

ICI Pakistan Limited  
 Balance Sheet  
 As at December 31, 2010

		Amounts in Rs '000	
	Note	2010	2009
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
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>12,694,225</u>	11,628,928
<b>Total Equity</b>		<u>14,548,093</u>	<u>13,482,796</u>
<b>Surplus on Revaluation of Property, Plant and Equipment</b>	5	907,352	931,846
<b>LIABILITIES</b>			
<b>Non-Current Liabilities</b>			
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	6	222,942	183,019
Deferred tax liability - net	7	870,248	1,025,098
		1,093,190	1,208,117
<b>Current Liabilities</b>			
Trade and other payables	8	5,482,037	5,799,898
<b>Contingencies and Commitments</b>	9		
<b>Total Equity and Liabilities</b>		<u>22,030,672</u>	<u>21,422,657</u>

ICI Pakistan Limited  
Balance Sheet  
As at December 31, 2010

Amounts in Rs '000

	Note	2010	2009
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	10	8,895,091	9,225,110
Intangible assets	11	180,102	-
		<b>9,075,193</b>	9,225,110
Long-term investments	12	712,500	712,500
Long-term loans	13	324,264	330,801
Long-term deposits and prepayments	14	40,458	29,078
		<b>1,077,222</b>	1,072,379
		<b>10,152,415</b>	10,297,489
<b>Current Assets</b>			
Stores and spares	15	450,596	496,401
Stock-in-trade	16	3,786,345	3,244,525
Trade debts	17	792,867	919,463
Loans and advances	18	590,722	406,739
Trade deposits and short-term prepayments	19	443,674	452,438
Other receivables	20	606,280	677,111
Taxation recoverable		545,951	460,240
Cash and bank balances	21	4,661,822	4,468,251
		<b>11,878,257</b>	11,125,168
<b>Total Assets</b>		<b>22,030,672</b>	21,422,657

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

**M J Jaffer**  
Chairman / Director

**Waqar A Malik**  
Chief Executive

**Feroz Rizvi**  
Chief Financial Officer

ICI Pakistan Limited  
Profit and Loss Account  
For the year ended December 31, 2010

Amounts in Rs '000

	Note	2010	2009
Turnover	24	39,532,506	32,399,181
Sales tax, excise duty, commission and discounts	23	(4,402,526)	(3,969,284)
Net sales, commission & toll income		35,129,980	28,429,897
Cost of sales	24	(28,443,690)	(22,754,005)
Gross profit		6,686,290	5,675,892
Selling and distribution expenses	26	(1,674,719)	(1,470,174)
Administration and general expenses	27	(1,299,005)	(1,178,064)
Operating result		3,712,566	3,027,654
Financial charges	28	(163,880)	(167,541)
Other operating charges	29	(303,426)	(247,590)
		(467,306)	(415,131)
Other operating income	30	486,256	459,983
Profit before taxation		3,731,516	3,072,506
Taxation	31	(1,302,690)	(1,027,768)
Profit after taxation		2,428,826	2,044,738
		(Rupees)	(Rupees)
<b>Earnings per share - Basic and diluted</b>	32	<b>17.50</b>	<b>14.73</b>

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Chairman / Director

**Waqar A Malik**  
Chief Executive

**Feroz Rizvi**  
Chief Financial Officer

ICI Pakistan Limited  
Statement of Comprehensive Income  
For the year ended December 31, 2010

	Amounts in Rs '000	
	2010	2009
<b>Profit for the year</b>	2,428,826	2,044,738
<b>Other comprehensive income</b>	-	-
<b>Total comprehensive income for the year</b>	<u>2,428,826</u>	<u>2,044,738</u>

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*Chairman / Director*

**Waqar A Malik**  
*Chief Executive*

**Feroz Rizvi**  
*Chief Financial Officer*

# ICI Pakistan Limited

## Cash Flow Statement

For the year ended December 31, 2010

	<b>Amounts in Rs '000</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash Flows from Operating Activities</b>		
Profit before taxation	<b>3,731,516</b>	3,072,506
Adjustments for:		
Depreciation and amortisation	<b>943,811</b>	870,688
Gain on disposal of property, plant and equipment	<b>(10,211)</b>	(5,293)
Provision for non-management staff gratuity and eligible retired employees' medical scheme	<b>58,991</b>	56,008
Mark-up on bank deposits and loan to subsidiary	<b>(351,957)</b>	(228,624)
Interest / mark-up expense	<b>101,888</b>	88,118
	<b>4,474,038</b>	3,853,403
Movement in:		
Working capital	<b>(730,786)</b>	1,083,497
Long-term loans	<b>(15,685)</b>	(196)
Long-term deposits and prepayments	<b>(11,380)</b>	1,606
Cash generated from operations	<b>3,716,187</b>	4,938,310
Payments for :		
Non-management staff gratuity and eligible retired employees' medical scheme	<b>(19,068)</b>	(15,239)
Taxation	<b>(1,543,251)</b>	(513,680)
Interest / mark-up	<b>(101,888)</b>	(97,097)
Profit / mark-up received on bank deposits	<b>282,448</b>	163,937
Net cash generated from operating activities	<b>2,334,428</b>	4,476,231
<b>Cash Flows from Investing Activities</b>		
Payments for capital expenditure	<b>(854,342)</b>	(826,402)
Proceeds from disposal of property, plant and equipment	<b>33,033</b>	17,148
Profit / mark-up received on loan to subsidiary	<b>68,479</b>	58,211
Loan / Standby finance facility to subsidiary company - net	<b>-</b>	(187,000)
Net cash used in investing activities	<b>(752,830)</b>	(938,043)

ICI Pakistan Limited  
Cash Flow Statement  
For the year ended December 31, 2010

Amounts in Rs '000

	2010	2009
<b>Cash Flows from Financing Activities</b>		
Dividend paid	(1,388,027)	(1,041,018)
Net cash used in financing activities	(1,388,027)	(1,041,018)
Net increase in cash and cash equivalents	193,571	2,497,170
<b>Cash and cash equivalents at January 1</b>	<b>4,468,251</b>	<b>1,971,081</b>
<b>Cash and cash equivalents at December 31 - note 21</b>	<b>4,661,822</b>	<b>4,468,251</b>
<b>Movement in Working Capital</b>		
<i>(Increase) / decrease in current assets</i>		
Stores and spares	45,805	42,139
Stock-in-trade	(541,820)	(292,569)
Trade debts	126,596	(112,851)
Loans and advances	(161,761)	(26,485)
Trade deposits and short-term prepayments	8,764	(47,776)
Other receivables	71,861	78,753
	(450,555)	(358,789)
<i>(Decrease) / Increase in current liabilities</i>		
Trade and other payables	(280,231)	1,442,286
	(730,786)	1,083,497

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**M J Jaffer**  
Chairman / Director

**Waqar A Malik**  
Chief Executive

**Feroz Rizvi**  
Chief Financial Officer

ICI Pakistan Limited  
Statement of Changes in Equity  
For the year ended December 31, 2010

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
<b>Balance as on January 1, 2009</b>	<b>1,388,023</b>	<b>465,845</b>	<b>10,594,258</b>	<b>12,448,126</b>
Final dividend for the year ended December 31, 2008 @ Rs 4.00 per share	-	-	(555,209)	(555,209)
Interim dividend for the year 2009 @ Rs 3.50 per share	-	-	(485,808)	(485,808)
<b>Transactions with owners, recorded directly in equity</b>	-	-	(1,041,017)	(1,041,017)
Total comprehensive income for the year ended December 31, 2009	-	-	2,044,738	2,044,738
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax - note 5	-	-	30,949	30,949
	-	-	2,075,687	2,075,687
<b>Balance as on December 31, 2009</b>	<b>1,388,023</b>	<b>465,845</b>	<b>11,628,928</b>	<b>13,482,796</b>
Final dividend for the year ended December 31, 2009 @ Rs 4.50 per share	-	-	(624,610)	(624,610)
Interim dividend for the year 2010 @ Rs 5.50 per share	-	-	(763,413)	(763,413)
<b>Transactions with owners, recorded directly in equity</b>	-	-	(1,388,023)	(1,388,023)
Total comprehensive income for the year ended December 31, 2010	-	-	2,428,826	2,428,826
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax - note 5	-	-	24,494	24,494
	-	-	2,453,320	2,453,320
<b>Balance as on December 31, 2010</b>	<b>1,388,023</b>	<b>465,845</b>	<b>12,694,225</b>	<b>14,548,093</b>

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

**M J Jaffer**  
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Chief Financial Officer

Amounts in Rs '000

**3. Issued, Subscribed and Paid-up Capital**

2010 (Numbers)	2009		2010	2009
125,840,190	125,840,190	Ordinary shares of Rs 10 each fully paid in cash	1,258,402	1,258,402
318,492	318,492	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash under scheme of arrangement for amalgamation	3,185	3,185
25,227	25,227	Ordinary shares of Rs 10 each issued as fully paid bonus shares	252	252
12,618,391	12,618,391	Ordinary shares issued pursuant to the Scheme as fully paid for consideration of investment in associate (note 3.1)	126,184	126,184
<u>138,802,300</u>	<u>138,802,300</u>		<u>1,388,023</u>	<u>1,388,023</u>

**3.1** With effect from October 1, 2000 the Pure Terephthalic Acid (PTA) Business of the Company was demerged under a Scheme of Arrangement ("the Scheme") dated December 12, 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 (2009: 105,229,125) ordinary shares of Rs 10 each at December 31, 2010. AkzoNobel N.V., acquired ICI PLC, UK, effective January 2, 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
	<u>465,845</u>	<u>465,845</u>

**4.1** Share premium includes the premium amounting to Rs 0.902 million received on shares issued for the Company's Polyester Plant installation in 1980 and share premium of Rs 464.357 million representing the difference between nominal value of Rs 10 per share of 12,618,391 ordinary shares issued by the Company and the market value of Rs 590.541 million of these shares corresponding to 25% holding acquired in LOTTE Pakistan PTA Limited, an ex-associate, at the date of acquisition i.e. November 2, 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 October 22, 2001 to November 2, 2001.

