ICI Pakistan Limited
Balance Sheet
As at December 31, 2011

Amounts in Rs '000

	Note	2011	2010
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
1,500,000,000 ordinary shares of Rs 10 each		**15,000,000**	15,000,000
Issued, subscribed and paid-up capital	3	**1,388,023**	1,388,023
Capital reserves	4	**465,845**	465,845
Unappropriated profit		**12,501,477**	12,694,225
Total Equity		**14,355,345**	14,548,093
Surplus on Revaluation of Property, Plant and Equipment	5	**1,713,295**	907,352
Liabilities			
Non-Current Liabilities			
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	6	**280,155**	222,942
Deferred tax liability - net	7	**1,002,576**	870,248
		1,282,731	1,093,190
Current Liabilities			
Trade and other payables	8	**6,113,943**	5,482,037
Contingencies and Commitments	9		
Total Equity and Liabilities		**23,465,314**	22,030,672

ICI Pakistan Limited

Balance Sheet

As at December 31, 2011

Amounts in Rs '000

	Note	2011	2010
ASSETS			
Non-Current Assets			
Property, plant and equipment	10	**9,614,392**	8,895,091
Intangible assets	11	**141,051**	180,102
		9,755,443	9,075,193
Long-term investments	12	**502,976**	712,500
Long-term loans	13	**325,714**	324,264
Long-term deposits and prepayments	14	**34,266**	40,458
		862,956	1,077,222
		10,618,399	10,152,415
Current Assets			
Stores and spares	15	**519,020**	456,040
Stock-in-trade	16	**4,596,021**	3,780,901
Trade debts	17	**618,647**	792,867
Loans and advances	18	**491,733**	590,722
Trade deposits and short-term prepayments	19	**279,370**	443,674
Other receivables	20	**740,470**	606,280
Taxation recoverable		**745,158**	545,951
Cash and bank balances	21	**4,856,496**	4,661,822
		12,846,915	11,878,257
Total Assets		**23,465,314**	22,030,672

The annexed notes 1 to 47 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, 2011

Amounts in Rs '000

	Note	2011	2010
Turnover	24	**44,802,489**	39,532,506
Sales tax, excise duty, commission and discounts	23	**(4,687,581)**	(4,402,526)
Net sales, commission & toll income		**40,114,908**	35,129,980
Cost of sales	24	**(33,728,384)**	(28,443,690)
Gross profit		**6,386,524**	6,686,290
Selling and distribution expenses	27	**(1,851,279)**	(1,674,719)
Administration and general expenses	28	**(1,692,077)**	(1,299,005)
Operating result		**2,843,168**	3,712,566
Financial charges	29	**(137,244)**	(163,880)
Other operating charges	30	**(253,267)**	(303,426)
		(390,511)	(467,306)
Other operating income	31	**459,494**	486,256
Profit before taxation		**2,912,151**	3,731,516
Taxation	32	**(976,438)**	(1,302,690)
Profit after taxation		**1,935,713**	2,428,826
		(Rupees)	(Rupees)
Earnings per share - Basic and diluted	33	**13.95**	17.50

The annexed notes 1 to 47 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

Statement of Comprehensive Income

For the year ended December 31, 2011

	Amounts in Rs '000	
	2011	2010
Profit for the year	1,935,713	2,428,826
Other comprehensive income	-	-
Total Comprehensive income for the year	1,935,713	2,428,826

Surplus / (deficit) arising on revaluation of certain classes of property, plant and equipment has been reported in accordance with the requirements of the Companies Ordinance, 1984, as a separate line item below equity.

The annexed notes 1 to 47 form an integral part of these financial statements.

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

ICI Pakistan Limited
Cash Flow Statement
For the year ended December 31, 2011

	2011	2010
	Amounts in Rs '000	
Cash Flows from Operating Activities		
Profit before taxation	**2,912,151**	3,731,516
Adjustments for:		
Depreciation and amortisation	**1,066,272**	943,811
Loss / (Gain) on disposal of property, plant and equipment	**4,067**	(10,211)
Impairment of investment in subsidiary	**209,524**	-
Provision for non-management staff gratuity and eligible retired employees' medical scheme	**72,779**	58,991
Mark-up on bank deposits and loan to subsidiary	**(365,130)**	(351,957)
Interest / mark-up expense	**67,780**	101,888
	3,967,443	4,474,038
Movement in:		
Working capital	**111,257**	(730,786)
Long-term loans	**(45,894)**	(15,685)
Long-term deposits and prepayments	**6,192**	(11,380)
Cash generated from operations	**4,038,998**	3,716,187
Payments for :		
Non-management staff gratuity and eligible retired employees' medical scheme	**(15,566)**	(19,068)
Taxation	**(1,297,854)**	(1,543,251)
Interest / mark-up	**(67,780)**	(101,888)
Profit / mark-up received on bank deposits	**281,558**	282,448
Net cash generated from operating activities	**2,939,356**	2,334,428
Cash Flows from Investing Activities		
Payments for capital expenditure	**(694,168)**	(854,342)
Proceeds from disposal of property, plant and equipment	**5,324**	33,033
Profit / mark-up received on loan to subsidiary	**73,376**	68,479
Loan / standby finance facility to subsidiary company - net	**22,222**	-
Net cash used in investing activities	**(593,246)**	(752,830)

ICI Pakistan Limited
Cash Flow Statement
For the year ended December 31, 2011

Amounts in Rs '000

	2011	2010
Cash Flows from Financing Activities		
Dividend paid	**(2,151,436)**	(1,388,027)
Net cash used in financing activities	**(2,151,436)**	(1,388,027)
Net increase in cash and cash equivalents	**194,674**	193,571
Cash and cash equivalents at January 1	**4,661,822**	4,468,251
Cash and cash equivalents at December 31 - note 21	**4,856,496**	4,661,822
Movement in Working Capital		
(Increase) / Decrease in current assets		
Stores and spares	**(62,980)**	45,805
Stock-in-trade	**(815,120)**	(541,820)
Trade debts	**174,220**	126,596
Loans and advances	**121,211**	(161,761)
Trade deposits and short-term prepayments	**164,304**	8,764
Other receivables	**(123,994)**	71,861
	(542,359)	(450,555)
(Decrease) / Increase in current liability		
Trade and other payables	**653,616**	(280,231)
	111,257	(730,786)

The annexed notes 1 to 47 form an integral part of these financial statements.

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

ICI Pakistan Limited
Statement of Changes in Equity
For the year ended December 31, 2011

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
Balance as on January 1, 2010	**1,388,023**	**465,845**	**11,628,928**	**13,482,796**
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)
Transactions with owners, recorded directly in equity	-	-	(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
Balance as on December 31, 2010	**1,388,023**	**465,845**	**12,694,225**	**14,548,093**
Final dividend for the year ended December 31, 2010 @ Rs 12.00 per share	-	-	(1,665,628)	(1,665,628)
Interim dividend for the year 2011 @ Rs 3.50 per share	-	-	(485,808)	(485,808)
Transactions with owners, recorded directly in equity	-	-	(2,151,436)	(2,151,436)
Total comprehensive income for the year ended December 31, 2011	-	-	1,935,713	1,935,713
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax - note 5	-	-	22,975	22,975
	-	-	1,958,688	1,958,688
Balance as on December 31, 2011	**1,388,023**	**465,845**	**12,501,477**	**14,355,345**

The annexed notes 1 to 47 form an integral part of these financial statements.

M J Jaffer
Chairman / Director

Waqar A Malik
Chief Executive

Feroz Rizvi
Chief Financial Officer

1. Status and Nature of Business

ICI Pakistan Limited ("the Company") is incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Company is engaged in the manufacture of polyester staple fibre, POY chips, soda ash, paints, specialty chemicals, sodium bicarbonate and polyurethanes; marketing of seeds, toll manufactured and imported pharmaceuticals and animal health products; and merchanting of general chemicals. It also acts as an indenting agent and toll manufacturer. The Company's registered office is situated at 5 West Wharf, Karachi.

1.1 Approval of Demerger

In 2011, the Board of Directors received a proposal from its ultimate holding company, Akzo Nobel N.V. to restructure its interest in ICI Pakistan Limited by separation of its Paints Business and transferring and vesting it into Akzo Nobel Pakistan Limited.

The principal phases in this respect are as follows:

a) On April 29, 2011, the Board of Directors received a proposal from its ultimate holding company, Akzo Nobel N.V. to restructure its interest in ICI Pakistan Limited.

b) On May 11, 2011, the Board of Directors decided to demerge the Company's Paints Business into a separate entity Akzo Nobel Pakistan Limited (comprising the Paints Business) and the rest of the Businesses would continue under ICI Pakistan Limited. After the completion of demerger (pending sanction of the High Court of Sindh), Akzo Nobel Pakistan Limited will also be listed on the Karachi, Lahore and Islamabad Stock Exchanges. ICI Pakistan Limited is already and will continue to be listed on Karachi, Lahore and Islamabad Stock Exchanges.

c) The Board of Directors approved the Scheme of Arrangement for Demerger on August 24, 2011. This was subsequently approved by the Board of Directors of Akzo Nobel Pakistan Limited on September 16, 2011.

d) The Company has obtained the consent of more than 75% in value of each class of creditors pertaining to Paints Business and Non-Paints Businesses. Further, it has obtained signed letters from most of the employees of Paints Business agreeing to accept employment with Akzo Nobel Pakistan Limited in lieu of their employment with ICI Pakistan Limited.

e) On November 24, 2011, the Company filed a petition in the High Court of Sindh for sanction of, and for other orders facilitating implementation of the Scheme of Arrangement for the Reconstruction (demerger).

f) The Company obtained a No Objection Certificate (NOC) from the Competition Commission of Pakistan (CCP) on November 29, 2011.

g) The shareholders approved the Scheme of Arrangement for demerger and the consequent reduction in the share capital of ICI Pakistan Limited in the Extra Ordinary General Meeting (EOGM) held on February 8, 2012.

h) On February 14, 2012 the Chairman's Report on EOGM was filed with the Court.

i) From July 1, 2011 and until the Paints Undertaking is actually transferred to and vested in Akzo Nobel Pakistan Limited, the Paints Business will be deemed to have been carried on by ICI Pakistan Limited for and on account and for the benefit of Akzo Nobel Pakistan

