7,290	6,820	1,860,733	1,276,245
Rent, rates and taxes	1,599	1,318	506	499	444	444	-	-	184	176	2,733	2,437
Insurance	20,703	46,510	15,979	28,268	20,665	25,989	2	6	187	376	57,536	101,149
Repairs and maintenance	955	740	125	837	11,895	12,172	10	8	2,334	1,940	15,319	15,697
Depreciation & amortisation charge - note 10.5 & 11.1	343,074	359,755	345,323	413,407	47,927	39,799	597	662	12,103	9,386	749,024	823,009
Technical fees	-	-	-	-	24,215	31,210	1,462	-	-	-	25,677	31,210
Royalty	-	-	-	-	-	-	-	-	18,265	13,924	18,265	13,924
General expenses	87,759	74,664	56,045	53,494	76,292	47,893	798	1,430	10,277	8,856	231,171	186,337
Opening stock of work-in-process	72,892	88,102	-	-	115,205	50,570	3,084	-	946	2,479	192,127	141,151
Closing stock of work-in-process - note 16	(108,866)	(72,892)	-	-	(19,851)	(115,205)	(5,024)	(3,084)	(496)	(946)	(134,237)	(192,127)
Cost of goods manufactured	11,165,345	9,233,279	3,736,619	2,728,168	3,726,038	2,777,678	811,150	688,230	1,010,906	753,516	19,880,218	15,697,375
Opening 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
Finished goods purchased	6,227	-	-	141,783	103,600	125,200	1,348,271	951,168	1,390,063	1,156,050	2,848,161	2,374,201
	11,547,475	9,805,288	3,749,495	2,969,310	4,017,730	3,053,553	2,489,704	1,925,307	2,585,634	2,098,579	23,820,198	19,368,541
Closing stock of finished goods - note 16	(392,244)	(375,903)	(33,140)	(12,876)	(221,852)	(188,092)	(476,184)	(330,283)	(271,797)	(184,665)	(1,395,217)	(1,091,819)
Provision for obsolete stocks - note 26	-	-	-	(3,885)	(100,088)	(57,668)	(6,515)	-	(1,804)	(9,800)	(108,407)	(71,353)
	11,155,231	9,429,385	3,716,355	2,952,549	3,695,790	2,807,793	2,007,005	1,595,024	2,312,033	1,904,114	22,316,574	18,205,369

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 43.962 million (2007: Rs 44.875 million) in respect of staff retirement benefits.

Notes to the Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

25. Selling and Distribution Expenses

	Polyester 2008	Polyester 2007	Soda Ash 2008	Soda Ash 2007	Paints 2008	Paints 2007	Life Sciences 2008	Life Sciences 2007	Chemicals 2008	Chemicals 2007	Company 2008	Company 2007
Salaries, wages and benefits	32,209	26,030	18,389	13,128	152,402	140,474	147,224	119,687	51,355	42,133	401,579	341,452
Repairs and maintenance	69	89	863	854	2,687	1,580	1,531	1,228	623	511	5,773	4,262
Advertising and sales promotion	1,064	344	1,251	1,082	172,330	136,015	90,357	74,202	2,091	2,014	267,093	213,657
Rent, rates and taxes	-	-	921	1,196	25,254	9,564	4,666	3,953	1,482	570	32,323	15,283
Insurance	-	-	914	808	160	147	5,128	2,002	4,091	3,652	10,293	6,609
Lighting, heating and cooling	15	12	885	859	3,721	3,426	1,684	1,552	258	281	6,563	6,130
Depreciation & amortisation charge - note 10.5 & 11.1	248	248	209	330	-	-	1,670	1,670	1,477	1,477	3,604	3,725
Outward freight and handling	7,515	7,145	48,363	92,212	159,682	120,687	-	-	21,610	20,710	237,170	240,754
Travelling expenses	5,081	3,695	1,308	2,848	31,951	49,410	65,509	45,168	13,317	12,772	117,166	113,893
Postage, telegram, telephone and telex	808	457	688	879	5,558	6,497	7,712	4,677	3,665	3,530	18,431	16,040
General expenses	7,729	3,796	10,016	8,290	23,978	19,610	51,324	39,633	27,483	41,415	120,530	112,744
	54,738	41,816	83,807	122,486	577,723	487,410	376,805	293,772	127,452	129,065	1,220,525	1,074,549

25.1 Staff retirement benefits

Salaries, wages and benefits include Rs 40.995 million (2007: Rs 38.171 million) in respect of staff retirement benefits.

26. Administration and General Expenses

Salaries, wages and benefits	92,194	69,540	146,769	141,059	94,962	72,233	75,817	63,240	59,887	62,287	469,629	408,359
Repairs and maintenance	3,739	1,917	7,657	2,802	7,982	5,595	2,268	1,254	1,638	639	23,284	12,207
Advertising and sales promotion	2,870	1,455	7,424	3,418	-	-	1,357	935	1,543	776	13,194	6,584
Rent, rates and taxes	2,341	2,876	2,527	2,490	5,963	605	459	451	520	513	11,810	6,935
Insurance	687	734	1,975	2,107	578	420	3,399	5,877	436	443	7,075	9,581
Lighting, heating and cooling	2,650	2,489	4,521	4,037	2,903	2,530	3,219	2,477	953	832	14,246	12,365
Depreciation & amortisation charge - note 10.5 & 11.1	6,963	5,958	16,082	14,466	11,208	9,582	13,746	12,393	5,417	5,256	53,416	47,655
Provision for doubtful debts - trade - others	4,130	36,100	-	-	60,046	-	627	-	-	-	64,803	36,100
	-	-	-	-	-	-	1,629	-	-	-	1,629	-
Provision for obsolete stocks	-	-	-	3,885	100,088	57,668	6,515	-	1,804	9,800	108,407	71,353
Provision for obsolete spares	45,000	-	4,000	-	-	-	-	-	-	-	49,000	-
Travelling expenses	7,404	5,114	11,548	9,147	12,787	10,063	7,773	7,085	4,060	4,005	43,572	35,414
Postage, telegram, telephone and telex	1,070	965	2,085	1,715	13,997	7,919	2,042	2,202	1,014	947	20,208	13,748
General expenses	27,415	19,569	48,726	41,110	71,849	1,119	22,366	19,753	23,827	18,349	194,183	99,900
	196,463	146,717	253,314	226,236	382,363	167,734	141,217	115,667	101,099	103,847	1,074,456	760,201

26.1 Staff retirement benefits

Salaries, wages and benefits include Rs 52.685 million (2007: Rs 57.267 million) in respect of staff retirement benefits.

26.2 Severance cost

Salaries and benefits include Rs 6.531 million (2007: Rs 4.554 million) in respect of severance cost.

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

	2008	2007
27. Financial Charges		
Mark-up on short-term financing	10,773	10,361
Interest on workers' profit participation fund - note 8.3	3,637	4,774
Discounting charges on receivables	104,195	92,241
Exchange loss - note 27.1	92,634	22,192
Interest on security deposits	3,914	3,928
Others	4,155	12,925
	<u>219,308</u>	<u>146,421</u>
27.1 Exchange loss has been netted off with reversal of arrangement fee on Mortar loan amounting to Rs 171.2 million (2007: Nil) which Mortar Investments International Limited has agreed to waive.		
28. Other Operating Charges		
Auditors' remuneration - note 28.1	7,120	5,188
Donations - note 28.2	21,650	14,692
Workers' profit participation fund - note 8.3	164,923	145,964
Workers' welfare fund	63,876	56,501
	<u>257,569</u>	<u>222,345</u>
28.1 Auditors' remuneration		
Audit and Group reporting fee	5,500	3,913
Half yearly review and other certifications	900	890
Out-of-pocket expenses	720	385
	<u>7,120</u>	<u>5,188</u>
28.2 Donations include Rs 13.4 million (2007: Rs 11.277 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 related parties		
Return on loan due from Subsidiary	39,305	10,956
Service fees from related parties - note 29.1	8,482	7,982
Return from other financial assets		
Profit on short-term and call deposits	90,107	34,513
Income from non-financial assets		
Scrap sales	43,212	37,963
Gain on disposal of property, plant and equipment	7,437	1,100
Others		
Provisions and accruals no longer required written back	2,602	20,962
Income on technical assistance	1,396	27,903
Sundries	61,884	11,906
	<u>254,425</u>	<u>153,285</u>
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.		

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

	2008	2007
30. Taxation		
Current - note 30.1	102,838	126,545
Prior years	6,092	182,045
Total current tax charge	108,930	308,590
Deferred - note 7	952,106	675,133
Net tax charged - note 30.2	<u>1,061,036</u>	<u>983,723</u>
30.1 This represents tax on income chargeable under Final Tax Regime (FTR).		
30.2 Tax reconciliation		
Profit for the year	3,129,908	2,768,523
Tax @ 35%	1,095,468	968,983
Additional net deferred tax asset available after adjustment of FTR for prior years & other adjustments	-	(231,199)
Prior years' tax charge	6,092	182,045
Tax impact on income under FTR of the current year	(47,241)	16,893
Permanent difference - Donations	7,578	5,142
Other	(861)	41,859
	<u>1,061,036</u>	<u>983,723</u>
31. Earnings per share - Basic and diluted		
Profit after taxation for the year	2,068,872	1,784,800
	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>14.91</u>	<u>12.86</u>

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

32. Remuneration of Directors and Executives

The aggregate amounts charged in the financial statements 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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Managerial remuneration	995	1,000	17,299	11,828	34,870	25,245	366,543	263,655	419,707	301,728
Retirement benefits	-	-	4,474	3,396	7,622	5,451	94,817	71,618	106,913	80,465
Group insurance	-	-	42	30	126	90	4,515	2,403	4,683	2,523
Rent and house maintenance	-	-	5,600	5,424	-	-	106,950	77,257	112,550	82,681
Utilities	-	-	554	670	-	-	26,639	19,055	27,193	19,725
Medical expenses	-	-	180	2,836	454	1,361	15,281	7,426	15,915	11,623
Leave passage	-	-	-	257	-	-	-	-	-	257
	995	1,000	28,149	24,441	43,072	32,147	614,745	441,414	686,961	499,002
Number of persons	1	1	1	1	5	5	282	211	289	218

32.1 In addition to this, an amount of Rs 179 million (2007: Rs 123.5 million) on account of variable pay has been recognised in the financial statements for the current year. This amount is payable in 2009 after verification of target achievement. Further, a long term bonus of Rs 21 million (2007: Nil) payable to certain employees has been recognised in the financial statements which is payable in future years.

Out of variable pay recognised for 2007 and 2006 following payments were made:

	Paid in 2008 relating to 2007	Paid in 2007 relating to 2006
Chief Executive - note 32.1.1	11,859	4,552
Directors	9,976	7,240
Executives	100,326	66,348
Other employees	24,030	25,412
	146,191	103,552

32.1.1 Included in this is a one-off Rs 4.1 million (2007: Nil) profit growth bonus.

32.2 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 maintained furnished accommodation and free use of Company car.

32.3 Aggregate amount charged in the financial statements for fee to three Directors was Rs. 2.482 million (2007: Rs 2.276 million).

32.4 The above balances include an amount of Rs 165.8 million (2007: Rs 111.458 million) on account of remuneration of key management personnel out of which Rs 19.896 million (2007: Rs 13.255 million) relates to post employment benefits.

Notes to the Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

33. Transactions with Related Parties

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

	2008	2007
Subsidiary Company		
Purchase of goods, materials and services	452,449	264,658
Provision of services and other receipts	1,980	1,980
Return on loan to Subsidiary	39,305	10,956
Loan to subsidiary company - (net of repayment)	176,000	-
Investment	130,000	370,000
Sale of operating asset	961	-
Associated companies		
Purchase of goods, materials and services	7,605,420	6,059,706
Provision of services and other receipts	6,502	6,002
Sale of goods and materials	17,396	7,563
Dividends	631,975	315,687
Donations	13,400	11,277
Others		
Purchase of goods, materials and services	3,627	1,901
Sale of goods and materials	125,195	58,300

34. Plant Capacity and Annual Production

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

	2008		2007	
	Annual Name Plate Capacity	Production	Annual Name Plate Capacity	Production
Polyester - note 34.2	122,000	112,011	122,000	110,656
Soda Ash - note 34.3	285,000	266,060	285,000	258,320
Paints	-	43,305	-	39,188
Chemicals	-	9,669	-	9,259
Sodium Bicarbonate	20,000	21,850	20,000	22,768

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

34.2 Production in Polyester Business was curtailed in line with market demand.

34.3 Production was below name plate capacity due to gas curtailment by the Sui Northern Gas Pipeline Limited and unplanned maintenance of both its gas turbines.