**4.2** Capital receipts represent the amount received from various ICI PLC, UK, 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 January 1	931,846	962,795
Less: Transfer to unappropriated profit in respect of incremental depreciation charged during the year net of deferred tax	(24,494)	(30,949)
Balance as on December 31	<u>907,352</u>	<u>931,846</u>



Amounts in Rs '000

		2010	2009
6. Provisions for non-management staff gratuity and eligible retired employees' medical scheme - note 6.1		<u>222,942</u>	<u>183,019</u>

6.1 Staff Retirement Benefits

6.1.1 The amounts recognised in the profit and loss account against defined benefit schemes are as follows:	2010				2009			
	Funded			Unfunded	Funded			Unfunded
	Pension	Gratuity	Total		Pension	Gratuity	Total	
Current service cost	47,010	31,885	78,895	9,741	24,526	26,223	50,749	7,535
Interest cost	156,844	56,301	213,145	40,426	153,634	62,926	216,560	41,173
Expected return on plan assets	(133,250)	(39,920)	(173,170)	-	(98,449)	(31,903)	(130,352)	-
Termination cost	-	-	-	-	13,043	-	13,043	-
Recognition of actuarial loss	105,175	12,060	117,235	8,824	101,997	13,582	115,579	7,300
Net charge for the year	<u>175,779</u>	<u>60,326</u>	<u>236,105</u>	<u>58,991</u>	<u>194,751</u>	<u>70,828</u>	<u>265,579</u>	<u>56,008</u>

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

Opening balance	319,437	33,867	353,304	(183,258)	238,716	62,148	300,864	(142,489)
Net Charge for the year - note 6.1.1	(175,779)	(60,326)	(236,105)	(58,991)	(194,751)	(70,828)	(265,579)	(56,008)
Contributions / payments during the year	198,926	46,294	245,220	19,068	275,472	42,547	318,019	15,239
Closing balance	<u>342,584</u>	<u>19,835</u>	<u>362,419</u>	<u>(223,181)</u> *	<u>319,437</u>	<u>33,867</u>	<u>353,304</u>	<u>(183,258)</u> *

6.1.3 The amounts recognised in the balance sheet are as follows:

Fair value of plan assets - note 6.1.5	1,380,173	391,304	1,771,477	-	1,037,319	317,150	1,354,469	-
Present value of defined benefit obligation - note 6.1.4 (Deficit)	(1,547,841)	(553,363)	(2,101,204)	(381,842)	(1,285,827)	(462,971)	(1,748,798)	(340,084)
Unrecognised actuarial loss	510,252	181,894	692,146	158,661	567,945	179,688	747,633	156,826
Recognised asset / (liability)	<u>342,584</u>	<u>19,835</u>	<u>362,419</u>	<u>(223,181)</u> *	<u>319,437</u>	<u>33,867</u>	<u>353,304</u>	<u>(183,258)</u> *

6.1.4 Movement in the present value of defined benefit obligation:

Opening balance	1,285,827	462,971	1,748,798	340,084	1,117,525	442,477	1,560,002	259,784
Current service cost	47,010	31,885	78,895	9,741	24,526	26,223	50,749	7,535
Interest cost	156,844	56,301	213,145	40,426	153,634	62,926	216,560	41,173
Benefits paid	(64,610)	(30,744)	(95,354)	(19,068)	(286,286)	(103,768)	(390,054)	(15,239)
Termination cost	-	-	-	-	13,043	-	13,043	-
Actuarial loss	122,770	32,950	155,720	10,659	263,385	35,113	298,498	46,831
Present value of the defined benefit obligation at the end of the year	<u>1,547,841</u>	<u>553,363</u>	<u>2,101,204</u>	<u>381,842</u>	<u>1,285,827</u>	<u>462,971</u>	<u>1,748,798</u>	<u>340,084</u>

6.1.5 Movement in the fair value of plan assets:

Opening balance	1,037,319	317,150	1,354,469	-	815,658	310,404	1,126,062	-
Expected return	133,250	39,920	173,170	-	98,449	31,903	130,352	-
Contributions	198,926	46,294	245,220	-	275,472	42,547	318,019	-
Benefits paid	(64,610)	(30,744)	(95,354)	-	(286,286)	(103,768)	(390,054)	-
Actuarial gain	75,288	18,684	93,972	-	134,026	36,064	170,090	-
Fair value of plan assets at the end of the year	<u>1,380,173</u>	<u>391,304</u>	<u>1,771,477</u>	<u>-</u>	<u>1,037,319</u>	<u>317,150</u>	<u>1,354,469</u>	<u>-</u>

6.1.6 Historical information

As at December 31	2010	2009	2008	2007	2006
Present Value of defined benefit obligation	2,483,046	2,088,882	1,819,786	1,555,387	1,236,483
Fair value of plan assets	1,771,477	1,354,469	1,126,062	1,312,938	1,067,109
Deficit	<u>711,569</u>	<u>734,413</u>	<u>693,724</u>	<u>242,449</u>	<u>169,374</u>
Experience adjustments on plan liabilities	7%	3%	13%	16%	1%
Experience adjustments on plan assets	5%	13%	(27%)	7%	(9%)

6.1.7 Major categories / composition of plan assets are as follows:

	2010	2009
Debt instruments	62%	50%
Equity at market value	30%	32%
Cash	8%	18%

Mortality of active employees and pensioners will be represented by the LIC(96-98) Table. The table has been rated down three years for mortality of female pensioners and widows.

The return on plan assets was assumed to equal the discount rate. Actual (loss) / return on plan assets during 2010 was Rs 267.142 million (2009: Rs 300.442 million).

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

Discount rate	14.25%	12.75%
Expected return on plan assets	14.25%	12.75%
Future salary increases	12.00%	10.60%
Future pension increases	8.75%	7.38%

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

	2010	Increase	Decrease
	8.75%	9.75%	7.75%
Effect on the aggregate of the current service cost and interest cost	35,905	44,139	32,003
Effect on the defined benefit obligation	291,807	335,025	255,287

These figures are based on the latest actuarial valuation, as at December 31, 2010. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected future service life of current members.

\* The unfunded liability included in the above table includes Rs 0.239 million (2009: Rs 0.239 million) pertaining to ICI Pakistan PowerGen Limited.

6.1.10 The Company contributed Rs 62.698 million (2009: Rs 55.553 million) and Rs 35.269 million (2009: Rs 29.321 million) to the provident fund and the defined contribution superannuation fund respectively