Limited. On this basis, all profits and losses accruing or arising to or incurred by ICI Pakistan Limited through the operation of the Paints Undertaking from the Effective Date (i.e. July 1, 2011) shall be treated as the profits or losses, as the case may be, of Akzo Nobel Pakistan Limited.

j) Once the demerger is sanctioned by the High Court of Sindh, the Scheme will come into effect from July 1, 2011. In accordance with the Scheme, the net assets of Paints Business will transfer to and vest in Akzo Nobel Pakistan Limited. The share capital of the Company (attributable to the Paints Business) will be reduced by 46.4 million ordinary shares amounting to Rs. 464.4 million. Further, 46.4 million ordinary shares amounting to Rs. 464.4 million of Akzo Nobel Pakistan Limited will be issued to the shareholders of the Company as a consequence of the transfer to and vesting of the Paints Business in Akzo Nobel Pakistan Limited.

k) The Scheme will become effective as soon as a certified copy of an order or orders of the High Court of Sindh under section 284 of the Companies Ordinance 1984 sanctioning the Scheme have been filed with the Registrar of Companies, Karachi. Unless the Scheme is brought in to effect on or before December 31, 2012 or such later date, if any, as the Court may allow the Scheme will not become effective.

l) When the Scheme becomes effective, the reconstruction of ICI Pakistan Limited by the separation and transfer to and vesting in Akzo Nobel Pakistan Limited of the Paints Undertaking in accordance with the Scheme, will be treated as having taken effect from the Effective Date.

m) The Scheme also provides that save and except to the extent of the proportionate share of the Paints Business in the interim dividend declared from the profits for the six (6) months ended June 30, 2011, the profits reserves and surpluses (if any) of ICI Pakistan Limited to the extent they relate to the operations of the Paints Undertaking during the period from the Effective Date to the Completion Date shall not be utilised by ICI Pakistan Limited for or in connection with the declaration of the dividends or the issuance of bonus shares or otherwise than in the operations of the Paints Undertaking in the ordinary course of business.

n) This is a common control transaction and will be accounted for at carrying amount. The bifurcated results, net assets and basis of allocation of Paints and Non-Paints Businesses as at and for the year / period ended December 31, 2011 and June 30, 2011, after considering the grossing up effects of inter-unit current accounts and taxation on account of demerger are disclosed in note 25 of these financial statements.

2. Summary of Significant Accounting Policies

The accounting policies adopted are the same as those which were applied for the previous financial year except as disclosed in note 10.4 of these financial statements.

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 classes of property, plant and equipment (i.e. Land, Building and Plant & Machinery) 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.

As the sanction of the demerger is pending with the High Court of Sindh, the net assets and results of ICI Pakistan Limited as a whole are prepared without considering the grossing up effects of inter-unit current accounts and taxation as disclosed in note 1.1 and 25 to the financial statements.

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 43.

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 to pensioners as per entitlement. 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 profit and loss account, 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 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 July 31, 2004 or have joined the Company after April 30, 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. The amount recognized as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

2.5 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any.

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 other comprehensive income or below equity, in which case it is recognised in other comprehensive income 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, buildings on freehold & leasehold land; and plant & machinery) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, buildings on freehold & leasehold land; and plant & machinery are stated at revalued amounts less accumulated depreciation and impairment losses, if any. Capital work-in-progress is stated at cost. Cost of certain property, plant and equipment comprises historical cost, exchange differences recognised in accordance with the previous Fourth Schedule to the Ordinance, cost of exchange risk cover in respect of foreign currency loans obtained for the acquisition of property, plant and equipment upto the commencement of commercial production and the cost of borrowings during construction period in respect of loans taken for specific projects.

Depreciation charge is based on the straight-line method whereby the cost or revalued amount of an asset is written off to profit and loss account over its estimated useful life after taking into account the residual value if material. The cost of leasehold land is amortised in equal installments over the lease period. Depreciation on additions is charged from the month in which the asset is available for use and on disposals up to the month of disposal.

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

Surplus on revaluation of property, plant and equipment is credited to the surplus on revaluation account. 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. 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. Assets replaced, if any, are derecognised.

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

2.9 Intangible assets

Intangible assets with a finite useful life, such as certain softwares, licenses (including extraction rights, software licenses, etc.) and property rights, are capitalized initially at cost and subsequently stated at cost less accumulated amortization and impairment losses, if any.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortization is based on the cost of an asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

2.10 Impairment

Financial assets (including receivables)

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired may include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss account.

*Non-***Financial** *assets*

The carrying amounts of non-financial assets other than inventories and deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit and loss account.

Impairment loss recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.11 Investments

Investments in subsidiary (ICI Pakistan PowerGen Limited) and unquoted equity security 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 the lower of cost and net realizable value. Cost is determined using weighted average method.

2.13 Stock-in-trade

Stock-in-trade is valued at the lower of weighted average cost and estimated net realizable 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 realizable 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. 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 (Refer note 40.6.1).

2.15 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupees, at the foreign exchange rate prevailing 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 dividend is established.

Toll manufacturing income is recognised when services are rendered.

2.18 Financial expense and financial income

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

Financial income comprises interest income on funds invested. Markup / interest income is recognised as it accrues in profit and loss account, using the effective interest rate method.

2.19 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment.

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 and Chemicals, which also reflects the management structure of the Company.

2.20 Finance leases

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 leases / Ijarah contracts

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.

Payments made under operating leases / Ijarah contracts are recognised in the profit and loss account on a straight-line basis over the term 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 recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

2.27 Earnings per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Amounts in Rs '000

3. Issued, Subscribed and Paid-up Capital

2011 (Numbers)	2010 (Numbers)		2011	2010
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 October 1, 2000 the Pure Terephthalic Acid (PTA) Business of the Company was demerged under a Scheme of Arrangement ("the previous 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 Akzo Nobel N.V., held 105,229,125 (2010: 105,229,125) ordinary shares of Rs 10 each at December 31, 2011. Akzo Nobel 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

	2011	2010
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 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 previous 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 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

	2011	2010
Balance as on January 1	**907,352**	931,846
Revaluation surplus - note 10.2	**1,083,455**	-
Deferred tax liability recognised on surplus - note 7	**(254,537)**	-
	828,918	-
Less: Transfer to unappropriated profit in respect of incremental depreciation charged during the year net of deferred tax	**(22,975)**	(24,494)
Balance as on December 31	**1,713,295**	907,352

Amounts in Rs '000

		2011	2010
6.	**Provisions for non-management staff gratuity and eligible retired employees' medical scheme - note 6.1**	**280,155**	222,942

6.1 Staff Retirement Benefits

		2011				2010			
		Funded			Unfunded	Funded			Unfunded
		Pension	Gratuity	Total		Pension	Gratuity	Total	
6.1.1	**The amounts recognised in the profit and loss account against defined benefit schemes are as follows:**								
	Current service cost	**45,404**	**37,308**	**82,712**	**11,233**	47,010	31,885	78,895	9,741
	Interest cost	**206,565**	**74,548**	**281,113**	**52,358**	156,844	56,301	213,145	40,426
	Expected return on plan assets	**(189,651)**	**(54,715)**	**(244,366)**	**-**	(133,250)	(39,920)	(173,170)	-
	Recognition of actuarial loss	**108,564**	**12,544**	**121,108**	**9,188**	105,175	12,060	117,235	8,824
	Net charge for the year	**170,882**	**69,685**	**240,567**	**72,779**	175,779	60,326	236,105	58,991
6.1.2	**Movements in the net asset / (liability) recognised in the balance sheet are as follows:**								
	Opening balance	**342,584**	**19,835**	**362,419**	**(223,181)**	319,437	33,867	353,304	(183,258)
	Net Charge for the year - note 6.1.1	**(170,882)**	**(69,685)**	**(240,567)**	**(72,779)**	(175,779)	(60,326)	(236,105)	(58,991)
	Contributions / payments during the year	**40,282**	**58,295**	**98,577**	**15,566**	198,926	46,294	245,220	19,068
	Closing balance	**211,984**	**8,445**	**220,429**	**(280,394)** *	342,584	19,835	362,419	(223,181) *
6.1.3	**The amounts recognised in the balance sheet are as follows:**								
	Fair value of plan assets - note 6.1.5	**1,421,911**	**443,552**	**1,865,463**	**-**	1,380,173	391,304	1,771,477	-
	Present value of defined benefit obligation - note 6.1.4	**(1,672,495)**	**(638,427)**	**(2,310,922)**	**(431,635)**	(1,547,841)	(553,363)	(2,101,204)	(381,842)
	(Deficit)	**(250,584)**	**(194,875)**	**(445,459)**	**(431,635)**	(167,668)	(162,059)	(329,727)	(381,842)
	Unrecognised actuarial loss	**462,568**	**203,320**	**665,888**	**151,241**	510,252	181,894	692,146	158,661
	Recognised asset / (liability)	**211,984**	**8,445**	**220,429**	**(280,394)**	342,584	19,835	362,419	(223,181) *
6.1.4	**Movement in the present value of defined benefit obligation:**								
	Opening balance	**1,547,841**	**553,363**	**2,101,204**	**381,842**	1,285,827	462,971	1,748,798	340,084
	Current service cost	**45,404**	**37,308**	**82,712**	**11,233**	47,010	31,885	78,895	9,741
	Interest cost	**206,565**	**74,548**	**281,113**	**52,358**	156,844	56,301	213,145	40,426
	Benefits paid	**(165,570)**	**(56,049)**	**(221,619)**	**(15,566)**	(64,610)	(30,744)	(95,354)	(19,068)
	Actuarial loss	**38,255**	**29,257**	**67,512**	**1,768**	122,770	32,950	155,720	10,659
	Present value of the defined benefit obligation at the end of the year	**1,672,495**	**638,427**	**2,310,922**	**431,635**	1,547,841	553,363	2,101,204	381,842
6.1.5	**Movement in the fair value of plan assets:**								
	Opening balance	**1,380,173**	**391,304**	**1,771,477**	-	1,037,319	317,150	1,354,469	-
	Expected return	**189,651**	**54,715**	**244,366**	-	133,250	39,920	173,170	-
	Contributions	**40,282**	**58,295**	**98,577**	-	198,926	46,294	245,220	-
	Benefits paid	**(165,570)**	**(56,049)**	**(221,619)**	-	(64,610)	(30,744)	(95,354)	-
	Actuarial (loss) / gain	**(22,625)**	**(4,713)**	**(27,338)**	-	75,288	18,684	93,972	-
	Fair value of plan assets at the end of the year	**1,421,911**	**443,552**	**1,865,463**	-	1,380,173	391,304	1,771,477	-

6.1.6 Historical information

As at December 31	2011	2010	2009	2008	2007
Present Value of defined benefit obligation	**2,742,557**	2,483,046	2,088,882	1,819,786	1,555,387
Fair value of plan assets	**1,865,463**	1,771,477	1,354,469	1,126,062	1,312,938
Deficit	**877,094**	711,569	734,413	693,724	242,449
Experience adjustments on plan liabilities	**3%**	7%	3%	13%	16%
Experience adjustments on plan assets	**(1%)**	5%	13%	(27%)	7%

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

	2011	2010
Debt instruments	**67%**	62%
Equity at market value	**31%**	30%
Cash	**2%**	8%

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 2011 was Rs 217.028 million (2010: Rs 267.142 million).

