



ICI PAKISTAN

# BUILDING ON OUR VALUES

ANNUAL REPORT 2013-14

DELIVERING ENDURING VALUE

INNOVATION

PASSION

FOR PEOPLE

INTEGRITY & RESPONSIBILITY

INNOVATION



# BUILDING ON OUR VALUES

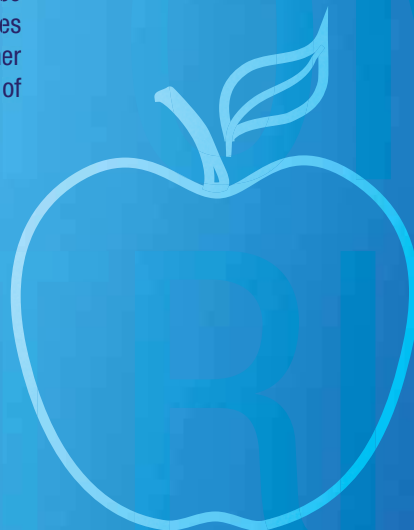
At ICI Pakistan we believe that our values drive our behaviour. They are not just a document to be read but form the core of how we operate everyday. Across our offices you will see our values visible in words and in actions.

Our people proudly engage in the nurturing and development of these values and are slowly but surely embedding them into our culture; building on them to form the DNA of ICI Pakistan.

## **Our values are:**

- Customer Centricity
- Integrity & Responsibility
- Innovation
- Passion for People
- Delivering Enduring Value

How we build on our values is how we evaluate and recognise success, on an individual and corporate level. Our values inspire us in the way we approach business with each other and the world at large because they lie at the heart of everything we do.



# ICI Pakistan at a Glance

We manufacture and trade in a diversified range of products including Polyester Staple Fiber, Soda Ash and Specialty Chemicals. We also market toll-manufactured Pharmaceuticals and Animal Health products, along with a range of Chemicals, Field Crop Seeds, Vegetable Seeds and other Agri Products.

Our long history predates the formation of Pakistan with modest beginnings as a trading company. Today the Company has businesses that are major players within their respective industries, bringing together outstanding knowledge of customer needs with leading edge technology platforms.

Our four businesses, Polyester, Soda Ash, Chemicals and Life Sciences, manufacture and sell a wide range of industrial and consumer products. These include:

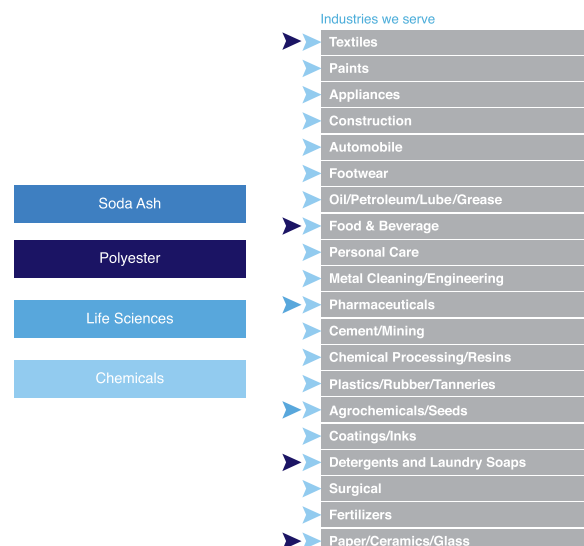
- Polyester Staple Fibers
- POY Chips
- Light and Dense Soda Ash
- Sodium Bicarbonate
- Specialty Chemicals
- Polyurethanes
- Adhesives
- Pharmaceutical
- Animal Health products
- Agri Products including Field Crop Seeds and Vegetable Seeds

In December 2012, Lucky Holdings Limited acquired the shareholding of ICI Pakistan making us a part of YB Group.

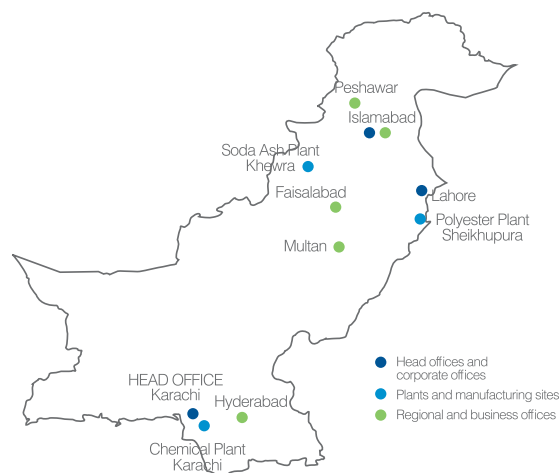
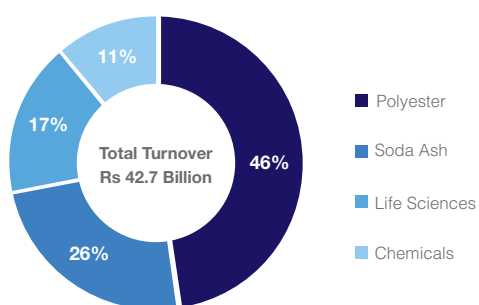
## About the YB Group

YBG is a conglomerate with diversified interests in textile, cement and power generation. The group was established in 1962 as a trading house and then grew rapidly over the years. Currently, YBG is the largest export house as well as the largest cement manufacturer in Pakistan.

## Our Scale and Presence



Total Turnover by business



# Key Performance Indicators

## Statement of income

<b>NSI</b>		▲
in Rs Million		
2012-13	36,268	5%
<b>2013-14</b>	<b>38,233</b>	

<b>Operating result</b>		▲
in Rs Million		
2012-13	1,987	12%
<b>2013-14</b>	<b>2,226</b>	

<b>Profit before tax</b>		▲
in Rs Million		
2012-13	1,749	13%
<b>2013-14</b>	<b>1,981</b>	

<b>Profit after tax</b>		▲
in Rs Million		
2012-13	1,159	47%
<b>2013-14</b>	<b>1,702</b>	

<b>EBITDA</b>		▲
in Rs Million		
2012-13	3,094	15%
<b>2013-14</b>	<b>3,565</b>	

<b>EBITDA margin</b>		▲
% of NSI		
2012-13	8.53	9%
<b>2013-14</b>	<b>9.32</b>	

<b>Earnings per share</b>		▲
in Rs		
2012-13	12.55	47%
<b>2013-14</b>	<b>18.43</b>	

## Ratios

<b>Equity</b>		▲
in Rs Million		
2012-13	9,789	15%
<b>2013-14</b>	<b>11,237</b>	

<b>Price earning</b>		▲
in times		
2012-13	13.26	60%
<b>2013-14</b>	<b>21.18</b>	

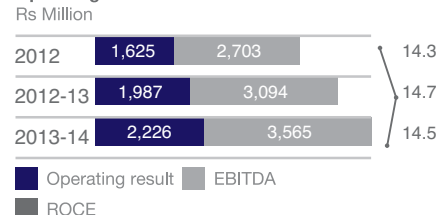
<b>Return on capital employed</b>		▼
in %		
2012-13	14.66	-1%
<b>2013-14</b>	<b>14.49</b>	

<b>Return on fixed assets</b>		▲
% of revenue		
2012-13	18.75	1%
<b>2013-14</b>	<b>19.00</b>	

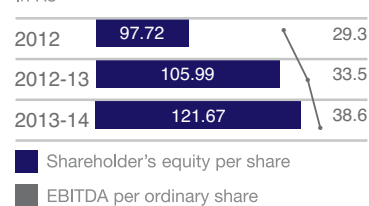
<b>Operating result per employee</b>		▲
in Rs Million		
2012-13	1.86	4%
<b>2013-14</b>	<b>1.93</b>	

<b>Capital expenditures</b>		▲
in Rs Million		
2012-13	2,083	20%
<b>2013-14</b>	<b>2,509</b>	

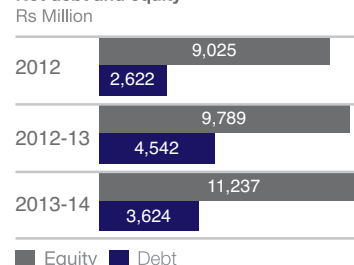
## Operating result and EBITDA



## Shareholder's equity and EBITDA



## Net debt and equity



Comparative analysis is based on twelve months performance of the current year versus same period last year (SPLY) for a meaningful comparison. 2012-13 numbers have been restated due to IAS-19 revision

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ATION

CUSTOMER

CENTRICITY

INTEGRITY RESPONSIBILITY

DELIVERING ENDURING VALUE

PASSION

CUSTOMER CENTRICITY

FOR PEOPLE

INNOVATION

PASSION FOR PEOPLE





# Values

- 1 Customer Centricity
- 2 Integrity & Responsibility
- 3 Innovation
- 4 Passion for People
- 5 Delivering Enduring Value

## 1 Customer Centricity

We are committed to the success of our customers and their needs are at the centre of our universe - we exist because of them.

## 2 Integrity & Responsibility

Ethical and responsible behaviour is our license to operate. Uncompromising integrity in all our dealings is the backbone of our DNA. We have a zero tolerance policy to violations of our code and beliefs.

## 3 Innovation

To be responsive to the challenges of change and to new and existing opportunities, we need to constantly come up with better, smarter and simpler solutions.

## 4 Passion for People

Our success is based on the multiplier effect of our people. Our passion for people drives us to harness their energies, cultivate and nurture their talent, manage their well-being and, most importantly, create a learning environment conducive for development and growth.

## 5 Delivering Enduring Value

Delivering sustained growth and enduring value to benefit our shareholders, employees, suppliers, customers and the communities in which we operate.



# Overview & Strategy

The Overview and Strategy section provides information on our strategic priorities and key performance areas.

BUILDING ON  
**CUSTOMER  
CENTRICITY**



# MOU WITH UNIBRANDS FOR INVESTMENT IN NUTRICO (PVT) LTD.

Our aspiration is to grow through diversification. This year, we signed a Memorandum of Understanding (MoU) on January 31, 2014 with Unibrands Pvt. Limited for participation in a newly formed company, NutriCo. Pvt. Limited which will primarily be responsible for the marketing and distribution of Morinaga Milk Industry Company Limited; Japan's range of infant formula and nutrition products in Pakistan.

This partnership will position ICI Pakistan to reach out to new customers and leverage the opportunities presented by the high growth food and nutrition sector in Pakistan.



ICI Pakistan will partner in the marketing of

**MORINAGA**  
infant formulae in Pakistan

TNERSHIP

ARTNERSHIP





# Our Vision

As the partner of choice, we aspire to build our local and international footprint through sustainable growth and by creating value for all our stakeholders.

# Code of Conduct

We have always had a strong sense of business principles and high ethical standards for the conduct of our business. Our business principles and ethical standards are enshrined in the ICI Pakistan Code of Conduct.

## A brief overview of the code:

### Business principles

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

### Business integrity

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

### Company responsibilities

The Code encourages us to:

- Adopt the spirit of open communication
- Provide equal opportunities and a healthy, safe and secure environment
- Ensure the rights of employees to join unions/associations
- Protect personal data of employees
- Engage in an active performance and development dialogue

### Employee responsibilities

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

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



# CE Statement

Dear Stakeholders,

The past year has been full of immense challenges for us at ICI Pakistan. It was our first full year post acquisition along with the change of our financial year from January/December to July/June. This year ICI Pakistan completes 70 years of serving its customers; a fact that bears testimony to our uncompromising commitment, resolute ideology and sound values. These principles have allowed us to endure despite multiple challenges since we broke ground in Khewra for the construction of the Soda Ash plant in 1939. For decades our products have touched lives in different ways. From industrial raw materials to every day goods, ICI Pakistan has directly and indirectly been a part of the lives of 180 million consumers in Pakistan.

Post-acquisition, the Company chalked out a new vision to grow its local and international footprint by strengthening its existing businesses and exploring new avenues for growth and diversification. I am pleased to report that in line with our aspirations, we successfully concluded arrangements with Unibrands Pvt. Limited, to participate with an equity investment initially of 15% shareholding increasing to 40%, in a newly formed company, NutriCo Pvt. Limited, which will primarily manage the import, marketing and distribution of nutrition products of Morinaga Milk Industry Co. Limited in Pakistan. The launch of NutriCo is a milestone for the Company, as a first step into the nutrition and food business in Pakistan. This not only entails leveraging our core competencies, but also requires us to face increasing challenges to achieve the desired growth in a fast-growing segment through well-defined strategic and commercial execution. The investment in NutriCo will, in due course, enable us to evaluate the setting up of a facility to locally manufacture Morinaga infant milk formulae and nutrition products in Pakistan, further enhancing our ability to service our customers.

As a consequence of the change in the financial reporting year, we have presented comparative performance for 2013/2014 with the same period last year. The Company posted net sales income of PKR 38.2 billion for the period, which is 5% higher than the same period last year. This is primarily due to higher revenues in the Soda Ash, Life Sciences & Chemicals Businesses. Profit after tax at PKR 1,835 million is 29% higher than the same period last year on account of efficient cost control, margin improvement and accelerated top line growth in all businesses except Polyester. The Polyester Staple Fibre business, continues to suffer as a result of both regional and domestic oversupply, as well as energy shortages emanating from a continuous curtailment of natural gas, which in turn

necessitated the use of high cost furnace oil for power and steam generation, greatly impacting the businesses financial performance.

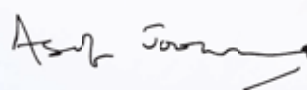
For industry to operate and maintain competitiveness, developing a 'sustainable state' is now a crucial requirement. To this end, our Coal Based Power and Steam Solution at the Polyester plant is progressing satisfactorily and we will be commencing a project for the installation of a Coal Fired Power and Steam Plant at the Soda Ash plant in Khewra. The investment will make the Khewra site independent of the national gas and power grids in periods of curtailment. This project is expected to be completed by the third quarter of 2016. To further enhance our product offering under the Life Sciences portfolio, the Company is proceeding with an investment to set up a small Nutraceuticals manufacturing facility at West Wharf.

The year 2013 has in retrospect, been exceptionally important for us as a Company. We have witnessed numerous transitions and changes, which have allowed us to distinguish ourselves as an organisation that believes in continuous growth through smart and timely decisions built on the collective strengths of its people. We have made efforts to drive an entrepreneurial mind-set in our people and have ensured an unrelenting adherence to our values and core beliefs. Our aim is to evolve as an agile and responsible company.

The credit for our performance this year is attributable to none other than the entire team at ICI Pakistan and the confidence shown in us by our shareholders and multiple stakeholders. The ongoing turbulent political conditions and the continued energy shortages indicate a hard year ahead for us, nonetheless we are committed and driven to deliver on our commitment to emerge as one of the top performing organisations in Pakistan. We will live up to our promise of 'Cultivating Growth' and continuously explore ways to drive our values into the way we do business.

I wish you all the very best.

Warm regards,



Asif Jooma

# Financial Highlights

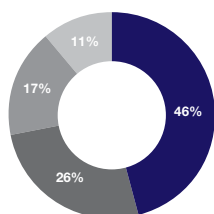
## Our results compared to same period last year at a glance

- 2013-14 turnover up by 8 percent
- 2013-14 gross profit up by 14 percent
- 2013-14 profit after tax up by 47 percent
- 2013-14 earnings per share: Rs 18.43 (2012-13: Rs 12.55)

### Turnover by business

Total turnover Rs 42.7 Billion

	%
Polyester	46
Soda Ash	26
Life Sciences	17
Chemicals	11

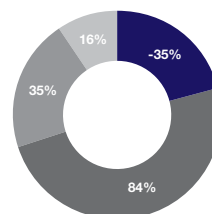


■ Polyester ■ Soda Ash ■ Life Sciences ■ Chemicals

### Operating result by business

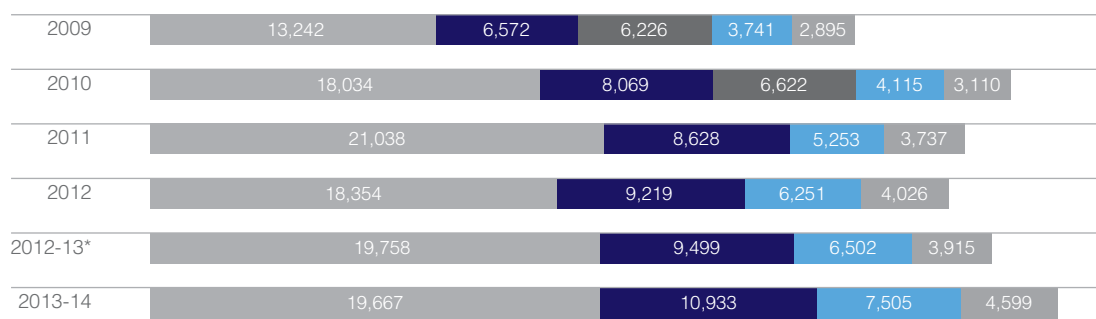
Total operating result Rs 2.2 Billion

	%
Polyester	-35
Soda Ash	84
Life Sciences	35
Chemicals	16



### Turnover

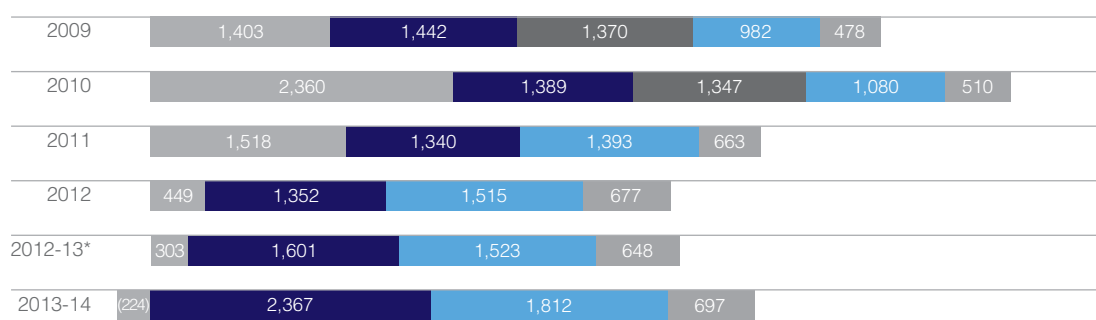
Rs Million



■ Polyester ■ Soda Ash ■ Paints ■ Life Sciences ■ Chemicals

### Gross Profit

Rs Million



■ Polyester ■ Soda Ash ■ Paints ■ Life Sciences ■ Chemicals

2011, 2012 and 2012-13 numbers have been restated due to IAS 19 revision

Year 2011 onwards exclude the effect of Paints business due to demerger

\*Comparative analysis is based on twelve months performance of current year versus same period last year (SPLY) for a meaningful comparison



### Revenue development (Business-wise)

Rs Million

2012-13*	39,673
Polyester	(91)
Soda Ash	1,434
Life Sciences	1,003
Chemicals	685
2013-14	42,705

### EBITDA

Rs Million

2009	3,899
2010	4,656
2011	3,311
2012	2,703
2012-13*	3,094
2013-14	3,565

### Profit after tax

Rs Million

2009	2,045
2010	2,429
2011	1,531
2012	974
2012-13*	1,159
2013-14	1,702

### Earnings per share

Rs

2009	14.73
2010	17.50
2011	13.25
2012	10.54
2012-13*	12.55
2013-14	18.43

### Operating result development (Business-wise)

Rs Million

2012-13*	1,987
Polyester	(648)
Soda Ash	702
Life Sciences	143
Chemicals	42
2013-14	2,226

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\*Comparative analysis is based on twelve months performance of current year versus same period last year (SPLY) for a meaningful comparison

## Profitability ratios

### Gross margin (%)

2009	19.96
2010	19.03
2011	12.97
2012	11.51
2012-13*	11.23
2013-14	12.17

### Operating result margin (%)

2009	10.65
2010	10.57
2011	6.70
2012	4.68
2012-13*	5.48
2013-14	5.82

### Profit before tax margin (%)

2009	10.81
2010	10.62
2011	6.46
2012	4.31
2012-13*	4.82
2013-14	5.18

### Profit after tax margin (%)

2009	7.19
2010	6.91
2011	4.31
2012	2.81
2012-13*	3.19
2013-14	4.45

### Return on assets (%)

2009	9.54
2010	11.02
2011	7.47
2012	4.70
2012-13*	5.53
2013-14	7.42

### Return on equity (%)

2009	14.19
2010	15.72
2011	15.48
2012	9.97
2012-13*	11.05
2013-14	14.33

### Return on capital employed (%)

2009	19.38
2010	22.43
2011	21.18
2012	14.30
2012-13*	14.66
2013-14	14.49

### Revenue per employee (Rs million)

2009	21.85
2010	26.88
2011	32.03
2012	31.64
2012-13*	34.02
2013-14	33.16

### Net income per employee (Rs million)

2009	1.57
2010	1.86
2011	1.38
2012	0.89
2012-13*	1.09
2013-14	1.48

2011, 2012 and 2012-13 numbers have been restated due to IAS 19 revision

Year 2011 onwards exclude the effect of Paints business due to demerger

\*Comparative analysis is based on twelve months performance of current year versus same period last year (SPLY) for a meaningful comparison