		Amounts in Rs '000				
7. Deferred Tax (Liability) / Asset - net	2010			2009		
	Opening	Reversal	Closing	Opening	Charge	Closing
<b>Deductible temporary differences</b>						
Tax losses carried forward	-	-	-	272,421	(272,421)	-
Provisions for retirement benefits, doubtful debts and others	336,321	133,784	470,105	355,745	(19,424)	336,321
<b>Taxable temporary differences</b>						
Property, plant and equipment	(1,361,419)	21,066	(1,340,353)	(1,098,870)	(262,549)	(1,361,419)
	<u>(1,025,098)</u>	<u>154,850</u>	<u>(870,248)</u>	<u>(470,704)</u>	<u>(554,394)</u>	<u>(1,025,098)</u>
<b>8. Trade and Other Payables</b>				2010	2009	
Trade creditors - note 8.1				1,020,565	963,992	
Bills payable				1,987,833	2,270,321	
Sales tax, excise and custom duties				125,567	177,618	
Accrued interest / return on unsecured loan - note 8.2				305,109	299,647	
Accrued expenses				1,155,649	1,150,995	
Technical service fee / royalty				30,316	35,975	
Workers' profit participation fund - note 8.3				204,104	164,599	
Workers' welfare fund				76,153	119,760	
Distributors' security deposits - payable on termination of distributorship - note 8.4				80,700	71,993	
Contractors' earned / retention money				11,653	10,103	
Advances from customers				253,752	248,727	
Unclaimed dividends				4,544	4,548	
Payable for capital expenditure				99,184	136,810	
Provision for compensated absences - note 8.5				20,000	20,000	
Others				106,808	124,810	
				<u>5,482,037</u>	<u>5,799,898</u>	
<b>8.1</b>	The above balances include amounts due to following associated undertakings:					
				174	6,911	
ICI Paints UK (part of AkzoNobel group)				15	26,105	
ICI Paints (Asia Pacific) PTE Ltd (part of AkzoNobel group)				-	3,392	
AkzoNobel Paints Malaysia				-	1,400	
Marine Protective International Coating Malaysia (part of AkzoNobel group)				-	-	
C&P Residual (part of AkzoNobel group)				1,197	-	
AkzoNobel NV				36,280	-	
AkzoNobel Functional Chemicals				3,995	-	
International Paint Netherland (part of AkzoNobel group)				154	-	
ICI Packaging Coatings (part of AkzoNobel group)				197	-	
AkzoNobel Functional Chemicals BV				11,592	-	
AkzoNobel Functional Chemicals Pte Ltd				2,827	-	
AkzoNobel Surface Chemistry Pte Ltd				3,014	-	
ICI Paints Thailand (part of AkzoNobel group)				25	-	
ICI Paints Indonesia (part of AkzoNobel group)				-	101	
CR Netherlands (part of AkzoNobel group)				-	5,339	
AkzoNobel Car Refinishes BV				23,103	-	
				<u>82,573</u>	<u>43,248</u>	
<b>8.2</b>	This represents amount payable to Mortar Investments International Limited.					
<b>8.3 Workers' profit participation fund</b>						
Balance as on January 1				164,599	148,214	
Allocation for the year - note 29				196,761	161,822	
				361,360	310,036	
Interest on funds utilised in the Company's businesses at 60.00 percent (2009: 41.25 percent) per annum - note 28				6,948	2,105	
				<u>368,308</u>	<u>312,141</u>	
Less:						
- Amount paid on behalf of the Fund				72,017	72,260	
- Deposited with the Government of Pakistan				92,187	75,282	
				<u>164,204</u>	<u>147,542</u>	
Balance as on December 31				<u>204,104</u>	<u>164,599</u>	
<b>8.4</b>	Interest on security deposits from certain distributors is payable at 11.5 percent (2009: 7.5 percent) per annum as specified in the respective agreements.					
<b>8.5</b>	This figure is based on the actuarial valuation, as at December 31, 2009.					
<b>9. Contingencies and Commitments</b>						
<b>9.1</b>	Claims against the Company not acknowledged as debts are as follows:					
Local bodies				14,178	14,631	
Sales Tax authorities				91,336	93,323	
Others				137,934	53,396	
				<u>243,448</u>	<u>161,350</u>	
<b>9.2</b>	A notice was issued by the Environmental Protection Authority (EPA) against the Paints factory located at Ferozpur Road, Lahore. Pursuant to this an order was passed by the EPA for violation of certain provisions of the Act. The Company is of the opinion that the order was not justified and has filed an appeal against the order in the Environmental Tribunal in Lahore, which is pending.					
<b>9.3</b>	Guarantees issued by the Company in respect of financial and operational obligations of LOTTE Pakistan PTA Limited pursuant to the Scheme of arrangement, amounting to Rs 2,190 million (2009: Rs 2,280 million) against which LOTTE Pakistan PTA Limited and KP Chemical Corporation Limited have issued counter guarantees to the Company.					
<b>9.4</b>	Guarantee issued by the Company to a bank in respect of financing obtained by Senior Executives amounted to Rs 35 million (2009: Rs 35 million), in accordance with the terms of employment.					
<b>9.5</b>	Guarantee issued by the Company of Rs 133 million (2009: Rs 133 million) to a bank on behalf of its subsidiary ICI Pakistan PowerGen Limited for availing funded facility.					
<b>9.6</b>	Commitments in respect of capital expenditure amounted to Rs 138.35 million (2009: Rs 23.875 million).					
<b>9.7</b>	Commitments for rentals under operating lease / ijarah contracts in respect of vehicles amounting to Rs 164.159 million (2009: Rs 195.166 million) are as follows:					
<b>Year</b>						
2010				-	66,746	
2011				67,470	58,165	
2012				56,785	45,305	
2013				32,769	23,680	
2014				7,135	1,270	
				<u>164,159</u>	<u>195,166</u>	
Payable not later than one year				67,470	66,746	
Payable later than one year but not later than five years				96,689	128,420	
				<u>164,159</u>	<u>195,166</u>	

Amounts in Rs '000

2010 2009

**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	<b>8,677,493</b>	8,835,201
Capital work-in-progress - note 10.6	<b>217,598</b>	389,909
	<b><u>8,895,091</u></b>	<b><u>9,225,110</u></b>

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					
<b>2010</b>										
<b>Net carrying value basis</b>										
<b>Year ended December 31, 2010</b>										
Opening net book value (NBV)	836,702	2,837	68,515	223,211	725,377	6,789,648	-	26,082	162,829	8,835,201
Addition/transfer (at cost)	27,934	-	30,980	47,455	48,633	523,166	-	8,724	92,283	779,175
Disposal/transfer (at NBV)	-	-	(32)	-	-	(18,871)	-	(2,865)	(1,054)	(22,822)
Depreciation charge	-	(72)	(9,800)	(36,307)	(68,775)	(734,939)	-	(10,498)	(53,670)	(914,061)
Closing net book value (NBV)	<b>864,636</b>	<b>2,765</b>	<b>89,663</b>	<b>234,359</b>	<b>705,235</b>	<b>6,559,004</b>	<b>-</b>	<b>21,443</b>	<b>200,388</b>	<b>8,677,493</b>
<b>Gross carrying value basis</b>										
<b>At December 31, 2010</b>										
Cost/Revaluation	864,636	567,799	164,750	949,309	1,341,783	17,267,715	297	126,071	719,335	22,001,695
Accumulated Depreciation	-	(565,034)	(75,087)	(714,950)	(636,548)	(10,708,711)	(297)	(104,628)	(518,947)	(13,324,202)
Net book value	<b>864,636</b>	<b>2,765</b>	<b>89,663</b>	<b>234,359</b>	<b>705,235</b>	<b>6,559,004</b>	<b>-</b>	<b>21,443</b>	<b>200,388</b>	<b>8,677,493</b>
<b>Depreciation rate % per annum</b>	-	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	
<b>2009</b>										
<b>Net carrying value basis</b>										
<b>Year ended December 31, 2009</b>										
Opening net book value (NBV)	836,702	7,149	78,256	224,676	455,945	5,753,476	-	31,742	128,812	7,516,758
Addition/transfer (at cost)	-	-	-	30,721	332,621	1,743,504	-	7,560	78,880	2,193,286
Disposal/transfer (at NBV)	-	-	-	-	-	(9,229)	-	(2,077)	(549)	(11,855)
Depreciation charge	-	(4,312)	(9,741)	(32,186)	(63,189)	(698,103)	-	(11,143)	(44,314)	(862,988)
Closing net book value (NBV)	<b>836,702</b>	<b>2,837</b>	<b>68,515</b>	<b>223,211</b>	<b>725,377</b>	<b>6,789,648</b>	<b>-</b>	<b>26,082</b>	<b>162,829</b>	<b>8,835,201</b>
<b>Gross carrying value basis</b>										
<b>At December 31, 2009</b>										
Cost/Revaluation	836,702	567,799	133,820	901,854	1,293,917	16,790,858	297	120,598	668,909	21,314,754
Accumulated Depreciation	-	(564,962)	(65,305)	(678,643)	(568,540)	(10,001,210)	(297)	(94,516)	(506,080)	(12,479,553)
Net book value	<b>836,702</b>	<b>2,837</b>	<b>68,515</b>	<b>223,211</b>	<b>725,377</b>	<b>6,789,648</b>	<b>-</b>	<b>26,082</b>	<b>162,829</b>	<b>8,835,201</b>
<b>Depreciation rate % per annum</b>	-	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 October 1, 1959 and September 30, 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 December 15, 2006 resulting in a net surplus of Rs 667.967 million. The valuation was conducted by independent valuers. Valuations for plant and machinery was the open market value of the asset based on estimated gross replacement cost, depreciated to reflect the residual service potential of the asset having paid due regard to age, condition and obsolescence. Land was valued on the basis of fair market value.