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

	2011	2010
Discount rate	**13.00%**	14.25%
Expected return on plan assets	**13.00%**	14.25%
Future salary increases	**10.75%**	12.00%
Future pension increases	**7.50%**	8.75%

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:

	2011	Increase	Decrease
	7.50%	**8.50%**	**6.50%**
Effect on the aggregate of the current service cost and interest cost	**37,062**	**45,995**	**29,935**
Effect on the defined benefit obligation	**334,402**	**385,572**	**292,608**

These figures are based on the latest actuarial valuation, as at December 31, 2011. 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 (2010: Rs 0.239 million) pertaining to ICI Pakistan PowerGen Limited.

6.1.10 The Company contributed Rs 70.411 million (2010: Rs 62.698 million) and Rs 41.409 million (2010: Rs 35.269 million) to the provident fund and the defined contribution superannuation fund respectively during

		2011				2010		
7.	**Deferred Tax (Liability) / Asset - net**	**Opening**	**Reversal - note 32**	**Recognised in Surplus on revaluation - note 5**	**Closing**	Opening	Reversal	Closing
	Deductible temporary differences							
	Provisions for retirement benefits, doubtful debts and others	**470,105**	**58,601**	**-**	**528,706**	336,321	133,784	470,105
	Taxable temporary differences							
	Property, plant and equipment	**(1,340,353)**	**63,608**	**(254,537)**	**(1,531,282)**	(1,361,419)	21,066	(1,340,353)
		(870,248)	**122,209**	**(254,537)**	**(1,002,576)**	(1,025,098)	154,850	(870,248)

Amounts in Rs '000

8. Trade and Other Payables

	2011	2010
Trade creditors - note 8.1	**1,137,593**	1,020,565
Bills payable	**2,637,517**	1,987,933
Sales tax, excise and custom duties	**89,385**	125,567
Accrued interest / return on unsecured loan - note 8.2	**-**	305,109
Accrued expenses	**1,233,530**	1,155,649
Technical service fee / royalty	**41,291**	30,316
Workers' profit participation fund - note 8.3	**163,459**	204,104
Workers' welfare fund	**59,432**	76,153
Distributors' security deposits - payable on termination of distributorship - note 8.4	**95,473**	80,700
Contractors' earnest / retention money	**9,344**	11,653
Advances from customers	**437,962**	253,752
Unclaimed dividends	**4,544**	4,544
Payable for capital expenditure	**77,474**	99,184
Provision for compensated absences - note 8.5	**20,000**	20,000
Others	**106,939**	106,808
	6,113,943	5,482,037

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

	2011	2010
ICI Paints UK (part of AkzoNobel group)	**498**	174
ICI Paints (Asia Pacific) PTE Ltd (part of AkzoNobel group)	**16**	15
C&P Residual (part of AkzoNobel group)	**-**	1,197
Akzo Nobel NV	**71,363**	36,280
Akzo Nobel Functional Chemicals	**-**	3,995
International Paint Netherland (part of AkzoNobel group)	**163**	154
ICI Packaging Coatings (part of AkzoNobel group)	**1,875**	197
Akzo Nobel Functional Chemicals BV	**11,998**	11,592
Akzo Nobel Functional Chemicals Pte Ltd	**1,619**	2,827
Akzo Nobel Surface Chemistry Pte Ltd	**1,074**	3,014
ICI Paints Thailand (part of AkzoNobel group)	**-**	25
Akzo Nobel Car Refinishes BV	**5,520**	23,103
	94,126	82,573

8.2 Paid to Mortar Investments International Limited (an associated undertaking) in November, 2011.

8.3 Workers' profit participation fund

	2011	2010
Balance as on January 1	**204,104**	164,599
Allocation for the year - note 30	**153,758**	196,761
	357,862	361,360
Interest on funds utilised in the Company's businesses at 131.25 percent (2010: 60.00 percent) per annum - note 29	**9,257**	6,948
	367,119	368,308
Less:		
- Amount paid on behalf of the Fund	**90,280**	72,017
- Deposited with the Government of Pakistan	**113,380**	92,187
	203,660	164,204
Balance as on December 31	**163,459**	204,104

8.4 Interest on security deposits from certain distributors is payable at 11.6 percent (2010: 11.5 percent) per annum as specified in the respective agreements.

8.5 This figure is based on actuarial valuation.

9. Contingencies and Commitments

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

	2011	2010
Local bodies	**63,588**	14,178
Sales Tax authorities	**91,579**	91,336
Others	**162,425**	137,934
	317,592	243,448

9.2 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.

9.3 Guarantees issued by the Company in respect of financial and operational obligations of Lotte Pakistan PTA Limited pursuant to the previous Scheme of Arrangement, amounting to Rs 2,100 million (2010: Rs 2,190 million) against which Lotte Pakistan PTA Limited and KP Chemical Corporation Limited have 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 35 million (2010: Rs 35 million), in accordance with the terms of employment.

9.5 Guarantee issued by the Company of Rs 133 million (2010: Rs 133 million) to a bank on behalf of its subsidiary ICI Pakistan PowerGen Limited for availing funded facility.

9.6 Commitments in respect of capital expenditure amounted to Rs 172.77 million (2010: Rs 138.35 million).

9.7 Commitments for rentals under operating lease / ijarah contracts in respect of vehicles amounting to Rs 193.268 million (2010: Rs 164.159 million) are as follows:

Year	2011	2010
2011	**-**	67,470
2012	**76,033**	56,785
2013	**60,520**	32,769
2014	**39,493**	7,135
2015	**17,222**	-
	193,268	164,159
Payable not later than one year	**76,033**	67,470
Payable later than one year but not later than five years	**117,235**	96,689
	193,268	164,159

9.8 Outstanding foreign exchange contracts as at December 31, 2011 entered into by the Company amounted Rs 720.173 million (2010: Nil).

Amounts in Rs '000

	2011	2010

10. Property, Plant and Equipment

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

	2011	2010
Operating property, plant and equipment - note 10.2	**9,466,126**	8,677,493
Capital work-in-progress - note 10.7	**148,266**	217,598
	9,614,392	8,895,091

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

	Land - Freehold (Note 10.3)	Land - Leasehold	Lime beds on freehold land	Buildings - On freehold land	Buildings - On leasehold land (Note 10.3)	Plant and machinery	Railway sidings	Rolling stock and vehicles	Furniture and equipment	Total
					2011					
Net carrying value basis Year ended December 31, 2011										
Opening net book value (NBV)	**864,636**	**2,765**	**89,663**	**234,359**	**705,235**	**6,559,004**	**-**	**21,443**	**200,388**	**8,677,493**
Addition/transfer (at cost)	**-**	**-**	**36,822**	**8,606**	**88,075**	**491,847**	**-**	**6,080**	**91,864**	**723,294**
Revaluation (NBV) - note 10.3	**356,209**	**-**	**-**	**227,008**	**-**	**500,238**	**-**	**-**	**-**	**1,083,455**
Disposal/transfer (at NBV)	**-**	**-**	**-**	**-**	**-**	**(4,606)**	**-**	**-**	**(4,785)**	**(9,391)**
Depreciation charge	**-**	**(2,765)**	**(11,988)**	**(23,284)**	**(70,609)**	**(837,788)**	**-**	**(8,723)**	**(53,568)**	**(1,008,725)**
Closing net book value (NBV)	**1,220,845**	**-**	**114,497**	**446,689**	**722,701**	**6,708,695**	**-**	**18,800**	**233,899**	**9,466,126**
Gross carrying value basis At December 31, 2011										
Cost/Revaluation	**1,220,845**	**567,799**	**201,572**	**2,589,410**	**1,429,858**	**19,109,367**	**297**	**131,019**	**632,892**	**25,883,059**
Accumulated depreciation	**-**	**(567,799)**	**(87,075)**	**(2,142,721)**	**(707,157)**	**(12,400,672)**	**(297)**	**(112,219)**	**(398,993)**	**(16,416,933)**
Net book value	**1,220,845**	**-**	**114,497**	**446,689**	**722,701**	**6,708,695**	**-**	**18,800**	**233,899**	**9,466,126**
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**	
					2010					
Net carrying value basis Year ended December 31, 2010										
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)	864,636	2,765	89,663	234,359	705,235	6,559,004	-	21,443	200,388	8,677,493
Gross carrying value basis At December 31, 2010										
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	864,636	2,765	89,663	234,359	705,235	6,559,004	-	21,443	200,388	8,677,493
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 October 1, 1959, September 30, 2000 and December 15, 2006 which had resulted in a surplus of Rs 14.207 million, Rs 1,569.869 million and Rs 667.967 million respectively, the land, buildings and plant and machinery were revalued on December 31, 2011 resulting in a net surplus of Rs 1,083.455 million. The valuation was conducted by an independent valuer. Valuations for plant and machinery and buildings were based on the estimated gross replacement cost, depreciated to reflect the residual service potential of the assets taking account of the age, condition and obsolescence. Land was valued on the basis of fair market value.

10.4 During 2011, the Company has changed its accounting policy whereby buildings on freehold and leasehold land are now being revalued and leasehold land is not being revalued, which were previously stated at cost and revalued amount respectively. The change in accounting policy for buildings is applied prospectively in these financial statements in accordance with requirements of IAS 16 *'Property, Plant and Equipment'* and IAS 8 *'Accounting Policies, Changes in Accounting Estimates and Errors'*. The change in accounting policy for leasehold land is not material.

This change in accounting policy for the aforementioned class of assets has resulted in an increase in surplus of revaluation of property, plant and equipment and deferred tax liability by Rs 227.008 million and Rs 79.453 million respectively.