#### Price earning ratio (Rs)

2009	11.44
2010	8.24
2011	9.08
2012	16.49
2012-13*	13.26
2013-14	21.18

### Cost ratios

#### Administration cost as % of sales

2009	4.14
2010	3.70
2011	3.42
2012	3.75
2012-13*	2.86
2013-14	2.34

#### Operating cost as a % of net sales\*\*

2009	89.35
2010	89.43
2011	93.30
2012	95.32
2012-13*	94.52
2013-14	94.18

### Liquidity & other ratios

#### Current ratio

2009	1.92
2010	2.17
2011	1.22
2012	1.05
2012-13*	1.31
2013-14	1.38

#### Stockholders' equity per common share (Rs)

2009	97.14
2010	104.81
2011	98.17
2012	97.72
2012-13*	105.99
2013-14	121.67

#### Market value per share (Rs)

2009	168.49
2010	144.24
2011	120.27
2012	173.89
2012-13	166.40
2013-14	390.34

### Efficiency ratios

#### Inventory days

2009	58.00
2010	51.19
2011	50.53
2012	60.93
2012-13*	62.67
2013-14	55.83

#### Debtor days

2009	11.08
2010	8.90
2011	5.91
2012	4.88
2012-13*	7.23
2013-14	8.23

#### Creditor days

2009	41.00
2010	40.06
2011	37.17
2012	46.87
2012-13*	42.23
2013-14	37.55

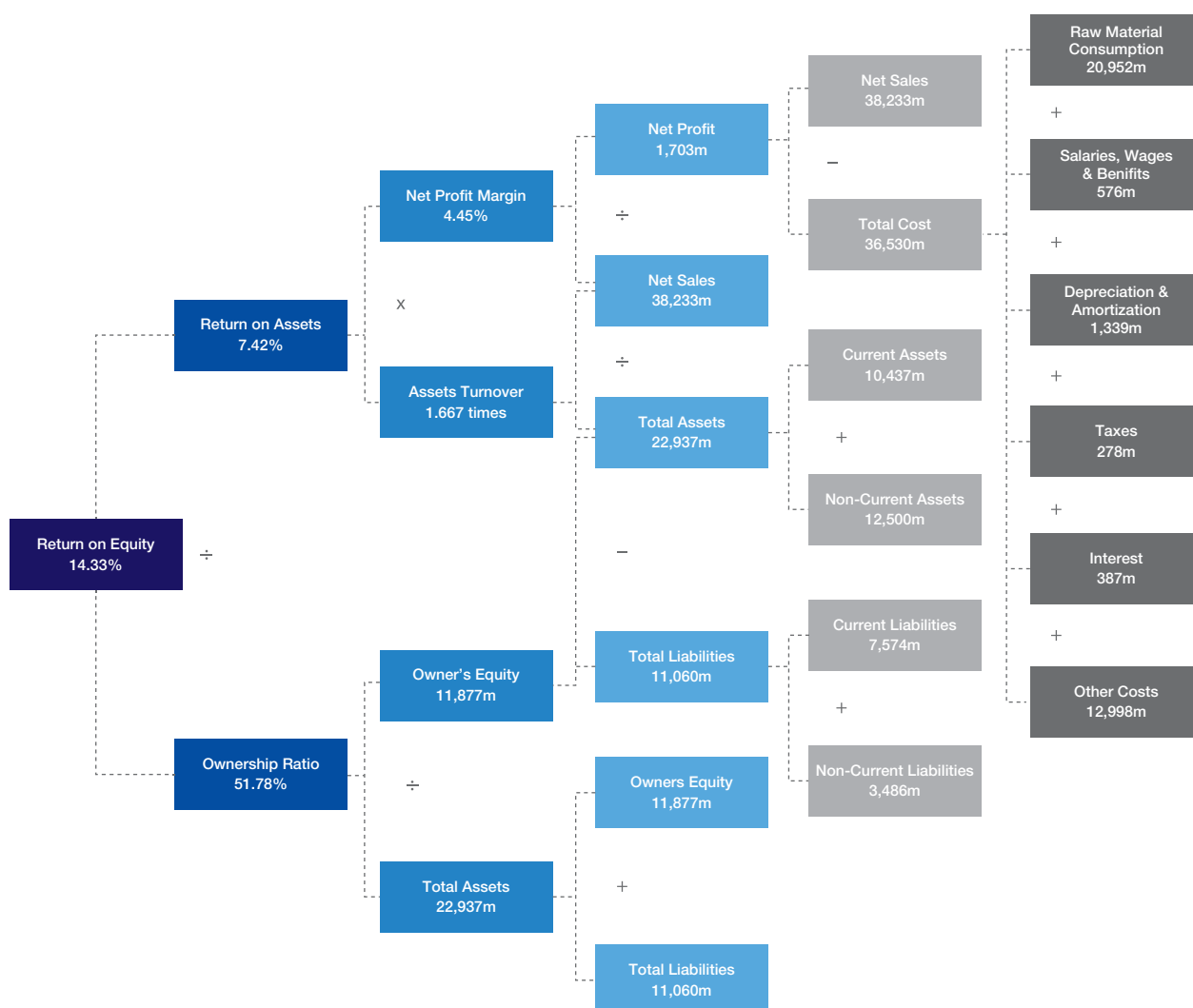
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\*\*Operating cost includes cost of sales, selling & distribution and administration & general expenses

# DuoPont Analysis



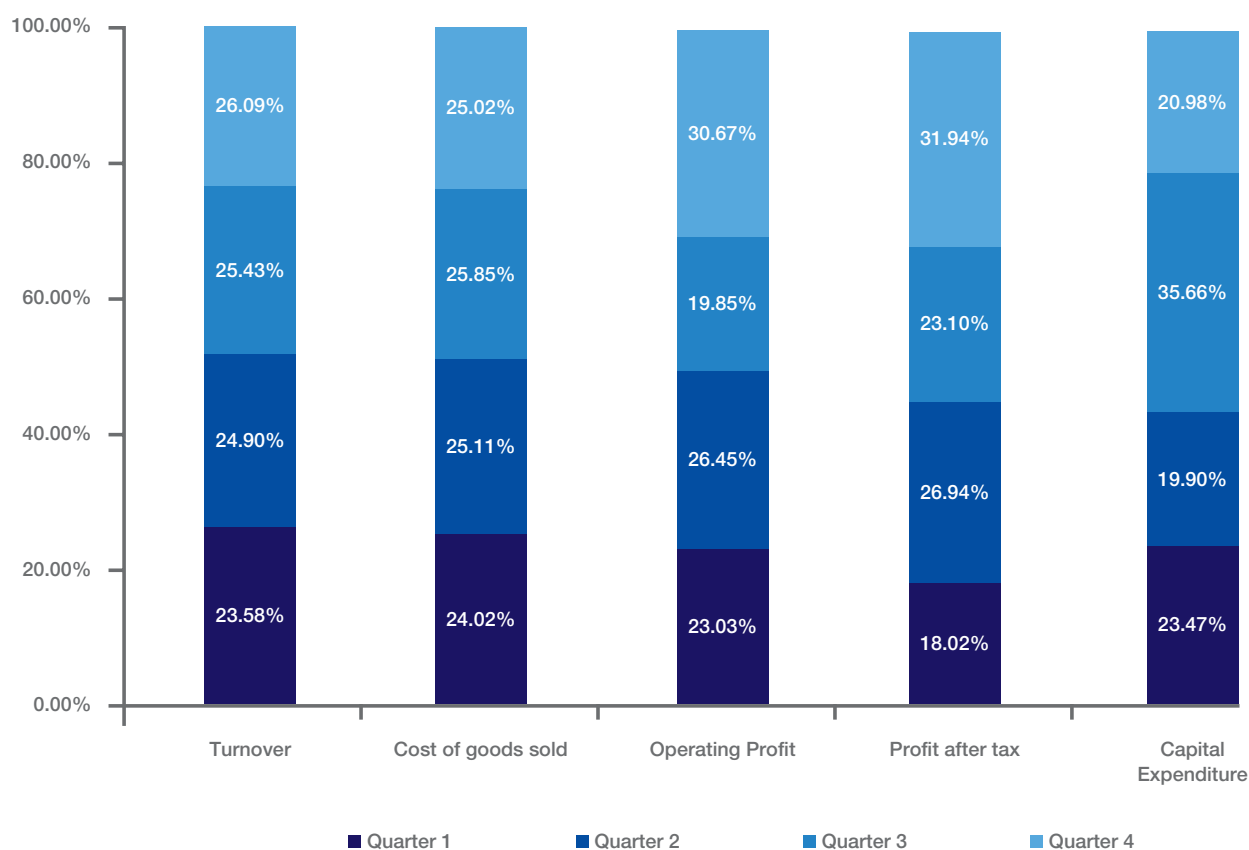
DuoPont Analysis	2013-14	2012-13*
Tax Burden	14%	34%
Interest Burden	16%	15%
Operating Result Margin	5.82%	5.48%
Asset Turnover	1.667 times	1.732 times
Gearing	28%	19%
Return on Equity	14.33%	11.05%

2012-13 numbers have been restated due to IAS 19 revision

\*Comparative analysis is based on twelve months performance of current year versus same period last year (SPLY) for a meaningful comparison

# Quarterly Analysis

	Turnover	Cost of goods sold	Operating Profit	Profit after tax	Capital Expenditures
Quarter 1	10,068,616	8,066,343	512,548	306,741	588,703
Quarter 2	10,632,985	8,431,573	588,762	458,640	499,226
Quarter 3	10,858,300	8,679,977	441,892	393,173	894,573
Quarter 4	11,138,758	8,403,743	682,732	543,662	526,307
	42,698,659	33,581,636	2,225,934	1,702,216	2,508,808





# Operating and Financial Highlights

		January to December									July to June	
Ratios		2005	2006	2007	2008	2009	2010	2011	2012	2012-13*	2013-14	
Profitability Ratios												
								Restated	Restated	Restated		
Gross margin	%	18.14	20.85	20.93	19.77	19.96	19.03	12.97	11.51	11.23	12.17	
Gross profit turnover	%	15.92	18.60	18.54	17.22	17.52	16.91	12.01	10.56	10.28	10.89	
Operating result margin	%	9.97	12.66	12.96	10.98	10.65	10.57	6.70	4.68	5.48	5.82	
Net profit margin	%	8.51	7.44	7.75	6.70	7.19	6.91	4.31	2.81	3.19	4.45	
Profit markup	%	22.16	26.34	26.47	24.64	24.94	23.51	14.90	13.01	12.66	13.85	
Profit before tax margin	%	8.73	10.82	12.02	10.12	10.81	10.62	6.46	4.31	4.82	5.18	
Return on equity	%	15.74	12.78	14.42	13.89	14.19	15.72	15.48	9.97	11.05	14.33	
Return on capital employed	%	18.28	21.57	23.87	21.77	19.38	22.43	21.18	14.30	14.66	14.49	
Return on assets	%	9.85	8.60	9.51	10.08	9.54	11.02	7.47	4.70	5.53	7.42	
Return on fixed assets	%	25.18	29.46	34.92	32.61	32.82	40.91	28.55	15.99	18.75	19.00	
Growth Ratios												
Net sales	%	4.74	5.94	17.63	20.74	2.27	23.57	1.10	(2.35)	5.83	5.42	
Operating results	%	36.81	34.54	20.37	2.29	(0.81)	22.62	(35.94)	(31.69)	(5.07)	12.04	
EBITDA	%	25.34	28.27	18.40	-	1.04	19.45	(28.89)	(18.38)	1.82	15.20	
Profit after tax	%	48.63	(7.42)	22.61	4.37	9.77	18.78	(36.95)	(36.42)	(9.35)	46.91	
Operating working capital	%	(324.95)	(199.82)	(118.86)	218.10	(82.19)	320.64	(429.90)	140.02	127.24	35.11	
Efficiency Ratios												
Asset turnover	Times	1.16	1.16	1.23	1.51	1.33	1.59	1.73	1.67	1.73	1.67	
Fixed asset turnover	Times	2.52	2.33	2.69	2.97	3.08	3.87	4.26	3.41	3.42	3.26	
Inventory turnover	Times	4.73	5.07	6.24	6.39	6.08	6.71	7.15	5.18	6.27	6.53	
Current asset turnover	Times	2.84	2.79	2.55	3.46	2.56	2.96	3.13	3.53	3.77	3.66	
Capital employed turnover	Times	2.09	1.91	2.08	2.28	2.07	2.39	3.41	3.33	2.92	2.78	
Operating working capital turnover	Times	(108.61)	(38.38)	(20.62)	21.09	121.06	35.56	(10.90)	26.59	12.24	19.88	
Debtor turnover ratio	Days	14.44	12.84	13.65	11.81	11.08	8.90	5.91	4.88	7.23	8.23	
Creditor turnover ratio	Days	78.70	75.90	78.24	50.52	41.00	40.06	37.17	46.87	42.23	37.55	
Inventory turnover ratio	Days	81.77	73.67	59.85	52.43	58.00	51.19	50.53	60.93	62.67	55.83	
Operating cycle	Days	17.52	10.62	(4.74)	13.72	28.08	20.03	19.28	18.94	27.66	26.51	
Revenue per employee	Rs'000	14,137	15,304	17,946	21,044	21,852	26,878	32,025	31,644	34,022	33,160	
Net Income per employee	Rs'000	1,203	1,138	1,391	1,410	1,572	1,858	1,381	888	1,086	1,476	
Cost Ratios												
Operating costs (%of sales)	%	90.03	87.34	87.04	89.02	89.35	89.43	93.30	95.32	94.52	94.18	
Administration costs (%of sales)	%	3.75	3.71	3.30	4.05	4.14	3.70	3.42	3.75	2.86	2.34	
Selling costs (% of sales)	%	4.41	4.48	4.67	4.74	5.17	4.77	2.85	3.08	2.90	4.00	
Financial charges (%of sales)**	%	1.50	1.45	0.44	0.32	-	-	-	0.36	0.76	1.01	
Equity Ratios												
Price earnings ratio	Rs	12.40	11.01	15.29	5.12	11.44	8.24	9.08	16.49	13.26	21.18	
Earnings per share	Rs	11.33	10.49	12.86	13.42	14.73	17.50	13.25	10.54	12.55	18.43	
Dividend per share	Rs	5.00	5.50	6.00	6.50	8.00	17.50	9.00	5.50	2.00	8.00	
Dividend payout ratio	%	44.14	52.45	46.66	48.43	54.31	100.00	81.57	52.17	15.94	43.41	
Dividend cover	Times	2.27	1.91	2.14	2.06	1.84	1.00	1.47	1.92	6.27	2.30	
Dividend yield	%	5.07	4.19	3.77	3.86	6.07	12.53	6.13	3.63	1.24	3.05	
Market value per share at the end of the year	Rs	140.50	115.50	196.65	68.71	168.49	144.24	120.27	173.89	166.4	390.34	
Market value per share at the start of the year	Rs	89.65	140.50	115.50	196.65	68.71	168.49	144.24	120.27	129.85	166.40	
Highest Market value per share	Rs	146.00	181.80	234.30	212.50	197.54	186.37	170.34	180.01	185.67	395.71	
Lowest Market value per share	Rs	69.00	102.10	116.00	68.71	51.07	110.25	112.00	119.81	135.37	160.99	
Break-up value per share with surplus on revaluation	Rs	71.95	82.05	89.20	96.62	103.85	111.35	85.58	105.73	113.55	128.59	
Break-up value per share excluding surplus on revaluation	Rs	68.39	73.95	81.91	89.68	97.14	104.81	98.17	97.72	105.99	121.67	
Cost of debt at year end	%	-	10.30	-	-	-	-	-	10.45	10.17	9.49	
Liquidity Ratios												
Current ratio	Ratio	1.10:1	1.29:1	1.44:1	1.81:1	1.92:1	2.17:1	1.22:1	1.05:1	1.31:1	1.38:1	
Quick ratio / Acid test ratio	Ratio	0.56:1	0.73:1	0.97:1	1.02:1	1.27:1	1.39:1	0.76:1	0.42:1	0.61:1	0.70:1	
Cash ratio	Ratio	0.29:1	0.33:1	0.58:1	0.44:1	0.77:1	0.85:1	0.50:1	0.09:1	0.10:1	0.11:1	
Leverage Ratios												
Debt to equity	%	-	-	-	-	-	-	-	3.22	19.28	28.36	
Total debt to capital ratio	Ratio	0:100	0:100	0:100	0:100	0:100	0:100	0:100	3:97	15:85	21:79	
Operating Leverage Ratio	%	2.89	2.44	3.84	2.69	2.70	2.17	2.81	4.26	3.50	3.64	
Interest cover **	Times	6.82	8.44	28.42	32.29	-	-	-	12.83	7.34	6.12	
Summary of Cash Flows												
Cash generated from / (used in) operations	Rs. Million	2,667	3,554	4,312	1,188	4,938	3,716	4,127	(1,964)	(164)	4,819	
Net cash generated from / (used in) operating activities	Rs. Million	2,522	3,477	4,094	970	4,476	2,334	2,875	(3,177)	(971)	3,807	
Net cash used in investing activities	Rs. Million	(1,421)	(1,040)	(1,397)	(1,781)	(938)	(753)	(510)	(2,126)	(941)	(2,401)	
Net cash generated from / (used in) financing activities	Rs. Million	(1,118)	(2,337)	(869)	(833)	(1,041)	(1,388)	(2,151)	(796)	1,453	933	
Cash and cash equivalents at December 31 / June 30	Rs. Million	1,688	1,788	3,615	1,971	4,468	4,662	4,633	(1,466)	(1,924)	415	

Dividend includes both approved and recommended during the year  
2011, 2012 and 2012-13 numbers have been restated due to IAS 19 revision

Year 2011 onwards exclude the effect of Paints business due to demerger

\*Comparative analysis is based on twelve months performance of current year versus same period last year (SPLY) for a meaningful comparison

\*\*Interest cover and financial charges (% of sales) is zero in 2009, 2010 and 2011 due to net interest income

# Vertical and Horizontal Analysis

	January to December								July to June			
Vertical Analysis	2009	2009	2010	2010	2011	2011	2012	2012	2012-13*	2012-13*	2013-14	2013-14
	Rs. m	%	Rs. m	%	Rs. m	%	Rs. m	%	Rs. m	%	Rs. m	%
<b>Profit and Loss Account</b>					Restated		Restated		Restated			
Net sales, commission & toll income	28,429.9	100.0	35,130.0	100.0	35,516.1	100.0	34,681.6	100.0	36,267.8	100	38,233.5	100
Cost of Sales	22,754.0	80.0	28,443.7	81.0	30,910.0	87.0	30,688.1	88.5	32,193.2	88.8	33,581.6	87.8
Gross profit	5,675.9	20.0	6,686.3	19.0	4,606.1	13.0	3,993.5	11.5	4,074.6	11.2	4,651.8	12.2
Selling & Distribution Expenses	1,470.2	5.2	1,674.7	4.8	1,012.8	2.9	1,068.5	3.1	1,051.7	2.9	1,530.3	4.0
Administration & General Expenses	1,178.1	4.1	1,299.0	3.7	1,214.8	3.4	1,300.3	3.7	1,036.1	2.9	895.7	2.3
Operating Result	3,027.7	10.6	3,712.6	10.6	2,378.4	6.7	1,624.6	4.7	1,986.7	5.5	2,225.9	5.8
Financial Charges	167.5	0.6	163.9	0.5	260.9	0.7	294.2	0.8	311.2	0.9	387.0	1.0
Other Charges	247.6	0.9	303.4	0.9	206.7	0.6	132.6	0.4	151.4	0.4	181.1	0.5
Other Income	460.0	1.6	486.3	1.4	383.8	1.1	298.4	0.9	225.1	0.6	323.1	0.8
Profit before taxation	3,072.5	10.8	3,731.5	10.6	2,294.7	6.5	1,496.2	4.3	1,749.2	4.8	1,981.0	5.2
Taxation	1,027.8	3.6	1,302.7	3.7	763.2	2.1	522.6	1.5	590.5	1.6	278.7	0.7
Profit after taxation	2,044.7	7.2	2,428.8	6.9	1,531.4	4.3	973.7	2.8	1,158.7	3.2	1,702.2	4.5
<b>Balance Sheet</b>												
Total Equity and Revaluation Reserve	14,414.6	67	15,455.4	70	9,890.9	48	9,765.5	47	10,487.5	50	11,876.8	52
Non Current Liability	1,208.1	6	1,093.2	5	1,340.3	7	1,593.3	8	3,067.8	15	3,486.4	15
Current Liability	5,799.9	27	5,482.0	25	9,281.0	45	9,355.3	45	7,389.4	35	7,574.3	33
<b>Total Equity and Liabilities</b>	<b>21,422.7</b>	<b>100</b>	<b>22,030.7</b>	<b>100</b>	<b>20,512.2</b>	<b>100</b>	<b>20,714.1</b>	<b>100</b>	<b>20,944.7</b>	<b>100</b>	<b>22,937.4</b>	<b>100</b>
Non Current Assets	10,297.5	48	10,152.4	46	9,154.4	45	10,898.1	53	11,330.5	54	12,500.6	54
Current Assets	11,125.2	52	11,878.3	54	11,357.8	55	9,816.0	47	9,614.2	46	10,436.8	46
<b>Total Assets</b>	<b>21,422.7</b>	<b>100</b>	<b>22,030.7</b>	<b>100</b>	<b>20,512.2</b>	<b>100</b>	<b>20,714.1</b>	<b>100</b>	<b>20,944.7</b>	<b>100</b>	<b>22,937.4</b>	<b>100</b>
Horizontal Analysis	2009	2009	2010	2010	2011	2011	2012	2012	2012-13*	2012-13*	2013-14	2013-14
	Rs. m	%	Rs. m	%	Rs. m	%	Rs. m	%	Rs. m	%	Rs. m	%
<b>Profit and Loss Account</b>					Restated		Restated		Restated			
Net sales, commission & toll income	28,429.9	2.3	35,130.0	23.6	35,516.1	1.1	34,681.6	-2.3	36,267.8	4.6	38,233.5	5.4
Cost of Sales	22,754.0	2.0	28,443.7	25.0	30,910.0	8.7	30,688.1	-0.7	32,193.2	4.9	33,581.6	4.3
Gross profit	5,675.9	3.3	6,686.3	17.8	4,606.1	-31.1	3,993.5	-13.3	4,074.6	2.0	4,651.8	14.2
Selling & Distribution Expenses	1,470.2	11.6	1,674.7	13.9	1,012.8	-39.5	1,068.5	5.5	1,051.7	-1.6	1,530.3	45.5
Administration & General Expenses	1,178.1	4.6	1,299.0	10.3	1,214.8	-6.5	1,300.3	7.0	1,036.1	-20.3	895.7	-13.6
Operating Result	3,027.7	-0.8	3,712.6	22.6	2,378.4	-35.9	1,624.6	-31.7	1,986.7	22.3	2,225.9	12.0
Financial Charges	167.5	-23.6	163.9	-2.2	260.9	59.2	294.2	12.7	311.2	5.8	387.0	24.4
Other Charges	247.6	5.9	303.4	22.6	206.7	-31.9	132.6	-35.8	151.4	14.1	181.1	19.6
Other Income	460.0	115.5	486.3	5.7	383.8	-21.1	298.4	-22.2	225.1	-24.6	323.1	43.6
Profit before taxation	3,072.5	9.2	3,731.5	21.4	2,294.7	-38.5	1,496.2	-34.8	1,749.2	16.9	1,981.0	13.2
Taxation	1,027.8	8.2	1,302.7	26.7	763.2	-41.4	522.6	-31.5	590.5	13.0	278.7	-52.8
Profit after taxation	2,044.7	9.8	2,428.8	18.8	1,531.4	-36.9	973.7	-36.4	1,158.7	19.0	1,702.2	46.9
<b>Balance Sheet</b>												
Total Equity and Revaluation Reserve	14,414.6	7	15,455.4	7	9,890.9	-36	9,765.5	-1	10,487.5	7	11,876.8	13
Non Current Liability	1,208.1	97	1,093.2	-10	1,340.3	23	1,593.3	19	3,067.8	93	3,486.4	14
Current Liability	5,799.9	30	5,482.0	-5	9,281.0	69	9,355.3	1	7,389.4	-21	7,574.3	3
<b>Total Equity and Liabilities</b>	<b>21,422.7</b>	<b>16</b>	<b>22,030.7</b>	<b>3</b>	<b>20,512.2</b>	<b>-7</b>	<b>20,714.1</b>	<b>1</b>	<b>20,944.7</b>	<b>1</b>	<b>22,937.4</b>	<b>10</b>
Non Current Assets	10,297.5	-1	10,152.4	-1	9,154.4	-10	10,898.1	19	11,330.5	4	12,500.6	10
Current Assets	11,125.2	38	11,878.3	7	11,357.8	-4	9,816.0	-14	9,614.2	-2	10,436.8	9
<b>Total Assets</b>	<b>21,422.7</b>	<b>16</b>	<b>22,030.7</b>	<b>3</b>	<b>20,512.2</b>	<b>-7</b>	<b>20,714.1</b>	<b>1</b>	<b>20,944.7</b>	<b>1</b>	<b>22,937.4</b>	<b>10</b>

2011, 2012 and 2012-13 numbers have been restated due to IAS 19 revision

Year 2011 onwards exclude the effect of Paints business due to demerger

\*Comparative analysis is based on twelve months performance of current year versus same period last year (SPLY) for a meaningful comparison

# Share Price Sensitivity Analysis



Analysis on ICI share price

ICI Pakistan Limited is engaged in a diversified range of markets which includes Soda Ash, Polyester, Life Sciences and Chemicals and therefore a variety of external and internal factors influence the company's performance and ultimately its share price. During the year ended June 30, 2014 ICI Pakistan Limited outperformed the KSE 100 Index and its share price increased from Rs. 166.40 to Rs. 390.34 witnessing a notable increase of 135% as compared to KSE 100 Index which increased by 39%. During the year the Company reported an EPS of Rs. 18.43 which is 47% higher as compared to same period last year due to various initiatives taken by the Company.