35. Fair Value of Financial Assets and Liabilities

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

Notes to the Financial Statements

For the year ended 31 December 2008

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 whichever is earlier:

	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		
2008						
Financial Assets						
Long term investment	-	-	-	-	2,500	2,500
Long term loans	3 months Kibor + 2	200,000	-	-	130,605	330,605
Long term deposits	-	-	-	-	22,291	22,291
Trade debts	-	-	-	-	1,003,612	1,003,612
Loans and advances	3 months Kibor + 1	96,000	-	-	52,606	148,606
Trade deposits	-	-	-	-	24,159	24,159
Other receivables	-	-	-	-	489,207	489,207
Cash and bank balances	13 - 14	120,000	-	-	1,851,081	1,971,081
		416,000	-	-	3,576,061	3,992,061
Financial Liabilities						
Trade and other payables	7.50	55,222	-	-	3,412,998	3,468,220
Net financial assets		360,778	-	-	163,063	523,841
2007						
Financial Assets						
Long term investment	-	-	-	-	2,500	2,500
Long term loans	3 months Kibor + 1	96,000	-	-	108,867	204,867
Long term deposits	-	-	-	-	21,120	21,120
Trade debts	-	-	-	-	1,023,596	1,023,596
Loans and advances	3 months Kibor + 1	24,000	-	-	55,528	79,528
Trade deposits	-	-	-	-	30,115	30,115
Other receivables	-	-	-	-	351,619	351,619
Cash and bank balances	8.50	1,950,000	-	-	1,665,056	3,615,056
		2,070,000	-	-	3,258,401	5,328,401
Financial Liabilities						
Trade and other payables	7.50	56,092	-	-	5,626,440	5,682,532
Net financial (liabilities) / assets		2,013,908	-	-	(2,368,039)	(354,131)

Notes to the Financial Statements

For the year ended 31 December 2008

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:

	2008	2007
Public Sector		
- Government	197,695	157,883
- Armed forces	4,571	5,038
- Communication	380	2,368
- Oil and gas	790	1,379
- Health	2,609	1,251
- Trade	23,747	37,779
- Others	42,364	22,371
	272,156	228,069
Private Sector		
- Institutional	34,668	84,991
- Trade	979,865	985,817
- Bank	1,956,135	3,607,145
- Subsidiary	309,815	123,239
- Others	424,476	282,454
	3,704,959	5,083,646
	3,977,115	5,311,715

38. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Company treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

39. 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. However the forward foreign exchange contracts were not available after quarter 2 in accordance with State Bank of Pakistan instructions. Therefore the Company switched its foreign currency payments on sight basis to mitigate foreign exchange risk inherent in long duration open letter of credits.

40. Capital Risk Management

The Company's objective when managing capital is to safeguard 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.

Notes to the Financial Statements For the year ended 31 December 2008

41. Accounting Estimates and Judgments

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 (unless there is remote possibility of transfer of benefits).

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 Limited 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 finalised assessment. The department has however filed an appeal in the Supreme Court against the High Court's order.

For the assessment year 2002-2003 on receipt of notice under section 62 of the Income Tax Ordinance, 1979, the Company had filed a writ petition in the Supreme Court challenging the tax department's notice 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. That notice had raised certain issues relating to vesting of PTA assets by the company which has been settled in the assessment year 2001-2002.

Subsequent to the above the Company had detailed negotiations with the Federal Board of Revenue with regard to the reopening of the assessment. The Federal Board of Revenue confirmed that the effective date of demerger is 1st October 2000 and not August 6, 2001 as proposed by the tax department. FBR also confirmed that the demerger of the Company did not give rise to any taxable event. However FBR directed the Company and the tax department to further review the issue of allowing unabsorbed depreciation relating to PTA assets to the Company at the date of demerger.

The Company position is very clear that under the tax law such depreciation should be allowed to ICI Pakistan. Accordingly, the Company has filed an application with the FBR for resolving the matter using the Alternate Dispute Resolution mechanism. Company's request for formation of an ADRC Committee on the matter has been accepted.

Whilst amending the assessment for the Tax Year 2003, tax department has taken certain action in the order, considered by the department as "protective assessment" on the matter of unabsorbed depreciation carried forward. It is the Company's contention that such an action is unwarranted. An application for rectification, in addition to appeal before the CIT (Appeals), on the matter has been filed. These are pending for action. The very basis of such an action has also been challenged before the High Court of Sindh which is pending for hearing.

The Income Tax Appellate Tribunal earlier set aside the assessment for the assessment year 1998-99 on the issues of date of commissioning of PTA plant & depreciation thereon, restriction of cost of capitalisation of PTA plant and addition to income in respect of trial production stocks. The re-assessment was finalised by the department during the year giving rise to an additional tax demand.

In appeal against the said order, after the action being maintained by the Commissioner of Income Tax - Appeals, the Income Tax Appellate Tribunal has set aside the assessment order passed by the tax department for fresh adjudication.

Notes to the Financial Statements For the year ended 31 December 2008

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 cash flows 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 equipments with a corresponding affect on the depreciation charge and impairment.

42. Initial Application of a standard or an Interpretation

Standards, amendments and interpretations effective in 2008

Islamic Financial Accounting Standard 2 – 'Ijarah' is mandatory for the Company's accounting period beginning on or after July 1, 2007 for those ijarah agreements which commenced on or after this date. It requires the recognition of 'ijarah payments' (lease rentals) against ijarah financing as an expense in the profit and loss account on a straight line basis over the ijarah term.

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 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.

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.

Standard or an Interpretation 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:

Notes to the Financial Statements For the year ended 31 December 2008

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statements of cash flows'). Entities whose ordinary activities comprise renting and subsequently selling assets presents proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchases, rentals and sale of those assets are classified as cash flows from operating activities.

IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).

The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

IAS 37, 'Provisions, contingent liabilities and contingent asset's, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

Revised IAS 23-Borrowing costs (effective for annual periods beginning on or after 1 January 2009) 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.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with gain or loss recognised in the profit or loss.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial Instruments: Disclosures'). Where an investment in associate is accounted for in accordance with IAS 39 'Financial Instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosure'.

IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008).

IAS 31 (Amendment), 'Interest in joint ventures' (and consequential amendments to IAS 32 and IFRS 7). Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation', and IFRS 7 'Financial Instruments: Disclosure'.

Notes to the Financial Statements

For the year ended 31 December 2008

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

IAS 36 (Amendment), 'Impairment of assets'. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculations should be made.

IAS 38 (Amendment), 'Intangible assets'. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

Amendments to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value.

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). It requires the use of market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value.

IFRS 2 (Amendment), 'Share-based payment'- Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent considerations to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interests in identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

IFRS 7 'Financial instruments: Disclosures' (effective for annual periods on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation.

IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Company's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Company presents segment information in respect of its business segments.

Notes to the Financial Statements For the year ended 31 December 2008

IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009) specify that: if an entity is committed to a sale plan involving the loss of control a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraph 6 to 8 of IFRS 5 are met disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation.

IFRIC 13- Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.

IFRIC 15-Agreement for Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC-17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

43. Dividend

The directors in their meeting held on February 18, 2009 have proposed a final dividend of Rs 4.00 per share (2007: Rs 3.50 per share) in respect of year ended 31 December 2008. The financial statements for the year ended 31 December 2008 do not include the effect of the above dividend which will be accounted for in the period in which it is declared.

44. Date of Authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on February 18, 2009.

45. General

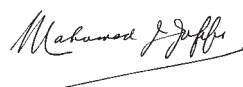
45.1 Figures have been rounded off to the nearest thousand rupees except stated otherwise.

Notes to the Financial Statements For the year ended 31 December 2008

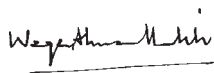
45.2 Corresponding Figures

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

Reclassification from component	Reclassification to component	Amounts in Rs '000
Trade debts	Trade and other payables - Advance from customers	36,864
Short term prepayments	Trade deposits	17,792
Trade deposits and Short term prepayments	Other receivables - Duties, sales tax and octroi refunds due	24,972
Long-term deposits and prepayments - Prepayments	Trade Deposits and Short-Term prepayments -Short-term prepayments	22,531
Trade and Other Payables - Others	Trade Debts - Provision for discounts	58,082
Trade and Other Payables - Others	Trade and Other Payables - Accrued Expenses	21,610
Trade and Other Payables - Accrued Expenses	Trade Debts - Provision for discounts	4,650
Provision for Doubtful Debts	Trade Debts	11,057
Trade and other payables - Mark-up accrued on short term financing	Trade and other payables - Others	10,548
Trade Debts - Un Secured	Trade Debts - Secured	163,176
Cost of Goods Sold - Excise Duty	Excise Duty	23,996
Cost of Goods Sold	Toll manufacturing Income	5,750
Other Income - Others	Toll manufacturing Income	9,592
Cost of Goods Sold - Royalty	Cost of Goods Sold - Insurance	11,024
Sales Tax	Other Income - Scrap Sales	3,042
Cost of Goods Sold - Salaries and Wages	Cost of Goods Sold - General Expenses	26,000
Financial Charges - Short term financing	Financial Charges - Others	10,548
Administration & general expenses - Travelling Expense	Administration & general expenses - General expenses	2,100
Sales Tax	Excise Duty	22,425
Cost of Sales - Raw material purchased	Cost of Sales - Finished goods purchased	125,200



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

Comparison of Results for Ten Years As at 31 December

	1999			2000	
	Continued	Discontinued	Company	Continued	Discontinued
Assets / Liabilities					
Property, plant and equipment			27,063,303		
Intangible assets			-		
			27,063,303		
Long-term Investments			212,500		
Current Assets			6,318,640		
Current Liabilities			(4,531,044)		
Working capital			1,787,596		
Non-current liabilities			(127,701)		
Other net Assets / (Liabilities)			(7,031,978)		
Total Net Assets			21,903,720		
Financed by:					
Share Capital			12,618,391		
Unappropriated profit and capital reserves			(4,419,252)		
Total Equity			8,199,139		
Surplus on Revaluation of property, plant and equipment			1,772,424		
Long-term Loans			11,932,157		
Total Funds Invested			21,903,720		
Profits/(Loss)					
Turnover	10,613,556	7,286,833	16,510,405	11,715,055	8,760,473
Net sales & Commission income	8,808,378	6,176,482	13,594,876	9,784,132	7,576,861
Gross profit/(loss)	2,092,961	(1,600,082)	492,879	2,613,951	(134,936)
Operating Results	1,112,341	(1,845,171)	(732,830)	1,542,154	(368,602)
Profit/(loss) before Taxation	906,121	(4,642,356)	(3,736,235)	1,251,588	(2,923,265)
Taxation	(50,000)	(24,000)	(74,000)	(49,142)	(29,511)
Profit/(loss) after Taxation	856,121	(4,666,356)	(3,810,235)	1,202,446	(2,952,776)
Less: Dividend	-	-	-	-	-
Profit/(loss) after taxation & dividend	856,121	(4,666,356)	(3,810,235)	1,202,446	(2,952,776)
Investors Ratio					
Gross profit to Sales (%)	23.76	(25.91)	3.63	26.72	(1.78)
Gross profit ratio (turnover)			2.99		
Debtor turnover ratio (in days) - Sales			14		
Stock turnover ratio (in days) - COGS			72		
Fixed assets turnover to Sales (%)			50.23		
Market Value / share			10.50		
Break-up value per share with Surplus on Revaluation			7.90		
Break-up value per share excluding Surplus on Revaluation			6.50		
Price Earning ratio			(2.50)		
Dividend (Declared for the year) Yield - (%)			-		
Dividend (Declared for the year) Payout (%)			-		
Return on Capital Employed (%)			(46.47)		
Debt : Equity ratio			70:30		
Current ratio			1.39		
Acid Test			0.47		
Interest cover - times			(0.19)		
Earnings after tax per share			(4.20)		
Dividends - Rupee per share			-		
Dividend cover - times			-		