10.5 As at December 31, 2011 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:

	2011	2010
Cost	**2,402**	4,100
Net book value	**1,419**	3,100

Amounts in Rs '000

10.5.1 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	**2011**	2010
Freehold land	**48,863**	48,863
Buildings	**942,381**	939,594
Plant and machinery	**6,062,424**	6,381,889
	7,053,668	7,370,346

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

Cost of sales - note 26	**927,863**	858,479
Selling and distribution expenses - note 27	**24,447**	10,956
Administration and general expenses - note 28	**56,415**	44,626
	1,008,725	914,061

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

Civil works and buildings	**17,463**	39,836
Plant and machinery	**93,595**	130,655
Miscellaneous equipment	**29,655**	8,993
Advances to suppliers / contractors	**7,553**	38,114
	148,266	217,598

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

2011

	Mode of sale	**Cost**	**Accumulated depreciation**	**Net book value**	**Sale proceeds**	**Particulars of buyers**
Plant and machinery						
Conveyor System & others	Tender	6,817	4,738	2,079	205	Muhammad Akram Ghouri House # 142 Mohallah New Kashmir Colony Mandi Bahauddin
Furniture and equipment						
Computers	Insurance Claim	256	50	206	247	Adamjee Insurance Limited.

2010

	Mode of sale	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
Plant and machinery						
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
Rolling stock and vehicles						
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
Furniture and equipment						
Water cooling coil and Chiller	Auction	467	323	144	194	Habibullah Khan, Karachi

Amounts in Rs '000

11. Intangible Assets

	2011			
Net carrying value basis Year ended December 31, 2011	**Software**	**Licences**	**Under development**	**Total**
Opening net book value (NBV)	**48,759**	**65,991**	**65,352**	**180,102**
Additions at cost / (transfer)	**69,420**	**14,428**	**(65,352)**	**18,496**
Amortisation charge	**(21,837)**	**(35,710)**	**-**	**(57,547)**
Closing net book value (NBV)	**96,342**	**44,709**	**-**	**141,051**
Gross carrying amount At December 31, 2011				
Cost	**295,565**	**101,564**	**-**	**397,129**
Accumulated amortisation	**(199,223)**	**(56,855)**	**-**	**(256,078)**
Net book value	**96,342**	**44,709**	**-**	**141,051**
Rate of amortisation % per annum	**20**	**20 to 50**	**-**	

	2010			
Net carrying value basis Year ended December 31, 2010				
Opening net book value (NBV)	-	-	-	-
Additions at cost / (transfer)	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
Gross carrying amount At December 31, 2010				
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	-	

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

	2011	2010
Cost of sales - note 26	**14,053**	7,746
Selling and distribution expenses - note 27	**3,813**	2,565
Administration and general expenses - note 28	**39,681**	19,439
	57,547	29,750

12. Long Term Investments

Unquoted		
Subsidiary		
- ICI Pakistan PowerGen Limited (wholly owned)		
7,100,000 ordinary shares (2010: 7,100,000) of Rs 100 each - note 12.1	**710,000**	710,000
Less: Provision for impairment loss - note 12.2 & 28	**209,524**	-
	500,476	710,000
Others		
Equity security available for sale		
- Arabian Sea Country Club Limited	**2,500**	2,500
	502,976	712,500

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, 2011 amounted to Rs. 467.818 million (2010: Rs 306.706 million).

12.2 An impairment loss triggered during the year because of the gas crisis and changes in the gas load management which include allocation of gas to particular sectors by the Government. The Company reviewed the future economic benefits of the subsidiary based on estimated future cashflows for the subsidiary. The recoverable amount of investment was estimated based on its value in use using a discount rate of 18.0% and a growth rate of 2.5% from 2020 onwards. Based on the assessment, the carrying amount of investment was determined to be Rs 209.524 m higher than the recoverable amount.

Amounts in Rs '000

13. Long-Term Loans - Considered good

	2011	2010
Due from Subsidiary - Unsecured		
- Long term portion - note 13.1	**133,334**	177,778
Due from Executives and Employees - note 13.2	**192,380**	146,486
	325,714	324,264

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 instalments 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	129,301	69,088	**198,389**	153,415
Less: Receivable within one year - note 18	22,320	27,277	**49,597**	44,694
	106,981	41,811	**148,792**	108,721
Due from Employees			**79,238**	65,762
Less: Receivable within one year - note 18			**35,650**	27,997
			43,588	37,765
			192,380	146,486
Outstanding for period:				
- less than three years but over one year			**85,018**	69,306
- more than three years			**107,362**	77,180
			192,380	146,486

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

	2011	2010
Opening balance at beginning of the year	**153,415**	121,756
Disbursements	**122,287**	84,215
Repayments	**(77,313)**	(52,556)
Balance at end of the year	**198,389**	153,415

The above loan includes an amount of Rs Nil (2010: Rs 0.319 million) in respect of house building relating to key management personnel. Loan outstanding during the last year related to Mr. Ali A. Aga (Director), who was provided this loan as per his terms of employment.

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 207.089 million (2010: Rs 161.509 million).

14. Long-Term Deposits and Prepayments

	2011	2010
Deposits	**26,059**	22,873
Prepayments	**8,207**	17,585
	34,266	40,458

15. Stores and Spares

	2011	2010
Stores (include in-transit Rs 20.008 million; 2010: Rs 20.058 million)	**45,735**	36,801
Spares	**576,232**	512,019
Consumables	**79,152**	77,547
	701,119	626,367
Less: Provision for slow moving and obsolete items - note 15.1	**182,099**	170,327
	519,020	456,040

15.1 Movement of provision in stores and spares

	2011	2010
Provision as at January 1	**170,327**	111,671
Charge for the year - note 28	**11,772**	64,100
Reclassification to stock-in-trade - note 15.2 & 16.1	**-**	(5,444)
Provision as at December 31	**182,099**	170,327

Amounts in Rs '000

15.2 Provision for finished goods has been reclassified from provision for stores and spares, for better presentation.

	2011	2010
16. Stock-in-Trade		
Raw and packing material (include in-transit Rs 467.132 million; 2010: Rs 436.887 million) - note 16.2	**2,103,653**	1,786,092
Work-in-process	**255,938**	48,553
Finished goods (include in-transit Rs 6.077 million; 2010: Rs 9.490 million) - note 16.2	**2,421,630**	2,107,225
	4,781,221	3,941,870
Less: Provision for slow moving and obsolete stocks - note 16.1		
- Raw material	**61,153**	87,463
- Finished goods	**124,047**	73,506
	185,200	160,969
	4,596,021	3,780,901

16.1 Movement of provision in stock-in-trade

	2011	2010
Provision as at January 1	**160,969**	118,813
Charge for the year - note 28	**106,503**	55,510
Reversal	**(1,962)**	-
Reclassification from stores and spares - note 15.1 & 15.2	-	5,444
Write-off	**(80,310)**	(18,798)
Provision as at December 31	**185,200**	160,969

Stock amounting to Rs 30.024 million (2010: Rs Nil) is measured at net realisable value and has been written down by Rs 70.917 million (2010: Rs Nil) to arrive at its net realisable value.

16.2 Raw and packing materials include Rs 282.610 million (2010: Rs. 283.341 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. Finished goods include Rs 5.107 million (2010: Rs Nil) which are held with toll manufacturer, My Plan Pharmaceuticals.

17. Trade Debts	**2011**	2010
Considered good		
- Secured	**250,275**	267,755
- Unsecured	**829,245**	974,365
	1,079,520	1,242,120
Considered doubtful	**351,476**	343,490
	1,430,996	1,585,610
Less: Provision for:		
- Doubtful debts - note 40.6	**351,476**	343,490
- Discounts	**460,873**	449,253
	812,349	792,743
	618,647	792,867

18. Loans and Advances		
Considered good		
Loans due from:		
Directors and Executives - note 13.2	**49,597**	44,694
Employees - note 13.2	**35,650**	27,997
Due from Subsidiary:		
- Current portion of long term loan - note 13.1	**44,444**	22,222
- Unsecured - note 18.1	**283,000**	283,000
	412,691	377,913
Advances to:		
Directors and Executives - note 18.2	**14,034**	5,003
Employees	**1,493**	2,761
Contractors and suppliers	**58,622**	200,128
Others	**4,893**	4,917
	79,042	212,809
	491,733	590,722
Considered doubtful	**9,792**	10,620
	501,525	601,342
Less: Provision for doubtful loans and advances - note 40.6	**9,792**	10,620
	491,733	590,722

Amounts in Rs '000

18.1 A standby finance facility of Rs 300 million (2010: 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% (2010: 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 was Rs 8.633 million and Rs 16.340 million (2010: Rs 3.245 million and Rs 7.364 million) respectively.

19. Trade Deposits and Short-Term Prepayments

	2011	2010
Trade deposits	**20,670**	22,245
Short-term prepayments	**258,700**	421,429
	279,370	443,674

20. Other Receivables

	2011	2010
Considered good		
Duties, sales tax and octroi refunds due	**156,227**	269,815
Due from Associate - note 20.1 & 20.2	**82,330**	78,721
Insurance claims	**8,317**	9,965
Commission receivable	**21,427**	47,341
Interest income receivable from subsidiary	**16,077**	16,805
Interest income receivable	**15,440**	4,516
Others	**440,652**	179,117
	740,470	606,280
Considered doubtful	**18,185**	16,982
	758,655	623,262
Less: Provision for doubtful receivables - note 20.3	**18,185**	16,982
	740,470	606,280

20.1 The maximum aggregate amount due from ICI Omicron B.V. at the end of any month during the year was Rs 84.291 million (2010: Rs 80.755 million).

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

	2011	2010
ICI Omicron B.V. wholly owned subsidiary of Akzo Nobel N.V.	**82,083**	78,586
ICI Paints Vietnam (Part of AkzoNobel group)	**93**	89
Akzo Nobel Functional Chemicals	**154**	46
	82,330	78,721

20.3 Movement of provision for doubtful receivables

	2011	2010
Provision as at January 1	**16,982**	17,383
Charge for the year - note 28	**1,203**	1,004
Reversal	**-**	(1,405)
Provision as at December 31	**18,185**	16,982

21. Cash and Bank Balances

	2011	2010
Short term deposits - note 21.1	**2,783,000**	2,927,000
Current accounts	**1,761,261**	1,489,720
In hand		
- Cheques	**292,255**	230,942
- Cash	**19,980**	14,160
	4,856,496	4,661,822

21.1 These are placed with various banks with terms ranging from one week to one year. The markup on these deposits ranges between 9.60% to 11.60% and these term deposits can be readily encashable without any penalty.