10.4 As at December 31, 2010 plant and machinery included equipments held with Searle Pakistan Limited and Maple Pharmaceutical (Private) Limited (toll manufacturers), having cost and net book values as follows:

	<b>2010</b>	2009
<b>Cost</b>	<b>4,100</b>	3,200
<b>Net book value</b>	<b><u>3,100</u></b>	<b><u>2,500</u></b>

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

<b>Net Book Value</b>	<b>2010</b>	<b>2009</b>
Freehold land	48,863	20,929
Plant and machinery	6,381,889	6,575,035
Rolling stock and vehicles	21,443	26,082
Furniture and equipment	200,388	162,829
	<u>6,652,583</u>	<u>6,784,875</u>

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

Cost of sales - note 25	858,479	815,543
Selling and distribution expenses - note 26	10,956	12,726
Administration and general expenses - note 27	44,626	34,719
	<u>914,061</u>	<u>862,988</u>

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

Civil works and buildings	39,836	50,634
Plant and machinery	130,655	183,965
Miscellaneous equipment	8,993	33,664
Advances to suppliers / contractors	38,114	121,646
	<u>217,598</u>	<u>389,909</u>

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

2010						
	<b>Mode of sale</b>	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net book value</b>	<b>Sale proceeds</b>	<b>Particulars of buyers</b>
<b>Plant and machinery</b>						
Gas condenser & Various items	Tender	27,095	12,157	14,938	4,917	Alfa Laval Middleeast Ltd. and Muhammad Akram Ghouri, Mandi Bahauddin
Tinting Machines & Dispenser	Negotiation	4,180	788	3,392	3,111	Al Habib, Awami Paints, Saad contractor, Asian Paints, Roomi Paints, Khurram Contractors, Lahore
<b>Rolling stock and vehicles</b>						
Honda City & Toyota Corolla	Auction	1,510	192	1,318	1,924	Murtaza Khan Babar and Syed Farhat Abbas Jafri, Karachi
Honda Motorcycle	Auction	80	3	77	70	Syed Ghulam Mustafa, Lahore
<b>Furniture and equipment</b>						
Water cooling coil and Chiller	Auction	467	323	144	194	Habibullah Khan, Karachi
2009						
<b>Plant and machinery</b>						
Dust extraction unit and other items	Auction	28,576	23,089	5,487	3,338	Hi-Tech Electronics & Machinery, Karachi
Tinting Machines	Negotiation	4,429	710	3,719	3,719	Jaffer and Sons., Chaudhry Paint House, Color Bank and Awan Brothers, Lahore
<b>Rolling stock and vehicles</b>						
Toyota Corolla - 2 nos	Negotiation	1,481	734	747	2,088	Tufail Iqbal & M Inam, Lahore
Hino Dump Trucks	Auction	8,808	7,519	1,289	1,902	Hi-Tech Electronics & Machinery, Karachi

## 11. Intangible Assets

Net carrying value basis Year ended December 31	2010			
	Software	Licenses	Under development	Total
Opening net book value (NBV)	-	-	-	-
Additions (at cost)	57,364	87,136	65,352	209,852
Amortisation charge	(8,605)	(21,145)	-	(29,750)
Closing net book value (NBV)	48,759	65,991	65,352	180,102
<b>Gross carrying amount At December 31</b>				
Cost	226,145	87,136	65,352	378,633
Accumulated amortisation	(177,386)	(21,145)	-	(198,531)
Net book value	48,759	65,991	65,352	180,102
Rate of amortisation % per annum	20	20 to 50	-	
	2009			
Opening net book value (NBV)	7,700	-	-	7,700
Additions (at cost)	-	-	-	-
Amortisation charge	(7,700)	-	-	(7,700)
Closing net book value (NBV)	-	-	-	-
<b>Gross carrying amount At December 31</b>				
Cost	168,781	-	-	168,781
Accumulated amortisation	(168,781)	-	-	(168,781)
Net book value	-	-	-	-
Rate of amortisation % per annum	20	-	-	

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

	2010	2009
Cost of sales - note 25	7,746	3,636
Selling and distribution expenses - note 26	2,565	639
Administration and general expenses - note 27	19,439	3,425
	<u>29,750</u>	<u>7,700</u>

## 12. Long Term Investments - at cost

**Unquoted  
Subsidiary**

- ICI Pakistan PowerGen Limited (wholly owned) - note 12.1 7,100,000 ordinary shares (2009: 7,100,000) of Rs 100 each	710,000	710,000
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**Others**

Equity security available for sale - Arabian Sea Country Club Limited	2,500	2,500
	<u>712,500</u>	<u>712,500</u>

12.1 The value of the Company's investment on the basis of net assets of the Subsidiary as disclosed in the audited financial statements for the year ended December 31, 2010 amounted to Rs. 306.706 million (2009: Rs 258.426 million).

## 13. Long-Term Loans - Considered good

Due from Subsidiary - Unsecured - Long term portion - note 13.1	177,778	200,000
Due from Executives and Employees - note 13.2	146,486	130,801
	<u>324,264</u>	<u>330,801</u>

13.1 This represents loan given to ICI Pakistan PowerGen Limited (wholly owned subsidiary) of Rs 200 million carrying mark-up at 3 months KIBOR + 2%. This loan is repayable in nine equal semi annual installments commencing from October 1, 2011.

## 13.2 Due from Directors, Executives and Employees

	Motor car	House building	Total	Total
Due from Directors and Executives - note 13.3	101,847	51,568	153,415	121,756
Less: Receivable within one year - note 18	19,270	25,424	44,694	25,119
	<u>82,577</u>	<u>26,144</u>	<u>108,721</u>	<u>96,637</u>
Due from Employees			65,762	54,237
Less: Receivable within one year - note 18			27,997	20,073
			<u>37,765</u>	<u>34,164</u>
			<u>146,486</u>	<u>130,801</u>
Outstanding for period:				
- less than three years but over one year			69,306	70,338
- more than three years			77,180	60,463
			<u>146,486</u>	<u>130,801</u>

## Amounts in Rs '000

	2010	2009
<b>13.3 Reconciliation of the carrying amount of loans to Directors and Executives:</b>		
Opening balance at beginning of the year	121,756	102,117
Disbursements	84,215	79,293
Repayments	(52,556)	(59,654)
Balance at end of the year	<u>153,415</u>	<u>121,756</u>
The above loan balance includes an amount of Rs 0.319 million (2009: Rs 1.595 million) in respect of house building relating to key management personnel. Loan outstanding during the year relates to Mr. Ali A. Aga (Director), who was provided this loan as per his terms of employment.		
<b>13.4</b>	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.	
<b>13.5</b>	The maximum aggregate amount of long-term loans due from the Executives at the end of any month during the year was Rs 161.509 million (2009: Rs 125.362 million).	
<b>14. Long-Term Deposits and Prepayments</b>		
Deposits	22,873	21,211
Prepayments	17,585	7,867
	<u>40,458</u>	<u>29,078</u>
<b>15. Stores and Spares</b>		
Stores (include in-transit Rs 20.058 million; 2009: Rs 11.688 million)	36,801	37,613
Spares	512,019	493,799
Consumables	77,547	76,660
	<u>626,367</u>	<u>608,072</u>
Less: Provision for slow moving and obsolete items - note 15.1	<u>175,771</u>	<u>111,671</u>
	<u>450,596</u>	<u>496,401</u>
<b>15.1</b> Movement of provision in stores and spares		
Provision as at January 1	111,671	104,661
Charge for the year - note 27	64,100	40,000
Write-off	-	(32,990)
Provision as at December 31	<u>175,771</u>	<u>111,671</u>
<b>16. Stock-in-Trade</b>		
Raw and packing material (include in-transit Rs 436.887 million; 2009: Rs 219.873 million) - note 16.2	1,786,092	1,282,701
Work-in-process	48,553	83,229
Finished goods (include in-transit Rs 9.490 million; 2009: Rs 9.23 million)	2,107,225	1,997,408
	<u>3,941,870</u>	<u>3,363,338</u>
Less: Provision for slow moving and obsolete stocks - note 16.1		
- Raw material	87,463	63,944
- Finished goods	68,062	54,869
	<u>155,525</u>	<u>118,813</u>
	<u>3,786,345</u>	<u>3,244,525</u>

## 16.1 Movement of provision in stock-in-trade

	2010	2009
Provision as at January 1	118,813	113,865
Charge for the year - note 27	55,510	38,617
Reversal	-	(5,000)
Write-off	(18,798)	(28,669)
Provision as at December 31	<u>155,525</u>	<u>118,813</u>

Stocks amounting to Rs Nil (2009: Rs 18.663 million ) are measured at net realisable value and has been written down by Rs Nil (2009: Rs 1.62 million ) to arrive at its net realisable value.

## 16.2 Raw and packing materials include Rs 283.341 million (2009: Rs. 148.524 million) which are held with toll manufacturers namely Searle Pakistan Limited, Maple Pharmaceutical (Private) Limited, Epla Laboratories (Private) Limited, Breeze Pharma (Private) Limited, NovaMed Pharmaceuticals and Polymer International (Private) Limited.

## 17. Trade Debts

**Considered good**

- Secured	267,755	356,608
- Unsecured	974,365	812,677
	<u>1,242,120</u>	<u>1,169,285</u>

**Considered doubtful**

	343,490	277,631
	<u>1,585,610</u>	<u>1,446,916</u>

Less: Provision for:

- Doubtful debts - note 39.6	343,490	277,631
- Discounts payable on sales	449,253	249,822
	<u>792,743</u>	<u>527,453</u>
	<u>792,867</u>	<u>919,463</u>

## 18. Loans and Advances

**Considered good**

Loans due from:

Directors and Executives - note 13.2	44,694	25,119
Employees - note 13.2	27,997	20,073
Due from Subsidiary:		
- Current portion of long term loan - note 13.1	22,222	-
- Unsecured - note 18.1	283,000	283,000
	<u>377,913</u>	<u>328,192</u>

Advances to:

Directors and Executives - note 18.2	5,003	6,012
Employees	2,761	6,626
Contractors and suppliers	200,128	60,355
Others	4,917	5,554
	<u>212,809</u>	<u>78,547</u>
	<u>590,722</u>	<u>406,739</u>

**Considered doubtful**

	10,620	8,120
	<u>601,342</u>	<u>414,859</u>
	<u>10,620</u>	<u>8,120</u>
	<u>590,722</u>	<u>406,739</u>

Less: Provision for doubtful loans and advances - note 39.6

## 18.1 A standby finance facility of Rs 300 million (2009: Rs 300 million) is provided to ICI Pakistan PowerGen Limited (wholly owned subsidiary) which is repayable on demand at a markup rate of 3 months Kibor + 1.65% (2009: 3 months Kibor + 1.65%).