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

Comparison of Results for Ten Years As at 31 December

	2001	2002	2003	2004 *	2005	2006	2007	2008
Company					Restated			
5,673,385 -	5,945,482 -	5,742,781 -	5,395,447 132,111	5,250,166 135,848	7,213,773 103,811	8,343,260 71,774	8,506,736 39,737	9,353,769 7,700
5,673,385 212,500	5,945,482 813,253	5,742,781 2,327,460	5,527,558 2,333,760	5,386,014 212,500	7,317,584 212,500	8,415,034 212,500	8,546,473 582,500	9,361,469 712,500
3,346,076 (2,334,012)	4,710,987 (4,230,621)	4,618,700 (3,956,958)	5,305,892 (3,903,777)	7,189,684 (5,092,916)	6,500,138 (5,891,930)	7,023,855 (5,436,278)	9,054,770 (6,250,235)	8,232,427 (4,281,110)
1,012,064 (189,552)	480,366 (66,173)	661,742 (78,895)	1,402,115 (74,568)	2,096,768 (82,601)	608,208 (90,604)	1,587,577 (104,076)	2,804,535 (119,571)	3,951,317 (739,900)
(2,670,035)	(1,788,347)	(1,877,650)	(3,047,183)	1,028,363	1,939,699	1,278,195	596,680	361,289
4,038,362	5,384,581	6,775,438	6,141,682	8,641,044	9,987,387	11,389,230	12,410,617	13,646,675
1,261,839 214,119	1,388,023 967,489	1,388,023 3,202,991	1,388,023 4,073,846	1,388,023 6,665,957	1,388,023 8,105,049	1,388,023 8,876,987	1,388,023 10,010,427	1,388,023 11,295,857
1,475,958	2,355,512	4,591,014	5,461,869	8,053,980	9,493,072	10,265,010	11,398,450	12,683,880
1,895,736 666,668	1,895,736 1,133,333	784,424 1,400,000	679,813 -	587,064 -	494,315 -	1,124,220 -	1,012,167 -	962,795 -
4,038,362	5,384,581	6,775,438	6,141,682	8,641,044	9,987,387	11,389,230	12,410,617	13,646,675
18,839,719 15,725,184 2,479,015 1,173,552 (1,671,677) (78,653) (1,750,330) -	12,815,431 10,569,573 2,465,404 1,398,862 619,777 (53,159) 566,618 277,605 289,013	15,073,813 12,218,937 2,327,095 1,077,114 723,094 1,131,638 1,854,732 312,305 1,542,427	22,156,265 18,127,295 2,664,367 1,087,681 806,552 (40,308) 766,244 -	21,303,498 17,639,480 2,755,709 1,346,788 2,898,950 (52,582) 2,846,368 347,006 2,499,362	21,054,298 18,476,457 3,351,698 1,842,542 1,612,401 640,856 2,253,257 832,814 1,420,443	21,947,688 19,574,118 4,083,210 2,480,998 2,117,797 (662,169) 1,455,628 763,413 692,215	25,988,351 23,024,123 4,818,754 2,984,004 2,768,523 (983,723) 1,784,800 763,413 1,021,387	31,921,873 27,963,915 5,647,341 3,352,360 3,129,908 (1,061,036) 2,068,872 832,814 1,236,058
15.76 13.16 8 64 277 10.85	23.33 19.24 18 81 177.77 35.30	19.04 15.44 19 69 212.77 53.95	14.70 12.03 13 45 327.94 85.00	15.62 12.94 15 61 327.51 89.65	18.14 15.92 14 65 252.49 140.50	20.86 18.60 13 57 232.61 115.50	20.93 18.54 14 47 269.40 196.65	20.20 17.69 13 43 298.71 68.71
26.72	32.09	38.73	44.25	62.25	71.95	82.05	89.41	98.32
11.70 (6.03) - - (118.59) 78:22 1.43 0.54 0.42 (1.80) - -	17.78 7.55 5.67 48.99 24.05 67:33 1.11 0.51 1.80 4.68 2.00 2.04	33.08 4.04 4.17 16.84 40.40 49:51 1.17 0.56 2.72 13.36 2.25 6.68	39.35 15.40 - - 14.03 42:58 1.36 0.67 3.11 5.52 - 2.45	58.02 4.37 2.79 12.19 35.34 0:100 1.41 0.71 12.38 20.51 2.50 8.20	68.39 8.65 4.27 36.96 23.74 0:100 1.10 0.56 6.72 16.23 6.00 2.71	73.95 11.01 4.76 52.45 14.18 0:100 1.29 0.73 8.44 10.49 5.50 1.91	82.12 15.29 2.80 42.77 15.66 0:100 1.45 0.98 25.74 12.86 5.50 2.34	91.38 4.61 8.73 40.25 16.31 0:100 1.92 1.11 25.23 14.91 6.00 2.48

Pattern of Shareholding as at 31 December 2008

No. of Shareholders	Categories		No. of Shares
	From	To	
6,266	1	100	220,705
4,036	101	500	967,974
1,093	501	1000	807,672
1,107	1001	5000	2,371,551
151	5001	10000	1,102,770
52	10001	15000	656,842
19	15001	20000	338,391
16	20001	25000	365,116
7	25001	30000	196,494
9	30001	35000	290,240
8	35001	40000	301,074
6	40001	45000	252,439
3	45001	50000	146,000
5	50001	55000	259,377
1	60001	65000	61,047
1	65001	70000	70,000
2	70001	75000	145,143
2	75001	80000	153,500
2	80001	85000	165,800
1	90001	95000	91,900
3	95001	100000	295,600
2	100001	105000	207,264
2	110001	115000	227,200
1	120001	125000	121,200
2	125001	130000	252,900
1	145001	150000	150,000
2	155001	160000	312,792
1	170001	175000	172,364
1	175001	180000	179,873
1	190001	195000	195,000
1	195001	200000	200,000
2	210001	215000	425,997
1	245001	250000	250,000
1	255001	260000	257,986
1	295001	300000	296,224
1	300001	305000	302,000
1	310001	315000	311,600
1	335001	340000	336,600
1	375001	380000	375,100
2	440001	445000	882,682
1	605001	610000	606,532
1	690001	695000	694,600
1	765001	770000	766,400
1	860001	865000	864,276
1	895001	900000	900,000
1	910001	915000	910,222
2	1025001	1030000	2,054,600
1	1230001	1235000	1,231,100
1	1445001	1450000	1,449,216
1	1815001	1820000	1,819,500
1	2835001	2840000	2,839,912
1	4720001	4725000	4,720,400
1	105225001	105230000	105,229,125
12,829			138,802,300

Pattern of Shareholding as at 31 December 2008

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Associated Company (a)	1	105,229,125	75.81
Investment Companies	12	6,393	0.01
Insurance Companies	7	2,969	0.00
Joint Stock Companies	27	9,507	0.01
Others	24	314,152	0.23
Financial Institutions	12	19,663	0.01
Modaraba Companies	3	176	0.00
Mutual Funds	6	764	0.00
Individuals	8,560	2,657,825	1.91
Central Depository Company (b)	4,177	30,561,726	22.02
Total	12,829	138,802,300	100.00

(a) Represents the 75.81% shareholding of the ICI Omicron, B.V. a subsidiary of AkzoNobel N.V.

(b) Categories of Account Holders and Sub Account Holders as per Central Depository Register.

Charitable Trust	6	85,731	0.28
Cooperative Societies	2	7,200	0.02
Financial Institutions	43	12,740,384	41.69
Individuals	3,900	4,433,024	14.51
Insurance Companies	17	5,433,334	17.78
Investment Companies	13	271,543	0.89
Joint Stock Companies	121	514,551	1.68
Modaraba Management Companies	3	31,476	0.10
Modarabas	6	92,100	0.30
Mutual Funds	46	6,587,722	21.56
Others	20	364,661	1.19
Total	4,177	30,561,726	100.00

Pattern of Shareholding as at 31 December 2008

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	838,668
Investment Corporation of Pakistan	2	1,975
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	51	12,677
Public Sector Companies and Corporations	5	3,053,268
Banks, Development Finance Institutions, Non-Banking Finance Institutions Insurance Companies, Modarabas, Mutual Funds & Others	358	22,588,415
Shareholders holding 10% or more voting interest		
ICI Omicron B.V.	1	105,229,125
Common Directors' shareholdings in Associated Companies		
Pakistan PTA Limited		
Waqar A Malik	1	1
Bart Kaster	1	1
James R Rees	1	1
ICI Pakistan PowerGen Limited		
Waqar A Malik	1	1
Pervaiz A Khan	1	1
Feroz Rizvi	1	1

Notice of Meeting

Notice is hereby given that the Fifty-seventh Annual General Meeting of ICI PAKISTAN LIMITED will be held on Thursday, March 26, 2009 at 10.00 am 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 December 31, 2008, the report of the Auditors thereon and the report of the Directors.
2. To declare and approve Final cash dividend @ 40% i.e., Rs.4/- per ordinary share of Rs 10/- each for the year ended December 31, 2008 as recommended by the Directors, payable to the Members whose names appear in the Register of Members as at March 17, 2009.
3. To appoint the Auditors of the Company and to fix their remuneration.

By the Order of the Board



Nasir Jamal
Company Secretary

February 18, 2009
Karachi

Notes:

1. Share Transfer Books of the Company will remain closed from March 17, 2009 to March 26, 2009 (both days inclusive). Transfers received in order at the office of our Shares Registrar, M/s. FAMCO Associates (Pvt) Ltd. (formerly Ferguson Associates (Pvt) Limited), State Life Building 2-A, 4th Floor, Wallace Road, Off. I I Chundrigar Road, Karachi-74000, by the close of business on March 16, 2009 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 notarially certified copy of such power or authority, must, to be valid, be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
6. Members are requested to notify immediately changes, if any, in their registered address to our Shares Registrar, M/s. FAMCO 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 identity by showing his original Computerised National Identity Card (CNIC) or original passport at the time of attending the meeting.
 - (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with 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 CNIC numbers shall be mentioned on the form.
 - (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - (iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
 - (v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Consolidated Financial Statements

**ICI Pakistan Limited
and its Subsidiary Company**



ICI Pakistan Limited is now part
of the AkzoNobel Group



AkzoNobel
Tomorrow's Answers Today

Report of the Directors for the year ended December 31 2008

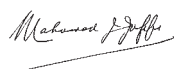
The Directors are pleased to present their report together with the audited Group results of ICI Pakistan Limited for the year ended December 31 2008. The ICI Pakistan Group comprises of ICI Pakistan Limited and ICI Pakistan PowerGen Limited, a wholly owned subsidiary.

The Directors Report, giving a commentary on the performance of ICI Pakistan Limited for the year ended December 31 2008 has been presented separately.

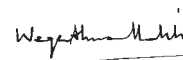
Crude oil prices and its derivatives remained bullish mostly throughout the year due to tight fundamentals and the continuous weakening of the US dollar against major currencies. However in Q3, the entire crude chain started to crash due to the credit crunch and turbulence in the US and European financial markets precipitating a global economic slowdown. Crude from its peak of USD 145/barrel exited the year at USD 38/barrel. Domestic furnace oil prices declined from Rs 52,600 per tonne in Q3 2008 to Rs 25,000 per tonne in Q4 2008, decrease of 52%.

Electricity sales volume for the full year was marginally lower than last year as demand decreased from the Polyester plant on account of improved electricity efficiency. Revision in tariff rates together with commissioning of Gas Turbine enabled the Company to incur operating loss of Rs 114.8 million for the year ended 31 December 2008 compared with an operating loss of Rs 146.8 million last year. Financial charges were higher than last year due to higher interest rates resulting from financing of the Cogen project. As a result, loss before taxation for the year ended 31 December 2008 was Rs 170.2 million compared to a loss of Rs 164.3 million last year.

New waste heat recovery & power plant is running smoothly and the Company has started to post savings on account of project commissioning and switch over from expensive furnace oil to gas for power generation when there is no curtailment of gas supplies.



M J Jaffer
Chairman



Waqar A Malik
Chief Executive

Dated: February 18, 2009
Karachi

Future Outlook

Furnace oil prices are expected to remain firm and are currently at Rs 27,800 per tonne. Gas prices were also increased by 31% in July 2008. This however will be recovered from ICI Pakistan Limited under the cost pass through arrangement.

Auditors' Report to the Members

We have audited the annexed consolidated financial statements of ICI Pakistan Limited and its subsidiary (the "Group") comprising consolidated balance sheet as at 31 December 2008 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended.