Some of the factors that improved investor's outlook of the Company's performance include:

## 1) Heavy Capital Expenditure

ICI Pakistan Limited successfully completed major projects during the year which include two coal fired boilers in Soda Ash business and one coal fired heater in Polyester business thus reducing the dependence on natural gas for these two manufacturing facilities. In addition, similar projects are in progress and new ones have been conceived and approved thereby further securing the Company's independence from expected shortage of natural gas in the future.

## 2) Diversification in new Business

In line with its corporate strategy for growth through diversification and expansion, the Board approved an investment of Rs 960 million in a joint venture with Unibrands Private Limited in its existing business of the import and distribution of Morinaga Milk Industry Company Limited, Japan's range of infant formula and nutrition products in Pakistan. This partnership is expected to position ICI Pakistan to leverage the opportunities presented by the high-growth food and nutrition sector in Pakistan.

## 3) Ownership by Yunus Brothers Group

After the acquisition of ICI Pakistan Limited by Yunus Brother Group (YBG) in December 2012 the share price has seen an increasing trend. YBG is a conglomerate with diversified interests in textiles, cement and power generation with market leadership in the industries they operate. Established in 1962 as a trading house, YBG has rapidly grown over the years and commands a positive perception in the market based on its philosophy of driving sustainable businesses on the back of diversified investments. The Board's approval of re-branding of ICI Pakistan during the year followed by approval of multiple capital projects cemented the expectation of the re-birth of one of the oldest and successful company in Pakistan.

# Sustainability Guiding Principle

We're committed to reducing our impact on the planet and delivering more sustainable products and solutions to our customers. And we can only do this if sustainability is at the heart of everything we do. That's why we aim to integrate sustainability into every area of our business - for the benefit of our customers, shareholders, employees and the world around us.

# Year in Review

## Q1

July - Sep (2013)



Launch of the Blue Pearl

ICI Pakistan approves corporate strategy

Life Sciences Business celebrates HSE&S Week 2013

Board Meeting – August 19, 2013

Launch of PregNova & Gravida by Pharmaceuticals Division, Hycorn & Okra by Seeds Division and Vanda Meat by Animal Health Division

GR Induction 2013

Animal Health launches an awareness programme in collaboration with WWF

Aspiration 2018 Workshop

## Q2

Oct - Dec (2013)



Polyester Plant Shut Down 2013

CE Sessions

Board Meeting – October 24, 2013

AGM – October 24, 2013

Coal Fired Boiler and Steam Turbine project initiated at Polyester site

Firing of kiln at Soda Ash site

Farmer's Choice Brands cross 500 million mark

Re-launch of Agrochemicals Division - Top Wheat & Nautila



## Q3

Jan - Mar (2014)



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ICI Pakistan celebrates Earth Day 2014

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ICI Pakistan signs an MoU with UniBrands (Pvt) Ltd. for investment in NutriCo (Pvt) Ltd.

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Board Meeting – February 20, 2014

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Hat-trick of free medical camps by Winnington Hospital

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Chemicals Business exports Polyol to UAE

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Animal Health Division holds nation-wide farmer gatherings

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Seeds Division participates in Vegetarian Partners Conference

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Life Sciences Business holds Annual Business Conference in Thailand

## Q4

Apr - June (2014)



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Top leadership holds strategy session

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Board Meeting – April 16, 2014

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EOGM & Election of Directors – April 16, 2014

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Animal Health Division achieves record sales of 200 million in April 2014

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Corporate HR launches Competency Framework Programme

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ICI Pakistan receives runner-up award for the 'Best Sustainability Report' by ACCA-WWF 2013

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Chemicals Business launches Fevicol Super Glue

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Corporate Finance holds a conference in Sri Lanka

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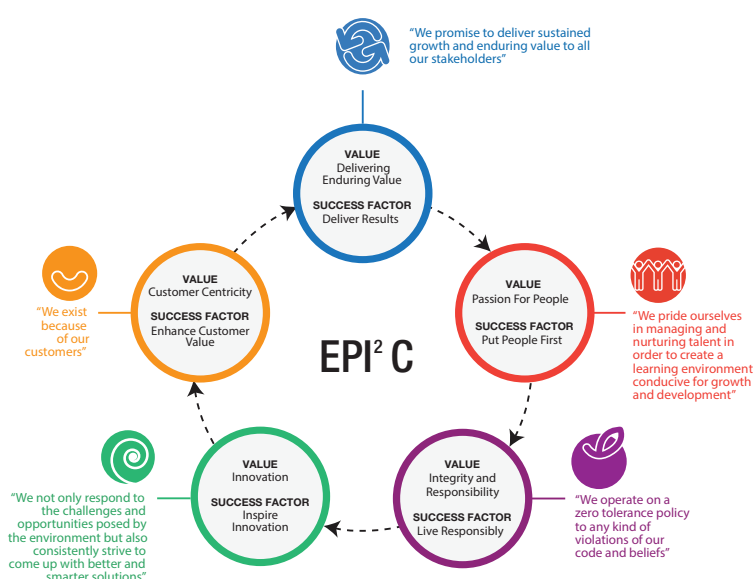
Chemicals Business holds Annual Business Conference in Khanpur

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M Sohail Tabba is announced as Chairman of the Board of Directors

# Success Through Our People

At the heart of our corporate strategy is an untiring commitment to grow our people into future leaders. To fulfil this commitment; we constantly work to create an enabling environment that encourages learning and development through sustainable HR systems and initiatives.



## Discovering the Leadership Within

Building on our promise of Cultivating Growth, we introduced our Competency Framework which was developed in line with our Vision and Values. This framework serves as a 'blueprint' for successful performance at ICI Pakistan as it helps to focus on the knowledge, skills and behaviours of our people.

Competencies which we refer to as 'Success Factors', define essential areas of actionable behaviours that must be performed by us on a day to day basis in order to achieve business goals and objectives. Each Success Factor is scaled in three stages along with behavioural indicators that form the DNA across all business in ICI Pakistan and equip our employees to realise their full potential.



## Performance & Development Discussion

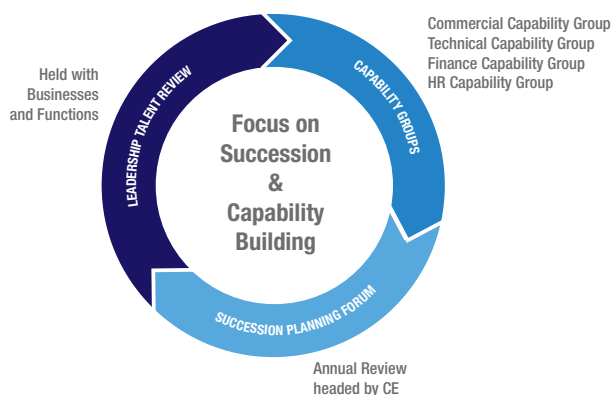
### Managing Performance through Powerful Systems

Performance Management is the cornerstone for people development. Our P&D Discussion is a tool designed to help our employees to perform and develop themselves in line with the values and corporate strategy while ensuring sustainable growth of their careers. It encompasses both performance review and development planning. We revisited our performance evaluation system and aligned it with our Success Factors (competencies) so that it provides a foundation for all development discussions.

### Developing Future Leaders

We are committed to continuously develop our talent for leadership roles in the organisation. Our Talent Management System helps us fuel our talent pipeline by focusing on our employees' capability building and succession planning while guaranteeing that the organisation is a vibrant breeding ground for future leaders.

### Talent Management Framework



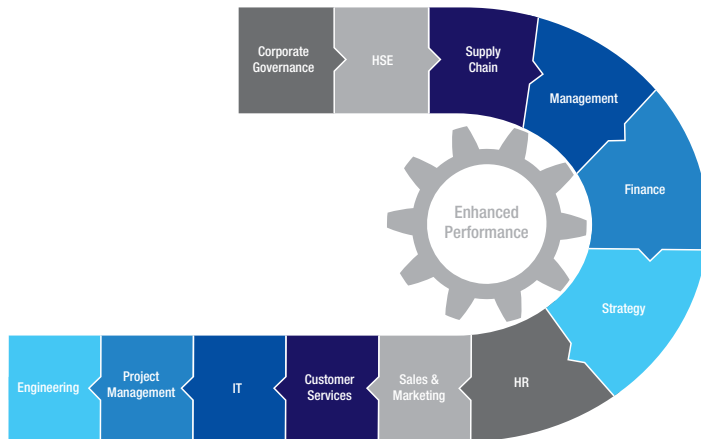
The diverse portfolio of our businesses provide us the perfect opportunity to offer such challenges and exposure to our employees. In 2013-14, we were able to offer 18% of our talent the opportunity of cross-functional/business exposure across disciplines.



Aspiration Journey



GR Drive 2014



### Learning & Development

We focus on providing an environment where our people have the willingness to continuously learn, change and improve. We offer a comprehensive suite of development opportunities to harness the potential of our people; including both classroom trainings and on-the-job experiences and development projects.

A number of classroom training courses are conducted by our in-house faculty who are subject matter experts in management excellence, functional effectiveness and technical competencies. During the period July 2013 - June 2014, we successfully completed 3,123 man-days of training across ICI Pakistan. Our L&D portal, which was launched in 2014, offers another facet of learning and provides our employees with additional perspectives.

### Home to the Best Talent

Since we believe that people make the difference, we strive to consistently attract, hire and develop high quality talent. Our structured recruitment programmes are a strong threshold to begin an exciting journey that promises to enhance knowledge, unleash potential and build a talent pipeline that will enable us to develop future leaders from within the organisation.

In order to fulfil this promise, we offer great careers not just for experienced professionals but also for young and fresh graduates. Our Graduate Recruit and Trainee programmes aim to attract and select high potential individuals fresh out of university, who are then placed in fast tracked career roles. This year, we have taken 33 fresh graduates on board in our Commercial, Finance, HR and Technical streams through various trainee schemes.

### Enabling Environment

An environment becomes enabling only if it offers a candid, transparent and progressive attitude; and such is the culture at ICI Pakistan. We appreciate unique ideas, skills and experiences brought in by our people as we strongly believe that valuing diversity is essential to our success which helps us stand true to the 'ICI Way'.

# Technology Developments

## Vision

### Fuelling Business Enablement

"To act as an effective business enabler, ensuring visibility and compliance through innovative and sustainable information solutions, harbouring best of the breed infrastructure and technology".

### Highlights of 2013-14

#### Successful Deployment of Business Enablement Cycle

Our major focus during the year was to deploy the Business Enablement Cycle. The aim of the model is to enhance IT engagement across the Company and to develop an effective ecosystem that promotes engagement, teamwork and the alignment of the Business's vision with that of IT. This shall in turn, translate into an actionable agenda for each reporting year and allow IT to deliver on the vision of ICI Pakistan.

#### Introduction of OneWin

In line with our value, 'customer centricity' and as part of our vision to ensure visibility and ease of access of IT services; we have introduced a portal called 'OneWin' that brings all IT services under 'One Window'. The idea is based on the premise to offer best in class IT services. OneWin also enables accessibility to internal stakeholders and enhances our reach to them.

#### Implementation of SCM Planning (MRP)

A combined team of Corporate IT and business personnel undertook the implementation of SAP based SCM Planning for the Chemicals Business. The project aims to assist the Business with efficient planning, decision making and streamlined business operations.

#### Performance & Development Discussion System

Our team and Corporate HR introduced the Performance & Development Discussion (P&DD) system, which includes the ICI Pakistan value framework along with Performance Review and Development methodology.

#### Ensuring the Sustainability of Systems

In order to better sustain our systems, we undertook network penetration testing, carried out an internal and external IT Audit and

ensured adherence to its compliance. Furthermore, we plan to update our security policy as per ISO 27001/2013 from ISO/IEC 17799: 2000.

#### Upgrade of our Infrastructure

In order to aid our focus in providing the best services and stay at par with industry benchmarks, we upgraded our capability to actively monitor our network and servers. This enhances our up-time and the ability to initiate mitigation actions. We have also revamped, redesigned and upgraded the network of our Polyester and Soda Ash sites to fiber optics to enhance sustainability and enrich foundations for future robust services.

#### Initiation of Microsoft Lync as a Corporate Collaboration Tool

Our team initiated the service of offering the Microsoft Lync collaboration tool, in order to provide a sturdy platform that brings our teams together.

#### Team Dynamics

Our team is a blend of rich experience and youthful energy. It comprises of talented and an enthusiastic set of people, who are committed to providing first-class service to employees. Our aim is to achieve the best in terms of processes, efficiencies and controls.

#### Future Outlook

We will continue to look for opportunities and innovation that enable our businesses to work smarter and faster by expanding our strengths through the development of our people. We aim to build on the initiatives that have been taken in order to bring IT at your fingertips.



# Health, Safety, Environment and Security

Our philosophy is to operate responsibly, reduce our impact on the planet and provide a safe working environment for our people. We have global standards in place and are committed to working towards a cleaner planet, safety at the workplace and quality in our manufacturing.

## Beliefs And Principles

Our aim is to increase stakeholder value by delivering sustainable solutions to our customers and we consider that essential towards the success of our Company. To achieve this, we require processes in place that ensure sustainable business operations which meet our needs today and protect the planet's resources.

Thus, we continuously innovate and improve our HSE performance and work ethics through corporate leadership, dedicated staff and the application of the highest professional standards in our work.

The principles, by which we operate, are:

- Work related injuries and illnesses are preventable**  
 We believe that we must endeavour to protect people working at our sites, the partners who are involved in our businesses and our suppliers from accidental or deliberate harm, damage or loss. Therefore our target is zero injury.
- Discover measures to reduce carbon footprint**  
 Carbon Footprint can be minimized through pollution prevention, efficient utilization of energy resources, conservation of water, reduction of natural resource consumption and emissions, and continuous minimization and recycling of waste. Emissions from hazardous materials can be prevented and reduced with a proactive approach towards implementing new products and technologies.
- Continuous improvement of our HSE&S performance**  
 We aim to achieve continuous improvement through strategic management, staff dedication and adherence to the highest professional standards in our work ethics. This will, in turn, benefit HSE performance, highlight safety and security, enhance measures for product stewardship and build a transparent organisation for all stakeholders.

## Certified HSE&S Management System

This year ICI Pakistan has implemented a third party certified HSE&S Management System. The system comprises of policy, standards and guidelines which cover all aspects of ICI Pakistan operations within the country and is aligned with the internationally recognised Responsible Care Management System (RCMS), ISO 14001:2004 and OHSAS 18001:2007. All sites and locations are now in process of aligning their local procedures with the ICI Pakistan HSE&S Management System which is scheduled for completion ahead of the HSE&S Management Audit 2014-15.



## Learning Event Database Replacement with Equivalent System

We have made considerable efforts to move towards digitalisation and in this regard, the Learning Events database has been successfully modernised and has been migrated from an archaic application i.e. Lotus Notes to SharePoint. The new database has additional features which are now fully operational and allow every individual site to maintain data using this new application system.

## Health

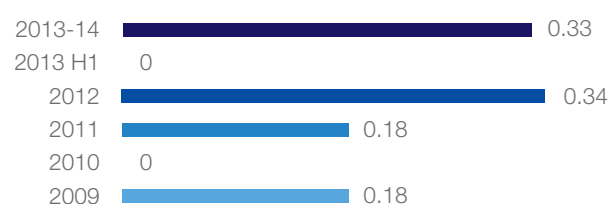
100% compliance with health assessment (HAPI) and work environment (HYPI) monitoring programmes resulted in a conclusion of the year without any reportable occupational illness. Health Awareness sessions on cardiac risk factors, heat stroke, effects of diabetes mellitus on eyes, effects of high blood pressure on body organs, nutrition and balanced diet and coronary heart disease were conducted at our Businesses.

A first aid training workshop was held at the Polyester Business and covered a number of topics including cardiovascular Pulmonary Resuscitation (CPR), External Chest Compression (ECC) and Expired Air Resuscitation (EAR).

## Safety

Two reportable injuries for employees and supervised contractors and two for independent contractors were reported during the year. The Polyester, Soda Ash, Life Sciences and Chemicals businesses respectively achieved 3.95, 1.20, 3.20 and 4.03 million man hours without LTI (lost time injury) for employees and supervised contractors.

## Total Reportable Injury Rate







Workshop on Accident Investigation

A sharper focus on operational discipline and a strict adherence to the Company's Health, Safety, Environment and Security Management system is being planned for 2014-15.

#### Accident Investigation Workshop

We strongly believe that all accidents are avoidable through learning. It is imperative to learn from mistakes that result in incidents and revisit deficiencies in the processes and practices identified in the investigation reports.

An Accident Investigation workshop was conducted to improve the accident investigation skills of line managers. The course module was built around the logical accident investigation approach developed by Corporate HSE function and included group discussions & exercises to ensure active participation by attendees.

The key objective of the workshop was not just to determine the root cause of accident/incident but to also assist the management in developing solutions to prevent recurrences.

#### HSE&S Improvement Plans

Each year ICI Pakistan's Corporate HSE reviews the HSE&S Plans implementation programme at all Businesses/Locations. This year the review cycle was concluded in March 2014. All deficiencies identified in the reviews were included in their improvement plan set for 2014-15.

#### Environment

The Company continued to focus on reducing the Operational Eco Efficiency (OEE) Footprint. Soda Ash, Polyester and Chemicals Businesses reported compliance with liquid and air emissions on NEQS.

#### Year in Review 2013-14

##### Chief Executive's HSE&S Trophy

As per practice, every year we evaluate the HSE performance of all our businesses and locations on a pre-determined criterion to fairly assess the performance objectives of every business. The business that performs the best is then awarded a trophy. This year, the 2013 Chief Executive's HSE&S Trophy was awarded to the Chemicals Business.

#### Training

HSE&S training is one of the most important components within the Company's Safety Management System. Our training programme focuses on health and safety concerns that determine the best way to deal with any hazards. The programme facilitates employees in understanding their job responsibilities, bringing new ideas to the workplace, reinforcing existing ideas and practices, and aligning our Safety and Health programme objectives into action.



HSE Week 2014 at Polyester

#### For Customers

- Training was conducted on first aid and firefighting for the Shahzad Textile and Wisal Kamal Fabrics staff by Polyester Business
- Awareness session on Health and Hygiene was conducted at Bhit Island school by Chemicals Business

#### For Employees

- Firefighting refresher trainings/drills
- Electrical safety, fire safety and emergency response procedure
- Patient handling for first aiders
- Defensive driving
- HSE awareness courses
- Leading in HSE & sustainability
- Introduction to engineering standards and procedures

#### Safety Week

The Safety Week highlights the importance of safety in all spheres of everyday life and to explore areas where mishaps and accidents can be prevented. All HSE related activities were carried out by each Business during this week and included crisis management, security checks, distribution and fire emergency management drills.

#### Earth Hour and Day

Earth Hour and Earth Day are the largest environmental movements that are voluntarily observed across the globe. We participated in the Earth Hour event by switching off unnecessary lights at all our sites across the country. On April 22, in order to reinforce the concept of 'Every day is Earth Day', a number of employees from ICI Pakistan volunteered to take part in an 'environmental teach-in' activity which set a leading example for primary school children to take care of trees.

ICI Pakistan joined hands with The Citizens Foundation (TCF) whereby the students of TCF along with colleagues from ICI Pakistan planned and successfully executed a Tree Plantation Drive at the TCF Campus in Saeedabad, Baldia Town, Karachi. A total of 55 trees have been planted by the students and volunteers.

#### Behaviour Based Safety (BBS) Programme

The primary objective of the BBS programme is to create a positive and safe workplace for employees by developing positive safety recognition of management and peers through supportive leadership. The programme continued on regular intervals to identify site employee behaviour and its associated impact on safety. Training sessions on BBS were also conducted by corporate and site HSE managers.

# Awards and Achievements

## **ACCA-WWF Award for 'Best Sustainability Report'**

ICI Pakistan Limited received the runner up award for the 'Best Sustainability Report' at the 2013 ACCA-WWF Pakistan Environmental Reporting Awards held in Islamabad in June 2014.

The aim of the awards is to give recognition to organisations reporting and disclosing environmental information, and to encourage the practice of environmental reporting and to raise awareness in corporate transparency issues.

## **Nomination for 'Sustainability Innovation' by BSL**

ICI Pakistan is engraving its footprints globally and has recently been nominated for the "Sustainability Innovation Award" by BSL (Business School Lausanne Switzerland) for its recognised sustainability practices and its significant engagement in addressing important economic, societal and environmental issues.

Our aim is to increase stakeholder value by delivering sustainable solutions to our customers and we consider that essential towards the success of our Company.

ICI Pakistan has been a leader in Sustainability and Innovation and we have plans to explore methods that not only meet our needs in a growing energy crisis, but also protect the planet's resources.



HSE manager receiving the 2013 ACCA-WWF award

# Community Investment

ICI Pakistan has a history of supporting and working with different communities across the country. We support a broad range of initiatives and projects in the areas of education, health and environment. We believe that we can create value by direct and indirect social contributions in the communities that we operate. This is how we show our respect for what we consider to be the fundamental building blocks of our society.

Our community investment initiatives are managed through the ICI Pakistan Foundation which is run by its own Board of Trustees.

## Education:

Pakistan is a country which is home to extremely intelligent and talented individuals, who have trained themselves in workshops, factories and domestic chores. These people have never had access to education due to their naturally dire financial and domestic circumstances.

ICI Pakistan, for a number of years, has invested in educational programmes that are designed for communities where immense potential is available. We have refurbished schools, initiated vocational training centres and have launched literacy programmes.

Last year, the ICI Foundation launched a pilot Adult Literacy programme in partnership with Literate Pakistan. Literate Pakistan runs the initiative across the nation, under the brand name of 'Jugnu'. Today, in collaboration with ICI Pakistan, over 28 women from the Kakapir Village at Sandspit, Karachi have graduated from the programme. The women excitedly showcased their oral articulation and diction in English and Urdu through speeches and theatrical performances during the prize distribution ceremony, held in May 2014.

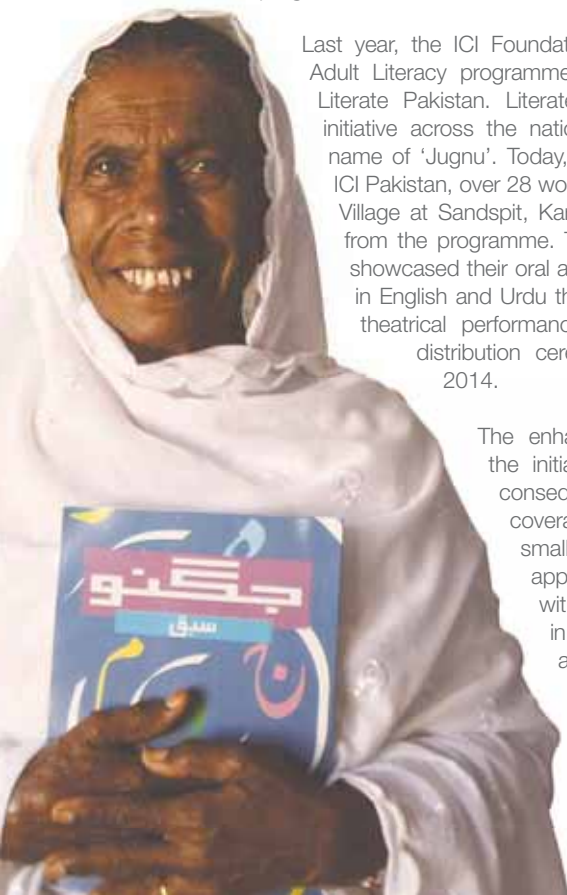
The enhanced awareness of the initiative, achieved as a consequence of wide media coverage, catalysed other small communities to approach the Foundation with a keen interest in the initiative. After a comprehensive feasibility study, we

are pleased to share that the Foundation has introduced the Adult Literacy project at Lyari in Karachi with 22 students which have already been enrolled in the programme.