## 18.2 The maximum aggregate amount of advances due from the Directors and Executives at the end of any month during the year were Rs 3.245 million and Rs 7.364 million (2009: Rs 3.967 million and Rs 4.446 million) respectively.

## 19. Trade Deposits and Short-Term Prepayments

Trade deposits	22,245	21,700
Short-term prepayments	421,429	430,738
	<u>443,674</u>	<u>452,438</u>

**20. Other Receivables**

	2010	2009
<b>Considered good</b>		
Duties, sales tax and octroi refunds due	269,815	212,244
Due from Associate - note 20.1 & 20.2	78,721	85,225
Insurance claims	9,965	11,887
Commission receivable	47,341	39,829
Interest income receivable from subsidiary	16,805	16,233
Interest income receivable	4,516	4,058
Rebates receivable	-	123,427
Others	179,117	184,208
	<u>606,280</u>	<u>677,111</u>
<b>Considered doubtful</b>	<u>16,982</u>	<u>17,383</u>
	623,262	694,494
Less: Provision for doubtful receivables - note 20.3	<u>16,982</u>	<u>17,383</u>
	<u>606,280</u>	<u>677,111</u>

20.1 The maximum aggregate amount due from ICI Omicron B.V. at the end of any month during the year was Rs 80.755 million (2009: Rs 81.978 million).

20.2 The above balances include amounts due from following associated undertakings:

ICI Omicron B.V. wholly owned subsidiary of AkzoNobel N.V.	78,586	80,420
ICI Swire Paints (Shanghai) Limited (part of AkzoNobel group)	89	4,805
AkzoNobel Functional Chemicals	46	-
	<u>78,721</u>	<u>85,225</u>

20.3 Movement of provision for doubtful receivables

Provision as at January 1	17,383	17,533
Charge for the year - note 27	1,004	-
Reversal	(1,405)	(150)
Provision as at December 31	<u>16,982</u>	<u>17,383</u>

**21. Cash and Bank Balances**

Short term deposits - note 21.1	2,927,000	3,350,000
Current accounts	1,489,720	936,795
In hand		
- Cheques	230,942	169,633
- Cash	14,160	11,823
	<u>4,661,822</u>	<u>4,468,251</u>

21.1 These are placed with various banks with maturity up to January 2011. The markup return on these deposits ranges between 11.30% to 11.71%.

**22. Short-Term Financing**

The facilities for running finance available from various banks amounted to Rs 2,471 million (December 31, 2009: Rs 2,691 million) and carried mark-up during the period ranging from relevant KIBOR + 0.75% to 3.47% per annum with an average mark-up rate as on December 31, 2010 at relevant KIBOR + 1.30% per annum (December 31, 2009: 12.64 to 17.37 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 Soda Ash Business of the Company.



## 23. Operating Segment Results

Amounts in Rs '000

Note	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Company	Company
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Sales												
Afghanistan	-	-	1,210	-	105,623	88,800	-	-	-	-	106,833	88,800
Bangladesh	-	-	156,953	86,476	-	-	-	-	1,692	6,888	158,645	93,364
India	-	-	419,359	27,882	-	-	-	-	-	-	419,359	27,882
South Africa	-	-	97,790	76,605	-	-	-	-	-	-	97,790	76,605
United Arab Emirates	-	-	28,934	16,556	-	-	-	-	-	158	28,934	16,714
Others	-	-	14,242	3,989	-	-	-	810	11,207	18,055	25,449	22,854
	-	-	718,488	211,508	105,623	88,800	-	810	12,899	25,101	837,010	326,219
Inter-segment	-	-	-	-	-	-	-	-	417,420	276,573	417,420	276,573
Local	18,033,688	13,242,345	7,350,542	6,360,285	6,516,258	6,136,722	4,115,180	3,740,030	2,580,289	2,508,705	38,595,957	31,988,087
	18,033,688	13,242,345	8,069,030	6,571,793	6,621,881	6,225,522	4,115,180	3,740,840	3,010,608	2,810,379	39,850,387	32,590,879
Commission / Toll income	-	-	-	-	-	-	-	-	99,539	84,875	99,539	84,875
Turnover	18,033,688	13,242,345	8,069,030	6,571,793	6,621,881	6,225,522	4,115,180	3,740,840	3,110,147	2,895,254	39,949,926	32,675,754
Sales tax	-	-	1,263,579	1,073,105	900,599	811,979	1,119	-	290,709	272,088	2,456,006	2,157,172
Excise Duty	-	-	60,160	52,328	54,115	49,947	-	-	7,546	7,010	121,821	109,285
Commission and discounts to distributors and customers	52,933	44,517	282,270	107,539	986,298	1,006,822	352,587	374,927	150,611	169,022	1,824,699	1,702,827
	52,933	44,517	1,606,009	1,232,972	1,941,012	1,868,748	353,706	374,927	448,866	448,120	4,402,526	3,969,284
Net sales, commission & toll income	17,980,755	13,197,828	6,463,021	5,338,821	4,680,869	4,356,774	3,761,474	3,365,913	2,661,281	2,447,134	35,547,400	28,706,470
Cost of sales	15,620,929	11,794,598	5,074,124	3,896,339	3,333,661	2,986,743	2,681,386	2,383,614	2,151,010	1,969,284	28,861,110	23,030,578
Gross profit	2,359,826	1,403,230	1,388,897	1,442,482	1,347,208	1,370,031	1,080,088	982,299	510,271	477,850	6,686,290	5,675,892
Selling and distribution expenses	72,543	75,236	203,173	112,223	765,075	725,114	493,036	424,700	140,892	132,901	1,674,719	1,470,174
Administration and general expenses	265,191	239,111	290,708	291,821	448,873	381,949	148,242	137,107	145,991	128,076	1,299,005	1,178,064
Operating result	2,022,092	1,088,883	895,016	1,038,438	133,260	262,968	438,810	420,492	223,388	216,873	3,712,566	3,027,654
23.1 Segment assets	1,172,960	6,262,004	6,369,128	6,042,615	6,007,580	2,317,535	2,872,583	1,429,433	1,344,384	767,910	17,766,635	16,819,497
23.2 Unallocated assets											4,264,037	4,603,160
											22,030,672	21,422,657
23.3 Segment liabilities	2,236,516	2,297,646	1,955,050	1,998,609	480,080	753,310	1,131,839	1,331,383	462,089	322,872	6,265,574	6,703,820
23.4 Unallocated liabilities											309,653	304,195
											6,575,227	7,008,015
23.5 Non-cash items												
(Provision for non-management staff gratuity and eligible retired employees' medical scheme)	10,795	10,249	28,493	27,052	8,554	8,121	5,309	5,041	5,840	5,545	58,991	56,008
23.6 Depreciation & amortisation	335,033	326,976	475,600	436,885	90,644	72,376	15,645	14,507	26,889	19,944	943,811	870,688
23.7 Capital expenditure	109,785	83,573	469,040	461,508	176,238	148,599	25,883	16,489	35,770	36,015	816,716	746,184
23.8 Inter-segment pricing												
Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.												
23.9 There was no major customer of the Company which formed 10 per cent or more of the Company's revenue.												
24. Reconciliations of reportable segment turnover, cost of sales, assets and liabilities												
24.1 Turnover												
Total turnover for reportable segments - note 23											39,949,926	32,675,754
Elimination of inter-segment turnover											(417,420)	(276,573)
Total turnover											39,532,506	32,399,181
24.2 Cost of sales												
Total cost of sales for reportable segments - note 25											28,861,110	23,030,578
Elimination of inter-segment revenue											(417,420)	(276,573)
Total cost of sales											28,443,690	22,754,005
24.3 Assets												
Total assets for reportable segments											17,766,635	16,819,497
Taxation recoverable											545,951	460,240
Bank deposits - note 21											2,927,000	3,350,000
Due from Associates - note 20.2											78,586	80,420
Long term investments - note 12											712,500	712,500
Total Assets											22,030,672	21,422,657

Amounts in Rs '000

	Company 2010	Company 2009
<b>24.4 Liabilities</b>		
Total liabilities for reportable segments	6,265,574	6,703,820
Accrued interest / return on unsecured loan - note 8.2	305,109	299,647
Unclaimed dividends - note 8	4,544	4,548
Total liabilities	<u>6,575,227</u>	<u>7,008,015</u>