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

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

In our opinion, the consolidated financial statements present fairly the consolidated financial position of the Group as at 31 December 2008, and the consolidated results of its operations, its consolidated cash flows and consolidated changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Date: 18 February 2009
Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants

Consolidated Balance Sheet As at 31 December 2008

Amounts in Rs '000

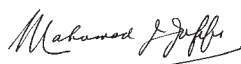
	Note	2008	2007
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital 1,500,000,000 ordinary shares of Rs 10 each		<u>15,000,000</u>	<u>15,000,000</u>
Issued, subscribed and paid-up capital	4	1,388,023	1,388,023
Capital reserves	5	465,845	465,845
Unappropriated profit		<u>10,352,819</u>	<u>9,230,229</u>
Total Equity		12,206,687	11,084,097
Surplus on Revaluation of Property, Plant and Equipment	6	977,323	1,034,851
LIABILITIES			
Non-Current Liabilities			
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	7	142,489	119,809
Deferred tax liability - net	8	597,650	-
		740,139	119,809
Current Liabilities			
Short-term financing	9	227,939	-
Trade and other payables	10	4,350,607	6,312,953
		4,578,546	6,312,953
Contingencies and Commitments	11		
Total Equity and Liabilities		18,502,695	18,551,710

Consolidated Balance Sheet As at 31 December 2008

Amounts in Rs '000

	Note	2008	2007
ASSETS			
Non-current Assets			
Property, plant and equipment	12	10,069,384	8,775,214
Intangible asset	13	7,700	39,737
		10,077,084	8,814,951
Deferred tax asset - net	8	-	354,456
Long-term investment	14	2,500	2,500
Long-term loans	15	131,314	109,768
Long-term deposits and prepayments	16	30,684	37,357
		164,498	504,081
		10,241,582	9,319,032
Current Assets			
Stores and spares	17	581,473	647,784
Stock-in-trade	18	2,965,699	2,328,375
Trade debts	19	1,029,062	1,049,082
Loans and advances	20	98,370	114,640
Trade deposits and short-term prepayments	21	406,019	342,559
Other receivables	22	789,959	712,263
Taxation recoverable		418,776	335,875
Cash and bank balances	23	1,971,755	3,702,100
		8,261,113	9,232,678
Total Assets		18,502,695	18,551,710

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive

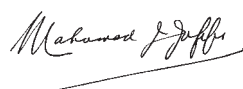


Feroz Rizvi
Chief Financial Officer

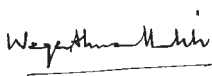
Consolidated Profit and Loss Account For the year ended 31 December 2008

		Amounts in Rs '000	
	Note	2008	2007
Turnover	24	31,921,873	25,988,351
Sales tax, excise duty, commission and discounts	24	(4,021,816)	(2,998,749)
Net sales, commission and toll income		27,900,057	22,989,602
Cost of sales	25	(22,359,502)	(18,312,865)
Gross profit		5,540,555	4,676,737
Selling and distribution expenses	26	(1,220,525)	(1,074,549)
Administration and general expenses	27	(1,080,498)	(763,048)
		3,239,532	2,839,140
Financial charges	28	(235,738)	(154,101)
Other operating charges	29	(257,712)	(222,488)
		(493,450)	(376,589)
Other operating income	30	212,830	141,633
Profit before taxation		2,958,912	2,604,184
Taxation	31	(1,061,036)	(984,880)
Profit after taxation		1,897,876	1,619,304
		(Rupees)	(Rupees)
Earnings per share - Basic and diluted	32	13.67	11.67

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

Consolidated Cash Flow Statement For the year ended 31 December 2008

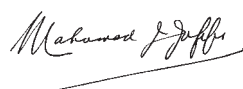
	Amounts in Rs '000	
	2008	2007
Cash Flows from Operating Activities		
Profit before taxation	2,958,912	2,604,184
Adjustments for:		
Depreciation and amortisation	878,543	933,123
Gain on disposal of property, plant and equipment	(6,671)	(1,100)
Provision for non-management staff gratuity and eligible retired employees' medical scheme	33,727	26,291
Mark-up on bank deposits	(90,228)	(35,327)
Interest / mark-up expense	137,970	118,984
	3,912,253	3,646,155
Movement in:		
Working capital	(2,773,474)	557,600
Long-term loans	(21,546)	(5,006)
Long-term deposits and prepayments	6,673	35,561
Cash generated from operations	1,123,906	4,234,310
Payments for :		
Non-management staff gratuity and eligible retired employees' medical scheme	(11,047)	(10,926)
Taxation	(191,831)	(208,064)
Net cash generated from operating activities	921,028	4,015,320
Cash Flows from Investing Activities		
Payments for capital expenditure	(2,031,641)	(1,117,892)
Proceeds from disposal of property, plant and equipment	11,169	7,514
Profit / mark-up received	99,003	26,551
Net cash used in investing activities	(1,921,469)	(1,083,827)

Consolidated Cash Flow Statement For the year ended 31 December 2008

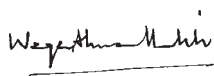
Amounts in Rs '000

	2008	2007
Cash Flows from Financing Activities		
Interest / mark-up paid	(125,028)	(113,305)
Dividend paid	(832,815)	(763,436)
Net cash used in financing activities	(957,843)	(876,741)
Net (decrease) / Increase in cash and cash equivalents	(1,958,284)	2,054,752
Cash and cash equivalents at 1 January	3,702,100	1,647,348
Cash and cash equivalents at 31 December	1,743,816	3,702,100
Movement in Working Capital		
<i>(Increase) / decrease in current assets</i>		
Stores and spares	66,311	102,332
Stock-in-trade	(637,324)	33,347
Trade debts	20,020	(293,042)
Loans and advances	16,270	18,485
Trade deposits and short-term prepayments	(63,460)	(53,739)
Other receivables	(86,471)	(133,646)
	(684,654)	(326,263)
<i>(Decrease) / increase in current liability</i>		
Trade and other payables	(2,088,820)	883,863
	(2,773,474)	557,600
Cash and cash equivalents at 31 December comprise of:		
Cash and bank balances - note 23	1,971,755	3,702,100
Running finances utilised under mark-up arrangements - note 9	(227,939)	-
	1,743,816	3,702,100

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



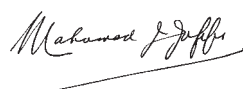
Feroz Rizvi
Chief Financial Officer

Consolidated Statement of Changes in Equity For the year ended 31 December 2008

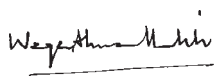
Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
Balance as on 1 January 2007	1,388,023	465,845	8,248,185	10,102,053
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	-	-	1,619,304	1,619,304
Transfer from surplus on revaluation of property, plant and equipment net of deferred tax - note 6	-	-	126,153	126,153
Total recognised income and expense for the year	-	-	1,745,457	1,745,457
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	9,230,229	11,084,097
Changes in equity for 2008				
Final dividend for the year ended 31 December 2007 @ Rs. 3.50 per share	-	-	(485,808)	(485,808)
Profit for the year ended 31 December 2008	-	-	1,897,876	1,897,876
Transfer from surplus on revaluation of property, plant and equipment net of deferred tax - note 6	-	-	57,528	57,528
Total recognised income and expense for the year	-	-	1,955,404	1,955,404
Interim dividend for the year 2008 @ Rs. 2.50 per share	-	-	(347,006)	(347,006)
Balance as on 31 December 2008	1,388,023	465,845	10,352,819	12,206,687

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

1. Status and Nature of Business

The Group consists of:

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

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

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

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

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

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

2. Basis of preparation

2.1 Statement of compliance

These consolidated 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 Standard 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 measurement

These consolidated 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 3.7 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 42.

3. Summary of Significant Accounting Policies

The accounting policies adopted are the same as those which were applied for the previous financial year.

3.1 Consolidation

The financial statements of the Subsidiary have been consolidated on a line-by-line basis and all intra-group balances and transactions have been eliminated.

3.2 Staff retirement benefits

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

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Defined benefit plans

The Group operates a funded pension scheme and a funded gratuity scheme for management staff. The pension and gratuity schemes are salary schemes providing pension and lump sums, respectively. Pension and gratuity schemes for management staff are invested through two approved trust funds. The Group 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 Group 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".

Past-service costs are recognised immediately in income, unless the changes to the plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Defined contribution plans

The Group 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 Group after 30 April 2004. In addition to this the Group also provides group insurance to all its employees.

3.3 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are measured at the present value of the expected expenditures, discounted at a pre-tax rate that reflects current market assessment of the time value of money and the risk specific to the obligation.

3.4 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 rate method.

3.5 Dividend

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

3.6 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

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

3.7 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. Freehold land, leasehold land and 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 up to 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 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 Group and the cost of the item can be measured reliably, and the assets so replaced, if any, are derecognised.

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).

3.8 Intangible assets

Intangible assets are measured initially at cost and subsequently stated at cost less accumulated amortisation 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 Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs are amortised over their estimated useful lives.

3.9 Impairment

Financial assets

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

Non-Financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are assessed at each reporting

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

date to ascertain whether there is any indication of impairment. If any such indication exists then the 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.

3.10 Investment

Investment in non-listed equity security classified as available for sale is stated at cost less provision for impairment, if any.

3.11 Stores and spares

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

3.12 Stock-in-trade

Stock-in-trade is valued at lower of weighted average cost and 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.

3.13 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 Group will not be able to collect all amounts due according to the original terms of receivables.

3.14 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupees, which is the Group's functional currency, at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the foreign exchange rates at the balance sheet date. All exchange differences are taken to the profit and loss account.

3.15 Functional and presentation currency

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

3.16 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 is accounted for on a time-apportioned basis using the effective interest rate method.
- Dividend income is recognised when the right to receive payment is established.
- Toll manufacturing income is recognised when services are rendered.

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

3.17 Financial expense

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

3.18 Segment reporting

Segment reporting is based on the business segments of the Group, whereby the business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risk and rewards of other segments. Segments reported are Polyester, Soda Ash, Paints, Life Sciences, Chemicals and Others (PowerGen) which also reflects the management structure of the Group.

3.19 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 Group's depreciation policy on property, plant and equipment. The finance cost is charged to profit and loss account and is included under financial charges.

3.20 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.

3.21 Cash and cash equivalents

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

3.22 Borrowings and their cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. 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.

3.23 Financial liabilities

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

3.24 Derivative financial instruments

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

3.25 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 Group intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

4. Issued, Subscribed and Paid-up Capital

2008 (Numbers)	2007		2008	2007
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 4.1)	126,184	126,184
138,802,300	138,802,300		1,388,023	1,388,023

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

4.2 ICI Omicron B.V., which is a wholly owned subsidiary of AkzoNobel N.V., held 105,229,125 (2007: 105,229,125) ordinary shares of Rs 10 each at 31 December 2008. AkzoNobel N.V., acquired ICI PLC, UK, effective 2 January 2008, the parent company of ICI Omicron B.V., and became the ultimate holding company of ICI Pakistan Limited. ICI Pakistan Limited continues to be the direct subsidiary of ICI Omicron B.V.

5. Capital Reserves

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

5.1 Share premium includes the premium amounting to Rs 0.902 million received on shares issued for the Company's Polyester Plant installation in 1980 and share premium of Rs 464.357 million representing the difference between nominal value of Rs 10 per share of 12,618,391 ordinary shares issued by the Company and the market value of Rs 590.541 million of 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.

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

6. Surplus on Revaluation of Property, Plant and Equipment

Balance as on 1 January	1,034,851	1,161,004
Less: Transfer to unappropriated profit in respect of incremental depreciation charged during the year net of deferred tax	(57,528)	(126,153)
Balance as on 31 December	977,323	1,034,851

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

	2008				2007				
	Funded			Unfunded	Funded			Unfunded	
	Pension	Gratuity	Total		Pension	Gratuity	Total		
7. Provisions for non-management staff gratuity and eligible retired employees' medical scheme	142,489				119,809				
7.1 Staff Retirement Benefits									
7.1.1 The amounts recognised in the profit and loss account against defined benefit schemes are as follows:									
Current service cost	27,894	25,302	53,196	5,813	21,658	20,464	42,122	5,175	
Interest cost	102,880	39,967	142,847	22,172	81,443	30,945	112,388	17,438	
Expected return on plan assets	(92,075)	(30,167)	(122,242)	-	(93,010)	(25,008)	(118,018)	-	
Termination cost	-	-	-	-	1,896	-	1,896	-	
Past service cost	(69,114)	-	(69,114)	-	-	-	-	-	
Recognition of actuarial loss	18,053	8,414	26,467	5,742	14,116	4,316	18,432	3,678	
Net (Surplus) / Charge for the year	(12,362)	43,516	31,154	33,727	26,103	30,717	56,820	26,291	
7.1.2 Movements in the net asset / (liability) recognised in the balance sheet are as follows:									
Opening balance	190,191	18,771	208,962	(119,809)	130,793	(6,469)	124,324	(104,444)	
Surplus/(Charge) for the year - note 7.1.1	12,362	(43,516)	(31,154)	(33,727)	(26,103)	(30,717)	(56,820)	(26,291)	
Contributions / payments during the year	36,163	86,893	123,056	11,047	85,501	55,957	141,458	10,926	
Closing balance	238,716	62,148	300,864	(142,489)	190,191	18,771	208,962	(119,809)	
7.1.3 The amounts recognised in the balance sheet are as follows:									
Fair value of plan assets - note 7.1.5	815,658	310,404	1,126,062	-	1,038,068	274,870	1,312,938	-	
Present value of defined benefit obligation - note 7.1.4	(1,117,525)	(442,477)	(1,560,002)	(259,784)	(977,855)	(373,060)	(1,350,915)	(204,472)	
(Deficit) / Surplus	(301,867)	(132,073)	(433,940)	(259,784)	60,213	(98,190)	(37,977)	(204,472)	
Unrecognised actuarial loss	540,583	194,221	734,804	117,295	129,978	116,961	246,939	84,663	
Recognised asset / (liability)	238,716	62,148	300,864	(142,489)	190,191	18,771	208,962	(119,809)	
7.1.4 Movement in the present value of defined benefit obligation:									
Opening balance	977,855	373,060	1,350,915	204,472	778,855	293,785	1,072,640	163,844	
Service cost	27,894	25,302	53,196	5,813	21,658	20,464	42,122	5,175	
Interest cost	102,880	39,967	142,847	22,172	81,443	30,945	112,388	17,438	
Benefits paid	(92,439)	(38,789)	(131,228)	(11,047)	(78,983)	(25,599)	(104,582)	(10,926)	
Termination cost	-	-	-	-	1,896	-	1,896	-	
Past service cost - note 7.1.8	(69,114)	-	(69,114)	-	-	-	-	-	
Actuarial loss	170,449	42,937	213,386	38,374	172,986	53,465	226,451	28,941	
Present value of the defined benefit obligation at the end of the year	1,117,525	442,477	1,560,002	259,784	977,855	373,060	1,350,915	204,472	
7.1.5 Movement in the fair value of plan assets:									
Opening balance	1,038,068	274,870	1,312,938	-	842,376	224,733	1,067,109	-	
Expected return	92,075	30,167	122,242	-	93,010	25,008	118,018	-	
Contributions	36,163	86,893	123,056	-	85,501	55,957	141,458	-	
Benefits paid	(92,439)	(38,789)	(131,228)	-	(78,983)	(25,599)	(104,582)	-	
Actuarial (loss) / gain	(258,209)	(42,737)	(300,946)	-	96,164	(5,229)	90,935	-	
Fair value of plan assets at the end of the year	815,658	310,404	1,126,062	-	1,038,068	274,870	1,312,938	-	
7.1.6 Historical information									
As at 31 December					2008	2007	2006	2005	2004
Present Value of defined benefit obligation					1,819,786	1,555,387	1,236,483	1,199,351	1,220,952
Fair value of plan assets					1,126,062	1,312,938	1,067,109	1,014,442	910,995
Deficit					693,724	242,449	169,374	184,909	309,957
Experience adjustments on plan liabilities					13%	16%	1%	8%	(2%)
Experience adjustments on plan assets					(27%)	7%	(9%)	7%	(2%)
7.1.7 Major categories / composition of plan assets are as follows:									
Debt instruments							20%	63%	
Equity							20%	13%	
Mixed Funds							-	18%	
Cash							60%	6%	

These figures are based on the latest actuarial valuation, as at 31 December 2008. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected future service life of current members.