The Foundation also continues to support the Government Boys and Girls Primary School, Kakapir, Sandspit Beach in Karachi and the Tibbi Hariya School in Sheikhupura. As per practice, the Foundation provides educational opportunities to the communities based in the neighbouring areas of Khewra and our other operational sites. Our 'Skilled based Vocational Training' programme at the Polyester Site is running successfully. Two batches have completed their training and the third batch is currently under enrolment.

The Polyester Business launched its third 6-month programme on 'Basic Household Electrical Wiring' in the month of December 2013 which reached completion in June 2014. This 3 hour per day comprehensive learning opportunity is managed at Polyester site through a professional trainer from TEVTA and is supported by volunteers from Polyester Business. The training is based on a comprehensive module developed after consulting various text books approved by TEVTA. The Polyester Business engineers have also supported in the development of the module which covers all important aspects, starting from safety measures, to the application of the knowledge in different electrical household items.

The purpose of this course is to provide basic technical skill development opportunities to members of local community in order to convert young talented persons into skilled citizens who can become value added entities in their families. The household electrical wiring initiative is the first of the several skill development ideas being evaluated for future programmes. Selection of students is purely merit based and all individuals come from a deserving background. We hope that through this certification, these young students will be able to find jobs easily once they enter the industry.







Our paint donation gives the OPD block at Civil Hospital Karachi a new look



Household Wiring Course at Polyester site

#### Health:

We started our eye care programme at Khewra in 1991 and for 23 years to date; the Company's Eye Care programme has delivered primary eye care facilities to deserving and needy patients. 11 eye clinics were organised between July 2013 and June 2014. In this period, 5247 OPDs, 1185 refractions, and 512 major and 77 minor surgeries were performed.

This year, the Foundation also provided financial assistance to the Kidney Centre and Layton Rehmatulla Benevolent Trust for patients that were unable to finance their medical needs. The Foundation will also be donating operation theatre equipment to the Children's Hospital in Sheikhupura.

#### Environment:

One of our philosophies is: what we take from the planet; we must endeavour to give back. And therefore, this year, the Company developed and rolled out numerous environmental initiatives to help conserve and protect the natural resources of the planet.

The Company donated paint worth PKR 0.74 million to Civil Hospital, Karachi which was used for the restoration of the Out Patient Department (OPD) blocks.

To protect the environment and help save trees, we replaced conventional paper envelopes for the mailing of our annual reports with bio-degradable plastic bags. Since 2011, the Company has been using these bag/envelopes and till June 2013, we have used 87,500 oxo-biodegradable bags. This initiative has helped us in saving:

- 23 trees
- 4 cubic yards of landfill space
- 3 barrels of oil
- 9,300 gallons of water
- 5,443 kilowatt hours of electricity

Apart from the Head Office in Karachi, the Company has manufacturing sites in Sheikhupura and Khewra, and corporate and regional offices in all major cities of the country. As the offices communicate regularly amongst themselves, therefore a lot of internal mail transactions are routed between the locations almost on a daily basis.

In an effort to help recycle and reuse paper, we developed a 'multiple use' envelope for internal mail transactions. There are two sizes i.e. Medium size and A4 size. The medium sized envelope can be used up to 8 times while the A4 sized envelope can be reused up to 12 times. The conventional medium sized 100 gram offset envelope costs Rs 4.25 per unit and the A4 size envelope cost is Rs 5.95 per unit. A total of 11,800 and 11,600 medium and A4 envelopes were produced which resulted in a per usage cost of Rs 0.75 and Rs 0.67 respectively. This effort has not only significantly reduced wastage but has contributed considerably to recycling efforts. The total savings is over PKR 1 million.



# Governance & Compliance

In this section, we introduce our Board of Directors and present their report for 2013-14 which constitutes a detailed overview of activities during the year. This section also describes our corporate governance, our compliance structure as well as our risk management framework.

BUILDING ON  
**PASSION**  
FOR PEOPLE



# BASIC HOUSEHOLD ELECTRICAL WIRING COURSE

ICI Pakistan launched its 3<sup>rd</sup> six-month course on 'Basic Household Electrical Wiring' in December 2013, which was concluded in June 2014. Provided to members of local community, this 3 hour per day intensive course is managed at the Polyester site through a professional trainer from TEVTA and is supported by volunteer workers from the Polyester Business.

The objective of the course is to equip young talented individuals with techniques and skills that may become their bread and butter in the future.

This certification is our way of showing our passion for people. We hope that after graduation, these students are able to quickly find jobs where their skills are indispensable.



**3 BATCHES** of  
**STUDENTS**



**40** in total have  
**GRADUATED**

from the Basic Household Electrical Wiring Programme

# SUPPORTED

MISSION: TO INCREASE THE SKILLS  
OF OLDER ADULTS TO SAFETY  
SUPPORTED

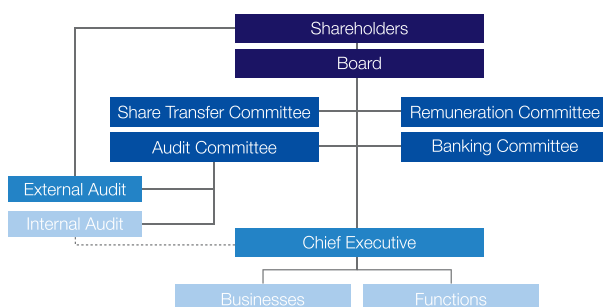


# Corporate Governance and Compliance

ICI Pakistan's corporate governance structure is based on the Company's Articles of Association, statutory, regulatory and other compliance requirements applicable to companies listed on the stock exchanges, complemented by several internal procedures. These procedures include a risk assessment and control system, as well as a system of assurances on compliance with the applicable laws, regulations and Company's Code of Conduct.

## Corporate Governance Statement

ICI Pakistan Limited is a public limited company established under the laws of Pakistan. The shares of the Company are listed on the three stock exchanges of the country including the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited.



## Major External Regulations

- Companies Ordinance, 1984 and other allied laws
- Listing Regulations of the stock exchanges, KSE, LSE & ISE
- Code of Corporate Governance
- CDC Regulations
- Other SECP Circulars, Notifications and Guidelines.

## Major Internal Regulations

- The Articles of Association of the Company
- Code of Conduct
- Significant policies
- Financial Remits

The Board of Directors are responsible for setting the goals, objectives and strategies the Company must adopt, and for formulating the policies and guidelines towards achieving those goals and objectives.

The Board is accountable to the shareholders for the discharge of its fiduciary function. The management is responsible for the implementation of the aforesaid goals and strategies in accordance with the policies and guidelines laid down by the Board of Directors.

In order to facilitate a smooth running of the day to day affairs of the Company, the Board entrusts the Chief Executive with necessary powers and responsibilities who in turn is assisted by an Executive Management Team comprised of the Chief Financial Officer and Heads of businesses and functions. The Board is also assisted by a number of sub-committees comprised mainly of non-executive directors.

## Code of Conduct

ICI Pakistan Limited has always held the best practices of corporate governance in high esteem and believes in widely propagating our values and ethics for strict adherence by all employees, contractors, suppliers and others while doing business for the Company. Even before the introduction of the requirement in the Code of Corporate Governance in 2002 ('the Code'), ICI Pakistan had a comprehensive Code of Conduct. In order to apprise the employees of the Code of Conduct, the Company organises training sessions and induction programmes on a regular basis to ensure compliance at all levels.

## Speak Up

In order to facilitate strict adherence to the Code of Conduct, the employees also have access to a "Speak Up" programme whereby any employee can report unethical dealing by any Company employee on a confidential basis, either through telephone or e-mail. Complete anonymity of the person using this facility is assured and all complaints are thoroughly investigated either by the Company internally or by assigning it to the Internal Auditors. Results of the investigation are communicated to the complainant. This process is overseen by the Board Audit Committee. Post year end, the process is being further looked into to make it more efficient and effective.

## Board Composition

The present Board of ICI Pakistan is comprised of a well-balanced mix of executive, non-executive and independent directors. It has eight directors which include two executive directors, four non-executive directors and two independent directors. The Chairman of the Board is a non-executive director. The positions of Chairman and Chief Executive are held by separate individuals with clearly defined roles and responsibilities.

ICI Pakistan has had an Audit Sub Committee and a Remuneration Sub Committee of the Board prior to the introduction of the Code of Corporate Governance. These Sub Committees are comprised of non-executive directors and independent directors, including the Chairman. The terms of reference of these Committees are available in this Report.

## Internal Control

ICI Pakistan Limited has a sound system of internal control and risk management. The Board has an overall responsibility to oversee the internal audit control processes. These processes are designed to safeguard the Company's assets and address any risk that the Businesses or overall the Company might face or that may impact business continuity.

The Company maintains a clear organisational structure with a well-defined chain of authority. Senior management has

the responsibility to implement procedures, monitor risk and assess the effectiveness of various controls.

#### **Insider Trading**

The Company has a stringent policy on insider trading and securities transactions. The policy paper, which is circulated to all the employees of the Company from time to time, lays down the procedure the employees have to follow while dealing in the shares of the Company.

Closed periods are announced by the Company prior to the announcement of financial results during which “Executives” (as defined by the Board to be an employee drawing a basic salary of PKR 2.4 million or above in a year) and some finance staff are debarred from dealing the Company’s shares. They can deal in the Company’s shares only outside the closed periods. Any transaction carried out by an Executive in the shares of the Company has to be reported to the Company Secretary within four days of execution of the transaction with relevant details of purchase/sale of shares.

#### **Competition Law**

As embodied in our Code of Conduct, ICI Pakistan supports the principles of free enterprise and fair competition. ICI Pakistan competes vigorously but fairly with its competitors within the framework of applicable laws - all to provide better and increasingly useful products and more efficient services to our customers.

The Legal Department of the Company conducted a comprehensive Competition Law Training of 156 relevant employees in 2009 when the new law was promulgated. All relevant employees are required to sign an additional declaration of compliance with the Competition Law. We continue to regularly hold training sessions to ensure compliance with competition laws for relevant employees.

#### **United Nations Global Compact (UNGC)**

ICI Pakistan remains committed in making the UNGC’s Ten Principles part of our strategy, culture and day-to-day operations. The Ten Principles form a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

#### **Adequate Disclosure**

At ICI Pakistan, it is our endeavour to continue to be transparent in all our dealings, with all stakeholders. This is achieved through adequate and comprehensive disclosure of all communications to our shareholders and other stakeholders, including our financial statements.

All critical accounting estimates, rules and procedures governing extraordinary transactions, or any changes in accounting policies along with their financial impact, are

disclosed in the notes to our financial statements. We follow the Companies Ordinance and applicable IAS and IFRS (International Accounting Standards and International Financial Reporting Standards). In addition, we endeavour to provide as much supplementary information in the financial statements as possible.

#### **Annual General Meeting (AGM)**

The Company holds its annual general meeting of the shareholders in light of the Companies Ordinance, Listing Regulations, Code of Corporate Governance and our Articles of Association. We request all our shareholders to participate in annual general meetings and other general meetings as and when convened. We also ensure that a copy of the annual report containing the agenda and notice of our AGM is dispatched to every shareholder at her/his registered address within the stipulated time.

During the last Annual General Meeting of the Company, no issues raised by the Shareholders present. Queries raised with regards to the Coal Fired Boiler project (Soda Ash business) and Polyester Staple Fiber (Polyester business), were responded to accordingly.

#### **Ownership & Control Structure**

Complete disclosure of ICI Pakistan’s shareholding structure is given in the pattern pursuant to the Companies Ordinance and the Code of Corporate Governance in the printed accounts of the company. Our share capital is comprised of ordinary shares. No other class of shares is issued by the Company. Yunus Brothers Group has acquired 87.33% shares in the Company, details of which are disclosed in the pattern of shareholding. The rest of the shares are held by the general public and institutions.

#### **Related Party Transactions**

We maintain a complete and updated list of related parties. All transactions with related parties are carried out on an unbiased, arm’s length basis as per formulas approved by the Board of Directors. A complete list of all related party transactions is compiled and submitted to the Audit Committee every quarter. After review by the Audit Committee the transactions are placed before the Board for their consideration and approval.

#### **Material Interests of Board Members**

Directors are required to disclose, at the time of appointment and on an annual basis the directorships or memberships they hold in other corporate bodies. This is in compliance with Section 214 of the Companies Ordinance 1984, which also requires them to disclose all material interests. We use this information to help us maintain an updated list of related parties. In case any conflict of interest arises, the matter is referred to the Board’s Audit Committee.



### Chief Executive Performance Criteria

The performance of the Chief Executive is evaluated on a blend of quantitative “value” and qualitative “values” driven objectives. Quantitative value-driven objectives relate to growth and financial performance of the Company, while qualitative values relate to the Company’s performance on sustainability parameters. Underpinning both these objectives is the “how” component, which measures what processes and policies were implemented and complied with.

### Evaluation of the Board’s Performance

The Board evaluates its performance by looking at the overall performance of the Company. Every member of the Board tries to attend all meetings of the Board and to actively participate in its proceedings. Threadbare discussions are held on various strategic issues. The Board ensures that the Company adopts the best practices of corporate governance in all areas of its operations and has a robust internal control system. The Board closely monitors the major capital expenditure projects, including balancing, modernization and replacement. Succession planning and compliance with all regulatory requirements are also areas where the Board’s attention is closely focused throughout the year. The Board is fully cognizant of the Company’s commitment to its sustainability strategy based on social, economic and environmental factors and has issued appropriate policy guidelines to ensure continued maintenance of performance in these areas.

### Internal and External Audit

Our Internal Audit function plays a pivotal role in providing the Board with an objective view to evaluate and improve the effectiveness of the risk management and related control systems throughout the entity. The Head of Internal Audit

independently reports to the Board Audit Committee and administratively to the Chief Executive. KPMG has been hired to perform the internal audits within the Company. The Head of Audit ensures that the audit plan as approved by the Board Audit Committee is effectively and seamlessly implemented via close coordination with KPMG. Internal Audits were executed across all businesses by our independent internal auditors and all findings were reported to the Management and the Audit Committee of the Board. Action plans are followed up rigorously to ensure that timely corrective action is implemented for the effective functioning of controls. The Board, through the Audit Committee, has reviewed the assessment of risks, internal and disclosure controls and procedures and suggested remedial actions where applicable.

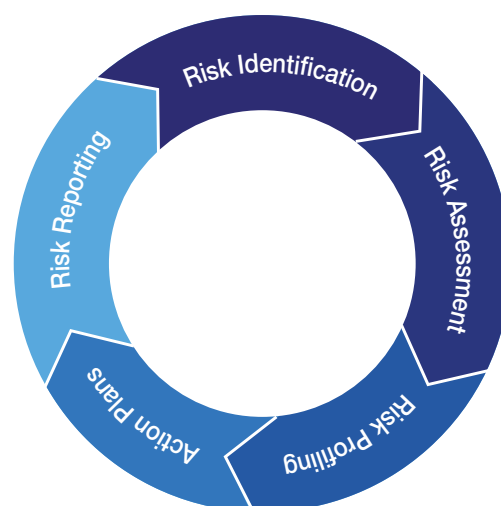
The role of the Audit Committee is to assist the Board in fulfilling their oversight responsibilities regarding the integrity of ICI Pakistan’s financial statements, risk management and internal control, compliance with legal and regulatory requirements, the external auditors’ performance, qualifications and independence, and the performance of the internal audit function.

The external auditors are appointed by the shareholders on a yearly basis at the annual general meeting on the recommendation of the Board of Directors. The partner in charge of our audit is rotated every five years as per the local regulations.

# Risk Management

The Board has an overall responsibility for the risk management process, incorporating risk management and internal control procedures. The Company's documented and regularly reviewed procedures are designed to safeguard assets whilst addressing any risk that the Businesses or the overall Company may face, and ensures timely reporting to the Board and senior management. Our risk management system promotes a balanced approach to manage risks at business as well as an organisational level and is capable of identifying, evaluating, measuring and monitoring risk.

The risk management system has identified a number of financial and non-financial risks that the Company is exposed to and necessary action plans are in place to ensure such risks are mitigated in a timely fashion.



## Strategic

### External Risk

#### Adapting to changing economic conditions, government policies and law & order situation

- Risk of ad-hoc tariff adjustments on imports impacting local producers like ICI Pakistan.
- Risk of imports at uneconomical prices or dumping in Pakistan by major international manufacturers.
- Risk of disruption of business operations due to worsening law and order situation.

### Risk Corrective Action

Continued commitment to the values of customer centricity, product quality, innovation and supply chain efficiencies – along with a strong market footprint can help us appropriately respond to challenges posed by weak economic and demand conditions. The Board and management endeavour to define and implement a clear strategy to overcome these strategic external risks by regularly benchmarking production efficiencies against competitors to minimize cost. The Board and management continuously seeks dialogue with policy makers through various business forums in the overall interest of the domestic industries and is actively vigilant with policies and proceedings of cases filed against anti-dumping. Training is also provided to update concerned stakeholders with regards to the law and order situation.

### Internal Risk

#### Attracting and Retaining Talent

The challenge is retaining and recruiting the right talent to deliver the strategic ambition for the Company

### Risk Corrective Action

Our key focus remains on growth and wellbeing of our intellectual capital. Re-launch of ICI Pakistan's value driven competency framework (i.e. Success Factors) provides the roadmap for talent acquisition and development activities, ensuring that right talent is available for the delivery of strategic ambitions.

Advancing the wellbeing and engagement of our workforce is an utmost priority and we consider it a commitment that encompasses employee satisfaction and competitive benefits. The board and management place great emphasis on attracting, educating, motivating and retaining our workforce, by further strengthening tools like our performance and development discussion, organisation health surveys and ensuring a robust succession planning in the organisation.

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## Commercial and Operational Risks

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### External Risk

#### Severe energy shortages and price hikes affecting cost of doing business and downstream demand

Disruption of supply of Natural gas to the Company's production facilities negatively impacts business deliverables due to considerable erosion of margins as a result of using expensive alternate fuels.

### Risk Corrective Action

Major investments have been made in coal fired projects and more have been committed to make our manufacturing facilities self-sufficient in terms of their reliance on natural gas. Coal Fired Boilers and Heaters have been installed and commissioned during the year in Soda Ash and Polyester plants respectively while work is in process for Coal Fired Steam Turbine and Boilers at Polyester Plant.

To partially mitigate the financial impact of gas unavailability, the business continuously remains engaged in various cost saving, energy and efficiency related projects. Risk of lower downstream demand due to energy shortages is partially managed through technical and commercial support to improve downstream efficiencies.

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### Internal Risk

#### Overdependence on single source suppliers and major principals

Risk of failing to identify alternate sources of raw material suppliers. Also, the risk of failing to maintain key business relationships with major principals, which may result in business interruption and subsequently, financial loss to the Company.

### Risk Corrective Action

The Company aims to use its purchasing power and long term relationships with suppliers to ensure continuous availability of raw materials and to safeguard their constant delivery at the best conditions. Maintenance of optimum inventory levels partially mitigates the risk of abrupt supply interruption. Management continues to engage principals and partners in the value chain to align strategic views and cement long term partnerships. Also, the Company continues to build a portfolio of 'Own Brands' to reduce adverse impact in case of discontinuation of Principal.

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### Health, Safety, Environmental and Security

HSE&S risks in production and supply chain processes can adversely affect our operations. These risks concern areas such as personal health and safety, product safety and operating eco-efficiency. Unlikely scenario can involve major incidents with a high impact for our organisation as well as our local communities which may cause business disruption and reputational damage.

For us, compliance with HSE&S standards is a license for doing business. The Company continues to focus on energy conservation, waste and operational efficiencies and eco-efficiency foot print reduction. A detailed report on HSE performance and development in 2014 is available in this Report.

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## Financial Risks

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### External Risk

#### Fluctuation in exchange rates

Continued depreciation of Pak rupee against the US dollar has a negative impact on the financial results of our businesses through erosion of margin particularly in Life Sciences businesses where prices of pharmaceutical products are capped by the Ministry of Health.

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#### Interest rate risk

Risk of an increase in the interest rates having an adverse impact on the profitability of the Company.

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### Internal Risk

#### Credit Risk

Risk of default in payments by credit customers in the current challenging economic conditions, leading to adverse financial impact on the Company.

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#### Liquidity Risk

Risk of the Company not being able to fulfil its financial obligations due to non-availability of sufficient funds

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## Compliance Risks

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### Internal Risk

#### Compliance with laws & regulation

Exposure to liabilities arising out of non-compliance with laws and regulation.

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### Risk Corrective Action

We have a centralized treasury and forward contracts are obtained from time to time to limit the exposure to foreign currency risk. However, erosion of margins because of inability to raise prices as highlighted above is a risk the Company has to take and is being partially mitigated through introduction of generic brands and continuous engagement with the policy makers in the Government.

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The Company has availed financing for working capital requirements at competitive spreads and major borrowing is set on a floating rate. For other borrowings, the interest rate risk is at an acceptable level.

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### Risk Corrective Action

The Company's counterparty risk is sufficiently diversified with established limits for key customers. Credit reviews are regularly conducted to align the exposure in line with the changing conditions while remaining within the bounds of the overall risk appetite of the Company.

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The Company ensures optimum utilization of cash generated by operations and has sufficient financial lines with various institutions to meet any funding requirements.

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### Risk Corrective Action

We closely monitor changes in the regulatory environment and adapt to all significant changes in a timely manner. We are dedicated to compliance with all legal and regulatory requirements with special emphasis on conformity with our Code of Conduct.

We operate under a comprehensive Competition Law compliance programme including training, monitoring and assessment.

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# Board and Management Committees

## Committees of the Board

### a) **Audit Committee with brief terms of reference**

The Audit Committee ensures that the Company has a sound system of internal financial and operational controls. Chaired by an independent director, the Committee serves as “the eyes and the ears” of the Board, assisting it in discharge of its fiduciary responsibilities.

The Audit Committee reviews the periodical financial statements of the Company and announcements of results to the stock exchanges. One important responsibility of the Committee is to recommend to the Board the appointment of external auditors and facilitate the external audit and discuss with the external auditors major observations arising from interim and final audits, in doing so the Committee also reviews the management’s response thereto.

Beside this, risk management, compliance with relevant statutory requirements, review of legal matters which may significantly impact the financial statements, monitoring compliance with the best practices of corporate governance and investigating any violations thereof and ensuring coordination between internal and external auditors are also the main responsibilities of the Audit Committee.

In carrying out its duties the Audit Committee has the authority to discuss any issue within its remit directly with the management, internal auditors or external auditors and may obtain outside legal or professional advice on it, if it considers necessary. The Audit Committee comprises three members, of whom two are non-executive directors and the Chairman of the Committee is an independent director and the Head of Internal Audit acts as the Secretary to the Committee. The Chief Financial Officer and representatives of internal auditors attend the Committee meetings by invitation.