22. Short-Term Financing

The facilities for running finance available from various banks amounted to Rs 2,721 million (31 December 2010: Rs 2,471 million) and carried mark-up during the period ranging from relevant KIBOR + 0.5% to 1.5% per annum with an average markup rate of relevant KIBOR + 1.00% per annum as at December 31, 2011 (December 31, 2010: relevant KIBOR + 0.75% to 3.47% per annum with an average markup rate of relevant KIBOR + 1.30% 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 2011	Polyester 2010	Soda Ash 2011	Soda Ash 2010	Paints 2011	Paints 2010	Life Sciences 2011	Life Sciences 2010	Chemicals 2011	Chemicals 2010	Company 2011	Company 2010
Sales													
Afghanistan		-	-	-	1,210	93,170	105,623	-	-	2,500	-	95,670	106,833
Bangladesh		-	-	-	156,953	-	-	-	-	6,960	1,692	6,960	158,645
India		-	-	262,171	419,359	-	-	-	-	-	-	262,171	419,359
South Africa		-	-	-	97,790	-	-	-	-	-	-	-	97,790
United Arab Emirates		-	-	-	28,934	-	-	-	-	2,059	-	2,059	28,934
Others		-	-	-	14,242	-	-	-	-	4,205	11,207	4,205	25,449
		-	-	262,171	718,488	93,170	105,623	-	-	15,724	12,899	371,065	837,010
Inter-segment		-	-	-	-	-	-	-	-	619,550	417,420	619,550	417,420
Local		21,037,756	18,033,688	8,366,287	7,350,542	6,672,306	6,516,258	5,253,251	4,115,180	3,021,958	2,580,289	44,351,558	38,595,957
		21,037,756	18,033,688	8,628,458	8,069,030	6,765,476	6,621,881	5,253,251	4,115,180	3,657,232	3,010,608	45,342,173	39,850,387
Commission / Toll income		-	-	-	-	-	-	-	-	79,866	99,539	79,866	99,539
Turnover		21,037,756	18,033,688	8,628,458	8,069,030	6,765,476	6,621,881	5,253,251	4,115,180	3,737,098	3,110,147	45,422,039	39,949,926
Sales tax		-	-	1,458,191	1,263,579	916,953	900,599	8,071	1,119	368,763	290,709	2,751,978	2,456,006
Excise Duty		-	-	63,352	60,160	55,789	54,115	-	-	12,335	7,546	131,476	121,821
Commission and discounts to distributors and customers		18,406	52,933	252,976	282,270	882,362	986,298	471,599	352,587	178,784	150,611	1,804,127	1,824,699
		18,406	52,933	1,774,519	1,606,009	1,855,104	1,941,012	479,670	353,706	559,882	448,866	4,687,581	4,402,526
Net sales, commission & toll income		21,019,350	17,980,755	6,853,939	6,463,021	4,910,372	4,680,869	4,773,581	3,761,474	3,177,216	2,661,281	40,734,458	35,547,400
Cost of sales	26	19,501,286	15,620,929	5,513,936	5,074,124	3,437,905	3,333,661	3,380,378	2,681,386	2,514,429	2,151,010	34,347,934	28,861,110
Gross profit		1,518,064	2,359,826	1,340,003	1,388,897	1,472,467	1,347,208	1,393,203	1,080,088	662,787	510,271	6,386,524	6,686,290
Selling and distribution expenses	27	65,633	72,543	110,604	203,173	838,458	765,075	648,656	493,036	187,928	140,892	1,851,279	1,674,719
Administration and general expenses	28	551,582	265,191	293,304	290,708	477,262	448,873	224,825	148,242	145,104	145,991	1,692,077	1,299,005
Operating result		900,849	2,022,092	936,095	895,016	156,747	133,260	519,722	438,810	329,755	223,388	2,843,168	3,712,566
23.1 **Segment assets**		1,210,066	1,172,960	6,551,381	6,369,128	6,556,741	6,007,580	3,535,397	2,872,583	1,498,265	1,344,384	19,351,850	17,766,635
23.2 **Unallocated assets**												4,113,464	4,264,037
												23,465,314	22,030,672
23.3 **Segment liabilities**		2,431,408	2,236,516	2,076,108	1,955,050	903,534	480,080	1,651,191	1,131,839	329,889	462,089	7,392,130	6,265,574
23.4 **Unallocated liabilities**												4,544	309,653
												7,396,674	6,575,227
23.5 **Non-cash items**													
(Provision for non-management staff gratuity and eligible retired employees' medical scheme) - note 6.1		13,319	10,795	35,152	28,493	10,553	8,554	6,550	5,309	7,205	5,840	72,779	58,991
23.6 **Depreciation & amortisation -** note 10.6 & 11.1		353,980	335,033	523,474	475,600	133,550	90,644	19,523	15,645	35,745	26,889	1,066,272	943,811
23.7 **Capital expenditure**		117,223	109,785	368,708	469,040	138,431	176,238	12,669	25,883	35,427	35,770	672,458	816,716

23.8 Inter-segment pricing

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

23.9 There were no major customer of the Company which formed part of 10 per cent or more of the Company's revenue.

24. Reconciliations of reportable segment turnover, cost of sales, assets and liabilities

	Company 2011	Company 2010
24.1 Turnover		
Total turnover for reportable segments - note 23	45,422,039	39,949,926
Elimination of inter-segment turnover	(619,550)	(417,420)
Total turnover	44,802,489	39,532,506
24.2 Cost of sales		
Total cost of sales for reportable segments - note 26	34,347,934	28,861,110
Elimination of inter-segment purchases - note 26	(619,550)	(417,420)
Total cost of sales	33,728,384	28,443,690
24.3 Assets		
Total assets for reportable segments	19,351,850	17,766,635
Taxation recoverable	745,158	545,951
Bank deposits - note 21	2,783,000	2,927,000
Due from Associates - note 20.2	82,330	78,586
Long term Investments - note 12	502,976	712,500
Total Assets	23,465,314	22,030,672
24.4 Liabilities		
Total liabilities for reportable segments	7,392,130	6,265,574
Accrued interest / return on unsecured loan - note 8.2	-	305,109
Unclaimed dividends - note 8	4,544	4,544
Total liabilities	7,396,674	6,575,227

Amounts in Rs '000

25 Details of allocation between Paints and Non-Paints Businesses

Bifurcated Balance Sheet

The net assets ratio for the demerger is determined on the basis of June 30, 2011. Details of assets and liabilities segregated between Paints and Non-Paints Businesses as per the Scheme of Arrangement for Demerger (for details refer note 2.2) are as follows:

	December 31, 2011			June 30, 2011		
EQUITY	**Non-Paints**	**Paints**	**Total**	**Non-Paints**	**Paints**	**Total**
Share Capital and Reserves						
Issued, subscribed and paid-up capital	-	-	1,388,023	-	-	1,388,023
Capital reserves	-	-	465,845	-	-	465,845
Unappropriated profit	-	-	12,501,477	-	-	12,011,349
	-	-	14,355,345	-	-	13,865,217
Surplus on revaluation of property, plant and equipment	824,207	889,088	1,713,295	370,597	526,560	897,157
			16,068,640			14,762,374
ASSETS						
Non-Current Assets						
Property, plant and equipment	8,262,888	1,351,504	9,614,392	7,737,953	953,747	8,691,700
Intangible assets	69,118	71,933	141,051	82,617	81,825	164,442
	8,332,006	1,423,437	9,755,443	7,820,570	1,035,572	8,856,142
Deferred tax asset - net (c)	-	183,658	183,658	-	212,744	212,744
Long-term investments	502,976	-	502,976	712,500	-	712,500
Long-term loans	287,084	38,630	325,714	271,722	50,382	322,104
Long-term deposits and prepayments	32,372	1,894	34,266	35,719	8,187	43,906
	822,432	224,182	1,046,614	1,019,941	271,313	1,291,254
	9,154,438	1,647,619	10,802,057	8,840,511	1,306,885	10,147,396
Current Assets						
Stores and spares	482,710	36,310	519,020	470,612	25,587	496,199
Stock-in-trade	3,838,856	757,165	4,596,021	4,200,243	714,486	4,914,729
Trade debts - note 25.1	357,699	267,083	618,647	597,998	427,277	946,065
Loans and advances	455,149	36,584	491,733	580,579	534	581,113
Trade deposits and short-term prepayments	265,719	13,651	279,370	354,264	52,176	406,440
Other receivables	711,788	28,682	740,470	718,772	35,965	754,737
Inter-unit current accounts receivable (a)	-	3,546,473	3,546,473	-	3,369,696	3,369,696
Taxation recoverable	821,729	-	821,729	774,715	-	774,715
Cash and bank balances	4,633,322	223,174	4,856,496	2,535,012	310,013	2,845,025
	11,566,972	4,909,122	16,469,959	10,232,195	4,935,734	15,088,719
Total Assets	**20,721,410**	**6,556,741**	**27,272,016**	**19,072,706**	**6,242,619**	**25,236,115**
LIABILITIES						
Non-Current Liabilities						
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	255,094	25,061	280,155	244,532	17,368	261,900
Deferred tax liability - net	1,186,234	-	1,186,234	993,591	-	993,591
	1,441,328	25,061	1,466,389	1,238,123	17,368	1,255,491
Current Liabilities						
Short term financing	-	-	-	(61,769)	67,743	5,974
Taxation payable (b)		76,571	76,571	-	-	-
Inter-unit current accounts payable (a)	3,546,473	-	3,546,473	3,369,696	-	3,369,696
Trade and other payables - note 25.1	5,318,176	801,902	6,113,943	4,930,473	991,317	5,842,580
	8,864,649	878,473	9,736,987	8,238,400	1,059,060	9,218,250
Total Liabilities	**10,305,977**	**903,534**	**11,203,376**	**9,476,523**	**1,076,428**	**10,473,741**
Net Assets	**10,415,433**	**5,653,207**	**16,068,640**	**9,596,183**	**5,166,191**	**14,762,374**

(a) Inter unit current accounts of Paints and Non-Paints businesses are eliminated in the balance sheet of the Company as a whole.