The return on plan assets was assumed to equal the discount rate. Actual (loss) / return on plan assets during 2008 was Rs (178.704) million (2007: Rs 208.953 million).

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

7.1.8 Past service cost reflects a revision in the conversion factor for commutation of pension to lump sums.

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

	2008	2007
Discount rate	16.0%	11.0%
Expected return on plan assets	16.0%	11.0%
Future salary increases	13.8%	8.9%
Future pension increases	10.5%	6.0%

7.1.10 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:

	2008	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	13,420	15,292	11,883
Effect on the defined benefit obligation	162,429	183,527	144,769

7.1.11 The Group contributed Rs 49.674 million (2007: Rs 41.256 million) and Rs 23.832 million (2007: Rs 18.491 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

8. Deferred Tax (Liability) / Asset	2008			2007		
	Opening	(Charge) / reversal	Closing	Opening	(Charge) / reversal	Closing
<i>Deductible temporary differences</i>						
Tax losses carried forward	1,289,149	(1,074,724)	214,425	1,880,628	(591,479)	1,289,149
Provisions for retirement benefits, doubtful debts and others	169,889	116,906	286,795	149,395	20,494	169,889
<i>Taxable temporary differences</i>						
Property, plant and equipment	(1,104,582)	5,712	(1,098,870)	(1,000,434)	(104,148)	(1,104,582)
	<u>354,456</u>	<u>(952,106)</u>	<u>(597,650)</u>	<u>1,029,589</u>	<u>(675,133)</u>	<u>354,456</u>

9. Short-Term Financing

	2008	2007
Running finances utilised under mark-up arrangements - note 9.1	227,939	-
Term finances - note 9.2	-	-
	<u>227,939</u>	<u>-</u>

9.1 The facilities for running finance available from various banks amounted to Rs 2,831 million (2007: Rs 2,731 million) and carry mark-up during the period ranging from 15.22 to 17.59 percent per annum (2007: 9.59 to 11.63 percent per annum). The purchase prices are payable on various dates by 30 September 2009. 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.

9.2 The facilities for term finance available from various banks amount to Rs 550 million (2007: Rs 550 million). However no such facility was utilised as on 31 December 2008.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

	2008	2007
10. Trade and Other Payables		
Trade creditors - note 10.1	1,203,954	2,101,169
Bills payable	688,008	2,215,106
Sales tax, excise and custom duties	118,476	96,058
Mark-up accrued on short-term financing	15,611	2,669
Accrued interest / return on unsecured loan - note 10.2 & 28.1	281,081	354,709
Accrued expenses	822,332	668,903
Technical service fee / Royalty	29,382	40,269
Workers' profit participation fund - note 10.3	168,694	150,790
Workers' welfare fund	162,820	98,944
Distributors' security deposits - payable on termination of distributorship - note 10.4	55,222	56,092
Contractors' earnest / retention money	9,680	8,599
Advances from customers	362,902	221,913
Unclaimed dividends	4,549	4,550
Payable for capital expenditure	223,738	110,205
Provision for compensated absences	20,000	20,000
Others	184,158	162,977
	<u>4,350,607</u>	<u>6,312,953</u>
10.1 The above balances include amounts due to following associated undertakings:		
Pakistan PTA Limited	342,989	1,197,090
AkzoNobel, UK (formerly ICI Plc, UK)	6,434	3,770
ICI Paints Asia Pacific	9,548	11,600
AkzoNobel Paints, Malaysia	1,882	21
National Starch and Chemicals	-	657
ICI India Limited	-	937
AkzoNobel Paints, Indonesia	95	-
CR Netherlands	40,100	-
	<u>401,048</u>	<u>1,214,075</u>
10.2 This represents amount payable to Mortar Investments International Limited.		
10.3 Workers' profit participation fund		
Balance as on 1 January	150,790	113,788
Allocation for the year - note 29	164,923	145,964
	<u>315,713</u>	259,752
Interest on funds utilised in the Company's business at 41.25 percent (2007: 41.25 percent) per annum - note 28	3,637	4,774
	<u>319,350</u>	264,526
Less: Amount paid on behalf of the fund Deposited with the Government of Pakistan	53,927	10,192
	<u>96,729</u>	103,544
	<u>150,656</u>	113,736
Balance as on 31 December	<u>168,694</u>	<u>150,790</u>
10.4 Interest on security deposits from certain distributors is payable at 7.5 percent (2007: 7.5 percent) per annum as specified in the respective agreements.		

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

	2008	2007
11. Contingencies and Commitments		
11.1 Claims against the Group not acknowledged as debts are as follows:		
Local bodies	32,242	28,573
Sales tax authorities	92,844	97,192
Others	87,844	92,130
	<u>212,930</u>	<u>217,895</u>
11.2 A notice has been issued by the Environmental Protection Authority (EPA) against the Paints factory located at Ferozpur Road, Lahore. Pursuant to this an order has been passed by the EPA for violation of certain provisions of the Act. The Company has filed an appeal against the order in the Environmental Tribunal in Lahore and is of the opinion that the order is not justified.		
11.3 Guarantees issued by the Company in respect of financial and operational obligations of Pakistan PTA Limited pursuant to the Scheme amounting to Rs 2,370 million (2007 : Rs 2,460 million) against which Pakistan PTA Limited has issued counter guarantees to the Company.		
11.4 Guarantee issued by the Company to a bank in respect of financing obtained by Senior Executives amounted to Rs 48 million (2007: Rs 18 million), in accordance with the terms of employment.		
11.5 Guarantee issued by the Company of Rs 133 million (2007: Nil) to a bank on behalf of its subsidiary ICI Pakistan PowerGen Limited for availing funded facility.		
11.6 Commitments in respect of capital expenditure and other expenditure amounted to Rs 597.271 million (2007: Rs 692.668 million).		
11.7 Commitments for rentals under operating lease agreements in respect of vehicles amounting to Rs 149.387 million (2007: Rs 115.989 million) are as follows:		
Year		
2008	-	45,786
2009	59,773	37,269
2010	52,774	28,768
2011	27,809	4,166
2012	8,933	-
2013	98	-
	<u>149,387</u>	<u>115,989</u>
Payable not later than one year	59,773	45,786
Payable later than one year but not later than five years	89,614	70,203
	<u>149,387</u>	<u>115,989</u>
11.8 Outstanding foreign exchange contracts as at 31 December 2008 entered into by the Group to hedge the anticipated future transactions amounted to Rs 54.841 million (2007: Rs 962.468 million).		

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

12. Property, Plant and Equipment

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

Operating property, plant and equipment - note 12.2	8,214,163	7,948,702
Capital work-in-progress - note 12.6	1,855,221	826,512
	<u>10,069,384</u>	<u>8,775,214</u>

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

	Land		Lime beds on freehold land	Buildings		Plant and machinery	Railway sidings	Rolling stock and vehicles	Furniture and equipment	Total
	Freehold	Leasehold		On freehold land	On leasehold land					
2008										
Net carrying value basis Year ended 31 December 2008										
Opening net book value (NBV)	836,702	27,910	69,326	244,172	484,368	6,140,870	-	21,490	123,864	7,948,702
Addition/transfer (at cost)	-	-	15,498	32,601	23,470	979,377	-	20,278	45,241	1,116,465
Disposal/transfer (at NBV)	-	-	-	-	(135)	(3,248)	-	(198)	(917)	(4,498)
Depreciation charge	-	(20,761)	(6,568)	(32,990)	(51,758)	(685,238)	-	(9,828)	(39,363)	(846,506)
Closing net book value (NBV)	836,702	7,149	78,256	243,783	455,945	6,431,761	-	31,742	128,825	8,214,163
Gross carrying value basis At 31 December 2008										
Cost/Revaluation	836,702	567,799	133,820	916,282	961,296	16,307,819	297	124,837	607,462	20,456,314
Accumulated Depreciation	-	(560,650)	(55,564)	(672,499)	(505,351)	(9,876,058)	(297)	(93,095)	(478,637)	(12,242,151)
Net book value	836,702	7,149	78,256	243,783	455,945	6,431,761	-	31,742	128,825	8,214,163
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	

2007

Net carrying value basis Year ended 31 December 2007										
Opening net book value (NBV)	836,702	106,459	75,337	263,132	354,344	5,631,467	-	25,052	128,233	7,420,726
Addition/transfer (at cost)	-	-	-	6,400	186,197	1,205,834	-	4,592	32,453	1,435,476
Disposal/transfer (at NBV)	-	-	-	-	(664)	(2,858)	-	(2,403)	(489)	(6,414)
Depreciation charge	-	(78,549)	(6,011)	(25,360)	(55,509)	(693,573)	-	(5,751)	(36,333)	(901,086)
Closing net book value (NBV)	836,702	27,910	69,326	244,172	484,368	6,140,870	-	21,490	123,864	7,948,702
Gross carrying value basis At 31 December 2007										
Cost/Revaluation	836,702	567,799	118,322	883,681	938,726	15,349,946	297	141,079	573,667	19,410,219
Accumulated Depreciation	-	(539,889)	(48,996)	(639,509)	(454,358)	(9,209,076)	(297)	(119,589)	(449,803)	(11,461,517)
Net book value	836,702	27,910	69,326	244,172	484,368	6,140,870	-	21,490	123,864	7,948,702
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	

12.3 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.

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

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

Net Book Value	2008	2007
Freehold land	20,929	20,929
Leasehold land	15	32
Plant and machinery	6,202,020	5,818,526
Rolling stock and vehicles	31,742	21,490
Furniture and equipment	128,825	123,864
	6,383,531	5,984,841

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

Cost of sales - note 25	806,395	866,615
Selling and distribution expenses - note 26	947	1,068
Administration and general expenses - note 27	39,164	33,403
	846,506	901,086

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

Designing, consultancy and engineering fee	49,782	23,770
Civil works and buildings	274,650	92,707
Plant and machinery	1,317,181	541,647
Miscellaneous equipment	125,227	51,006
Advances to suppliers / contractors	88,381	117,382
	1,855,221	826,512

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

	2008				Particulars of buyers
	Cost	Accumulated depreciation	Net book value	Sale proceeds	
Building					
Scrapped	336	201	135	130	Shahbaz & Company, Malakwal
Plant and machinery					
Tender	912	508	404	866	Sheikh Khalil Ahmed, Lahore
Scrapped	12,373	9,604	2,769	1,150	Shahbaz & Company, Malakwal
Rolling stock and vehicles					
Sold by negotiation - (Toyota Corolla Model 2004)	59	-	59	785	Bilal Saeed, Lahore
Sold by auction - (Suzuki Potohar)	221	156	65	307	Abdul Qadir, Lahore
Furniture and equipment					
Sold by negotiation	213	90	123	20	KBS Enterprises, Karachi
Sold by negotiation	109	31	78	20	General Traders, Karachi
Sold by auction	311	143	168	40	Irfan Traders, Lahore
Scrapped	275	156	119	75	Shahbaz & Company, Malakwal
Scrapped	172	108	64	50	Mega Computer, Lahore
	2007				
Building					
Scrapped	1,250	721	529	2	Shahbaz & Company, Malakwal
Plant and machinery					
Sold by negotiations	181	59	122	128	Shaz Services, Karachi
Scrapped	17,088	14,478	2,610	321	Shahbaz & Company, Malakwal
Rolling stock and vehicles					
Sold by negotiations	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