**25. Cost of Sales**

	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Company 2010	Company 2009
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009		
<b>Raw and packing materials consumed</b>												
Opening stock	612,350	512,080	74,436	370,987	285,368	324,080	146,489	111,021	100,114	104,334	1,218,757	1,422,502
Purchases												
Inter-segment	-	-	-	-	417,420	276,573	-	-	-	-	417,420	276,573
Others	13,674,630	10,263,852	1,877,621	1,251,854	2,489,024	2,328,255	973,217	776,709	930,155	840,470	19,944,647	15,461,140
	<u>14,286,980</u>	<u>10,775,932</u>	<u>1,952,057</u>	<u>1,622,841</u>	<u>3,191,812</u>	<u>2,928,908</u>	<u>1,119,706</u>	<u>887,730</u>	<u>1,030,269</u>	<u>944,804</u>	<u>21,580,824</u>	<u>17,160,215</u>
Closing stock - note 16	(867,612)	(612,350)	(203,975)	(74,436)	(259,951)	(285,368)	(282,021)	(146,489)	(85,070)	(100,114)	(1,698,629)	(1,218,757)
Raw material consumed	13,419,368	10,163,582	1,748,082	1,548,405	2,931,861	2,643,540	837,685	741,241	945,199	844,690	19,882,195	15,941,458
Salaries, wages and benefits	336,069	332,146	540,016	499,952	96,312	81,234	3,078	3,037	39,211	37,879	1,014,686	954,248
Stores and spares consumed	118,723	90,109	119,593	114,679	3,704	4,476	-	-	3,510	2,801	245,530	212,065
Conversion fee paid to contract manufacturers	-	-	-	-	-	-	201,368	186,899	4,341	4,416	205,709	191,315
Oil, gas and electricity	1,394,075	841,024	1,962,927	1,406,785	28,851	28,235	-	-	7,523	8,128	3,393,376	2,284,172
Rent, rates and taxes	1,234	846	1,379	655	15,893	6,210	-	-	8,612	9,857	27,118	17,568
Insurance	17,722	15,497	16,236	12,755	27,849	26,518	2	3	973	300	62,782	55,073
Repairs and maintenance	1,670	950	695	43	15,585	18,190	9	11	3,242	3,174	21,201	22,368
Depreciation & amortisation charge - note 10.5 & 11.1	319,963	320,585	455,542	423,211	75,205	60,803	428	694	15,087	13,886	866,225	819,179
Technical fees	-	-	-	-	23,270	19,279	1,815	1,445	5,750	3,010	30,835	23,734
Royalty	-	-	-	-	-	-	2,076	1,008	24,862	24,470	26,938	25,478
General expenses	106,805	92,148	83,627	64,268	67,637	57,373	400	452	10,965	10,431	269,434	224,672
Opening stock of work-in-process	54,163	108,866	-	-	15,600	19,851	11,811	5,024	1,655	496	83,229	134,237
Closing stock of work-in-process - note 16	(24,388)	(54,163)	-	-	(10,976)	(15,600)	(12,464)	(11,811)	(725)	(1,655)	(48,553)	(83,229)
<b>Cost of goods manufactured</b>	<b>15,745,404</b>	<b>11,911,590</b>	<b>4,928,097</b>	<b>4,070,753</b>	<b>3,290,791</b>	<b>2,950,109</b>	<b>1,046,208</b>	<b>928,003</b>	<b>1,070,205</b>	<b>961,883</b>	<b>26,080,705</b>	<b>20,822,338</b>
Opening stock of finished goods	509,236	392,244	207,554	33,140	246,586	221,852	837,505	476,184	141,658	271,797	1,942,539	1,395,217
Finished goods purchased	91,316	-	-	-	64,800	85,700	1,583,188	1,826,217	1,193,235	882,262	2,932,539	2,794,179
	<u>16,345,956</u>	<u>12,303,834</u>	<u>5,135,651</u>	<u>4,103,893</u>	<u>3,602,177</u>	<u>3,257,661</u>	<u>3,466,901</u>	<u>3,230,404</u>	<u>2,405,098</u>	<u>2,115,942</u>	<u>30,955,783</u>	<u>25,011,734</u>
Closing stock of finished goods - note 16	(725,027)	(509,236)	(58,912)	(207,554)	(246,547)	(246,586)	(774,839)	(837,505)	(233,838)	(141,658)	(2,039,163)	(1,942,539)
Provision for obsolete stocks - note 27	-	-	(2,615)	-	(21,969)	(24,332)	(10,676)	(9,285)	(20,250)	(5,000)	(55,510)	(38,617)
	<u>15,620,929</u>	<u>11,794,598</u>	<u>5,074,124</u>	<u>3,896,339</u>	<u>3,333,661</u>	<u>2,986,743</u>	<u>2,681,386</u>	<u>2,383,614</u>	<u>2,151,010</u>	<u>1,969,284</u>	<u>28,861,110</u>	<u>23,030,578</u>

**25.1 Staff retirement benefits**

Salaries, wages and benefits include Rs 162.681 million (2009: Rs 193.055 million) in respect of staff retirement benefits.

## 26. Selling and Distribution Expenses

	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Company 2010	Company 2009
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009		
Salaries and benefits	46,473	40,591	21,759	24,581	220,879	195,676	197,442	184,344	61,696	63,531	548,249	508,723
Repairs and maintenance	14	122	1,079	1,063	3,933	3,537	2,179	1,862	1,381	1,033	8,586	7,617
Advertising and publicity expenses	1,163	15,480	10,948	896	253,121	262,189	86,049	64,513	817	987	352,098	344,065
Rent, rates and taxes	-	-	1,282	922	19,323	23,491	5,897	4,404	739	1,182	27,241	29,999
Insurance	-	-	1,028	434	-	-	6,522	3,866	3,530	3,340	11,080	7,640
Lighting, heating and cooling	15	17	1,088	873	6,683	4,807	2,297	1,969	2,164	1,980	12,247	9,646
Depreciation & amortisation charge - note 10.5 & 11.1	-	59	277	327	-	-	11,093	11,195	2,151	1,784	13,521	13,365
Outward freight and handling	9,626	7,078	149,095	69,972	179,945	172,953	35,329	22,395	31,538	28,089	405,533	300,487
Travelling expenses	7,022	3,206	2,703	1,882	30,082	30,588	68,932	63,407	12,171	11,567	120,910	110,650
Postage, telegram, telephone and telex	529	423	1,325	774	7,046	5,801	10,728	9,759	3,688	3,447	23,316	20,204
General expenses	7,701	8,260	12,589	10,499	44,063	26,072	66,568	56,986	21,017	15,961	151,938	117,778
	<b>72,543</b>	<b>75,236</b>	<b>203,173</b>	<b>112,223</b>	<b>765,075</b>	<b>725,114</b>	<b>493,036</b>	<b>424,700</b>	<b>140,892</b>	<b>132,901</b>	<b>1,674,719</b>	<b>1,470,174</b>

## 26.1 Staff retirement benefits

Salaries, wages and benefits include Rs 81.569 million (2009: Rs 67.593 million) in respect of staff retirement benefits.

## 27. Administration and General Expenses

	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Company 2010	Company 2009
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009		
Salaries and benefits	129,271	134,531	191,647	193,284	168,579	134,481	85,980	93,672	81,934	72,479	657,411	628,447
Repairs and maintenance	2,986	2,715	3,930	3,478	9,147	8,828	1,872	1,352	1,003	780	18,938	17,153
Advertising and publicity expenses	1,837	2,855	3,681	6,013	1,372	1,807	788	1,134	866	1,452	8,544	13,261
Rent, rates and taxes	2,675	2,551	2,954	2,877	5,060	6,302	649	543	680	587	12,018	12,860
Insurance	735	552	1,858	1,454	692	7,438	3,857	2,137	425	316	7,567	11,897
Lighting, heating and cooling	3,637	3,172	6,200	5,273	4,655	3,518	4,664	3,590	1,416	1,077	20,572	16,630
Depreciation & amortisation charge - note 10.5 & 11.1	15,070	6,332	19,781	13,347	15,439	11,573	4,124	2,618	9,651	4,274	64,065	38,144
Provision for doubtful debts - trade - note 39.6 - others - note 20.3 & 39.6	-	5,610	-	-	138,262	69,040	477	7	401	641	139,140	75,298
Provision for obsolete stocks - Note 16.1	-	-	2,615	-	21,969	24,332	10,676	9,285	20,250	5,000	55,510	38,617
Provision for obsolete spares - Note 15.1	59,100	40,000	-	-	5,000	-	-	-	-	-	64,100	40,000
Travelling expenses	10,138	6,491	9,652	8,142	12,732	14,626	6,192	5,631	6,791	5,349	45,505	40,239
Postage, telegram, telephone and telex	2,329	1,337	3,948	2,149	5,814	8,999	2,891	2,516	1,678	1,148	16,660	16,149
General expenses	37,413	32,965	44,061	55,804	57,652	91,005	25,449	14,622	20,896	34,973	185,471	229,369
	<b>265,191</b>	<b>239,111</b>	<b>290,708</b>	<b>291,821</b>	<b>448,873</b>	<b>381,949</b>	<b>148,242</b>	<b>137,107</b>	<b>145,991</b>	<b>128,076</b>	<b>1,299,005</b>	<b>1,178,064</b>

## 27.1 Staff retirement benefits

Salaries, wages and benefits include Rs 148.813 million (2009: Rs 132.772 million) in respect of staff retirement benefits.