(b) This has been netted off from the tax recoverable of Non-Paints businesses to arrive at the net tax recoverable disclosed in the balance sheet of the Company as a whole.

(c) This has been netted off from the deferred tax liabilities of Non-Paints businesses to arrive at the net deferred tax liabilities disclosed in the balance sheet of the Company as a whole.

Basis of allocation

The following basis used for the allocation between Paints and Non-Paints as at June 30, 2011 has been agreed as per the Scheme of Arrangement for Demerger. The same basis were used at December 31, 2011. These are as follows:

25.1 Assets and Liabilities

All assets and liabilities are segregated between Paints and Non-Paints Businesses as per the Scheme of Arrangement for Demerger in which inter - business receivables and payables Rs 6.1 million (June 30, 2011 Rs: 79.2 million) amongst Business units have been eliminated from the total.

25.2 Surplus on revaluation of Property, Plant and Equipment **Amounts in Rs '000**

The balance of surplus on revaluation of property, plant and equipment has been segregated on actual basis (i.e. recorded in the subsidiary records of businesses) determined by the independent valuer as detailed in note 10.3.

25.3 Share capital, capital reserves and unappropriated profits

At June 30, 2011, share capital, capital reserves and unappropriated profits will be allocated on the basis of the net assets ratio of Paints and Non-Paints Businesses. The details are as follows:

- As a result of transfer to and vesting of the net assets of the Paints Business in Akzo Nobel Pakistan Limited, the share capital of the Company (attributable to the Paints Business) will be reduced by 46,443,250 ordinary shares amounting to Rs 464.4 million.

- Further, 46,443,250 ordinary shares amounting to Rs 464.4 million of Akzo Nobel Pakistan Limited will be issued to shareholders of the Company as a consequence of the transfer to and vesting of the Paints Business in Akzo Nobel Pakistan Limited.

25.4 Taxation

The profit attributable to Paints Business earned upto June 30, 2011, will be assessed in the books of ICI Pakistan Limited. Profits earned from July 1, 2011, will be assessed in the books of Akzo Nobel Pakistan Limited.

25.5 Contingencies and Commitments

	December 31, 2011			June 30, 2011		
	Non-Paints	Paints	Total	Non-Paints	Paints	Total
Claims against the Company not acknowledged as debts are as follows:						
Local bodies	63,135	453	63,588	14,278	-	14,278
Sales Tax authorities	492	91,087	91,579	492	90,844	91,336
Others	137,201	25,224	162,425	170,258	1,788	172,046
	200,828	**116,764**	**317,592**	**185,028**	**92,632**	**277,660**

25.6 Commitments for rentals under operating lease / ijarah contracts in respect of vehicles are as follows:

Year						
2011	-	-	-	29,607	6,594	36,201
2012	62,980	13,053	76,033	52,609	11,060	63,669
2013	51,029	9,491	60,520	40,314	7,591	47,905
2014	31,742	7,751	39,493	21,804	4,964	26,768
2015	12,351	4,871	17,222	6,450	1,290	7,740
	158,102	**35,166**	**193,268**	**150,784**	**31,499**	**182,283**
Payable not later than one year	62,980	13,053	76,033	56,701	12,276	68,977
Payable later than one year but not later than five years	95,122	22,113	117,235	94,083	19,223	113,306
	158,102	**35,166**	**193,268**	**150,784**	**31,499**	**182,283**

25.7 All contingencies, claims and commitments of ICI Pakistan Limited will transfer to Paints Business to the extent they relate primarily and exclusively to the Paints Business.

25.8 Bifurcated Cash Flow Statements	**ICI - All Businesses (1 Jan to 30 June 2011**	**ICI - Non-Paints Businesses (1 July to 31 Dec 2011)**	**ICI - Paints Business (1 July to 31 Dec 2011)**	**ICI - All Businesses (1 January to 31 Dec 2011)**
Net cash flows from operating activities	140,562	2,691,838	106,956	2,939,356
Net cash flows from investing activities	(297,705)	(232,795)	(62,746)	(593,246)
Net cash flows from financing activities	(1,665,628)	(422,502)	(63,306)	(2,151,436)
Net increase in cash and cash equivalents	(1,822,771)	2,036,541	(19,096)	194,674

25.9 Bifurcated Profit and Loss Account

Details of income and expenses segregated between Paints and Non-Paints businesses are as follows:

Amounts in Rs '000

	ICI All Businesses (Jan 1 to June 30 2011)	ICI Non-Paints Businesses (July 1 to Dec 31 2011)	ICI All Businesses (Jan 1 to June 30 2011 & ICI Non-Paints Business (July 1 to Dec 31 2011)	ICI Paints Businesses (July 1 to Dec 31 2011)	ICI-All Businesses(January 1 to Dec 31 2011)
	A	B	C = A + B	D	E = C + D
Turnover - note 25.9.1	22,921,334	18,904,234	41,825,568	3,288,511	44,802,489
Sales tax, excise duty, commission and discounts	(2,482,924)	(1,362,566)	(3,845,490)	(842,091)	(4,687,581)
Net sales, commission & toll income	20,438,410	17,541,668	37,980,078	2,446,420	40,114,908
Cost of sales - note 25.9.1	(17,485,076)	(14,956,358)	(32,441,434)	(1,598,540)	(33,728,384)
Gross profit	2,953,334	2,585,310	5,538,644	847,880	6,386,524
Selling and distribution expenses	(897,704)	(527,063)	(1,424,767)	(426,512)	(1,851,279)
Administration and general expenses	(645,905)	(775,893)	(1,421,798)	(270,279)	(1,692,077)
Operating result	1,409,725	1,282,354	2,692,079	151,089	2,843,168
Financial charges - note 25.9.1	(47,393)	(471,340)	(518,733)	2,232	(137,244)
Other operating charges	(123,822)	(100,044)	(223,866)	(29,401)	(253,267)
	(171,215)	(571,384)	(742,599)	(27,169)	(390,511)
Other operating income - note 25.9.1	252,961	424,758	677,719	161,032	459,494
Profit before taxation	1,491,471	1,135,728	2,627,199	284,952	2,912,151
Taxation	(518,914)	(360,253)	(879,167)	(97,271)	(976,438)
Profit after taxation	972,557	775,475	1,748,032	187,681	1,935,713

Basis of allocation

Income and expenses allocated are segregated between Paints and Non-Paints Businesses on actual basis.

25.9.1 Income and expenses

Inter-business sales / purchases of Rs 311.6 million and inter- unit interest / income of Rs 379.3 million between Business Units have been eliminated from the total.

25.9.2 Profit and loss of Paints Business from July 1, 2011

All profits and losses occurring or arising to or incurred by ICI Pakistan Limited through the operations of the Paints Undertaking (as defined in the Scheme of Arrangement for Demerger) from July 1, 2011 (the Effective Date) till the Completion Date shall be transferred to and vested in Akzo Nobel Pakistan Limited upon completion of Demerger.

Amounts in Rs '000

26. Cost of Sales

	Polyester 2011	Polyester 2010	Soda Ash 2011	Soda Ash 2010	Paints 2011	Paints 2010	Life Sciences 2011	Life Sciences 2010	Chemicals 2011	Chemicals 2010	Company 2011	Company 2010
Raw and packing materials consumed												
Opening stock	**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
Purchases												
Inter-segment	**-**	-	**-**	-	**619,550**	417,420	**-**	-	**-**	-	**619,550**	417,420
Others	**16,853,794**	13,674,630	**1,904,504**	1,877,621	**2,666,952**	2,489,024	**1,262,928**	973,217	**1,119,475**	930,155	**23,807,653**	19,944,647
	16,853,794	13,674,630	**1,904,504**	1,877,621	**3,286,502**	2,906,444	**1,262,928**	973,217	**1,119,475**	930,155	**24,427,203**	20,362,067
	17,721,406	14,286,980	**2,108,479**	1,952,057	**3,546,453**	3,191,812	**1,544,949**	1,119,706	**1,204,545**	1,030,269	**26,125,832**	21,580,824
Closing stock - note 16	**(880,001)**	(867,612)	**(177,745)**	(203,975)	**(438,071)**	(259,951)	**(457,248)**	(282,021)	**(89,435)**	(85,070)	**(2,042,500)**	(1,698,629)
Raw material consumed	**16,841,405**	13,419,368	**1,930,734**	1,748,082	**3,108,382**	2,931,861	**1,087,701**	837,685	**1,115,110**	945,199	**24,083,332**	19,882,195
Salaries, wages and benefits	**382,518**	336,069	**605,098**	540,016	**95,010**	96,312	**4,287**	3,078	**45,940**	39,211	**1,132,853**	1,014,686
Stores and spares consumed	**103,888**	118,723	**121,096**	119,593	**7,944**	3,704	**-**	-	**4,576**	3,510	**237,504**	245,530
Conversion fee paid to contract manufacturers	**-**	-	**-**	-	**-**	-	**268,329**	201,368	**3,332**	4,341	**271,661**	205,709
Oil, gas and electricity	**1,803,969**	1,394,075	**2,234,191**	1,962,927	**25,044**	28,851	**-**	-	**7,096**	7,523	**4,070,300**	3,393,376
Rent, rates and taxes	**993**	1,234	**1,536**	1,379	**13,723**	15,893	**-**	-	**9,911**	8,612	**26,163**	27,118
Insurance	**19,599**	17,722	**15,612**	16,236	**21,861**	27,849	**3**	2	**1,398**	973	**58,473**	62,782
Repairs and maintenance	**1,426**	1,670	**57**	695	**12,292**	15,585	**2**	9	**3,406**	3,242	**17,183**	21,201
Depreciation & amortisation charge - note 10.6 & 11.1	**332,264**	319,963	**506,635**	455,542	**82,566**	75,205	**503**	428	**19,948**	15,087	**941,916**	866,225
Technical fees	**-**	-	**-**	-	**49,917**	23,270	**1,450**	1,815	**2,402**	5,750	**53,769**	30,835
Royalty	**-**	-	**-**	-	**-**	-	**1,769**	2,076	**8,134**	24,862	**9,903**	26,938
General expenses	**123,801**	106,805	**87,213**	83,627	**73,514**	62,193	**658**	400	**12,513**	10,965	**297,699**	263,990
Opening stock of work-in-process	**24,388**	54,163	**-**	-	**10,976**	15,600	**12,464**	11,811	**725**	1,655	**48,553**	83,229
Closing stock of work-in-process - note 16	**(188,491)**	(24,388)	**-**	-	**(35,692)**	(10,976)	**(28,376)**	(12,464)	**(3,379)**	(725)	**(255,938)**	(48,553)
Cost of goods manufactured	**19,445,760**	15,745,404	**5,502,172**	4,928,097	**3,465,537**	3,285,347	**1,348,790**	1,046,208	**1,231,112**	1,070,205	**30,993,371**	26,075,261
Opening stock of finished goods	**725,027**	509,236	**58,912**	207,554	**241,103**	246,586	**774,839**	837,505	**233,838**	141,658	**2,033,719**	1,942,539
Finished goods purchased	**244**	91,316	**-**	-	**72,339**	64,800	**2,193,565**	1,583,188	**1,458,782**	1,193,235	**3,724,930**	2,932,539
	20,171,031	16,345,956	**5,561,084**	5,135,651	**3,778,979**	3,596,733	**4,317,194**	3,466,901	**2,923,732**	2,405,098	**36,752,020**	30,950,339
Closing stock of finished goods - note 16	**(669,745)**	(725,027)	**(47,148)**	(58,912)	**(283,402)**	(241,103)	**(896,220)**	(774,839)	**(401,068)**	(233,838)	**(2,297,583)**	(2,033,719)
Provision for obsolete stocks - note 28	**-**	-	**-**	(2,615)	**(57,672)**	(21,969)	**(40,596)**	(10,676)	**(8,235)**	(20,250)	**(106,503)**	(55,510)
	19,501,286	15,620,929	**5,513,936**	5,074,124	**3,437,905**	3,333,661	**3,380,378**	2,681,386	**2,514,429**	2,151,010	**34,347,934**	28,861,110