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Amounts in Rs '000

	2008	2007		
13. Intangible Asset - SAP				
Net carrying value basis Year ended 31 December				
Opening net book value (NBV)	39,737	71,774		
Amortisation charge	<u>(32,037)</u>	<u>(32,037)</u>		
Closing net book value (NBV)	<u>7,700</u>	<u>39,737</u>		
Gross carrying amount At 31 December				
Cost	168,781	168,781		
Accumulated amortisation	<u>(161,081)</u>	<u>(129,044)</u>		
Net book value	<u>7,700</u>	<u>39,737</u>		
Rate of amortisation	<u>20%</u>	<u>20%</u>		
13.1 The amortisation charge for the year has been allocated as follows:				
Cost of sales - note 25	15,128	15,128		
Selling and distribution expenses - note 26	2,657	2,657		
Administration and general expenses - note 27	<u>14,252</u>	<u>14,252</u>		
	<u>32,037</u>	<u>32,037</u>		
14. Long-Term Investment - at cost				
<i>Unquoted</i> Equity security available for sale - Arabian Sea Country Club Limited	<u>2,500</u>	<u>2,500</u>		
15. Long-Term Loans - Considered good				
Due from Executives and Employees - note 15.1	<u>131,314</u>	<u>109,768</u>		
15.1 Due from Executives and Employees				
	Motor car	House building	Total	Total
Due from Executives	57,166	44,951	102,117	71,913
Less: Receivable within one year	<u>7,717</u>	<u>14,913</u>	<u>22,630</u>	<u>18,004</u>
	<u>49,449</u>	<u>30,038</u>	<u>79,487</u>	<u>53,909</u>
Due from Employees			71,350	83,696
Less: Receivable within one year			<u>19,523</u>	<u>27,837</u>
			<u>51,827</u>	<u>55,859</u>
			<u>131,314</u>	<u>109,768</u>
Outstanding for period:				
- less than three years but over one year			90,941	58,706
- more than three years			<u>40,373</u>	<u>51,062</u>
			<u>131,314</u>	<u>109,768</u>

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

	2008	2007
15.2 Reconciliation of the carrying amount of loans to Executives:		
Opening balance at beginning of the year	71,913	75,682
Disbursements	84,345	30,893
Repayments	(54,141)	(34,662)
Balance at end of the year	<u>102,117</u>	<u>71,913</u>
<p>The loans to executives includes an amount of Rs 2.870 million (2007: Rs 4.145 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.</p>		
15.3	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 Group in accordance with their terms of employment.	
15.4	The maximum aggregate amount of long-term loans due from the Executives at the end of any month during the year was Rs 102.117 million (2007: Rs 83.397 million).	
16. Long-Term Deposits and Prepayments		
Deposits	22,291	21,120
Prepayments	8,393	16,237
	<u>30,684</u>	<u>37,357</u>
17. Stores and Spares		
Stores (include in-transit Rs 13.311 million; 2007: Rs 30.528 million)	47,330	65,530
Spares	574,113	575,450
Consumables	85,391	80,165
	<u>706,834</u>	<u>721,145</u>
Less: Provision for slow moving and obsolete items	125,361	73,361
	<u>581,473</u>	<u>647,784</u>
18. Stock-in-Trade		
Raw and packing material (include in-transit Rs 386.242 million; 2007: Rs 244.416 million)	1,503,680	1,133,792
Work-in-process	134,237	192,127
Finished goods (include in-transit Nil; 2007: Rs 28.068 million)	1,441,647	1,120,188
	<u>3,079,564</u>	<u>2,446,107</u>
Less: Provision for slow moving and obsolete stock		
- Raw materials	67,435	89,363
- Finished goods	46,430	28,369
	<u>113,865</u>	<u>117,732</u>
	<u>2,965,699</u>	<u>2,328,375</u>
19. Trade Debts		
Considered good		
- Secured	305,110	480,439
- Unsecured	953,347	774,836
	<u>1,258,457</u>	<u>1,255,275</u>
Considered doubtful	193,363	135,400
	<u>1,451,820</u>	<u>1,390,675</u>
Less: Provision for Doubtful debts	193,363	135,400
Provision for Discount payable	229,395	206,193
	<u>422,758</u>	<u>341,593</u>
	<u>1,029,062</u>	<u>1,049,082</u>

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

	Amounts in Rs '000	
	2008	2007
20. Loans and Advances		
Considered good		
Loans due from:		
Executives - note 15.1	22,630	18,004
Employees - note 15.1	<u>19,523</u>	<u>27,837</u>
	42,153	45,841
Advances to:		
Directors and Executives - note 20.1	5,530	8,903
Employees	5,428	1,434
Contractors and suppliers	42,155	55,106
Others	<u>3,104</u>	<u>3,356</u>
	56,217	68,799
	98,370	114,640
Considered doubtful	<u>8,120</u>	<u>8,120</u>
	106,490	122,760
Less: Provision for doubtful loans and advances	<u>8,120</u>	<u>8,120</u>
	<u>98,370</u>	<u>114,640</u>
20.1 The maximum aggregate amount of advances due from the Directors and Executives at the end of any month during the year was Rs 2.620 million and Rs 15.056 million (2007: Rs 1.992 million and Rs 8.068 million) respectively.		
21. Trade Deposits and Short-Term Prepayments		
Trade deposits	24,159	30,115
Short-term prepayments	<u>381,860</u>	<u>312,444</u>
	<u>406,019</u>	<u>342,559</u>
22. Other Receivables		
Considered good		
Duties, sales tax and octroi refunds due	307,534	360,247
Due from Associate - note 22.1	67,582	67,582
Insurance claims	23,360	21,267
Commission receivable	18,159	22,560
Interest income receivable	-	8,775
Rebates receivable	194,522	108,414
Others	<u>178,802</u>	<u>123,418</u>
	789,959	712,263
Considered doubtful	<u>17,533</u>	<u>15,904</u>
	807,492	728,167
Less: Provision for doubtful receivables	<u>17,533</u>	<u>15,904</u>
	<u>789,959</u>	<u>712,263</u>
22.1 The maximum aggregate amount due from ICI Omicron B.V. at the end of any month during the year was Rs 67.582 million (2007: Rs 67.582 million).		
23. Cash and Bank Balances		
Deposit accounts	120,000	1,950,000
Current accounts	1,615,561	1,472,454
In hand Cheques	221,248	262,972
In hand Cash	<u>14,946</u>	<u>16,674</u>
	<u>1,971,755</u>	<u>3,702,100</u>

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

24. Operating Results

Note	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Others-PowerGen		Group	Group	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	
Sales															
Inter-segment	-	-	-	-	-	-	-	-	569,840	483,496	452,449	264,658	-	-	
Others	12,187,914	10,344,658	6,510,484	4,936,218	7,208,209	5,812,097	3,374,064	2,710,278	2,550,858	2,089,499	-	-	31,831,529	25,892,750	
	12,187,914	10,344,658	6,510,484	4,936,218	7,208,209	5,812,097	3,374,064	2,710,278	3,120,698	2,572,995	452,449	264,658	31,831,529	25,892,750	
Commission / Toll income	4,490	9,592	-	-	-	-	-	-	85,854	86,009	-	-	90,344	95,601	
Turnover	12,192,404	10,354,250	6,510,484	4,936,218	7,208,209	5,812,097	3,374,064	2,710,278	3,206,552	2,659,004	452,449	264,658	31,921,873	25,988,351	
Sales tax	-	-	1,064,410	680,999	905,199	717,941	-	-	251,467	185,054	63,858	34,521	2,284,934	1,618,515	
Excise Duty	-	-	53,109	20,317	57,149	23,996	-	-	6,080	2,108	-	-	116,338	46,421	
Commission and discounts to distributors and customers	54,254	81,846	126,512	71,037	956,653	754,714	360,139	302,894	122,986	123,322	-	-	1,620,544	1,333,813	
	54,254	81,846	1,244,031	772,353	1,919,001	1,496,651	360,139	302,894	380,533	310,484	63,858	34,521	4,021,816	2,998,749	
Net sales, commission & toll income	12,138,150	10,272,404	5,266,453	4,163,865	5,289,208	4,315,446	3,013,925	2,407,384	2,826,019	2,348,520	388,591	230,137	27,900,057	22,989,602	
Cost of sales	25	11,155,231	9,429,385	3,716,355	2,952,549	3,695,790	2,807,793	2,007,005	1,595,024	2,312,033	1,904,114	497,117	373,894	22,359,502	18,312,865
Gross profit		982,919	843,019	1,550,098	1,211,316	1,593,418	1,507,653	1,006,920	812,360	513,986	444,406	(108,526)	(143,757)	5,540,555	4,676,737
Selling and distribution expenses	26	54,738	41,816	83,807	122,486	577,723	487,410	376,805	293,772	127,452	129,065	-	-	1,220,525	1,074,549
Administration and general expenses	27	196,463	146,717	253,314	226,236	382,363	167,734	141,217	115,667	101,099	103,847	6,282	3,087	1,080,498	763,048
Operating result	24.10	731,718	654,486	1,212,977	862,594	633,332	852,509	488,898	402,921	285,435	211,494	(114,808)	(146,844)	3,239,532	2,839,140
24.1 Segment assets		6,221,622	6,616,775	6,398,339	5,419,825	2,851,665	2,281,189	1,047,091	721,479	828,952	804,040	545,010	351,287	17,892,679	16,194,595
24.2 Unallocated assets														610,016	2,357,115
														18,502,695	18,551,710
24.3 Segment liabilities		1,053,424	2,770,608	1,506,505	917,456	1,096,805	811,225	763,269	1,011,096	301,285	499,470	297,675	62,956	5,018,963	6,072,811
24.4 Unallocated liabilities														299,722	359,951
														5,318,685	6,432,762
24.5 Non-cash items (excluding depreciation & amortisation)		5,718	5,855	17,493	15,356	4,710	1,281	2,691	2,484	3,028	1,231	87	84	33,727	26,291
24.6 Depreciation & amortisation		350,285	365,961	361,614	428,203	59,135	49,381	16,013	14,725	18,997	16,119	72,499	58,734	878,543	933,123
24.7 Capital expenditure		100,971	219,417	1,386,174	675,424	68,111	73,411	17,416	12,225	53,061	31,767	519,441	50,352	2,145,174	1,062,596
24.8 Inter-segment sales															
24.9 Inter-segment pricing															
24.10															

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

25. Cost of Sales

	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Others-PowerGen		Group	Group
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Raw and packing materials consumed														
Opening stock	506,824	431,019	135,447	137,713	146,172	191,552	159,410	86,305	79,537	63,085	17,039	13,932	1,044,429	923,606
Purchases														
Inter-segment	-	-	-	-	569,840	483,496	-	-	-	-	-	-	-	-
Others	9,739,672	8,056,597	1,854,823	1,000,168	2,964,033	2,076,631	586,536	624,893	951,331	697,850	232,873	172,633	16,329,268	12,628,772
	9,739,672	8,056,597	1,854,823	1,000,168	3,533,873	2,560,127	586,536	624,893	951,331	697,850	232,873	172,633	16,329,268	12,628,772
	10,246,496	8,487,616	1,990,270	1,137,881	3,680,045	2,751,679	745,946	711,198	1,030,868	760,935	249,912	186,565	17,373,697	13,552,378
Closing stock - note 18	(512,080)	(506,824)	(370,987)	(135,447)	(324,080)	(146,172)	(111,021)	(159,410)	(104,334)	(79,537)	(13,743)	(17,039)	(1,436,245)	(1,044,429)
	9,734,416	7,980,792	1,619,283	1,002,434	3,355,965	2,605,507	634,925	551,788	926,534	681,398	236,169	169,526	15,937,452	12,507,949
Salaries, wages and benefits	256,109	217,280	410,304	345,449	74,667	60,261	2,764	2,625	23,539	20,128	11,456	8,994	778,839	654,737
Stores and spares consumed	90,866	83,697	118,300	79,714	1,763	6,992	-	-	4,288	4,105	19,852	20,569	235,069	195,077
Conversion fee paid to contract manufacturers	-	-	-	-	-	-	172,532	134,795	5,455	4,874	-	-	177,987	139,669
Oil, gas and electricity - note 25.2	665,838	453,313	1,170,754	804,066	16,851	12,046	-	-	7,290	6,820	149,372	109,039	1,557,656	1,120,626
Rent, rates and taxes	1,599	1,318	506	499	444	444	-	-	184	176	672	742	3,405	3,179
Insurance	20,703	46,510	15,979	28,268	20,665	25,989	2	6	187	376	2,002	2,910	59,538	104,059
Repairs and maintenance	955	740	125	837	11,895	12,172	10	8	2,334	1,940	121	153	15,440	15,850
Depreciation and amortisation - note 12.5 & 13.1	343,074	359,755	345,323	413,407	47,927	39,799	597	662	12,103	9,386	72,499	58,734	821,523	881,743
Excise duty	-	-	-	-	-	-	-	-	-	-	3,951	2,297	3,951	2,297
Technical fees	-	-	-	-	24,215	31,210	1,462	-	-	-	-	-	25,677	31,210
Royalty	-	-	-	-	-	-	-	-	18,265	13,924	-	-	18,265	13,924
General expenses - note 25.4	87,759	74,664	56,045	53,494	76,292	47,893	798	1,430	10,277	8,856	1,023	930	230,454	185,527
Opening stock of work-in-process	72,892	88,102	-	-	115,205	50,570	3,084	-	946	2,479	-	-	192,127	141,151
Closing stock of work-in-process - note 18	(108,866)	(72,892)	-	-	(19,851)	(115,205)	(5,024)	(3,084)	(496)	(946)	-	-	(134,237)	(192,127)
Cost of goods manufactured	11,165,345	9,233,279	3,736,619	2,728,168	3,726,038	2,777,678	811,150	688,230	1,010,906	753,516	497,117	373,894	19,923,146	15,804,871
Opening 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
Finished goods purchased	6,227	-	-	141,783	103,600	125,200	1,348,271	951,168	1,390,063	1,156,050	-	-	2,848,161	2,374,201
	11,547,475	9,805,288	3,749,495	2,969,310	4,017,730	3,053,553	2,489,704	1,925,307	2,585,634	2,098,579	497,117	373,894	23,863,126	19,476,037
Closing stock of finished goods - note 18	(392,244)	(375,903)	(33,140)	(12,876)	(221,852)	(188,092)	(476,184)	(330,283)	(271,797)	(184,665)	-	-	(1,395,217)	(1,091,819)
Provision for obsolete stocks - note 27	-	-	-	(3,885)	(100,088)	(57,668)	(6,515)	-	(1,804)	(9,800)	-	-	(108,407)	(71,353)
	<u>11,155,231</u>	<u>9,429,385</u>	<u>3,716,355</u>	<u>2,952,549</u>	<u>3,695,790</u>	<u>2,807,793</u>	<u>2,007,005</u>	<u>1,595,024</u>	<u>2,312,033</u>	<u>1,904,114</u>	<u>497,117</u>	<u>373,894</u>	<u>22,359,502</u>	<u>18,312,865</u>