**Amounts in Rs '000**

	<b>2010</b>	<b>2009</b>
<b>28. Financial Charges</b>		
Mark-up on short-term financing	-	1,587
Interest on workers' profit participation fund - note 8.3	<b>6,948</b>	2,105
Discounting charges on receivables	<b>94,940</b>	82,383
Exchange losses	<b>59,564</b>	74,454
Interest on security deposits and others	<b>2,428</b>	7,012
	<u><b>163,880</b></u>	<u>167,541</u>
<b>29. Other Operating Charges</b>		
Auditors' remuneration - note 29.1	<b>8,235</b>	6,600
Donations - note 29.2	<b>22,277</b>	16,464
Workers' profit participation fund - note 8.3	<b>196,761</b>	161,822
Workers' welfare fund	<b>76,153</b>	62,704
	<u><b>303,426</b></u>	<u>247,590</u>
<b>29.1 Auditors' remuneration</b>		
Audit and Group reporting fee	<b>5,770</b>	4,950
Half yearly review and other certifications	<b>1,815</b>	1,015
Out of pocket expenses	<b>650</b>	635
	<u><b>8,235</b></u>	<u>6,600</u>
<b>29.2</b>		
Donations include Rs 15.795 million (2009: Rs 13.97 million) to ICI Pakistan Foundation (Head office, Karachi) Mr. Waqar A Malik, Chief Executive; Mr. Ali Asrar Aga and Mr. Feroz Rizvi, Directors of the Company and Mr. Suhail Aslam Khan and Ms.Seemi Saad, Executives of the Company are amongst the Trustees of the Foundation.		
<b>30. Other Operating Income</b>		
<b>Income from related parties</b>		
Return on loan due from Subsidiary	<b>69,051</b>	60,629
Service fees from related parties - note 30.1	<b>1,980</b>	4,636
<b>Return from other financial assets</b>		
Profit on short-term and call deposits	<b>282,906</b>	167,995
<b>Income from non-financial assets</b>		
Scrap sales	<b>48,724</b>	56,988
Gain on disposal of property, plant and equipment	<b>10,211</b>	5,293
<b>Others</b>		
Provisions and accruals no longer required written back	<b>15,964</b>	104,768
Income on technical assistance	-	244
Income on sale of Adhesive to Henkel	-	14,662
Sundries	<b>57,420</b>	44,768
	<u><b>486,256</b></u>	<u>459,983</u>

**30.1** This represents amount charged by the Company for certain management and other services rendered to its related parties (Lotte Pakistan PTA Limited, upto September 2009, and ICI Pakistan PowerGen Limited), in accordance with the Service Agreements based on commercial terms between the companies.

	<b>2010</b>	<b>2009</b>
<b>31. Taxation</b>		
Current	<b>1,457,540</b>	490,813
Prior years	-	(17,439)
Total current tax charge	<b>1,457,540</b>	473,374
Deferred - note 7	<b>(154,850)</b>	554,394
Net tax charged - note 31.1	<b>1,302,690</b>	1,027,768
<b>31.1 Tax reconciliation</b>		
Profit before tax	<b>3,731,516</b>	3,072,506
Tax @ 35%	<b>1,306,031</b>	1,075,377
Prior years' tax charge	-	(17,439)
Tax impact on income under FTR of the current year	<b>2,992</b>	(40,712)
Permanent difference	-	5,762
Other	<b>(6,333)</b>	4,780
Net tax charged	<b>1,302,690</b>	1,027,768
<b>32. Earnings per share - Basic and diluted</b>		
Profit after taxation for the year	<b>2,428,826</b>	2,044,738
	<b>Number of shares</b>	
Weighted average number of ordinary shares in issue during the year	<b>138,802,300</b>	138,802,300
	<b>Rupees</b>	
Earnings per share	<b>17.50</b>	14.73

**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 Company were as follows:

	Chairman		Chief Executive		Directors		Executives		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Managerial remuneration	1,230	1,162	25,363	21,135	34,209	33,863	501,721	418,814	562,523	474,974
Retirement benefits	-	-	6,362	5,321	7,555	7,383	144,796	107,981	158,713	120,685
Group insurance	-	-	42	42	84	126	5,062	4,512	5,188	4,680
Rent and house maintenance	-	-	6,022	5,268	-	-	148,163	122,368	154,185	127,636
Utilities	-	-	775	647	-	-	36,656	30,310	37,431	30,957
Medical expenses	-	-	91	203	221	419	19,661	15,410	19,973	16,032
	<u>1,230</u>	<u>1,162</u>	<u>38,655</u>	<u>32,616</u>	<u>42,069</u>	<u>41,791</u>	<u>856,059</u>	<u>699,395</u>	<u>938,013</u>	<u>774,964</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>4</u>	<u>5</u>	<u>381</u>	<u>328</u>	<u>387</u>	<u>335</u>

- 33.1** In addition to this, an amount of Rs 228.9 million (2009: Rs 209.8 million) on account of variable pay, to employees, has been recognised in the current year. This amount is payable in 2011 after verification of achievements against target. Further, a special bonus of Rs 12.0 million (2009: Rs 28.9 million) payable to certain employees has been recognised in the financial statements which is payable in 2011.

Out of variable pay recognised for 2009 and 2008 following payments were made:

	Paid in 2010 relating to 2009	Paid in 2009 relating to 2008
Chief Executive	13,163	11,765
Directors	33,529	11,400
Executives	125,444	92,752
Other employees	9,192	37,131
	<u>181,328</u>	<u>153,048</u>

- 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 remuneration to three Non-executive Directors was Rs 3.225 million (2009: Rs 3.228 million). This includes fees paid to directors amounting to Rs. 0.220 million (2009: Rs. 0.249 million) for attending board and other meetings which is not included above.
- 33.4** The above balances include an amount of Rs 188.114 million (2009: Rs 141.359 million) on account of remuneration of key management personnel out of which Rs 26.274 million (2009: Rs 24.356 million) relates to post employment benefits.

**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 6). Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2010	2009
<b>Subsidiary Company</b>		
Purchase of goods, materials and services	956,672	676,003
Provision of services and other receipts	1,980	1,980
Return on loan to Subsidiary	69,051	60,629
Loan to subsidiary company - (net of repayment)	-	96,000
Stand by finance facility availed by Subsidiary	-	283,000
<b>Associated companies</b>		
Purchase of goods, materials and services	118,487	5,750,335
Provision of services and other receipts	4,600	6,440
Sale of goods and materials	131,099	126,429
Dividends	1,052,291	789,218
Donations	15,795	13,970

**35. Plant Capacity and Annual Production**

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

	2010		2009	
	Annual Name Plate Capacity	Production	Annual Name Plate Capacity	Production
Polyester	122,000	129,445	122,000	123,642
Soda Ash - note 35.1	350,000	278,650	350,000	269,500
Paints - note 35.2	-	34,748	-	33,741
Chemicals - note 35.2	-	9,082	-	8,477
Sodium Bicarbonate	20,000	23,700	20,000	22,580

**35.1** Production was below name plate capacity due to gas curtailment.

**35.2** The capacity of Paints and Chemicals is indeterminable because these are multi-product plants.

**36. Fair Value of Financial Assets and Liabilities**

The carrying amounts of the financial assets and financial liabilities approximate their fair values and is determined on the basis of non observable market data.

**37. Financial Risk Management**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

**37.1 Risk Management Framework**

The Board of Directors has overall responsibility for establishment and over sight of the Company's risk management framework. The executives management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

**38. Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of interest rate risk, currency risk and other price risk.

**38.1 Interest Rate Risk**

Interest rate risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date the interest rate profile of Company's interest-bearing financial instruments were:

	Carrying Amount	
	2010	2009
<b>Fixed rate instruments</b>		
Financial assets - Note 21	2,927,000	3,350,000
Financial liabilities - Note 8	(80,700)	(71,993)
	<u>2,846,300</u>	<u>3,278,007</u>
<b>Variable rate instruments</b>		
Financial assets - Note 13 & 18	<u>483,000</u>	<u>483,000</u>

**Sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

**Sensitivity analysis for variable rate instruments**

If KIBOR had been 1% higher / lower with all other variables held constant, the impact on the profit after tax for the year would have been Rs 4.83 million (2009: Rs 4.83 million).

**38.2 Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered in foreign currencies. The Company is exposed to foreign currency risk on sales, purchases and borrowings, which, are entered in a currency other than Pak Rupees. However, the forward foreign exchange contracts were not available for imports in 2010 in accordance with State Bank of Pakistan instructions.

	Amounts in Rs '000				
	SGD	EURO	USD	GBP	JPY
	2010				
Trade debts	-	-	9,641	-	-
Other receivables	-	10,859	17,665	11,812	-
Due from Associates - note 20.2	-	-	135	78,586	-
Cash and bank balances	-	-	98,227	-	-
	-	<u>10,859</u>	<u>125,668</u>	<u>90,398</u>	-
Trade and other payables	-	107,789	1,235,916	662,294	-
Accrued interest / return on unsecured loan - note 8.2	-	-	305,109	-	-
Due to Associates - note 8.1	15	59,580	21,607	1,371	-
	<u>15</u>	<u>167,369</u>	<u>1,562,632</u>	<u>663,665</u>	-
Gross balance sheet exposure	<u>(15)</u>	<u>(156,510)</u>	<u>(1,436,964)</u>	<u>(573,267)</u>	-
	2009				
Trade debts	-	2,800	11,667	-	-
Other receivables	-	-	123,427	-	-
Due from Associates - note 20.2	-	-	4,805	80,420	-
Cash and bank balances	-	-	62,287	-	-
	-	<u>2,800</u>	<u>202,186</u>	<u>80,420</u>	-
Trade and other payables	4,719	57,646	1,687,759	504,207	5,293
Accrued interest / return on unsecured loan - note 8.2	-	-	299,647	-	-
Due to Associates - note 8.1	26,105	5,340	4,774	7,029	-
	<u>30,824</u>	<u>62,986</u>	<u>1,992,180</u>	<u>511,236</u>	<u>5,293</u>
Gross balance sheet exposure	<u>(30,824)</u>	<u>(60,186)</u>	<u>(1,789,994)</u>	<u>(430,816)</u>	<u>(5,293)</u>

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at December 31	
	2010	2009	2010	2009
<b>Rupees per</b>	<b>Rupees</b>		<b>Rupees</b>	
EURO	113.09	113.84	114.30	121.37
USD	85.18	81.69	85.75	84.24
GBP	131.75	127.85	132.72	137.81
JPY	0.97	0.87	1.05	0.91
SGD	62.55	56.52	66.87	60.06



**Sensitivity analysis**

Every 1% increase or decrease in exchange rate with all other variables held constant will increase or decrease profit after tax for the year by Rs 21.7 million (2009: Rs 23.2 million).