26.1 Staff retirement benefits

Salaries, wages and benefits include Rs 170.281 million (2010: Rs 162.681 million) in respect of staff retirement benefits.

Amounts in Rs '000

27. Selling and Distribution Expenses

	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Company	Company
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Salaries and benefits	**47,068**	46,473	**26,738**	21,759	**249,373**	220,879	**253,165**	197,442	**87,397**	61,696	**663,741**	548,249
Repairs and maintenance	**-**	14	**1,365**	1,079	**7,654**	3,933	**2,282**	2,179	**1,371**	1,381	**12,672**	8,586
Advertising and publicity expenses	**799**	1,163	**13,828**	10,948	**250,824**	253,121	**110,283**	86,049	**5,411**	817	**381,145**	352,098
Rent, rates and taxes	**-**	-	**1,316**	1,282	**24,042**	19,323	**7,780**	5,897	**741**	739	**33,879**	27,241
Insurance	**-**	-	**633**	1,028	**-**	-	**6,571**	6,522	**4,624**	3,530	**11,828**	11,080
Lighting, heating and cooling	**15**	15	**1,281**	1,088	**3,519**	6,683	**2,773**	2,297	**2,707**	2,164	**10,295**	12,247
Depreciation & amortisation charge - note 10.6 & 11.1	**-**	-	**244**	277	**11,802**	-	**12,702**	11,093	**3,512**	2,151	**28,260**	13,521
Outward freight and handling	**5,718**	9,626	**47,238**	149,095	**195,215**	179,945	**52,291**	35,329	**35,379**	31,538	**335,841**	405,533
Travelling expenses	**5,872**	7,022	**3,681**	2,703	**26,961**	30,082	**86,807**	68,932	**14,612**	12,171	**137,933**	120,910
Postage, telegram, telephone and telex	**714**	529	**1,445**	1,325	**9,480**	7,046	**13,525**	10,728	**3,661**	3,688	**28,825**	23,316
General expenses	**5,447**	7,701	**12,835**	12,589	**59,588**	44,063	**100,477**	66,568	**28,513**	21,017	**206,860**	151,938
	65,633	72,543	**110,604**	203,173	**838,458**	765,075	**648,656**	493,036	**187,928**	140,892	**1,851,279**	1,674,719

27.1 Staff retirement benefits

Salaries, wages and benefits include Rs 86.016 million (2010: Rs 81.569 million) in respect of staff retirement benefits.

28. Administration and General Expenses

	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Company	Company
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Salaries and benefits	**218,700**	129,271	**192,627**	191,647	**257,543**	168,579	**119,584**	85,980	**91,899**	81,934	**880,353**	657,411
Repairs and maintenance	**4,751**	2,986	**3,448**	3,930	**10,744**	9,147	**2,248**	1,872	**975**	1,003	**22,166**	18,938
Advertising and publicity expenses	**2,700**	1,837	**3,114**	3,681	**2,639**	1,372	**1,065**	788	**760**	866	**10,278**	8,544
Rent, rates and taxes	**4,425**	2,675	**2,967**	2,954	**2,266**	5,060	**960**	649	**637**	680	**11,255**	12,018
Insurance	**1,861**	735	**2,228**	1,858	**1,265**	692	**2,834**	3,857	**478**	425	**8,666**	7,567
Lighting, heating and cooling	**5,771**	3,637	**5,328**	6,200	**4,985**	4,655	**5,394**	4,664	**1,144**	1,416	**22,622**	20,572
Depreciation & amortisation charge - note 10.6 & 11.1	**21,716**	15,070	**16,595**	19,781	**39,182**	15,439	**6,318**	4,124	**12,285**	9,651	**96,096**	64,065
Provision for doubtful debts												
- trade - note 40.6	**-**	**-**	**-**	**-**	**9,005**	138,262	**-**	477	**-**	401	**9,005**	139,140
- others - note 20.3	**-**	**-**	**-**	381	**-**	2,500	**1,203**	623	**-**	**-**	**1,203**	3,504
Provision for obsolete stocks - note 16.1	**-**	**-**	**-**	2,615	**57,672**	21,969	**40,596**	10,676	**8,235**	20,250	**106,503**	55,510
Provision for obsolete spares - note 15.1	**5,154**	59,100	**6,618**	-	**-**	5,000	**-**	**-**	**-**	**-**	**11,772**	64,100
Travelling expenses	**7,294**	10,138	**4,800**	9,652	**9,325**	12,732	**5,885**	6,192	**4,213**	6,791	**31,517**	45,505
Postage, telegram, telephone and telex	**3,266**	2,329	**3,063**	3,948	**7,571**	5,814	**2,526**	2,891	**1,552**	1,678	**17,978**	16,660
General expenses	**66,420**	37,413	**52,516**	44,061	**75,065**	57,652	**36,212**	25,449	**22,926**	20,896	**253,139**	185,471
Provision for impairment in investment - note 12.2	**209,524**	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**209,524**	-
	551,582	265,191	**293,304**	290,708	**477,262**	448,873	**224,825**	148,242	**145,104**	145,991	**1,692,077**	1,299,005

28.1 Staff retirement benefits

Salaries, wages and benefits include Rs 168.869 million (2010: Rs 148.813 million) in respect of staff retirement benefits.

Amounts in Rs '000

29. Financial Charges

	2011	2010
Interest on workers' profit participation fund - note 8.3	**9,257**	6,948
Discounting charges on receivables	**90,545**	94,940
Exchange losses	**34,934**	59,564
Guarantee fee and others	**2,508**	2,428
	137,244	163,880

30. Other Operating Charges

	2011	2010
Auditors' remuneration - note 30.1	**11,714**	8,235
Donations - note 30.2	**24,296**	22,277
Workers' profit participation fund - note 8.3	**153,758**	196,761
Workers' welfare fund	**59,432**	76,153
Loss on disposal of property, plant and equipment	**4,067**	-
	253,267	303,426

30.1 Auditors' remuneration

	2011	2010
Audit and group reporting fee	**6,434**	5,770
Half yearly review and other certifications	**1,915**	1,815
Demerger related charges	**3,000**	-
Out of pocket expenses	**365**	650
	11,714	8,235

30.2 Donations include Rs Nil (2010: Rs 15.795 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.

31. Other Operating Income

	2011	2010
Income from related party		
Return on loan due from Subsidiary	**72,648**	69,051
Service fees from related parties - note 31.1	**1,980**	1,980
Return from other financial assets		
Profit on short-term and call deposits	**292,482**	282,906
Income from non-financial assets		
Scrap sales	**51,514**	48,724
Gain on disposal of property, plant and equipment	**-**	10,211
Others		
Provisions and accruals no longer required written back	**13,917**	15,964
Sundries	**26,953**	57,420
	459,494	486,256

Amounts in Rs '000

31.1 This represents amount charged by the Company for certain management and other services rendered to its subsidiary, ICI Pakistan PowerGen Limited, in accordance with the Service Agreement based on commercial terms between the companies.

32. Taxation

	2011	2010
Current	**1,098,647**	1,457,540
Deferred - note 7	**(122,209)**	(154,850)
Net tax charged - note 32.1	**976,438**	1,302,690

32.1 Tax reconciliation

	2011	2010
Profit before taxation	**2,912,151**	3,731,516
Tax @ 35%	**1,019,253**	1,306,031
Tax impact on income under FTR of the current year	**(12,476)**	2,992
Flood relief surchage	**60,450**	-
Tax impact on repayment of Mortar Loan	**(98,350)**	-
Others	**7,561**	(6,333)
Net tax charged	**976,438**	1,302,690

33. Earnings per share - Basic and diluted

	2011	2010
Profit after taxation for the year	**1,935,713**	2,428,826
	Number of shares	
Weighted average number of ordinary shares in issue during the year	**138,802,300**	138,802,300
	Rupees	
Earnings per share	**13.95**	17.50

Amounts in Rs '000

34. 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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Managerial remuneration	**1,236**	1,230	**31,643**	25,363	**38,523**	34,209	**583,211**	501,721	**654,613**	562,523
Retirement benefits	**-**	-	**7,487**	6,362	**8,588**	7,555	**151,160**	144,796	**167,235**	158,713
Group insurance	**-**	-	**64**	42	**128**	84	**6,599**	5,062	**6,791**	5,188
Rent and house maintenance	**-**	-	**6,835**	6,022	**-**	-	**171,588**	148,163	**178,423**	154,185
Utilities	**-**	-	**953**	775	**-**	-	**42,374**	36,656	**43,327**	37,431
Medical expenses	**-**	-	**139**	91	**205**	221	**25,008**	19,661	**25,352**	19,973
	1,236	1,230	**47,121**	38,655	**47,444**	42,069	**979,940**	856,059	**1,075,741**	938,013
Number of persons	**1**	1	**1**	1	**4**	4	**435**	381	**441**	387

34.1 In addition to this, an amount of Rs 275.47 million (2010: Rs 228.9 million) on account of variable pay, to employees, has been recognised in the current year. This amount is payable in the year 2012 after verification of achievements against target. Further, a special bonus of Rs Nil (2010: Rs 12.0 million) is payable to certain employees and has been recognised in the financial statements.