25.1 Inter-segment purchases

Inter-segment purchases have been eliminated from the total.

25.2 Oil, gas and electricity includes inter-segment purchases of Rs 452.449 million (2007: Rs 264.658 million) which have been eliminated from the total.

25.3 Staff retirement benefits

Salaries, wages and benefits include Rs 44.707 million (2007: Rs 45.524 million) in respect of staff retirement benefits.

25.4 Service Charges from subsidiary

This includes amount Rs 1.740 million charged by the Company for certain administrative service charges in accordance with the service level agreement which have been eliminated from the total.

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

26. Selling and Distribution Expenses

	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Others-PowerGen		Group	Group
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Salaries, wages and benefits	32,209	26,030	18,389	13,128	152,402	140,474	147,224	119,687	51,355	42,133	-	-	401,579	341,452
Repairs and maintenance	69	89	863	854	2,687	1,580	1,531	1,228	623	511	-	-	5,773	4,262
Advertising and sales promotion	1,064	344	1,251	1,082	172,330	136,015	90,357	74,202	2,091	2,014	-	-	267,093	213,657
Rent, rates and taxes	-	-	921	1,196	25,254	9,564	4,666	3,953	1,482	570	-	-	32,323	15,283
Insurance	-	-	914	808	160	147	5,128	2,002	4,091	3,652	-	-	10,293	6,609
Lighting, heating and cooling	15	12	885	859	3,721	3,426	1,684	1,552	258	281	-	-	6,563	6,130
Depreciation and amortisation - note 12.5 & 13.1	248	248	209	330	-	-	1,670	1,670	1,477	1,477	-	-	3,604	3,725
Outward freight and handling	7,515	7,145	48,363	92,212	159,682	120,687	-	-	21,610	20,710	-	-	237,170	240,754
Travelling expenses	5,081	3,695	1,308	2,848	31,951	49,410	65,509	45,168	13,317	12,772	-	-	117,166	113,893
Postage, telegram, telephone and telex	808	457	688	879	5,558	6,497	7,712	4,677	3,665	3,530	-	-	18,431	16,040
General expenses	7,729	3,796	10,016	8,290	23,978	19,610	51,324	39,633	27,483	41,415	-	-	120,530	112,744
	54,738	41,816	83,807	122,486	577,723	487,410	376,805	293,772	127,452	129,065	-	-	1,220,525	1,074,549

26.1 Staff retirement benefits

Salaries, wages and benefits include Rs 40.995 million (2007: Rs 38.171 million) in respect of staff retirement benefits.

27. Administration and General Expenses

Salaries, wages and benefits	92,194	69,540	146,769	141,059	94,962	72,233	75,817	63,240	59,887	62,287	-	-	469,629	408,359
Repairs and maintenance	3,739	1,917	7,657	2,802	7,982	5,595	2,268	1,254	1,638	639	-	-	23,284	12,207
Advertising and sales promotion	2,870	1,455	7,424	3,418	-	-	1,357	935	1,543	776	-	-	13,194	6,584
Rent, rates and taxes	2,341	2,876	2,527	2,490	5,963	605	459	451	520	513	1	-	11,811	6,935
Insurance	687	734	1,975	2,107	578	420	3,399	5,877	436	443	-	-	7,075	9,581
Lighting, heating and cooling	2,650	2,489	4,521	4,037	2,903	2,530	3,219	2,477	953	832	-	-	14,246	12,365
Depreciation and amortisation - note 12.5 & 13.1	6,963	5,958	16,082	14,466	11,208	9,582	13,746	12,393	5,417	5,256	-	-	53,416	47,655
Provision for doubtful debts - trade	4,130	36,100	-	-	60,046	-	627	-	-	-	-	-	64,803	36,100
- others	-	-	-	-	-	-	1,629	-	-	-	-	-	1,629	-
Provision for obsolete stock	-	-	-	3,885	100,088	57,668	6,515	-	1,804	9,800	-	-	108,407	71,353
Provision for obsolete spares	45,000	-	4,000	-	-	-	-	-	-	-	3,000	-	52,000	-
Travelling expenses	7,404	5,114	11,548	9,147	12,787	10,063	7,773	7,085	4,060	4,005	-	-	43,572	35,414
Postage, telegram, telephone and telex	1,070	965	2,085	1,715	13,997	7,919	2,042	2,202	1,014	947	40	5	20,248	13,753
General expenses note 27.3	27,415	19,569	48,726	41,110	71,849	1,119	22,366	19,753	23,827	18,349	3,241	3,082	197,184	102,742
	196,463	146,717	253,314	226,236	382,363	167,734	141,217	115,667	101,099	103,847	6,282	3,087	1,080,498	763,048

27.1 Staff retirement benefits

Salaries, wages and benefits include Rs 52.685 million (2007: Rs 57.267 million) in respect of staff retirement benefits.

27.2 Severance cost

Salaries and benefits include Rs 6.531 million (2007: Rs 4.554 million) in respect of severance cost.

27.3 Service Charges from subsidiary

This includes Rs 0.240 million charged by the Company for certain administrative service charges in accordance with the service level agreement which have been eliminated from the total.

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

	2008	2007
28. Financial Charges		
Mark-up on short-term financing	26,224	18,041
Interest on workers' profit participation fund - note 10.3	3,637	4,774
Discounting charges on receivables	104,195	92,241
Exchange loss - note 28.1	93,613	22,192
Interest on security deposits	3,914	3,928
Others	4,155	12,925
	<u>235,738</u>	<u>154,101</u>
28.1 Exchange loss has been netted off with reversal of arrangement fee on Mortar loan amounting to Rs 171.2 million (2007: Nil) which Mortar Investments International Limited has agreed to waive.		
29. Other operating charges		
Auditors' remuneration - note 29.1	7,263	5,331
Donations - note 29.2	21,650	14,692
Workers' profit participation fund - note 10.3	164,923	145,964
Workers' welfare fund	63,876	56,501
	<u>257,712</u>	<u>222,488</u>
29.1 Auditors' remuneration		
Audit and Group reporting fee	5,630	4,043
Half yearly review and other certifications	900	890
Out-of-pocket expenses	733	398
	<u>7,263</u>	<u>5,331</u>
29.2 Donations include Rs 13.4 million (2007: Rs 11.277 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.		
30. Other operating income		
Income from related party		
Service fees from related party - note 30.1	6,502	6,002
Return from financial assets		
Profit on short-term and call deposits	90,228	35,327
Income from non-financial assets		
Scrap sales	43,547	38,433
Gain on disposal of property, plant and equipment	6,671	1,100
Others		
Provisions and accruals no longer required written back	2,602	20,962
Income on technical assistance	1,396	27,903
Sundries	61,884	11,906
	<u>212,830</u>	<u>141,633</u>
30.1 This represents amount charged by the Group for certain management and other services rendered to its related party (Pakistan PTA Limited), in accordance with the Service Agreement based on commercial terms between the Companies.		

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

	2008	2007
31. Taxation		
Current - note 31.1	102,838	127,702
Prior years	6,092	182,045
Total current tax charge	108,930	309,747
Deferred - note 8	952,106	675,133
Net tax charged - note 31.2	<u>1,061,036</u>	<u>984,880</u>
31.1 This represents tax on income chargeable under Final Tax Regime (FTR).		
31.2 Tax reconciliation		
Profit for the year	2,958,912	2,604,184
Tax @ 35%	1,035,619	911,464
Additional net deferred tax asset available after adjustment of FTR for prior years & other adjustments	-	(231,199)
Prior years' tax charge	6,092	182,045
Permanent difference - Donations	7,578	5,142
Tax impact on losses of subsidiary - note 31.3	59,581	57,519
Tax impact on income under FTR of the current year	(47,241)	16,893
Turnover tax	-	1,157
Others	(593)	41,859
Net tax charged	<u>1,061,036</u>	<u>984,880</u>
31.3 The profit and losses derived from power generation are exempt from tax under clause 132 of part I of the second schedule of the Income Tax Ordinance 2001.		
32. Earnings per share - Basic and diluted		
Profit after taxation for the year	1,897,876	1,619,304
	Number of shares	
Weighted average number of ordinary shares in issue during the year	138,802,300	138,802,300
	Rupees	
Earnings per share	13.67	11.67

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

33. Remuneration of Directors and Executives

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

	Chairman		Chief Executive		Directors		Executives		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Managerial remuneration	995	1,000	17,299	11,828	34,870	25,245	366,543	265,628	419,707	303,701
Retirement benefits	-	-	4,474	3,396	7,622	5,451	94,817	71,949	106,913	80,796
Group insurance	-	-	42	30	126	90	4,515	2,421	4,683	2,541
Rent and house maintenance	-	-	5,600	5,424	-	-	106,950	77,754	112,550	83,178
Utilities	-	-	554	670	-	-	26,639	19,166	27,193	19,836
Medical expenses	-	-	180	2,836	454	1,361	15,281	7,716	15,915	11,913
Leave passage	-	-	-	257	-	-	-	-	-	257
	995	1,000	28,149	24,441	43,072	32,147	614,745	444,634	686,961	502,222
Number of persons	1	1	1	1	5	5	282	212	289	219

- 33.1** In addition to this, an amount of Rs 179 million (2007: Rs 123.5 million) on account of variable pay has been recognised in the financial statements for the current year. This amount is payable in 2009 after verification of target achievement. Further, a long term bonus of Rs 21 million (2007: Nil) payable to certain employees has been recognised in the financial statements which is payable in future years.

Out of variable pay recognised for 2007 and 2006 following payments were made:

	Paid in 2008 relating to 2007	Paid in 2007 relating to 2006
Chief Executive - note 33.1.1	11,859	4,552
Directors	9,976	7,240
Executives	100,326	66,348
Other employees	24,030	25,412
	146,191	103,552

- 33.1.1** Included in this is a one-off Rs 4.1 million (2007: Nil) profit growth bonus.
- 33.2** 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 maintained furnished accommodation and free use of Company car.
- 33.3** Aggregate amount charged in the financial statements for fee to three Directors was Rs 2.482 million (2007: Rs 2.276 million).
- 33.4** The above balances include an amount of Rs 165.8 million (2007: Rs 111.458 million) on account of remuneration of key management personnel out of which Rs 19.896 million (2007: Rs 13.255 million) relates to post employment benefits.

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

34. Transactions with Related Parties

The related parties comprise parent company (ICI Omicron B.V.), ultimate parent company (AkzoNobel N.V.), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key employees (note 33) and staff retirement funds (note 7). Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2008	2007
Associated companies		
Purchase of goods, materials and services	7,605,420	6,059,706
Provision of services and other receipts	6,502	6,002
Sale of goods and materials	17,396	7,563
Dividends	631,975	315,687
Donations	13,400	11,277
Others		
Purchase of goods, materials and services	3,627	1,901
Sale of goods and materials	125,195	58,300

35. Plant Capacity and Annual Production

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

	2008		2007	
	Annual Name Plate Capacity	Production	Annual Name Plate Capacity	Production
Polyester - note 35.2	122,000	112,011	122,000	110,656
Soda Ash - note 35.3	285,000	266,060	285,000	258,320
Paints	-	43,305	-	39,188
Chemicals	-	9,669	-	9,259
Sodium Bicarbonate	20,000	21,850	20,000	22,768
PowerGen - note 35.4	157,476	57,650	122,640	59,405

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

35.2 Production in Polyester Business was curtailed in line with market demand.

35.3 Production was below name plate capacity due to gas curtailment by the Sui Northern Gas Pipeline Limited and unplanned maintenance of both its gas turbines.