**39. 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 counterparty. 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. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Business with customers is also secured, where possible, by way of inland letters of credit, cash security deposit and bank guarantees.

The Company's maximum exposure to credit risk at the reporting date is as follows:

	2010	2009
<b>39.1 Financial Assets</b>		
Long Term Investments - note 12	712,500	712,500
Long term loans - note 13	324,264	330,801
Long term deposits - note 14	22,873	21,211
Trade debts - note 17	792,867	919,463
Loans and advances - note 18	590,722	406,739
Trade deposits - note 19	22,245	21,700
Other receivables - note 20	336,465	464,867
Bank balances - note 21	4,647,662	4,456,428
	<u>7,449,598</u>	<u>7,333,709</u>

**39.2** The Company has placed its funds with banks which are rated A-1 by Standard & Poor's and P-1 by Moody's.

**39.3 Financial Assets**

- Secured	494,696	545,239
- Unsecured	6,954,902	6,788,470
	<u>7,449,598</u>	<u>7,333,709</u>

**39.4** The ageing of bank balances, trade debts and loans and advances at the reporting date is as follows:

Not past due	5,893,674	5,461,849
<b>Past due but not impaired:</b>		
Not more than three months	122,131	281,317
<b>Past due and Impaired:</b>		
more than three months and not more than six months	30,893	63,002
more than six months and not more than nine months	12,327	25,352
more than nine months and not more than one year	27,165	43,378
More than one year	299,171	193,483
	491,687	606,532
Less: Provision for:		
- Doubtful debts	343,490	277,631
- Doubtful loans and advances	10,620	8,120
	354,110	285,751
	<u>6,031,251</u>	<u>5,782,630</u>

**39.5** The maximum exposure to credit risk for past due and impaired at the reporting date by type of counterparty was:

Wholesale customers	202,884	138,510
Retail customers	109,691	284,408
End-user customers	179,112	183,614
	491,687	606,532
Less: Provision for:		
- Doubtful debts	343,490	277,631
- Doubtful loans and advances	10,620	8,120
	354,110	285,751
	<u>137,577</u>	<u>320,781</u>

**39.6** Movement of provision for trade debts and loans and advances

	Trade Debts	Loans and Advances	Total	Total
Opening	277,631	8,120	285,751	201,483
Additional provision - note 27	139,140	2,500	141,640	75,298
(Write off) / Provision utilised against write-offs	(57,409)	-	(57,409)	9,646
Provision no longer required	(15,872)	-	(15,872)	(676)
	<u>343,490</u>	<u>10,620</u>	<u>354,110</u>	<u>285,751</u>

**39.6.1** The recommended approach for provision is to assess the top layer (covering 50%) of trade receivables on an individual basis and apply a dynamic approach to the remainder of receivables. The procedure introduces a company-standard for dynamic provisioning:

- Provide impairment loss for 50% of the outstanding receivable when overdue more than 90 days, and
- Provide an impairment loss for 100% when overdue more than 120 days

**39.7 Concentration Risk**

The sector wise analysis of receivables, comprising trade debts, loans and advances and bank balances are given below:

	2010	2009
Textile	66,590	217,085
Glass	14,415	22,679
Ceramics	-	2,985
Paper and Board	24,641	18,137
Chemicals	240,731	232,624
Pharmaceuticals	36,880	18,799
Construction	12,701	31,972
Transport	36,976	60,264
Paints	621,046	516,308
Bank	4,647,662	4,456,428
Subsidiary	283,000	283,000
Others	400,719	208,100
	<b>6,385,361</b>	<b>6,068,381</b>
Less: Provision for:	<b>343,490</b>	<b>277,631</b>
- Doubtful debts	<b>10,620</b>	<b>8,120</b>
- Doubtful loans and advances	<b>354,110</b>	<b>285,751</b>
	<b>6,031,251</b>	<b>5,782,630</b>

**40. Liquidity Risk**

Liquidity Risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. 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's treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyse the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the maturity date.

	Carrying amount	Contractual cash flows	Less than one year
	2010		
<b>Financial liabilities</b>			
Trade creditors - note 8	1,020,565	1,020,565	(1,020,565)
Bills payable - note 8	1,987,933	1,987,933	(1,987,933)
Accrued interest / return on unsecured loan - note 8.2	305,109	305,109	(305,109)
Accrued expenses - note 8	1,155,649	1,155,649	(1,155,649)
Technical service fee / Royalty - note 8	30,316	30,316	(30,316)
Distributors' security deposits - payable on termination of distributorship - note 8 & note 8.4	80,700	89,981	(89,981)
Contractors' earnest / retention money - note 8	11,653	11,653	(11,653)
Unclaimed dividends - note 8	4,544	4,544	(4,544)
Payable for capital expenditure - note 8	99,184	99,184	(99,184)
Others - note 8	106,808	106,808	(106,808)
	<b>4,802,461</b>	<b>4,811,742</b>	<b>(4,811,742)</b>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

	2009		
<b>Financial liabilities</b>			
Trade creditors - note 8	963,992	963,992	(963,992)
Bills payable - note 8	2,270,321	2,270,321	(2,270,321)
Accrued interest / return on unsecured loan - note 8.2	299,647	299,647	(299,647)
Accrued expenses - note 8	1,150,995	1,150,995	(1,150,995)
Technical service fee / Royalty - note 8	35,975	35,975	(35,975)
Distributors' security deposits - payable on termination of distributorship - note 8 & note 8.4	71,993	77,392	(77,392)
Contractors' earnest / retention money - note 8	10,103	10,103	(10,103)
Unclaimed dividends - note 8	4,548	4,548	(4,548)
Payable for capital expenditure - note 8	136,810	136,810	(136,810)
Others - note 8	124,810	124,810	(124,810)
	<b>5,069,194</b>	<b>5,074,593</b>	<b>(5,074,593)</b>

#### 41. Capital Risk Management

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

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

#### 42. Accounting Estimates and Judgements

##### Income Taxes

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

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. The Company has filed an appeal against the said order before the CIT(Appeals), hearing of appeal has been completed and the order is awaited.

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

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. While this case is pending for adjudication, in view of the Supreme Court's decision relating to assessment year 2001-2002 it is unlikely that the department can take an adverse action.

Whilst amending the assessment for the Tax Year 2003 and 2004, 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 appeal before the CIT (Appeals), on the matter has been filed which is pending. The very basis of such an action have also been challenged before the High Court of Sindh which are pending for hearing. While this case is pending for adjudication, in view of the Supreme Court's decision relating to assessment year 2001-2002 it is unlikely that the department can take an adverse action.

Notice under section 221 of the Income Tax Ordinance 2001 for rectification of deemed assessment order for the Tax Year 2005 has been issued to disallow unabsorbed depreciation carried forward. A writ petition against the said notice has been filed with the High Court of Sindh which is pending for hearing. While this case is pending for adjudication, in view of the Supreme Court's decision relating to assessment year 2001-2002 it is unlikely that the department can take an adverse action.

##### 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 unrecognised 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.

#### 43. Standards or Interpretations not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2011. 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:

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 01, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Company's financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 01, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on Company's financial statements.

IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment in future may result in certain changes in disclosures.

Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company's financial statements.

Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 1, 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 1, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The amendment has no impact on financial statements of the Company.

Amendments to IFRS 7 - Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after July 1, 2011). The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. These amendments will result in increased disclosures in the financial statements.

#### 44. Dividend

The directors in their meeting held on February 16, 2011 have recommended a final dividend of Rs \_\_\_\_ per share (2009: Rs 4.50 per share) in respect of year ended December 31, 2010. The financial statements for the year ended December 31, 2010 do not include the effect of the above dividend which will be accounted for in the period in which it is approved.

#### 45. Date of Authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on February 16, 2011.

#### 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
Administration and General Expenses -General expenses	Administration and General Expenses -Advertising and publicity expenses	1,807
Selling and Distribution Expenses -General expenses	Selling and Distribution Expenses -Lighting, heating and cooling	1,774

**M J Jaffer**  
Chairman / Director

**Waqar A Malik**  
Chief Executive

**Feroz Rizvi**  
Chief Financial Officer