Out of variable pay recognised for 2010 and 2009 following payments were made:

	Paid in 2011 relating to 2010	Paid in 2010 relating to 2009
Chief Executive	**17,814**	13,163
Directors	**14,896**	33,529
Executives	**166,251**	125,444
Other employees	**23,362**	9,192
	222,323	181,328

34.2 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.

34.3 Aggregate amount charged in the financial statements for remuneration to three Non-executive Directors was Rs 3.483 million (2010: Rs 3.225 million). This includes fees paid to directors amounting to Rs. 0.270 million (2010: Rs. 0.220 million) for attending board and other meetings which is not included above.

34.4 The above balances include an amount of Rs 179.900 million (2010: Rs 188.114 million) on account of remuneration of key management personnel out of which Rs 29.073 million (2010: Rs 26.274 million) relates to post employment benefits.

35. Transactions with Related Parties

The related parties comprise parent company (ICI Omicron B.V.), ultimate parent company (Akzo Nobel N.V.), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key employees (note 34) 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:

	2011	2010
Subsidiary Company		
Purchase of goods, materials and services	**958,179**	956,672
Provision of services and other receipts	**1,980**	1,980
Return on loan to Subsidiary - note 31	**72,648**	69,051
Associated companies		
Purchase of goods, materials and services	**267,829**	118,487
Provision of services and other receipts	**999**	4,600
Sale of goods and materials	**137,009**	131,099
Dividends	**1,631,051**	1,052,291
Donations	**-**	15,795

Amounts in Rs '000

36. Plant Capacity and Annual Production

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

	2011		2010	
	Annual Name Plate Capacity	**Production**	Annual Name Plate Capacity	Production
Polyester - note 36.1	**122,000**	**117,174**	122,000	129,445
Soda Ash - note 36.1	**350,000**	**258,420**	350,000	278,650
Paints - note 36.2	**-**	**29,338**	-	34,748
Chemicals - note 36.2	**-**	**8,852**	-	9,082
Sodium Bicarbonate	**20,000**	**24,340**	20,000	23,700

36.1 Production was below name plate capacity due to gas curtailment.

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

37. Fair Value of Financial Assets and Liabilities

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

38. 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.

38.1 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.

39. 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.

Amount in Rs '000

39.1 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	
	2011	2010
Fixed rate instruments		
Financial assets - Note 21	**2,783,000**	2,927,000
Financial liabilities - Note 8	**(95,473)**	(80,700)
	2,687,527	2,846,300
Variable rate instruments		
Financial assets - Note 13 & 18	**460,778**	483,000

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 and loss account.

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 4.61 million (2010: Rs 4.83 million).

39.2 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 into are denominated 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. To hedge this risk the Company has entered into forward foreign exchange contracts for imports in 2011 in accordance with State Bank of Pakistan instructions and the Company's Treasury policy. The policy allows the Company to take currency exposure within predefined limits while open exposures are rigorously monitored.

	Amounts in Rs '000				
	SGD	**EURO**	**USD**	**GBP**	**JPY**
			2011		
Trade debts	**-**	**-**	**2,572**	**-**	**-**
Other receivables	**-**	**1,571**	**19,701**	**-**	**-**
Due from Associates - note 20.2	**-**	**-**	**247**	**82,083**	**-**
Cash and bank balances	**-**	**-**	**130,723**	**-**	**-**
	-	**1,571**	**153,243**	**82,083**	**-**
Trade and other payables	**-**	**59,167**	**1,746,336**	**712,912**	**-**
Due to Associates - note 8.1	**16**	**78,758**	**14,854**	**498**	**-**
	16	**137,925**	**1,761,190**	**713,410**	**-**
Gross balance sheet exposure	**(16)**	**(136,354)**	**(1,607,947)**	**(631,327)**	**-**
			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	-	-
	-	10,859	125,668	90,398	-
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	-
	15	167,369	1,562,632	663,665	-
Gross balance sheet exposure	(15)	(156,510)	(1,436,964)	(573,267)	-

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at December 31	
	2011	2010	**2011**	2010
Rupees per	**Rupees**		**Rupees**	
EURO	**120.16**	113.09	**116.13**	114.30
USD	**86.30**	85.18	**89.94**	85.75
GBP	**138.42**	131.75	**138.63**	132.72
JPY	**1.08**	0.97	**1.16**	1.05
SGD	**68.69**	62.55	**69.15**	66.87

Amount in Rs '000

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 23.8 million (2010: Rs 21.7 million).

40. 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, bank guarantees and insurance guarantees.

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

		2011	2010
40.1	**Financial Assets**		
	Long term investments - note 12	**502,976**	712,500
	Long term loans - note 13	**325,714**	324,264
	Long term deposits - note 14	**26,059**	22,873
	Trade debts - note 17	**618,647**	792,867
	Loans and advances - note 18	**491,733**	590,722
	Trade deposits - note 19	**20,670**	22,245
	Other receivables - note 20	**584,243**	336,465
	Bank balances - note 21	**4,836,516**	4,647,662
		7,406,558	7,449,598

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

40.3	**Financial Assets**		
	- Secured	**543,429**	494,696
	- Unsecured	**6,863,129**	6,954,902
		7,406,558	7,449,598

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

Not past due	**5,819,993**	5,893,674
Past due but not Impaired:		
Not more than three months	**116,331**	122,131
Past due and Impaired:		
More than three months and not more than six months	**20,356**	30,893
More than six months and not more than nine months	**-**	12,327
More than nine months and not more than one year	**-**	27,165
More than one year	**351,484**	299,171
	488,171	491,687
Less: Provision for:		
- Doubtful debts	**351,476**	343,490
- Doubtful loans and advances	**9,792**	10,620
	361,268	354,110
	5,946,896	6,031,251

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

Wholesale customers	**205,265**	202,884
Retail customers	**107,106**	109,691
End-user customers	**175,800**	179,112
	488,171	491,687
Less: Provision for:		
- Doubtful debts	**351,476**	343,490
- Doubtful loans and advances	**9,792**	10,620
	361,268	354,110
	126,903	137,577

40.6 Movement of provision for trade debts and loans and advances

	Trade Debts	Loans and Advances	Total	Total
Opening	**343,490**	**10,620**	**354,110**	285,751
Additional provision - note 28	**9,005**	**-**	**9,005**	141,640
(Write off) / Provision utilised against write-offs	**-**	**(828)**	**(828)**	(57,409)
Provision no longer required	**(1,019)**	**-**	**(1,019)**	(15,872)
	351,476	**9,792**	**361,268**	354,110

40.6.1 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.

Amount in Rs '000

40.7 Concentration Risk

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

	2011	2010
Textile	**59,043**	66,590
Glass	**6,846**	14,415
Paper and Board	**21,152**	24,641
Chemicals	**202,657**	240,731
Pharmaceuticals	**20,560**	36,880
Construction	**9,903**	12,701
Transport	**28,832**	36,976
Paints	**484,262**	621,046
Bank	**4,836,516**	4,647,662
Subsidiary	**283,000**	283,000
Others	**355,393**	400,719
	6,308,164	6,385,361
Less: Provision for:	**351,476**	343,490
- Doubtful debts	**9,792**	10,620
- Doubtful loans and advances	**361,268**	354,110
	5,946,896	6,031,251

41. 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
	2011		
Financial liabilities			
Trade creditors - note 8	1,137,593	1,137,593	(1,137,593)
Bills payable - note 8	2,637,517	2,637,517	(2,637,517)
Accrued expenses - note 8	1,233,530	1,233,530	(1,233,530)
Technical service fee / Royalty - note 8	41,291	41,291	(41,291)
Distributors' security deposits - payable on termination of distributorship - note 8 & note 8.4	95,473	106,548	(106,548)
Contractors' earnest / retention money - note 8	9,344	9,344	(9,344)
Unclaimed dividends - note 8	4,544	4,544	(4,544)
Payable for capital expenditure - note 8	77,474	77,474	(77,474)
Others - note 8	106,939	106,939	(106,939)
	5,343,705	5,354,780	(5,354,780)

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

		2010	
Financial liabilities			
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)
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)
	4,802,461	4,811,742	(4,811,742)

42. 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.

43. 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 on June 29, 2010 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.

After the Supreme Courts’ decision on retrospectivity, a notice has been issued u/s 66 of the repealed Ordinance by Tax department on June 20, 2011, which was challenged by the Company in the High Court on the basis of Supreme Courts’ decision. The company is of the view that in light of Supreme Court decision and the fact that such notice is time barred under the repealed Ordinance, it is expected to be quashed by the High 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, 2004, 2005, 2007, 2008 and 2010 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. Appeals for the above mentioned years before the CIT (Appeals) on the matter have been filed which are pending. The very basis of such an action has also been challenged before the High Court of Sindh which are pending for hearing. While these cases are 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.

For Tax Year 2006 the case had been selected for audit/scrutiny and whilst framing the order tax department has taken certain action in the orders, considered by the department as “protective assessments” 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 Company is also in the process of challenging such an action before the High Court of Sindh. However, 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 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 valuer 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.

44. 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, 2012. These standards except for IAS 19 *Employee Benefits* are either not relevant to the Company's operations or are not expected to have a material impact on the Company's financial statements:

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 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 measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. These amendments have no material impact on the financial statements of the Company.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. These amendments have no material impact on the financial statements of the Company.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. These amendments have no material impact on the financial statements of the Company.

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. These amendments will impact the financial statements of the Company the effect of which has not been quantified.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. These amendments have no material impact on the financial statements of the Company.

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 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 have no material impact on the financial statements of the Company.

IFRIC 20 - Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after 1 January 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. These amendments have no material impact on the financial statements of the Company.

45. Dividend

The directors in their meeting held on March 15, 2012 have recommended a final dividend of Rs 5.50 per share (2010: Rs 12.00 per share) in respect of year ended December 31, 2011. The financial statements for the year ended December 31, 2011 do not include the effect of the above dividend which will be accounted for in the period in which it is approved.

46. Date of Authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on March 15, 2012.

47. General

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

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