The Audit Committee meets at least four times in a year. At least once a year, it meets the external auditors independent of the CFO or the internal auditors.

### b) **Remuneration Committee**

The Remuneration Committee is a Sub-Committee of the Board and is responsible for reviewing the remuneration and benefits of the Chief Executive, Executive Directors and the Executive Management Team. It also serves as the recommending body for the annual salary increment exercise for all management staff.

The Committee comprises of five members; three non-executive directors including the Chairman of the Committee, one executive director and one independent

director. The General Manager Human Resource, acts as the Secretary to the Committee. The Committee meets at least once a year.

### c) **Banking Committee**

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

### d) **Share Transfer Committee**

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

## Management Committees

### a) **Executive Management Committee**

The Chief Executive is the Chairman of the Executive Management Committee. The Committee comprises all Business and Functional Heads. This Committee meets once a month under the chairmanship of the Chief Executive and is responsible for strategic business planning, decision making and overall management of the Company.

### b) **HSE Management Committee**

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

### c) **Succession Planning Forum**

This forum is chaired by the Chief Executive and meets periodically to review the Company’s succession planning and talent pipeline at all levels. This forum is supported by the following capability groups:

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

### d) **Supply Chain Network**

The network includes Supply Chain managers of each of the Company’s businesses and aims to improve procurement and material handling effectiveness by seeking and capitalizing upon synergistic opportunities and sharing of best practices.

# Company Information

## Board of Directors

M Sohail Tabba	Chairman (Non-Executive)
M Ali Tabba	Vice Chairman (Non-Executive)
Jawed Yunus Tabba	Non-Executive
Amina A Aziz Bawany	Non-Executive

Asif Jooma	Chief Executive
Khawaja Iqbal Hassan	Independent
M Abid Ganatra	Executive
Kamal A Chinoy	Independent

## Audit Committee

Khawaja Iqbal Hassan	Chairman
M Ali Tabba	Member
Jawed Yunus Tabba	Member

## HR & Remuneration Committee

M Ali Tabba	Chairman
M Sohail Tabba	Member
Jawed Yunus Tabba	Member
Asif Jooma	Member
Khawaja Iqbal Hassan	Member

## Chief Financial Officer

Muhammad Abid Ganatra

## Company Secretary

Saima Kamila Khan

## Head of Internal Audit

Muhammad Ali Mirza

## Executive Management Team

Asif Jooma	Chief Executive	M A Samie Cashmiri	General Manager, Chemicals and Strategy
Fathema Zuberi	General Manager, Human Resources	Saima Kamila Khan	General Counsel & Company Secretary
M Abid Ganatra	Chief Financial Officer	Suhail Aslam Khan	Vice President, Polyester & Soda Ash Business
M Asif Malik	Vice President, Life Sciences Business	Syed Iqbal Haider	General Manager, Technical

## Bankers

Allied Bank Limited  
Askari Bank Limited  
Bank Al Habib Limited  
Bank Alfalah Limited  
Citibank N.A.  
Deutsche Bank AG  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited

HSBC Bank Middle East Limited  
HSBC Bank Oman S.A.O.G.  
MCB Bank Limited  
Meezan Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Samba Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
United Bank Limited

## Auditors

Internal Auditors  
KPMG Taseer Hadi & Co.,  
Chartered Accountants

External Auditors  
Ernst & Young Ford Rhodes Sidat Hyder & Co.,  
Chartered Accountants

## Registered Office

ICI House, 5 West Wharf, Karachi-74000  
Tel: 111-100-200, (021) 32313717-22  
Fax: 32311739  
Website: www.ici.com.pk

## Shares Registrar

FAMCO Associates (Pvt) Ltd.  
8-F, next to Hotel Faran, Nursery, Block-6, P.E.C.H.S.  
Shahrah-e-Faisal, Karachi.  
Tel: (021) 34380101-2, Fax: (021) 34380106

# Our Board of Directors



**Muhammad Sohail Tabba**  
Chairman

Appointed as a Non-Executive Director on the Board of ICI Pakistan Limited on December 28, 2012, and appointed as Chairman of the Board of Directors of ICI Pakistan Limited on April 29, 2014. Sohail Tabba is one of the top business executives in Pakistan with vast experience in manufacturing, energy, real estate and cement sectors gained during his two decade long career. His association with the Yunus Brothers Group has successfully transformed the group's textile concerns into leading global players including names such as Gadoon Textile Mills Limited, Fazal Textile Mills Limited and Lucky Knits (Pvt.) Limited, where he serves as the Chief Executive.

He is also the Chief Executive of Lucky Energy (Pvt.) Limited and Yunus Energy Limited in addition to Lucky One (Pvt.) Limited. He is the Chairman of Lucky Paragon Readymix Concrete and a Director on the Boards of Yunus Textile Mills Limited, Lucky Textile Mills and Lucky Cement Limited, the leading cement manufacturer and exporter in Pakistan.

His philanthropic and social engagements include being the founding member of the Child Life Foundation and Italian Development Council (IDC). He also serves as a Director for the Tabba Heart Institute and Aziz Tabba Foundation and is a member of the Board of Governors at Hamdard University Pakistan.



**Muhammad Ali Tabba**  
Vice Chairman

Appointed as Vice Chairman of ICI Pakistan Limited on December 28, 2012, Muhammad Ali Tabba is the Chief Executive of Lucky Cement Limited since 2005, succeeding his late father. Muhammad Ali has been associated with the Yunus Brothers Group since 1990 when he started his career as a Director in the family owned trading business. Since then, he has successfully reformed and expanded the companies he heads in the Group, which also includes Yunus Textile Mills, a leading name in the home textiles industry.

Muhammad Ali Tabba is a distinguished leader and has been actively involved in many welfare organisations as well. He serves as a Trustee of the Fellowship Fund for Pakistan (FFFP), which sends a top Pakistani Scholar every year to a United States think tank based in Washington D.C., with an objective of increasing greater understanding amongst the top US diplomats and policy makers who are consistently deliberating the challenges as well as possible solutions to the complex dynamics of our country. He has been nominated on board of Pakistan - India Joint Business Council (PIJBC), which promotes trade between the two countries. He has recently been appointed as Chairman of All Pakistan Cement Manufacturing (APCMA), a regulatory body of cement manufacturers in Pakistan.

Due to his extensive engagement in many community welfare projects, he has received recognitions and awards for his social interventions. Muhammad Ali Tabba is on the Board of Governors at various universities, institutions and foundations and also manages the Group's own Aziz Tabba Foundation with welfare projects in the field of education, health, housing and other social needs.

Acknowledging his professional accomplishments, distinguished leadership and commitment to shaping a better future, the World Economic Forum bestowed Muhammad Ali Tabba with the honour of Young Global Leader 2010.





**Jawed Yunus Tabba**  
Non-Executive Director

Appointed as Non-Executive Director on the Board of Directors of ICI Pakistan Limited on April 29, 2014, Jawed Yunus Tabba is the Chief Executive of Lucky Textile Mills Limited which is amongst the top five home textile exporters in Pakistan.

He has a rich experience in the textile industry and is also managing the real estate project, LuckyOne, which once completed will be the largest mall in Karachi.

Jawed Tabba is also involved in the Aziz Tabba Foundation, which is a part of the Yunus Brothers Group societal activity projects.



**Amina A Aziz Bawany**  
Non-Executive Director

Appointed as Non-Executive Director on the Board of Directors of ICI Pakistan Limited on December 28, 2012. Amina Abdul Aziz Bawany is a post graduate in Early Years Education with over ten years' of experience in the education sector. She has held a key oversight position within Yunus Brothers Group and possesses a versatile skill set with experience in customer relations and sales. She is known for her attention to detail and excellent communication skills.

She is also on the Boards of various charities that successfully raise funds for medical and educational needs for the underprivileged citizens of Pakistan.

# Our Board of Directors



**Asif Jooma**  
Chief Executive

Asif Jooma started his career in the corporate sector with ICI Pakistan in 1983 and has 30 years of extensive experience in senior commercial and leadership roles. Following early years with ICI Pakistan and subsequently Pakistan PTA Limited, Asif Jooma was appointed Managing Director of Abbott Laboratories Pakistan Limited in 2007. After serving there for nearly six years, he returned to ICI Pakistan as Chief Executive in February 2013.

A Bachelor of Arts in Developmental Economics from Boston University, Asif Jooma has previously served as President of American Business Council (ABC), President of Overseas Investors Chamber of Commerce & Industry (OICCI) and Chairman of Pharma Bureau. He also serves as a Director on the Board of NIB Bank Limited and is a Member of Board of Investment (BOI), Government of Pakistan. Asif Jooma has attended Executive Development Programmes at INSEAD and Harvard Business School.



**Muhammad Abid Ganatra**  
Executive Director & CFO

Appointed as a Director on the Board of ICI Pakistan Limited on December 28, 2012 and as the Chief Financial Officer of the Company in April 2013. Abid Ganatra has been associated with the Yunus Brothers Group since 1994. He has more than 20 years of diversified experience at senior management positions with an emphasis on financial management, operational management, capital restructuring, mergers and acquisitions, corporate and legal affairs as well as taxation.

Abid Ganatra is a fellow member of the Institute of Chartered Accountants and the Institute of Cost and Management Accountants of Pakistan. He has also gained a Masters degree in Economics and a Bachelors degree in Law.



**Khawaja Iqbal Hassan**  
Independent Director

Khawaja Iqbal Hassan was appointed as an Independent Director on the Board of ICI Pakistan Limited on January 18, 2013. He graduated cum laude from the University of San Francisco with majors in Finance and Marketing. He started his career with Citibank N.A. where he held key positions including Regional Business Head and Vice President in Saudi Arabia, Turkey and Pakistan. Khawaja Iqbal Hassan is the founder of Global Securities Pakistan Limited and NIB Bank Limited and has served in both institutions as Chief Executive.

He is presently a member of the Board of Directors of the State Bank of Pakistan, Engro Corporation Limited and the Karachi Grammar School. He has also served on the Boards of Civil Aviation Authority of Pakistan (CAA), NIB Bank Limited, Pakistan Steel Mills, Habib Bank Limited, National Fullerton Asset Management Company Limited, Global Securities Limited, Citicorp Investment Bank Pakistan, The Pakistan Fund, The Lahore University of Management Sciences (LUMS), Central Depository Company of Pakistan Limited and Pakistan Centre for Philanthropy (PCP). He is also the former Vice Chairman of Pakistan Bankers' Association and has served as Chairperson, Banking Sector Committee on Reform of Pakistan's Banking Companies Ordinance.

Khawaja Iqbal Hassan has been a member of the Prime Minister of Pakistan's Task Force on Foreign Exchange Reserves Management, Corporate Tax Reform and Capital Markets Reform. He was awarded the Sitara-i-Imtiaz by the Government of Pakistan for meritorious contribution to national interests.



**Kamal A Chinoy**  
Independent Director

Kamal A Chinoy was appointed as an Independent Director on the Board of ICI Pakistan Limited on April 29, 2014. Kamal A. Chinoy is a graduate of the Wharton School, University of Pennsylvania, USA. He is the Honorary Consul General of the Republic of Cyprus. Kamal A Chinoy is a member of the executive committee of the International Chamber of Commerce (ICC), Pakistan and is also the Past President of the Management Association of Pakistan (MAP).

Currently he is a Director of Pakistan Cables Ltd., Atlas Battery Ltd., NBP Fullerton Asset Management Ltd., International Steels Ltd., International Industries Ltd., and a member of Board of Governors of Army Burn Hall Institutions. He is an advisor to Tharapak, a consortium of international companies.

He has served as the Chairman of the Aga Khan Foundation (Pakistan) & NGO Resource Centre and also as a Director of Pakistan Centre of Philanthropy, Pakistan Security Printing Corporation, Atlas Insurance & First International Investment Bank.

# Our Executive Management Team



**M. A. Samie Cashmiri**  
General Manager  
Chemicals & Strategy

**Muhammad Asif Malik**  
Vice President  
Life Sciences

**Kanize Fathema Zuberi**  
General Manager  
Human Resources

**Muhammad Abid Ganatra**  
Chief Financial Officer





**Asif Jooma**  
Chief Executive

**Saima Kamila Khan**  
General Counsel &  
Company Secretary

**Syed Iqbal Haider**  
General Manager  
Technical

**Suhail Aslam Khan**  
Vice President  
Polyester & Soda Ash

# Organisational Structure



# Report of the Directors

for the year ended June 30, 2014

The Directors are pleased to present their report together with the audited financial statements of the Company for the year ended June 30, 2014.

Subsequent to the implementation of the new fiscal year, the last audited financial statements were prepared for a period of six months, (a one-off measure) from January 2013 to June 2013. A comparative analysis of the current financial year performance has also been made with the corresponding 12 months last year i.e. July to June 2013 to present a meaningful comparison of the Company's performance.

## Overview

Net Sales Income (NSI) of Rs. 38.2 billion for the year under review is 5 percent above sales for the period ended June 2013 which recorded NSI of Rs. 36.3 billion. This is primarily due to higher revenues in the Soda Ash, Life Sciences & Chemicals Businesses.

Driven by higher volumes & prices, Soda Ash revenues increased 13 percent, whilst the Life Sciences and Chemicals Businesses recorded a growth in NSI of 17 percent and 15 percent respectively. The Polyester Business registered 3 percent lower revenues.

Operating profit for the year at Rs. 2,226 million is 12 percent higher as compared to the same period last year (SPLY), on account of higher sales & efficient cost control in both the Life Sciences & Soda Ash Businesses. The successful commissioning of the Coal Fired Boilers at the Soda Ash plant has led to a significant reduction in energy costs and decreased dependency on expensive alternate fuels in periods of low gas availability.

Earnings per share at Rs. 18.43 are 47 percent higher as compared to Rs. 12.55 for the SPLY.

On a consolidated basis (including the result of the Company's wholly owned subsidiary ICI Pakistan PowerGen Limited) Profit after Tax (PAT) for the year at Rs. 1,835 million or Rs.19.87 EPS is 29% higher compared to the SPLY.

The commissioning of the Coal Fired Boilers at Soda Ash and Coal Fired Heaters for Polyester helped reduce the Company's reliance on natural gas and furnace oil to meet its energy needs. To further improve the energy mix in the Polyester Business, a Coal Fired Steam Turbine project is underway and is expected to be completed by Q4 in 2014-15.

## Financial Performance

Rs. m	June 2014	June 2013*	Increase/ (Decrease)
Turnover	42,699	39,627	8%
Net Sales Income	38,233	36,268	5%
Gross Profit	4,652	4,075	14%
Operating Result	2,226	1,987	12%
Profit Before Tax	1,981	1,749	13%
Profit After Tax	1,702	1,159	47%
Earnings Per Share (Rs.)	18.43	12.55	47%

\*12 months period ended June 2013

## Dividend

In view of the Company's earnings, the Board of Directors has recommended the Final Cash Dividend in respect of the financial year ended June 30, 2014 at the rate of 40% i.e. Rs. 4/- per share of Rs. 10/- each, subject to the approval of the Shareholders at the forthcoming Annual General Meeting. This, including the interim dividend of Rs. 4/- per share already paid makes a total dividend of Rs. 8/- per share.

## Health, Safety And Environment (HSE)

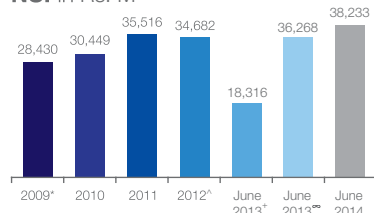
ICI Pakistan Limited continued to demonstrate unrelenting commitment to all aspects of Health, Safety and Environment linked to the Company's Business operations. Employees continue to make substantial efforts to maintain and further improve the standards demanded by the Company's Health, Safety, Environment and Security (HSE&S) Management System, to achieve the challenging performance objectives arising out of its comprehensive implementation. The HSE&S Management System comprises of Policy, Standards and Guidelines that are consistent with the internationally recognised Responsible Care Management System (RCMS), ISO 14001:2004 and OHSAS 18001:2007.

In the reporting year, a sharp focus on operational discipline and strict adherence to the Company's Health, Safety, Environment and Security Management system was implemented by management focus through the Behaviour-Based Safety (BBS) programme.

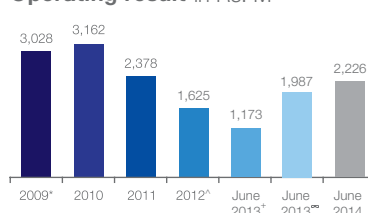
The Polyester, Soda Ash, Life Sciences and Chemicals businesses achieved 3.95, 0.20, 3.20 and 4.03 million man hours respectively without LTI (lost time injury) for employees and supervised contractors. Two reportable injuries for employees and supervised contractors and two for independent contractors were reported during the year with total reportable injury rate of 0.33 and 0.56 respectively.



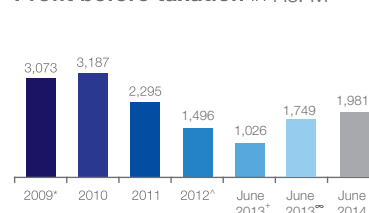
**NSI in Rs. M**



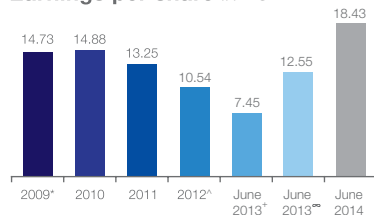
**Operating result in Rs. M**



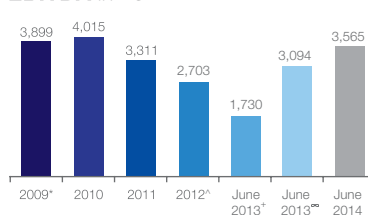
**Profit before taxation in Rs. M**



**Earnings per share in Rs.**



**EBITDA in Rs. M**



**Dividend paid in Rs. per share**

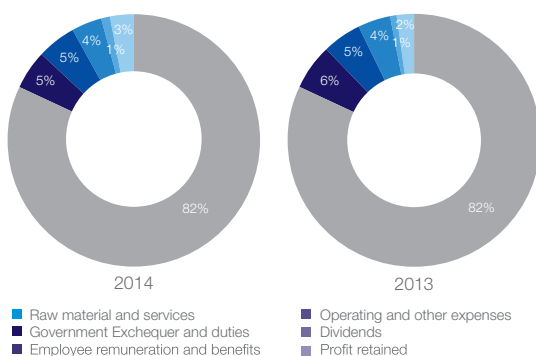


\* Includes AkzoNobel Pakistan (Formerly Paints Business)

^ Restated

† June 13 Contains Results For The Six Months Period Due To Change In Fiscal Year

∞ 12 Months Period June 2013



Value Addition and its distribution			Rs '000	
	June 30, 2014	%	June 30, 2013	%
Net Sales including sales tax	40,658,350	99%	38,037,465	99%
Other operating Income	323,130	1%	225,071	1%
	<b>40,981,480</b>	<b>100%</b>	<b>38,262,536</b>	<b>100%</b>
Raw Material and Services	33,433,159	82%	31,232,058	82%
Government Exchequer and duties	1,970,866	5%	2,447,776	6%
Employee remuneration & benefits	2,052,855	5%	2,020,902	5%
Operating and Other expenses	1,822,384	4%	1,403,099	4%
Dividends	369,436	1%	507,975	1%
Profit Retained	1,332,780	3%	650,726	2%
	<b>40,981,480</b>	<b>100%</b>	<b>38,262,536</b>	<b>100%</b>

Review of the 2013 HSE&S improvement plans of all Businesses / Locations was completed in March 2014. The 2013 Chief Executive HSE Trophy went to the Chemicals Business with the Polyester Business being runner up. The Operational Eco Efficiency (OEE) footprint will continue within sustainability plans designed for implementation in all Businesses.

This year, ICI Pakistan Limited received the runner up award for the 'Best Sustainability Report' - an initiative by the ACCA and WWF Pakistan which recognises and promotes best practices in environmental and sustainability reporting in the

country.

A detailed report on HSE performance and development in 2014 is available on page 31 of the Annual Report.

### Corporate Social Responsibility (CSR)

ICI Pakistan has a track record of engagement in community projects and sustainable social programmes. The ICI Pakistan Foundation, managed by its own Board of Trustees, has a strong sense of responsibility to comprehensively analyse, research and invest in beneficial communal schemes and projects which serve and meet the Company's CSR objectives.



Chairman of Board of Directors, Sohail Tabba, at the MoU ceremony with UniBrands Pvt. Ltd.



Volunteers at the Old Age Persons home

As is customary, during the year 2014, the Foundation primarily focused on community development in the areas of education, health, community enrichment, global environment and infrastructure advancement.

#### **Education (Ilm-o-Hunar):**

Last year, the ICI Foundation launched a pilot Adult Literacy programme in partnership with Literate Pakistan. Literate Pakistan runs this initiative across the nation, under the brand name of 'Jugnu'. Today, in collaboration with ICI Pakistan, over 28 women from the Kakapir Village at Sandspit have graduated from the programme. The women excitedly showcased their oral articulation and diction in English and Urdu through speeches and theatrical performances during the prize distribution ceremony, held in May 2014.

The enhanced awareness of the initiative, achieved as a consequence of wide media coverage, catalysed other small communities to approach the Foundation with a keen interest in the initiative. After a comprehensive feasibility study, we are pleased to share that the Foundation has introduced the Adult Literacy project at Lyari in Karachi with 22 students having been enrolled in the programme.

The Foundation also continues to support the Government Boys and Girls Primary School, Kakapir, Sandspit Beach in Karachi and the Tibbi Hariya School in Sheikhpura. As per practice, the Foundation provides educational opportunities to the communities based in the neighbouring areas of Khewra and our other operational sites. Our 'Skilled based Vocational Training' programme at the Polyester Site is running successfully. Two batches have completed their training and the third batch is currently under enrolment.

#### **Health (Sehat Zindagi Kay Saath):**

For 23 years, the Company's Eye Care programme has delivered primary eye care facilities to deserving and needy patients. 11 eye clinics were organised between July 2013 and June 2014. In this period, 5247 OPDs, 1185 refractions, and 512 major and 77 minor surgeries were performed.

This year, the Foundation also provided financial assistance to the Kidney Centre and Layton Rehmatulla Benevolent Trust for patients that were unable to finance their medical needs.

#### **Environment (Saaf Mahool – Taaza Hawa):**

In order to conserve and protect natural resources, the Company participated in Earth Hour, on March 29 2014, switching off all nonessential lights at all locations. The readings are registered annually and this year, we have recorded savings of 24 Kilo Watts from all sites.

Earth Day was marked by the Company via a tree plantation drive at TCF School – Baldia Campus, where the students planted a total of 55 trees to help save and sustain the environment.

#### **Community (Hum Qadam):**

Volunteers from the Company spent time with the residents of an 'old age persons care home'. The evening was spent in an emotional dialogue and the residents greatly appreciating the interaction with the visitors. The volunteers presented gift packs as a token of appreciation for their forbearance and courage.

A detailed report on CSR performance in 2014 is available on page 34 of the Annual Report.

#### **Human Resource**

In line with our ambition to be recognised as a company which offers opportunity to its people for ongoing learning, development and growth, talent movement remained a strategic priority for the Company with 18% movement across Businesses and Functions providing our employees exposure to diverse roles across the Company.