35.4 Electricity by PowerGen is produced as per demand.

36. Fair Value of Financial Assets and Liabilities

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

Amounts in Rs '000

37. Interest / Mark-up Rate Risk Management

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

	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		
2008						
Financial Assets						
Long-term investment	-	-	-	-	2,500	2,500
Long-term loans	-	-	-	-	131,314	131,314
Long-term deposits	-	-	-	-	22,291	22,291
Trade debts	-	-	-	-	1,029,062	1,029,062
Loans and advances	-	-	-	-	53,111	53,111
Trade deposits	-	-	-	-	24,159	24,159
Other receivables	-	-	-	-	482,425	482,425
Cash and bank balances	13 - 14	120,000	-	-	1,851,755	1,971,755
		120,000	-	-	3,596,617	3,716,617
Financial Liabilities						
Trade and other payables	7.50	55,222	-	-	3,482,493	3,537,715
Short-term financing	15.22 - 17.59	227,939	-	-	-	227,939
		283,161	-	-	3,482,493	3,765,654
Net financial (liabilities) / assets		(163,161)	-	-	114,124	(49,037)
2007						
Financial Assets						
Long-term investment	-	-	-	-	2,500	2,500
Long-term loans	-	-	-	-	109,768	109,768
Long-term deposits	-	-	-	-	21,120	21,120
Trade debts	-	-	-	-	1,049,082	1,049,082
Loans and advances	-	-	-	-	56,178	56,178
Trade deposits	-	-	-	-	30,115	30,115
Other receivables	-	-	-	-	352,016	352,016
Cash and bank balances	8.50	1,950,000	-	-	1,752,100	3,702,100
		1,950,000	-	-	3,372,879	5,322,879
Financial Liabilities						
Trade and other payables	7.50	56,092	-	-	5,689,156	5,745,248
Short-term financing		-	-	-	-	-
		56,092	-	-	5,689,156	5,745,248
Net financial (liabilities) / assets		1,893,908	-	-	(2,316,277)	(422,369)

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

Amounts in Rs '000

38. Credit and Concentration of Credit Risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. The 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:

	2008	2007
Public Sector		
- Government	197,695	186,288
- Armed forces	4,571	5,038
- Communication	380	2,368
- Oil and gas	790	1,379
- Health	2,609	1,251
- Trade	23,747	37,779
- Others	42,364	24,390
	272,156	258,493
Private Sector		
- Institutional	34,668	84,991
- Trade	1,005,315	1,011,303
- Bank	1,956,809	3,694,201
- Others	432,723	257,217
	3,429,515	5,047,712
	3,701,671	5,306,205

39. Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Group treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

40. Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Group is exposed to foreign currency risk on sales, purchases and borrowings, if any, that are entered in a currency other than Pak Rupees. The Group uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate. However the forward foreign exchange contracts were not available after quarter 2 in accordance with State Bank of Pakistan instructions. Therefore the Group switched its foreign currency payments on sight basis to mitigate foreign exchange risk inherent in long duration open letter of credits.

41. Capital Risk Management

The Group's objective when managing capital is to safeguard its 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 Group 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 Group may adjust the amount of dividend paid to shareholders or issue new shares.

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

42. Accounting Estimates and Judgments

Income Taxes

The Group takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities (unless there is remote possibility of transfer of benefits).

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 Limited was effective from the completion date i.e. August 6, 2001. This was challenged by the Group in the High Court which upheld the Group'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 on receipt of notice under section 62 of the Income Tax Ordinance, 1979, the Group had filed a writ petition in the Supreme Court challenging the tax department's notice 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. That notice had raised certain issues relating to vesting of PTA assets by the Group which has been settled in the assessment year 2001-2002.

Subsequent to the above the Group had detailed negotiations with the Federal Board of Revenue with regard to the reopening of the assessment. The Federal Board of Revenue confirmed that the effective date of demerger is 1st October 2000 and not August 6, 2001 as proposed by the tax department. FBR also confirmed that the demerger of the Group did not give rise to any taxable event. However FBR directed the Group and the tax department to further review the issue of allowing unabsorbed depreciation relating to PTA assets to the Group at the date of demerger.

The Group position is very clear that under the tax law such depreciation should be allowed to ICI Pakistan. Accordingly, the Group has filed an application with the FBR for resolving the matter using the Alternate Dispute Resolution mechanism. Group's request for formation of an ADRC Committee on the matter has been accepted.

Whilst amending the assessment for the Tax Year 2003, tax department has taken certain action in the order, considered by the department as "protective assessment" on the matter of unabsorbed depreciation carried forward. It is the Group's contention that such an action is unwarranted. An application for rectification, in addition to appeal before the CIT (Appeals), on the matter has been filed. These are pending for action. The very basis of such an action has also been challenged before the High Court of Sindh which is pending for hearing.

The Income Tax Appellate Tribunal earlier set aside the assessment for the assessment year 1998-99 on the issues of date of commissioning of PTA plant & depreciation thereon, restriction of cost of capitalization of PTA plant and addition to income in respect of trial production stocks. The re-assessment was finalized by the department during the year giving rise to an additional tax demand.

In appeal against the said order, after the action being maintained by the Commissioner of Income Tax, - Appeals, the Income Tax Appellate Tribunal has set aside the assessment order passed by the tax department for fresh adjudication.

Pension and Gratuity

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

Property, plant and equipment

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

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

43. Initial Application of a standard or an Interpretation

Standards, amendments and interpretations effective in 2008

Islamic Financial Accounting Standard 2 – 'Ijarah' is mandatory for the Company's accounting period beginning on or after July 1, 2007 for those ijarah agreements which commenced on or after this date. It requires the recognition of 'ijarah payments' (lease rentals) against ijarah financing as an expense in the profit and loss account on a straight line basis over the ijarah term.

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 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.

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.

Standard or an Interpretation 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 Group's operations or are not expected to have significant impact on the Group'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) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income.

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statements of cash flows'). Entities whose ordinary activities comprise renting and subsequently selling assets presents proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchases, rentals and sale of those assets are classified as cash flows from operating activities.

IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).

The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

IAS 37, 'Provisions, contingent liabilities and contingent asset's, requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

Revised IAS 23-Borrowing costs (effective for annual periods beginning on or after 1 January 2009) removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the group loses control of subsidiary, any interest retained in the former a subsidiary will be measured at fair value with gain or loss recognised in the profit or loss.

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial Instruments: Disclosures'). Where an investment in associate is accounted for in accordance with IAS 39 'Financial Instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosure'.

IAS 29 - Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 28 April 2008).

IAS 31 (Amendment), 'Interest in joint ventures' (and consequential amendments to IAS 32 and IFRS 7). Where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation', and IFRS 7 'Financial Instruments: Disclosure'.

Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009) - Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met.

IAS 36 (Amendment), 'Impairment of assets'. It requires that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IAS 38 (Amendment), 'Intangible assets'. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services.

Amendments to IAS 39 Financial Instruments: Recognition and measurement - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship.

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value.

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). It requires the use of market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value.

IFRS 2 (Amendment), 'Share-based payment'- Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009) clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 July 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent considerations to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interests in identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

IFRS 7 'Financial instruments: Disclosures' (effective for annual periods on or after 28 April 2008) supersedes IAS 30 - Disclosures in the Financial statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 - Financial Instruments: Disclosure and Presentation.

IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009) introduces the "management approach" to segment reporting. IFRS 8 will require a change in presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's "chief operating decision maker" in order to assess each segment's performance and to allocate resources to them. Currently the Group presents segment information in respect of its business segments.

Notes to the Consolidated Financial Statements For the year ended 31 December 2008

IFRS 5 Amendment - Improvements to IFRSs - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 July 2009) specify that: if an entity is committed to a sale plan involving the loss of control a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in paragraph 6 to 8 of IFRS 5 are met disclosures for discontinued operations would be required by the parent when a subsidiary meets the definition of a discontinued operation.

IFRIC 13- Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008) addresses the accounting by entities that operate or otherwise participate in customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services.

IFRIC 15-Agreement for Construction of Real Estate (effective for annual periods beginning on or after 1 October 2009) clarifies the recognition of revenues by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

IFRIC 16- Hedge of Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008) clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss. The Interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit or loss on disposal of a net investment as if the direct method of consolidation had been used.

IFRIC-17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009) states that when a company distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

44. Dividend

The directors in their meeting held on February 18, 2009 have proposed a final dividend of Rs. 4.00 per share (2007: Rs 3.50 per share) in respect of year ended 31 December 2008. The consolidated financial statements for the year ended 31 December 2008 do not include the effect of the above dividend which will be accounted for in the period in which it is declared.

45. Date of Authorisation

These consolidated financial statements were authorised for issue in the Board of Directors meeting held on February 18, 2009.

46. General

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

46.2 Corresponding Figures


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

Reclassification from component	Reclassification to component	Amounts in Rs '000
Trade debts	Trade and other payables - Advance from customers	36,864
Short term prepayments	Trade deposits	17,792
Trade deposits and Short term prepayments	Other receivables - Duties, sales tax and octroi refunds due	24,972

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

Reclassification from component	Reclassification to component	Amounts in Rs '000
Long-term deposits and prepayments - Prepayments	Trade Deposits and Short-Term Prepayments - Short-term prepayments	22,531
Trade and Other Payables - Others	Trade Debts - Provision for discounts	58,082
Trade and Other Payables - Others	Trade and Other Payables - Accrued Expenses	21,610
Trade and Other Payables - Accrued Expenses	Trade Debts - Provision for discounts	4,650
Provision for Doubtful Debts	Trade Debts	11,057
Operating property, plant and equipment - Buildings on Leasehold land	Operating property, plant and equipment - Buildings on Freehold land	1,212
Trade and other payables - Mark-up accrued on short term financing	Trade and other payables - Others	10,548
Trade Debts - Un Secured	Trade Debts - Secured	163,176
Trade Debts - Secured	Trade Debts - Un Secured	25,772
Cost of Goods Sold - Excise Duty	Excise Duty	23,996
Cost of Goods Sold	Toll manufacturing Income	5,750
Other Income - Others	Toll manufacturing Income	9,592
Cost of Goods Sold - Royalty	Cost of Goods Sold - Insurance	11,024
Sales Tax	Other Income - Scrap Sales	3,042
Cost of Goods Sold - Salaries and Wages	Cost of Goods Sold - General Expenses	26,000
Financial Charges - Short term financing	Financial Charges - Others	10,548
Administration & general expenses - Travelling Expense	Administration & general expenses - General expenses	2,100
Sales Tax	Excise Duty	22,425
Cost of Sales - Raw material purchased	Cost of Sales - Finished goods purchased	125,200



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer



ICI Pakistan Limited is now part
of the AkzoNobel Group

AkzoNobel
Tomorrow's Answers Today

Admission Slip

The Fifty-seventh Annual General Meeting of ICI Pakistan Limited will be held on March 26, 2009 at 10:00 a.m. at the Registered Office of the Company at ICI House, 5 West Wharf, Karachi.

Company's transport will wait at the corner of Karachi Stock Exchange Road, between 8:45 a.m. and 9:15 a.m. on the date of the Meeting. Shareholders desirous of attending the Meeting may avail this facility.

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

Company Secretary

Name _____

Shareholder No. _____ Signature _____

Note:

- i) The signature of the shareholder must tally with the specimen signature on the Company's record.
- ii) Shareholders are requested to hand over duly completed admission slips at the counter before entering the Meeting premises.

CDC Account Holders / Proxies / Corporate Entities:

- a) The CDC Account Holder / Proxy shall authenticate his / her identity by showing his / her original Computerised National Identity Card (CNIC) or original passport at the time of attending the Meeting.
- b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting (unless it has been provided earlier).

This Admission Slip is Not Transferable

Form of Proxy 57th Annual General Meeting

I / We _____

of _____

being member(s) of ICI Pakistan Limited holding _____

ordinary shares hereby appoint _____

of _____ or failing him / her _____

of _____ who is / are also member(s) of ICI Pakistan Limited as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Fifty-seventh Annual General Meeting of the Company to be held on March 26, 2009 and at any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2009

Signed by the said _____

in the presence of 1. _____

2. _____

Folio / CDC Account No.

Signature on
Revenue Stamp
of Appropriate
Value

This signature should agree with the specimen registered with the Company.

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, ICI House, 5 West Wharf, Karachi, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he / she himself / herself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

For CDC Account Holders / Corporate Entities:

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

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

**Affix
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**The Company Secretary
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Karachi-74000**

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