Fostering a culture of continuous learning and development along with a strong focus on professional growth has remained a key priority for the Company. A total of 24,764 man hours were dedicated to training employees on living the ICI Values and Success Factors, promoting self-development, ensuring safety and enhancing functional and managerial effectiveness.

The Company continued to strengthen its talent pipeline by recruiting fresh graduates in the commercial, finance and technical streams through campus recruitment drives for the Graduate Recruit and other Trainee programmes being carried out at the top seven universities of Pakistan. Thirty three graduates were recruited during the year through a comprehensive selection process.

The Performance and Development Discussion (P&DD) process continues to be an essential tool for providing regular and candid feedback to managers in addition to aligning their performance and development with Company strategy. The P&DD process was concluded as per guidelines, ensuring that employees continue to benefit from clear and credible assessment systems.

A detailed report on Human Resource performance and development in 2014 is available on page 28 of the Annual Report.



Coal Fired Boiler and Steam Turbine Project Agreement with Sinoma at Polyester



Our paint donation restores exterior of a water tank at Civil Hospital Karachi

### Risk Management Framework

The Board has an overall responsibility to oversee the risk management processes, which include both risk management and internal control procedures. The Company's processes, which are documented and regularly reviewed, are designed to safeguard assets and address any risks that the businesses might face or that may impact business continuity. These are, in turn, reported to the Board and senior management for timely actions where required, to ensure uninterrupted operations.

The Company maintains a clear organisational structure with a well-defined chain of authority. Senior management has the responsibility to implement procedures, monitor risk and assess the effectiveness of various controls.

A detailed report on risk management philosophy, key risks and tools used by the Company is available on page 43 of the Annual Report.

### Polyester Staple Fibre Business (PSF)

The domestic market for PSF continued to remain sluggish due to an oversupply in both domestic and regional markets. Persistent dumping of PSF from China hampered market sentiment. Aggressive pricing at uneconomic levels by Chinese exporters continued to prejudice both domestic industry sales volumes and margins. Domestic demand was negatively impacted due to energy supply issues to the downstream textile industries. Resultantly net sales revenue fell by 3% over the corresponding period.

Net sales, commission & toll income (Rs. M)		
Jun 14 (12m)	<div style="width: 85%;"></div>	18,842
Jun 13 (12m)	<div style="width: 95%;"></div>	19,389
Jun 13 (6m)	<div style="width: 45%;"></div>	9,456
Operating result (Rs. M)		
Jun 14 (12m)	<div style="width: 10%;"></div>	(792)
Jun 13 (12m)	<div style="width: 15%;"></div>	(144)
Jun 13 (6m)	<div style="width: 20%;"></div>	(157)

Feedstock prices though lower (PTA 10%; MEG 5%) than the corresponding period last year, did not translate into improved margins for PSF. The 6% devaluation of Pak Rupee eroded the margin over feedstock as import costs increased without a corresponding upward movement of PSF prices. Increasing

energy prices, 5% compared to the same period last year, further intensified pressure on the business cost base. As a consequence, the business recorded an operating loss of Rs. 792 million during the period under review.

The Coal Fired Heater project was successfully commissioned during the last quarter of the current financial year. The project is expected to improve the energy management capability of the business and will significantly reduce the dependence on expensive alternative fuel due to sporadic natural gas supply. Work on the Coal Fired Steam Turbine project is in progress and is expected to be completed by Q4 in 2014-15.

In April, a new Anti-Dumping application against dumped PSF imports from China was filed with the National Tariff Commission (NTC). Any improvement in domestic margins will depend on the outcome of the appeal. The Finance Act 2014 has increased the customs duty on import of PTA from 3% to 4%. The increase in import tariff has been notified without a corresponding increase in PSF duty despite repeated recommendations made by the Ministry of Textile, which would effectively have offset the negative impact of the increase in the PTA duty. Going forward, industrial activity will largely be driven by the government's policy on the provision of gas to the domestic textile industry. This will also determine whether the Industry can fully leverage the benefit of GSP Plus status for exports to the European Union.

### Soda Ash Business

NSI during the year grew by 13 percent on account of higher sales volumes and increased selling prices. The Business achieved record domestic and export sales during the period under review.

Net sales, commission & toll income (Rs. M)		
Jun 14 (12m)	<div style="width: 90%;"></div>	8,989
Jun 13 (12m)	<div style="width: 85%;"></div>	7,973
Jun 13 (6m)	<div style="width: 40%;"></div>	4,086
Operating result (Rs. M)		
Jun 14 (12m)	<div style="width: 95%;"></div>	1,866
Jun 13 (12m)	<div style="width: 60%;"></div>	1,164
Jun 13 (6m)	<div style="width: 20%;"></div>	728

Continued focus on energy saving, commissioning of Coal Fired Boilers and other cost reduction initiatives led to lower

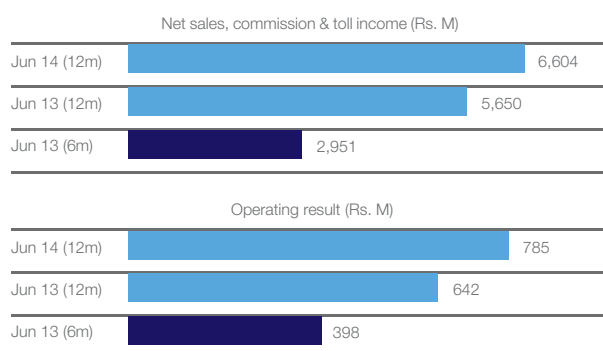


variable and fixed costs per unit which resulted in 48 percent and 60 percent recorded growth in gross profit and operating result respectively as compared to the SPLY.

Going forward, volatility in Chinese export offering remains a key concern, particularly in the absence of a functional and effective NTC.

### Life Sciences Business

The NSI of the Life Sciences Business grew by 17 percent compared to the SPLY. All divisions within the Business posted double digit growth during the period under review. To further



enhance our offer to the Agri sector, the Business introduced a range of Agro-Chemical products in December 2013. Sales of the Pharmaceutical Division were mainly driven by strong performance in the Cardiovascular & Oncology therapeutic areas, while sales of the Agri Division benefitted from higher seeds and vegetable seed sales. The Animal Health segment recorded an increase in sales through better performance in the Livestock segment.

The operating result of the Business for the current year is up 22 percent as compared to last year primarily due to an increase in sales and efficient cost control.

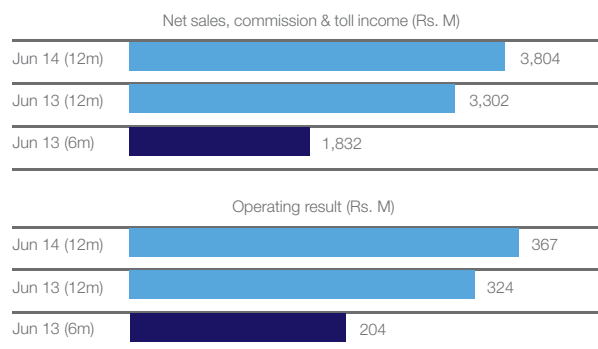
The lease agreement for the Animal Health manufacturing facility in Islamabad was terminated due to financial, structural, technical and regulatory issues with regards to the transfer of Drug Manufacturing Licenses in favour of ICI. The Company has acquired rights to an alternative facility which is currently under construction. The Company will, after completing the required regulatory formalities, commence the manufacturing of animal health products by Q4 of 2014-15.

To further enhance our footprint in the Pharma segment, the Company is in the process of setting up a Nutraceuticals manufacturing facility at 5 West Wharf in Karachi. The plant is scheduled for commissioning in July 2015. The Seed Processing Plant at Sahiwal has commenced commercial production and is currently operating at full capacity.

The future outlook of the Business remains strong with plans in hand to strengthen the existing portfolio through the launch of new products in the Agro-Chemicals, Pharmaceuticals and Animal Health segments. The Business will also continue to explore opportunities for organic and inorganic growth.

### Chemicals Business

NSI for the year at Rs. 3,804 million is up by 15 percent primarily due to an increase in sales volumes. Consequently, operating result was recorded at Rs. 367 million, which is 13 percent higher than previously recorded, despite energy and law and order challenges.



For the upcoming year, the Business is poised to strengthen its current market position while exploring opportunities for both organic and inorganic growth in all its segments.

### Finance

The Company's Balance Sheet as at June 30, 2014 remains on a strong footing with a current ratio of 1.38 (2013: 1.31) and quick ratio of 0.70 (2013: 0.61), despite capital expenditure made in coal based energy projects at both major manufacturing locations.

Net Sales Income at Rs. 38.2 billion is 5 percent higher than the corresponding period last year, mainly driven by higher sales volumes across most businesses, this performance also





Life Sciences Annual Business Conference in Thailand



Our EMT Outbreak session in Khanpur

offset the marginally lower revenues in the Polyester Business.

Gross profit for the year is 14 percent higher than the period ended June 30, 2013. This is principally due to the increase in NSI and an overall reduction in cost of sales which can be attributed to commissioning of the Coal Fired Boilers, sharper control on fixed costs and other cost improvement initiatives.

Sales & Distribution expenses for the year are 45 percent higher than the period ended June 30, 2013 essentially due to the payment of royalty fees to the holding company.

Administration & General expenses for the year were 14 percent lower than the same period last year.

Short term financing facilities were availed by the Company from various banks to manage working capital funding requirements. As a result, finance charges for the year are 24 percent higher whilst other operating income is 44 percent higher compared to the same period last year.

As a consequence, Profit after Tax (PAT) amounting to Rs. 1,702 million is 47 percent higher than prior year's PAT.

Earnings per share of Rs. 18.43 for the year are 47 percent higher as compared to the SPLY.

#### Future Outlook

Macro-economic outlook of the country is showing gradual signs of improvement. The Government has embarked upon various initiatives to rebuild foreign exchange reserves. Efforts to address structural weaknesses on both revenue generation and energy supply have exhibited some positive results, with a more determined effort required.

Post balance sheet, a significant development pertaining to the levy of Gas Infrastructure Development Cess (GIDC) took place. The Honourable Supreme Court, vide its judgement dated August 22, 2014, upheld the earlier judgement of the Honourable Peshawar High Court, declaring the levy of GIDC to be without lawful authority and void ab initio. Consequently, based on legal advice, the Company will be seeking a refund on account of GIDC paid earlier i.e. in 2012, as well as reversal of the provision of Rs. 175 million made, pending the final outcome of the appeal filed in the Honourable Supreme Court. The provisioned amount is planned for reversal during the financial year 2014-15.

In addition, dumping and under-invoicing of Polyester and Soda Ash at uneconomical prices remains a major concern.

The Company is aggressively pursuing the matter with the National Tariff Commission and other relevant authorities for urgent redressal failing which the economic viability, particularly of Polyester Fibres will be severely challenged.

The Company has made its first tranche of the intended investment in NutriCo Pakistan Pvt. Ltd., (Morinaga infant formula distribution business) with a 15% equity participation in the company. This investment is in line with our aspiration to grow our existing portfolio through leveraging both organic and inorganic growth.

#### Acknowledgement

The results of the Company are a reflection of the unrelenting commitment and contribution of its people and the trust reposed in the Company by its customers, suppliers, service providers and shareholders.

#### Election of Director

At an Extraordinary General Meeting of the Company held on April 16, 2014, an eight-member Board was elected by the Shareholders for a three-year term commencing from April 29, 2014, namely, Mr. Muhammad Sohail Tabba, Mr. Muhammad Ali Tabba, Mr. Jawed Yunus Tabba, Mrs. Amina Abdul Aziz Bawany, Mr. Asif Jooma, Mr. Khawaja Iqbal Hassan, Mr. Muhammad Abid Ganatra and Mr. Kamal A Chinoy.

At the said meeting the Shareholders also authorised the holding of offices of profit by the Chief Executive and the Executive Director as per their respective contracts of service. Apart from the Chief Executive, there is one Executive Director serving on the Board i.e. Mr. Muhammad Abid Ganatra.

Subsequently, at a meeting of Directors held on April 16, 2014, Mr. Asif Jooma was reappointed as Chief Executive and on April 29, 2014, Mr. Muhammad Sohail Tabba was appointed as Chairman of the Board, each for a term of three years commencing from April 29, 2014. The Board welcomed the Chairman, Mr. Muhammad Sohail Tabba and the newly elected members Mr. Jawed Yunus Tabba and Mr. Kamal A Chinoy.

The Directors reconstituted the sub-committees of the Board with effect from April 29, 2014 which was revised and reconstituted on its meeting held on June 3, 2014.

#### Appointment of new Company Secretary

Ms. Saima Kamila Khan was appointed as Company Secretary & General Counsel with effect from July 15, 2013.



Graduates of the Adult Literacy Programme at Kakapir



Groundbreaking ceremony of pre-school block at Winnington School Khewra



HTM Heater Project at Polyester site

### Auditors

The present auditors M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retired and being eligible, have offered themselves for reappointment for the new financial year.

As recommended by the Audit Committee, the Board has approved the proposal to appoint M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as the statutory auditors of the Company, subject to the approval of the Shareholders at the forthcoming Annual General Meeting of the Company.

### Compliance with the Code of Corporate Governance

As required under the Code of Corporate Governance incorporated in the Listing Rules of the Stock Exchanges in the country, the Directors are pleased to state as follows:

- The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any deviation from these has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance as detailed in the Listing Regulations.
- Key operating and financial data for the last 10 years is summarized on page 22.
- Outstanding taxes and levies are given in the Notes to the Financial Statements.
- The management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with best practices.

### Investment in Retirement Benefits

The values of investments made by the staff retirement funds operated by the Trustees of the funds as per their respective financial statements (audited) on June 30, 2013 were as follows:

	30-Jun-2013 Value (Rs. '000)	31-Dec-2012 Value (Rs. '000)
1. ICI Pakistan Management Staff Pension Fund	1,277,861	1,146,216
2. ICI Pakistan Management Staff Gratuity Fund	356,652	335,391
3. ICI Pakistan Management Staff Defined Contribution Superannuation Fund	494,049	437,234
4. ICI Pakistan Management Staff Provident Fund	819,183	818,783
5. ICI Pakistan Non-Management Staff Provident Fund	380,545	379,835

### Directors' Attendance

During the period under review, six (06) Board Meetings, five (05) Audit Committee Meetings and seven (07) Human Resource Remuneration Committee (HR&RC) Meetings were held. Attendance by each Director/CFO/Company Secretary was as follows:

Name of Director	Board of Directors Meetings	Audit Committee Meetings	HR & Remuneration Committee Meetings
Mr. Muhammad Yunus Tabba	1	-	-
Mr. Muhammad Sohail Tabba	5	5	6
Mr. Muhammad Ali Tabba	4	5	7
Mr. Jawed Yunus Tabba	1	-	-
Mrs. Amina A Aziz Bawany	5	-	-
Mr. Asif Jooma	6	-	7
Mr. Khawaja Iqbal Hassan	6	5	7
Mr. Muhammad Abid Ganatra			
Director & CFO	6	-	-
Mr. Kamal A Chinoy	1	-	-
Mr. Ali A Aga*	2	-	-
Ms. Saima Kamila Khan			
Company Secretary**	5	-	2
Mr. Aquil A Khan			
Acting Company Secretary for 321 Board Meeting	1	-	-
Ms. Fathema Zuberi			
Secretary to HR&RC	-	-	5
Mr. M Asif Malik			
Acting Secretary to HR&RC	-	-	1

\*Resigned w.e.f December 15, 2013

\*\*Appointed w.e.f July 15, 2013.





Aerial view of Karachi Head Office



Winners of the 11<sup>th</sup> CE Cricket Tournament in Lahore

### Director's Training

The majority of the Board members have the prescribed education and experience required for exemption from training programmes of Directors pursuant to the clause (xi) of the CCG, and the rest of the Directors will be trained within prescribed time period during 30 June 2012 to 30 June 2016. All the Directors are fully conversant with their duties and responsibilities as Directors of corporate bodies. The Board had arranged an orientation course of the Code of Corporate Governance for its Directors in the previous years to apprise them of their roles and responsibilities.

### Pattern of Shareholding

A statement showing the pattern of shareholding in the Company along with additional information as at June 30, 2014 appears on page numbers F 50 to F 53.

As at June 30, 2014, Lucky Holdings Limited together with Gadoon Textile Mills Limited and Lucky Textile Mills Limited held 87.33 percent shares, while Institutions held 6.08 percent, and individuals and others held the balance 6.59 percent.

**Muhammad Sohail Tabba**  
Chairman

Dated: August 29, 2014  
Karachi

The highest and lowest market prices of ICI Pakistan shares during 2013-14 were as follows:

Highest	June 2, 2014	Rs. 398.98
Lowest	November 4, 2013	Rs. 159.00

During the year, Mr. Asif Jooma, Chief Executive, purchased 506,920 shares of the Company and Mr. Kamal A Chinoy purchased 1,000 qualification shares as required under the Articles of the Company. The requisite returns in this respect were filed with the regulatory authorities in addition to informing the Board and the stock exchanges of the said transactions as required under the Code of Corporate Governance. Other than these, the Directors, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

### Group Financial Statements

The audited financial statements of the ICI Group for the year ended June 30, 2014 are attached. The ICI Pakistan Group comprises of ICI Pakistan Limited and ICI Pakistan PowerGen Limited, a wholly owned subsidiary.

**Asif Jooma**  
Chief Executive

# Statement of Compliance

with the Code of Corporate Governance for the year ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Chapter XI, Regulation No. 35 of the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes two independent Directors, four non-executive Directors and two executive Directors.

Category	Names
Independent Director	Mr. Khawaja Iqbal Hassan Mr. Kamal A Chinoy
Executive Director	Mr. Asif Jooma
Non-Executive Director	Mr. Muhammad Abid Ganatra Mr. Muhammad Sohail Tabba Mr. Muhammad Ali Tabba Mr. Jawed Yunus Tabba Mrs. Amina A Aziz Bawany

The independent directors meet the criteria of independence under clause i(b) of the CCG.

2. The Directors have confirmed that none of them is serving as director in more than seven listed companies, including ICI Pakistan Limited.
3. All the resident Directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or a NBFI. None of the Directors is a member of a stock exchange.
4. One casual vacancy occurred on the Board during the period under review, which was filled up as per the requirements of the Companies Ordinance, 1984.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures besides being placed on the Company's website.
6. The Board has developed a mission statement, overall corporate strategy and significant policies of the Company.

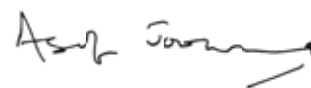
A complete record of particulars of significant policies along with the dates on which they were approved or amended is being maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive and non-executive Directors, have been taken by the Board.
8. During the period, Six Board meetings were held which were all presided over by the Chairman and in his absence, by the Vice Chairman of the Board. Written notices of all Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of all six Board meetings were appropriately recorded and circulated in time.
9. The majority of the Board members have the prescribed education and experience required for exemption from training programmes of Directors pursuant to the clause (xi) of the CCG, and the rest of the Directors will be trained within the prescribed time period during 30 June 2012 to 30 June 2016. All the Directors are fully conversant with their duties and responsibilities as Directors of corporate bodies. The Board had arranged an orientation course of the Code of Corporate Governance for its Directors in the previous years to apprise them of their roles and responsibilities.
10. The following appointments were approved by the Board during the year, including fixation of their remuneration and terms and conditions of their employment:
  - a) Ms. Saima Kamila Khan was appointed as General Counsel & Company Secretary with effect from July 15, 2013.
  - b) Mr. Muhammad Ali Mirza was appointed as Head of Internal Audit with effect from May 26, 2014.
11. The Report of the Directors for the year ended June 30, 2014, has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board. The annual accounts were also initialised by the external auditors before presentation to the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Company has an Audit Committee of the Board which has been in existence since 1992. The Board has reconstituted the committee comprising three members, of which two are non-executive directors and the Chairman of the Committee being an independent director.
16. The meetings of the Audit Committee were held at least every quarter prior to approval of financial results of the Company as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Company has an HR & Remuneration Committee of the Board which has also been in operation since 1997. The committee has been reconstituted by the Board which comprises five members, of whom three are non-executive directors including the Chairman of the committee, one executive director and one is an independent director.
18. The Board has outsourced the internal audit function to M/s KPMG Taseer Hadi & Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. They are involved in the internal audit function on a full time basis. The Company has appointed Head of Internal Audit effective from May 26, 2014 to coordinate with the Internal Auditors.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan (ICAP) that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of the Company's securities, was determined and intimated to Directors, CEO, CFO, Head of Internal Audit, other Executives and stock exchanges. ('Executive' as determined by the Board is an employee of the Company who is drawing a basic salary of Rs. 2.4 million or more in a year).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles contained in the CCG have been complied with.



**Muhammad Sohail Tabba**  
Chairman



**Asif Jooma**  
Chief Executive

Karachi  
August 29, 2014

# Review Report

## To the Members on Statement of Compliance with the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of ICI Pakistan Limited (the Company) for the year ended 30 June 2014 to comply with the Listing Regulation No. 35 (Chapter XI) of Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

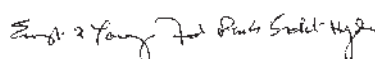
The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions

and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

Date: August 29, 2014  
Karachi

# Business Performance

The Business Performance section contains information on how each of our Divisions have performed during 2013-14.

BUILDING ON  
**DELIVERING**  
**ENDURING**  
**VALUE**





# FROM DIVERSIFICATION TO DISTINCTION

The Agri Division under our Life Sciences portfolio relaunched its Agrochemical Segment in December 2013. Eleven new products were also launched during this period and have received overwhelming market response.

Our Animal Health Division has achieved excellent results in their performance this year. The 'Own Brands' portfolio under the umbrella of 'Farmer's Choice' registered PKR 729 million revenue. Farmers Choice targets both livestock and poultry segments with a broad range of products.

On the other hand, two brands from our Pharmaceuticals Division have also had outstanding results this year. Tenormin maintained its position as the No.1 Cardiovascular brand in Pakistan by crossing record sales of PKR 850 million. At the same time, Nolvadex has become the first Oncology brand in Pakistan to sell 100,000 packs in a year.

Tenormin of the Pharmaceuticals  
Division crossed the PKR



**850 MILLION**

mark and is the



**NO.1**

**CARDIOVASCULAR  
BRAND  
IN PAKISTAN**



The Farmers Choice portfolio crossed the PKR

**500 MILLION  
MARK**

in November 2013





ROWETH

ITALY  
FEBRUARY

# Soda Ash



For over 67 years, we have been manufacturing and supplying Soda Ash to our valued suppliers and distributors who then deliver it to you.

We commenced operations in the 1940s with only 18,000 tons capacity and today, we are the largest producers of Soda Ash in the country.





Firing of kilns at Soda Ash site



Soda Ash Distributors Convention in Dubai

### Market Overview

Growth in the Soda Ash market in Pakistan continues to be impacted by energy shortages and a poor law and order situation. Poor availability of energy has especially affected energy dependent consumers of Soda Ash who are finding it increasingly difficult to sustain operations in such conditions.

### 2013-14 Highlights / Business Performance

The Business has a product offering which is second to none. This year, we continued to strive to be the supplier of choice for downstream industries and key business partners. Our values drive our business philosophy and therefore, we believe in developing customer centric solutions and proposals which reflect our aspirations and brand promise. The Coal Fired Boilers project has commenced operations during the period under review which has significantly reduced our dependency on expensive alternative fuels leading to operational effectiveness and improved cost control.

### Developments / New Initiatives / Customer Engagement

During the period under review, ICI Pakistan's Board of Directors approved an investment of PKR 500 million on the expansion of the Refined Sodium Bicarbonate manufacturing facility. This expansion will meet the growing needs of the market and will ensure that ICI Pakistan continues to be the 'preferred' supplier of Refined Sodium Bicarbonate in Pakistan.

The Business endeavours to pursue an environmentally conscious agenda and continues to promote initiatives to reduce the burden placed on the environment. In 2014, emphasis was placed on reducing electricity, water and natural gas consumption at the Soda Ash manufacturing site and other regional offices across Pakistan.

### Challenges

The Soda Ash Business has been able to overcome serious challenges including supply chain bottlenecks, poor law and order situation and a severe energy crisis prevailing in the country.

Despite the adverse circumstances, the Business has met all objectives for the reporting period and has registered revenue growth. This has been accomplished through the dedicated efforts of our people who have further strengthened relationships with our committed partners.

### Future Plans

Going forward, the Business has a clear strategic plan to tackle existing challenges and ensure preparedness for the future. Our aim is to set the highest standards in the industry for customer centricity, integrity and commitment. The Soda Ash Business will continue to be a reliable supplier of quality product in the domestic, as well as, regional export markets.

# Life Sciences



From leading medicines to veterinary brands; our business is the science of life. We put our customers first and this helps us to empower communities to learn and adopt our best practices.

Improving the quality of your life is our aim and our business philosophy. We ensure that our customers' trust in us remains intact and that our brands remain synonymous with quality and consumer confidence.



Animal Health celebrates record sales at Gala Night 2014



Farmer Education Campaign

## Animal Health

### Market Overview

The agricultural sector in Pakistan contributes 21% towards the national GDP and employs nearly 44% of the country's labour force. It supports other aspects of the economy by promoting aggregate demand for agro-based industrial goods and services and accounts largely for foreign exchange earnings. The livestock sector dominates with 55.9% share in the value addition of agriculture and 11.8% share in the GDP of the country. The sector provides livelihood to approximately 30 to 35 million people from the rural population. The gross value addition of livestock has increased from PKR 756.3 billion (2012-13) to PKR 776.5 billion (2013-14), showing an increase of 2.7 percent from last year. Therefore, livestock has emerged as a significant alternative income source, particularly for domestic farmers and the rural labour force.

The major products of livestock are milk and meat. With abundant natural resources in the shape of a large livestock population and amicable climate, Pakistan has evolved to become the fourth largest global milk producer. Milk production has increased by 3.2 percent and meat by 4.5 percent during 2013-14 as compared to the same period last year. However, the livestock market of Pakistan is still primarily unorganised and technology adoption is a challenge since the livestock population is scattered with an average farm holding of one to six animals while the per-animal production is less than 3 litres.

Despite the challenges, there is a large gap in Pakistan's per capita consumption of milk and meat as compared to world average and statistics depict an increase in demand for livestock products. This is chiefly due to population growth, higher per capita income, remittances, export proceeds and general immunity from weather related problems, thereby making the livestock sector a promising avenue for consistent growth.

The Poultry sector is also an important and vibrant segment of agriculture in Pakistan. This sector has contributed at least 1.3 percent to the National GDP during 2013-14 while its share in agriculture and livestock value added stood at 6.1% and 10.8 % respectively. Poultry meat has contributed to 28% of the total meat production in the country. Poultry generates direct and indirect employment for about 1.5 million people and is the largest industrial consumer of grains, especially maize. The current investment in the Poultry Industry is greater than PKR 200 billion and the sector has shown a robust growth

of 8-10 % annually which reflects its inherent potential. The poultry value added at current factor cost has increased from PKR 121.7 billion (2012-13) to PKR 130.7 billion (2013-14) showing an increase of 4% as compared to previous year. Key features of the poultry industry are rapid mechanisation, introduction of integrated farming systems, superior bio-security and value addition through sizeable investments. Overall, the organised animal healthcare market is estimated at PKR 14.4 billion.

### 2013-14 Highlights

In the period under review, seven new products from the new principal "Inform Nutrition" and one new product from the existing principal "Elanco" were launched for the livestock and poultry segments. The addition of "Inform Nutrition" portfolio has paved the way for marketing and distribution for a new customer segment in the Animal Health Division.

The revenue of 'Own Brands' portfolio under the umbrella of "Farmer's Choice" was PKR 729 million. Thus, we have recorded a healthy growth of 34% over same period last year and have made Own Brands a major component of the Animal Health Division's comprehensive portfolio. The Division's primary animal feed "ICI Vanda", has grown by 40% and Elanco's Somatech; a bovine somatotropin hormone milk enhancer, has witnessed a growth of 19% resulting from deeper market penetration, stronger foothold at farm level and an increase in market share.

Overall, our Animal Health Division has registered net sales of PKR 2,062 million with a growth of 17% in 2012-13. The EBIT with PKR 227 million grew by 32% over the same period last year.

### Customer Engagement

One of our core values is 'customer centricity' and putting our customers first enables us to develop farming communities which can adopt sustainable practices over time. These are the main drivers behind our approach of serving farmers at the grass-root levels across the country.

This year, we arranged technical sessions for our customers and invited foreign delegates to train them on how to add value in the poultry and dairy industry. We also arranged foreign trips for key customers to attend international congresses on how to enhance awareness on the implementation of new technologies which are subsequently conducive to farming efficiencies and Return On Investment (ROI).





Participation in Annual Symposium, Larkana



Life Sciences Annual Business Conference in Thailand



Participation in 21st BIC Conference, Islamabad

The team is periodically trained on product technologies as well as farm management practices and accordingly, their discussions with our end customers are built on finding the right 'solutions' to improve and strengthen farm economics through the use of innovative products.. Our interaction with customers is aimed at quality education which can augment their understanding of animal health and safe farm practices. Furthermore, the Division has organised various awareness sessions and farmers' gatherings to highlight preventive measures and practices for better animal health.

### Challenges

In the fiscal year, the domestic Animal Health industry continued to face serious challenges in disease endemics and price fluctuations.

Locally produced low quality imported and Chinese generics represent few of the substantial challenges. Management of high Aflatoxin levels in the inputs for animal feed concentrates (mainly maize, rice polish and cotton seed cake) has remained a major challenge to the livestock industry. Our Animal Health Division has continually provided guidance and technical support to farmers along with the supply of high quality feed concentrate (ICI Vanda) contributing to the health of the animals.

### Future Plans

We are determined to pursue our strategy of growth and innovation by developing our 'Own Brands' range to cater to newer and wider segments of the animal health market. The Company is also working on strengthening its biological portfolio by adding new partners both in the livestock and poultry sector. Furthermore, the Company has leased a manufacturing facility for Animal Health products and has applied for a Drug Manufacturing License in its name. The facility is under construction which is expected to start commercial production by the fourth quarter of next year.

## Pharmaceuticals

### Market Overview

The domestic Pharmaceuticals market is estimated at PKR 229 billion with a growth of 15% on MAT basis at the end of quarter one in 2014. The market has witnessed consistent growth over last the 20 years and continues to depict immense potential for further growth.

### Business Performance

ICI's Pharmaceuticals division has demonstrated market growth of 13%. The Astra Zeneca portfolio has continued to grow and the

team is fully geared to accelerate sales output in the year ahead. Our flagship brand Tenormin crossed a landmark milestone and has registered sales of PKR 850 million and in doing so has maintained its position as the No.1 Cardiovascular brand in Pakistan. At the same time, Nolvadex has become the first Oncology brand in Pakistan to sell 100,000 packs in a year. Meronem on the other hand crossed the coveted PKR 500 million sales mark.

In the Own brands portfolio, we have continued to develop our footprint in the paediatric and gynaecology segments. This has been strengthened by the launch of women health related brands, Gravida and PregNova. The unique formulation of Gravida is designed to help the growth and development of the fetus during pregnancy and PregNova is a natural remedy for nausea and vomiting during the period of pregnancy.

### Challenges

The absence of a pricing policy during this period has resulted in litigation and disputes between stakeholders. Product registrations have continued to cause challenges particularly in the area of Biologicals. With the directives of the Sindh High Court, it is expected that an agreed pricing policy will be in place to provide a consistent framework for pharmaceutical companies and health care providers.

### Customer Engagement

Our anti diarrhoea probiotic Amybact team launched a Diarrhoea Management Education Programme (DMEP). Under the umbrella of this campaign, awareness presentations were conducted in paediatric wards of leading hospitals with leading physicians who also participated through focus group meetings. The programme will be extended to the general public as well through awareness activities.

### Future Plans

The establishment of a Nutraceutical facility at the Head Office premises is a significant step towards developing a solution for consumers' who demand high quality Nutraceuticals products. Global trends support the use of Nutraceuticals as healthcare providers and regulators look to shift from disease management to early prevention. This is expected to be well received in Pakistan as well. We are also well on our way to develop a few brands in the women health segment and have strategies in place to acquire brands in other fast growing therapeutic segments.



Research Farm of Agri Division  
in Sahiwal



Recently commissioned Seeds  
Processing Plant



Okra seeds - Field Day

## Agri

### Market Overview

The Agricultural sector is one of the most important sectors in the Pakistan economy. During 2013-14, the sector grew at a rate of 2.1% and has employed approximately 43.7% of the Pakistan labour force. Within the agricultural sector, primary crops grew at 3.7 % while other crops and cotton ginning witnessed a decline of 3.5% and 1.3% respectively. Primary crops accounted for 25.6% of agricultural value addition.

The Seeds industry has been dominated by Open Pollinated Variety (OPV) seed market with more than 80% share. Major crops like wheat, sugar cane, cotton and rice have been the chief contributors to the agricultural sector. Every year, the share of Hybrid seeds is growing in the seed market, especially for corn and rice. The vegetable seeds industry is also dominated by OPV's and it is a largely unregulated segment with many local distributors dominating the market.

### Business Performance

Agri Division faced a challenging environment in the year under review. During the year, the segment launched its agrochemical product range. The Division consolidated its position in the vegetable seeds segment and achieved a growth of 73.3% in the last year. Despite many challenges, the seeds segment was also able to register a growth of 15.4% over same period last year. Within the seeds segment, the business achieved 102% growth in corn, 146% in OPV own brands and 33% in micronutrients.

### Developments

In the period under review, the focus of the segment was to launch agrochemical products while maintaining and strengthening its position in the existing portfolios of seeds & vegetable seeds. A number of new products were launched under the umbrella of seeds & vegetable seeds segment. This included the launch of two varieties of autumn corn, wheat OPV seeds and a hot pepper variety. Eleven new products for Agrochemicals were also launched during this period, along with addition of one new micronutrient product. Our seeds processing plant was completed within the period under review, and is now fully functional.

### Challenges

Challenges in the period included high inflation, slow economic growth, lack of water, energy shortages and high raw material prices which have all jointly led to a decline in the ability of the farmers to invest in farm inputs. Abrupt changes in weather, such as prolonged rains, lengthy dry spells and mild winters, have all led to affecting farm yields. Unorthodox market practices along with supply chain issues in the agricultural industry are a major challenge while the registration of agrochemical and seeds products also have to face regulatory hurdles. Lack of standardisation and poor controls have led to the market being flooded with cheap agrochemicals, micronutrients & bio fertilisers.

### Future Plans

The Agri Division has an aggressive growth plan in place for the future. We are engaged in executing our marketing plans and strengthening our sales team across Pakistan and are planning to launch new products for our agrochemical and micronutrients portfolio. The Seeds segment will be further strengthened by the addition of rice hybrid and pearl millet hybrid seeds. We are evaluating new principals for our Vegetable Seeds Segment and are also determined to strengthen our own brand portfolio by strengthening our OPV products to pursue sustainable growth. This will consequently allow us to increase our reach to more segments in the agricultural market.

# Chemicals



We service almost every industry in Pakistan and touch lives in the smallest of ways. For decades we have partnered with trusted suppliers and brought our customers the best technology solutions.

From buildings to automotive and appliances to food, ICI Pakistan chemicals are and have always been a part of your life.



Annual Business Conference in Khanpur



ICI-Veolia training sessions

## General Chemicals

### Market Overview

The General Chemicals Business unit comprises of two primary divisions, Trading and Polyurethanes.

The Trading division represents renowned world brands and manufacturers which specialise in building and construction, food and beverages and several other industries. The Trading business creates value for customers through dedicated after-sales support, strong service delivery and committed local availability.

The Polyurethanes division has a partnership with one of the world's largest MDI producers, Yantai Wanhua. Through its local blending facility, the Business is able to serve the industries of appliances, construction, automation, insulation and sportswear in Pakistan and the Middle East. This partnership has positioned ICI Pakistan as a leader in the domestic Polyurethanes market.

The Pakistan economy has continued to suffer due to uncontrollable energy shortages, a turbulent political environment and a deteriorating law and order situation. Despite these challenges, the economy has witnessed positive growth which has helped in creating an investment friendly climate for entrepreneurs. The Rupee revaluation has had a positive impact on import related businesses, providing the impetus for strong growth in the Trading division.

## Business Performance and Development

### Trading

The year began on a positive note with the introduction of new products and a significant improvement in the supply model of the industry. This trend has been gaining momentum throughout the year and the business has exceeded expectations month on month. Present forecasts depict further growth.

Under the food and beverages segment, we achieved record breaking success by entering into new markets and product categories which have subsequently contributed to a large market share. The Business has delivered extremely well in the coatings segment through new product development and a consolidation of business in Tioxide.

### Polyurethanes

The Polyurethanes market is becoming more challenging as increasing capacities have forced manufacturers to sell products at lower prices; which has subsequently led to a price war. The growing global demand for Polyurethane has positioned Pakistan as an emerging competitor with a sound pricing strategy. The Business has aggressively maintained the lion's share of the market and also ventured into newer segments in order to maintain a strategic advantage.





Meeting with Diversey in Colombo



Chemicals Team at the Fevicol Launch Ceremony

### Challenges

Our first and foremost challenge remains to build on the success and growth we have achieved this year. The uncertain political environment also places restrictions on domestic businesses and industrial activities. The Business plans to put greater focus on innovative products to cater to the needs of its growing customer base.

### Future Plans

Our outlook for the future is stable as we consolidate our relationships with our partners and build on our product offering. We plan to increase our market share across all segments by introducing new products that complement our existing portfolio and strengthen our position as the partner of choice. We plan to achieve this by continuous innovation through our entrepreneurial spirit and by nurturing new ideas and developing new relationships with suppliers.

The Polyurethanes industry is witnessing a technological change in the manufacturing cycle. Efforts are being made to shift from the traditional HCFCs to more environmentally friendly products. This large scale shift will eventually have an impact on the product profile in Pakistan and press local players to upgrade and align products with their global competitors. Our aim is to venture into new segments for Polyurethanes in Pakistan and leverage our existing strengths in the Gulf Cooperation Council (GCC) countries.

### Specialty Chemicals

#### Market overview

Specialty Chemicals furnishes diverse industries that have been pillars in the country's economic growth, especially in the textile, agriculture and construction industries. Our product offering has been a fundamental part of all industries that we service. For example, we provide innovative auxiliaries for fabric processing in the textile industry, high quality adhesives for the construction industry and emulsifiers used in the manufacturing of pesticides in the agricultural segment. The Specialty Chemicals business has demonstrated strong growth in recent years through continuous expansion of existing products and by supplementing its portfolio with new and innovative solutions.

The construction industry has grown steadily in line with the GDP, however the Business has delivered a strong double digit growth in all operating industries through aggressive product and customer development. The country's economic landscape continues to be challenging, but we expect to grow with continuous product development and portfolio expansion.

#### Business Performance and Development

The Business has posted the best performance for the period in review as compared to same period in previous years. The textile segment which is the chief contributor in the Specialty Chemicals portfolio has shown promise and resilience. The Business has also partnered with innovative technology associates from Turkey, China and the USA.



Speciality Chemicals team at the RISE Conference



Key Hazard Awareness Campaign at the Chemicals Plant

The Adhesives portfolio has continued to depict promising performance in line with a growing industrial demand. The coalitions with technology partners has enabled us to broaden our product portfolio and enter into new markets and segments to pursue our growth ambitions.

We have also entered into a marketing agreement with one of the largest adhesive manufacturers in India, that has a worldwide presence in adhesives, construction chemicals, art material and industrial chemicals. The alliance will help us diversify our portfolio and augment our business aspirations of growth through diversification.

### Challenges

The Pakistan economic landscape continues to be challenging. The ongoing energy shortages and law and order situation indicates a tough year ahead. However, the Business is set to demonstrate resilience by striving to be the partner of choice and by building strong customer relationships.

### Future Plans

We plan to drive growth in the segment by broadening our product range and by building strong partnerships with existing and new customers and suppliers. The cornerstone for growth of the Business will remain to be techno-commercial expertise, innovation and an enhanced customer value proposition.



# Polyester



Invented by British chemists, John Whinfield and James Dickson, the first polyester fibre, Terylene, was introduced to the world by ICI in 1941. Today, the polyester fibre has a wide variety of uses and applications; from home furnishings to clothing and apparel to industrial fibres.

Seven decades since the invention, ICI Pakistan continues to grow from strength to strength, being recognised for its best practices in product innovation and customer centricity.



Coal Fired Boiler Project at Polyester site



HSE Week 2014 at Polyester site

Polyester Staple Fibre (PSF) is a man-made fibre which has over decades evolved into a key raw material for the downstream textile value chain. It is manufactured by the polymerization of two key materials namely, Pure Terephthalic Acid (PTA) and Mono-Ethylene Glycol (MEG), both being derivatives of crude oil.

PSF is used by the spinning industry to manufacture different polymers and blended yarns, which are subsequently processed into a variety of products. Fabrics woven or knitted from polyester yarns are used extensively in apparel and home furnishing, from shirts and trousers to bed sheets, blankets and upholstered furniture.

The domestic PSF industry is an integral part of the textile industry value chain; a sector which has continued to be the mainstay of Pakistan's economy. Textiles is the single largest industry sector which contributes 45% to domestic manufacturing, over 50% to the country's exports and provides employment to more than 35% of the country's workforce.

### Market Overview

The price of key raw materials remained bearish throughout the fiscal year predominantly due to recurring issues of regional over-supply and dwindling demand. The main driver of PSF feedstock prices is oil, which was influenced by geo-political developments in the Middle East region. Para-xylene (PX), PTA and MEG prices maintained a pessimistic outlook throughout the period under review as producers resorted to production cutbacks to curb the negative effects of heavy oversupply, mainly in PTA sector.

International and domestic cotton prices also exhibited volatility as supply concerns from the primary producing countries were more than offset by projections of increasing production in others. China overhauled its cotton stockpiling programme, which had been the reason for firm prices despite increasing global cotton stocks, and introduced a more direct subsidy programme for farmers.

The global PSF industry operated in a market with soft feedstock pricing, capacity overhang and sluggish demand. Domestically, the situation was made worse as volumes and margins suffered significantly due to continuing severe energy shortages and unchecked dumping of PSF by exporters from China.

### Business Performance

The period under review proved to be difficult for the domestic industry as producers continued to face pressures and

challenges with capacity overhang and lackluster demand. Dumped fibre prices fell to inexplicably low levels with PSF exporters from China targeting Pakistan as a key market to dump their product. In these difficult market conditions, with volumes and margins under significant pressure, for the financial year ended June 2014, the Business maintained its sales volume of 113,985 MT, approximately at the same level at that achieved in the same period last year.

### Key Initiatives

An appeal was filed with the Appellate Tribunal of the National Tariff Commission (NTC) following the issuance of a negative final determination in the industry's anti-dumping duties application. The appeal is currently under consideration.

### Challenges

The regional polyester PSF market will continue to remain under pressure due to an enduring capacity overhang. The situation for the domestic industry has been exacerbated by the unchecked dumping of fibre of Chinese origin and a day-by-day worsening energy situation of the country.

### Future Outlook

The supply overhang and declining demand in the region is expected to continue into 2015. Furthermore, the Chinese government's new direct subsidy programme for cotton growers is likely to dampen cotton import demand, which when combined with the projections of increased global output provides a favourable outlook for cotton prices in the coming year. Domestically, the continuing energy crisis and escalating power tariffs continue to test the domestic industry, significantly eroding competitiveness. In order to overcome this key challenge, the Business is on schedule to complete its major energy project. To counter the serious challenge of dumped PSF from China, the Business is also preparing to file a new anti-dumping duties application.

### Energy projects

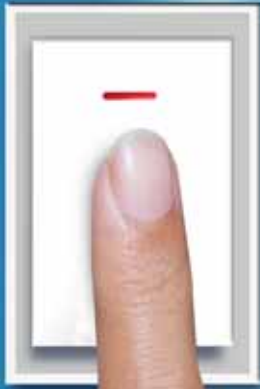
In order to arrest the increasing costs of production, it was imperative that all avenues that make the processes more efficient and effective be fully explored. Consequently, two key energy projects were initiated; the Coal Fired Heaters project and the Coal Fired Boilers project. The former project has been successfully commissioned and brought under operation, resulting in energy savings and considerable process improvement. Work on the Coal Fired Boilers project is underway and completion is expected by mid 2015. This key project is expected to help further reduce energy costs.

# Sustainability Performance

The Sustainability Report covers our sustainability strategy, the formation of the Sustainability Council, Key Performance Indicators, our long term targets and where we stand today.

Operating responsibly is the key driver behind our business processes and we are committed to creating a better workplace, a cleaner environment and progressive communities.

# BUILDING ON INNOVATION



# LEADERS IN SUSTAINABILITY

ICI Pakistan is engraving its footprints globally and has recently been nominated for the "Sustainability Innovation Award" by BSL (Business School Lausanne, Switzerland) for its sustainability practices and its significant engagement in addressing important economic, societal and environmental issues.

Our aim is to increase stakeholder value by delivering sustainable solutions to our customers and we consider that essential towards the success of our Company.

We have been leaders in sustainability and innovation and have plans in place to explore methods that not only meet our needs today but protect the planet's resources.



**WINNERS OF THE 2011  
AND 2012**

ACCA-WWF Best Sustainability Award



**RUNNER-UP IN 2013**

ACCA-WWF Best Sustainability Award

# INNOVATION

PRINT SOCIETAL SUSTAINABILITY







# Leadership Statement

## Dear Stakeholders,

Welcome to the ICI Pakistan 2013-14 Sustainability Report. For six years, we have been reporting our performance as a responsible company with respect to the communities within which we operate, the environment and people. One of our core values is "Integrity and Responsibility", which forms the basis of our DNA and how we do business. Sustainability and operating responsibly is integral to us and we believe in actively participating with our internal and external stakeholders to build a cleaner environment and efficient and safe operational procedures. We consider this to be our license to operate.

We have been the industry leaders in carrying out operations whilst incorporating the key principles of sustainability. Having gone through a period of significant change and transition, I am pleased to share that we have reconstituted our Sustainability Council and established a proper platform to take the Company's sustainability agenda forward. We realise that it is time for the Company to recalibrate itself against the globally recognised sustainability standards and thus, we are aiming to take a fresh look at our performance against the Key Performance Indicators that benchmark Sustainability.

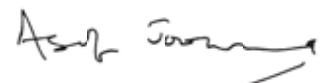
The Council is entrusted with setting-up strategy, establishing goals and integrating sustainability into the daily business activities across the Company. The Council has

evolved a strategy that not only depicts our sustainability objectives but provides a clear strategic direction of how sustainability will become a key driver of performance within the organisation.

To address the ongoing energy shortage in the country and its impact on our operations, the Company has continued to make investments in coal fired energy solutions. Recognising the environmental considerations associated with usage of coal as a source of fuel, we have strictly adhered to regulations and have ensured that we remain fully compliant to the emission standards set by the Pakistan EPA.

We approach this report and our progress, with commitment to our core values and zero tolerance towards non-compliance. Our objective is to show you a clear picture of where we stand today and what we plan to achieve in the future.

We hope to receive your feedback and suggestions on how we can create a more sustainable organisation and a greener tomorrow.



Warm regards,  
**Asif Jooma**

# Highlights for 2013-14

- The Certified HSE&S Management System is in place.
- Due to deteriorating energy situation, use of furnace oil and coal increased thus negatively impacting gaseous emissions, waste generation and total energy consumption per ton of production.
- Fresh water usage per ton production has again shown improvement over last year chiefly due to water conservation initiatives. At 8.44 m<sup>3</sup>/te, we continue to be in line with our 2015-16 target of 8.9m<sup>3</sup>/te.
- Two reportable injuries for employees and supervised contractors and two for independent contractors were reported during the year with total reportable injury rate of 0.33 and 0.56 respectively.
- The Company has registered zero reportable occupational illnesses.
- EPA approval acquired for new projects against Environmental Impact Assessment.
- 13% increase in vendor policies signed by NPR suppliers.
- A total of 3,123 man-days of training were successfully completed.



# Sustainability Council

## Objectives of the Council

The objective of the council is to assist the Board in fulfilling its oversight responsibilities to the shareholders in respect to the development, implementation and monitoring of the Company's Health, Safety and Environment policies, and practices that relate to the sustainable growth of the Company.

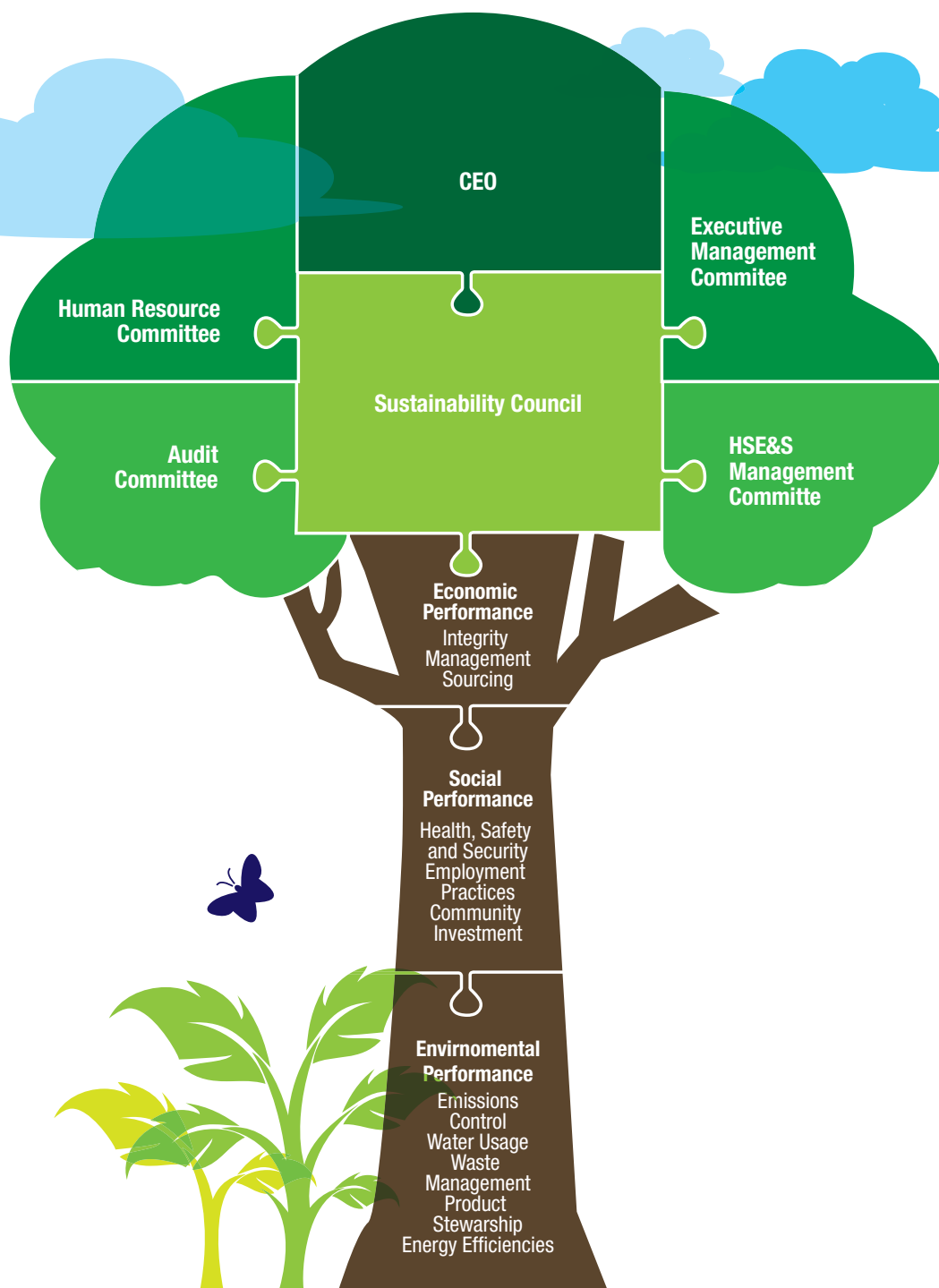
## Roles of the Council

- Defining KPI's, measurement matrix and establishing targets\*.
- Review on a continuing basis of partnerships and relationships, both current and proposed, with all stakeholders i.e. customers, regulators, communities, shareholders and suppliers that support the Company's sustainable growth.
- Review on a continuing basis of the Company's communication strategies relating to sustainable growth.
- Review on a continuing basis of new and innovative technologies that will permit the Company to achieve sustainable growth and implement Company actions to protect such technologies.

*\*Our targets defined for 2015 in this report will be revisited by the newly formed council. The next Annual Report covering the period 2015-16 will be based on revised targets.*



# Sustainability Council Structure



# Sustainability Strategy

ICI Pakistan has been producing a Sustainability Report for the past six years. Due to the numerous changes that the Company has been through in recent years, it had previously been challenging for the management to restructure the Council and sketch the framework for the sustainability strategy. In 2010 and 2011 the Company experienced strategic changes including the demerger of the Paints Business. During 2012, ICI Pakistan was acquired by YBG, one of Pakistan's most progressive and dynamic groups with diversified interest in textile, cement and power generation.

This year we are happy to report that we have successfully reconstituted and established the ICI Pakistan Sustainability Council which will enable us to effectively contribute towards sustainability in our core businesses. The Sustainability Council is made up of a multi-disciplinary team which represents every segment of our various businesses.

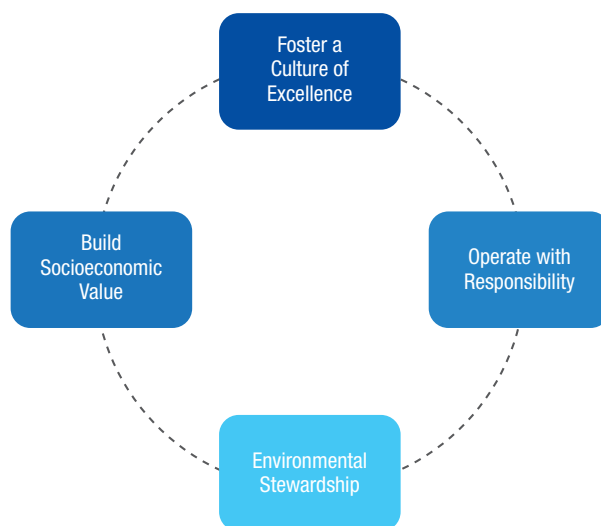
Due to a globally dynamic scenario, the Council has agreed upon refining certain aspects of the sustainability strategy over time to reflect any domestic and global industrial challenges. Progress to this effect will continue to be shared with all stakeholders.

## **Foster a Culture of Excellence**

We want to build a culture where people deliver and we want to do this by attracting and retaining the best talent.

## **Operate with Responsibility**

We want to build lasting relationships with all our stakeholders and build processes to operating responsibly.



## **Environmental Stewardship**

We want to be the leaders in innovation and developing solutions to reduce our impact on the environment.

## **Build Socioeconomic Value**

We want to create value in our local communities by providing the tools required for capacity building.





# Sustainability Framework

## **Economic performance**

Integrity Management  
Sourcing

## **Social Performance**

Health, Safety and Security  
Employment Practices  
Community Investment

## **Environmental Performance**

Emissions Control  
Water Usage  
Waste Management  
Product Stewardship  
Energy Efficiencies



# About the Report

We began voluntary reporting on sustainability for the first time in 2008 with the first report published along with the Annual Report covering the period 1 January 2008 to 31 December 2008. This is our sixth effort on presenting a Sustainability Report and we have used the G3 Reporting Framework issued by the Global Reporting Initiative (GRI) and are applying the GRI Reporting Framework at Application Level B+.

## Report Boundary

This report covers our four Businesses and all our Corporate Functions. After the demerger of our Paints Business in June 2012, we now have three manufacturing sites, three corporate offices and five regional/business offices and data in this report covers all of these.

Employee data includes management and non-management staff. Community Investment is handled by the ICI Pakistan Foundation which is a separate legal entity registered as a Trust. All monetary amounts in this Report are Pakistani Rupees, unless otherwise indicated.

## Reporting Period

Following the acquisition of majority shareholding of the Company by YBG, the financial year has been changed from January-December to July-June for alignment with associated companies in the Group. The reporting period is July 31, 2013 to June 30 2014. Data has mainly been obtained from our financial management reporting systems, corporate HR information management system and our reporting systems for Health, Safety, Environment & Security (HSE&S) performance indicators.

## Report Content

In 2010, an important step towards integrating sustainability within the organisation was conducting a stakeholder dialogue and establishing Key Performance Indicators (KPIs). These KPIs also have targets set for 2015 which shall serve as pathfinders for us. Like last year, the content of this report has been developed in accordance with the KPIs and our performance against these. The content of this report has been decided upon by the Sustainability Council and has been developed in accordance with our Sustainability framework based on the triple bottom line concept of economic, social and environmental parameters.

## Data Collection

### Collection:

All our environmental, health, safety and security data is derived from our EPM database. A quarterly reporting cycle is in practise and all related information is gathered and entered by respective businesses and functions while the Corporate Health, Safety and Environment Manager, reviews and manages the data for ICI Pakistan Limited as a whole. Data pertaining to integrity management, employment practices, sourcing and community investment is compiled and monitored by the Sustainability Council members responsible for each area.

Due to the divestment of AkzoNobel shareholding on December 28, 2012, many shared systems such as our

HR Systems, IT and HSE&S reporting systems are under transition and we are developing local systems of our own. We have limitations therefore in collecting some data and appropriate explanations have been made throughout the report.

### Accuracy:

We are confident in the overall reliability of the data reported, but recognise that some of this data is subject to a certain degree of uncertainty, inherent to limitations associated with measuring and calculating data. Senior managers within the organisation approved the content and the quantitative data used in the Sustainability facts and figures relating to their respective areas of responsibility.

### Consistency:

The KPIs set and the data reported this year serve as a baseline and reporting standard for the years to come. Any additional developments shall be reported accordingly however, the reporting framework established this year shall be a consistent baseline standard.

## Assurance & Verification

Our sustainability performance is monitored through a multi-disciplinary Sustainability Council. This Sustainability Summary Report forms part of our sustainability reporting and is designed for general readership only. United Registrar Systems (URS) has conducted an independent verification and assurance of data presented in this report. The indicators for our sustainability reporting are selected from the G3 Reporting Framework issued by the Global Reporting Initiative (GRI). The GRI is a large multi-stakeholder international network of thousands of sustainability experts. The GRI G3 Reporting Framework is the most widely accepted global standard for corporate responsibility reporting.

## Contact us

We encourage feedback on our Sustainability Report. If you would like to comment on the report or find out more about our Sustainability strategy and programme, please e-mail us at:

[sustainability.council@ici.com.pk](mailto:sustainability.council@ici.com.pk)

A soft copy of this report and additional information on our business units and products is available on our website at [www.ici.com.pk](http://www.ici.com.pk)

If you are unable to access these resources or need further information, please contact:

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# Stakeholder Engagement

Proactively sharing and exchanging ideas is how we engage our partners to join us in our continued efforts to operate responsibly.

Every person, group or organisation associated with our operations becomes 'our' stakeholder. These include our employees, suppliers, distributors, regulators and shareholders. We try to engage everyone in our journey to operating responsibly and regularly meet with the community to exchange ideas and solicit feedback.

Some examples of our Stakeholder Engagements in 2013-2014 are:

## Customer Engagement Sessions

- Our Animal Health Business conducted more than 300 seminars, round table discussions, professional's and farmers gatherings across the country which were attended by approximately 8,000 customers.
- The ICI Polyester commercial team has started to provide latest yarn market data and information to its customers. The information on the latest developments on different yarns demand/supply is being shared with customers in a structured format to help them to better understand their customer market.
- In Q3 & Q4 2013-14, with the help of global partners, our Animal Health Division conducted training sessions, seminars and workshops to actively engage key stakeholders that include poultry feed millers, poultry integrators, corporate dairies, milk processing companies, veterinarians and farmers belonging to both livestock and poultry.
- We engage our customers, distributors and industry stakeholders from both livestock and poultry industries through active participation in long term strategy development. To this end, stakeholders attended seminars in Italy and UAE where group discussions, which focused on the current and future trends of the livestock, poultry and feed industry; helped to guide the business teams in developing a long term strategy.
- The ICI Polyester business has "Gone Green" by adopting an E-Ledger system whereby an Auto System Generated email is sent directly from its system to customers every month end. The statement gives a history of purchases and details on outstanding balances.

- ICI's Polyester Business filled a Critical Customer Contact Gap whereby it integrated an emerging channel of a 24 hour customer SMS service to keep customers informed regarding their dispatch status.

## HSE Trainings

We believe in operating responsibly and safely and therefore, we strive to create a working environment which is safe and conducive to productivity and constant awareness.

- Safety week was celebrated at each Business with comprehensive accident and emergency basics.
- Polyester HSE team also provided firefighting and first aid training to the staff of Shehzad Textile and Wisal Kamaal.

## Community Development

For a number of years, ICI Pakistan has actively worked towards community development and has given our society the important tools for change. We have established programmes in continuity which will provide long term benefits in education and health, and have rolled out campaigns for community enrichment.

- Every year on the 8th of March, Women's Day is observed to celebrate, appreciate and acknowledge the achievements of women across the globe. This year, the Youth Council of the US Consulate Lahore organised an event to celebrate international women's day with the collaboration of National Forum of Women with Disabilities (NFWWD) and ICI Pakistan, Polyester Business.
- To encourage and support Special Sports in Pakistan, the Chemicals Business interacted with special athletes of Pakistan who took part in the Special Olympics and won accolades for the nation.

## Staff Engagement Sessions

- The Polyester Business team gathered at Green Fields Country Club to develop plans for the coming year and to strategize for the challenges that lie ahead.
- Effective communication is a cornerstone for the success of any Company. To communicate the Company's vision and collectively evolve a corporate strategy, a three day Aspiration 2018 Workshop was held in Islamabad which

was attended by over 40 managers across all Businesses and Functions. Company-wide sessions were held to roll out ICI's Vision, Values and Competencies, during the year.

- In addition to the above, Chief Executive communication sessions were also held at different locations regarding the latest Company developments and their relevance with the vision and strategy.

#### **EIA Public Hearing of 'HTM Heaters, Power & Steam Generation Plants Using Coal Fired Boilers'**

ICI Pakistan has installed HTM Heaters, Power & Steam Generation Plants Using Coal Fired Boilers at the Polyester plant. The Environmental Impact Assessment (EIA) is a legal requirement of Pakistan Environment Protection Agency according to section 12 of constitution of Pakistan 1973, the potential impacts of proposed projects relative to the physical, chemical, biological, cultural and socio economic components of the total environment must be assessed. For this purpose the HSE Department of Polyester Business arranged a public hearing of EIA. A huge number of people from neighbouring communities along with 60 students of Environmental Sciences from Lahore College for women University & Kinnaird University participated in this public hearing.

#### **Participation in Green Industry Initiatives Seminar**

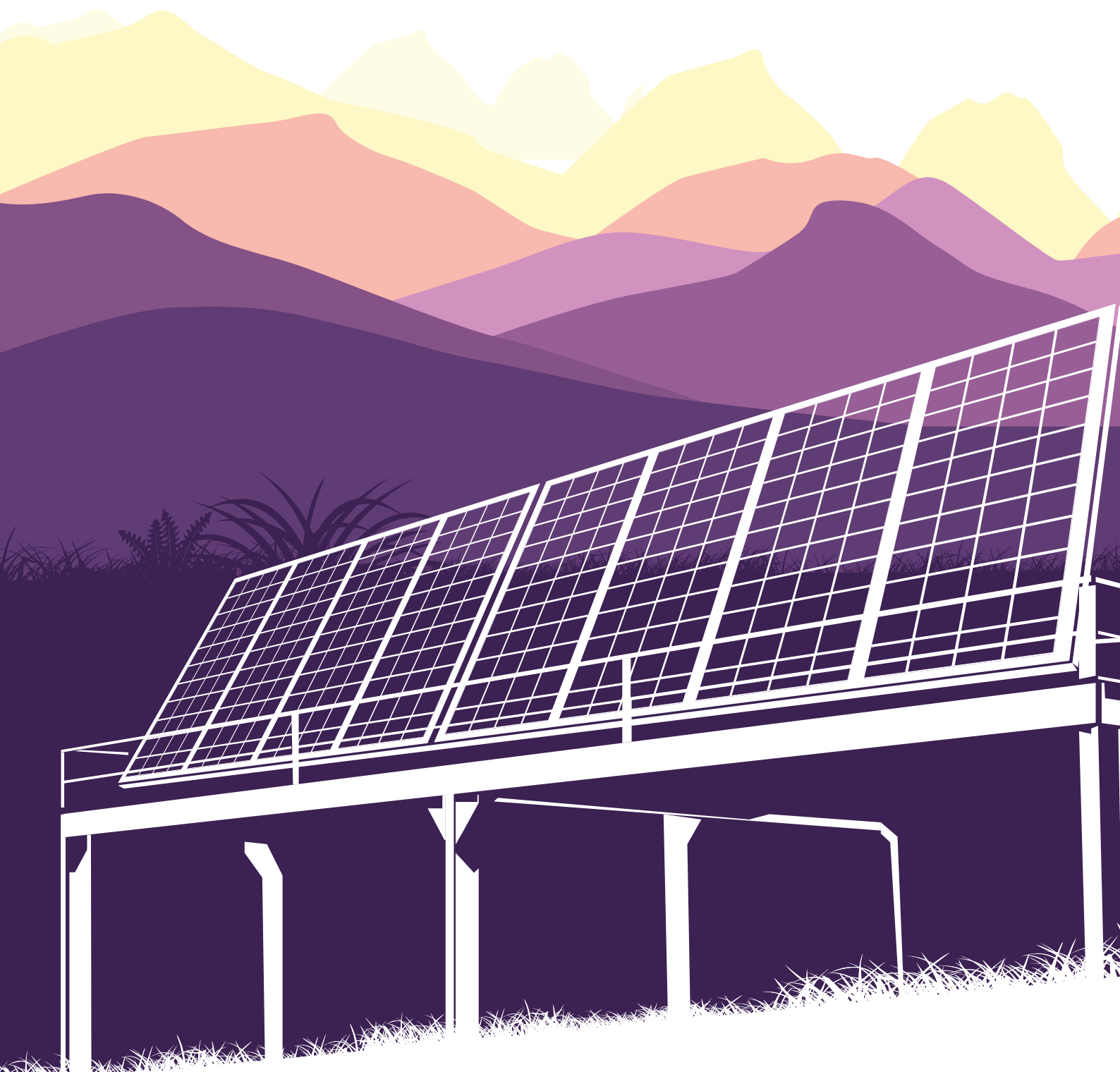
A seminar on Green Industry Initiatives in compliance with National Environmental Quality Standards (NEQS) organised by United Nations Industrial Development Organisation (UNIDO) in collaboration with Pakistan Environmental Protection Agency (Pak-EPA) was held on December 10-11, 2013 in Islamabad. The main agenda was providing opportunities to the industry and private sector to present their case studies, experiences, videos and presentations on environmental compliance. ICI Pakistan Corporate HSE presented the Company's journey towards NEQS compliance and sustainability model in practice, during the seminar.



# LIGHT IN THE DARK

Two solar panels were installed at the Soda Ash Business storage facility which is situated in a remote location. Since the entire area is shrouded in darkness, these panels have helped in illuminating passage to the location with Light Emitting Diodes (LEDs). The LEDs are energy efficient as they automatically switch off during the day.

This initiative has not only improved night-time access to the facility but has saved the cost of laying down a 1.5 km power cable.





# Key Performance Indicators

Integrity Management		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Code of Conduct confirmed incidents	number	10	23	20	5	NR	1	0
Code of conduct acceptance*	% employees	100	100	100	100	100	100	100**
Management audits including reassurance audits	number	6	11	9	7	6	6	6
Serious incidents - Level 3	number	1	1	1	1	0	0	0
Serious incidents - Level 1,2	number	0	2	0	0	0	0	0
Serious loss of containment - Cat D	number	0	0	0	0	0	0	0
Regulatory actions - Level 3	number	0	0	0	0	0	0	0

\*Number of Management and Non-Management Employees.

\*\* We aim to achieve 100% acceptance by including contractual staff as well.

Sourcing		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Vendor Policy signed by key suppliers	%	88	83.8	85	91	92	88	96
Vendor Policy signed by Central NPR Suppliers*	%	x	x	28**	28	28	38	-
Supportive Supplier Visits since 2007	number	21	79	31	59	35	99	146

\*Number of Management and Non-Management Employees.

\*\*We aim to achieve 100% training level by including contractual staff as well.

Employment Practices		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Women executives*	%	0	0	0	0	0	25	12
On-line P&D Dialog Participation	%	77	80	83	NR	NR	98	90
Management Development Programme	No of managers	34	121	211	NR	NR	NR	338
Employee Engagement Index	% favourable		75	82	87	NR	NR	80

\*Functional and Business Head positions

Community Investment		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Community Programme Investment	PKR Million	16.5	42.5*	24.3	6	7.45	4.2	30

\*This amount includes contribution by stakeholders including ICI Pakistan Limited staff and parent company contribution for floods.

Health, Safety & Security		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Fatalities	number	0	0	0	1	0	0	0
Total reportable injury rate employees/supervised contractors	/million hours	0.18	0	0.18	0.34	0	0.33	0
Occupational Illness Rate employees	/million hours	0	0	0	0	0	0	0
Total illness absence rate employees	%	1.79	1.92	1.76	1.72	1.83	1.51	1.76
Fatalities contractors (supervised and independent)	numbers	1	0	0	0	0	0	0
Total reportable injury rate independent contractors	/million hours	0.52	0	0	0	0	0.56	0
Lost time injury independent contractors	numbers	1	0	0	0	0	0	0
% sites with BBS programme	%	0	100	100	100	100	100	100
Distribution incidents	numbers	1	1	1	0	0	0	0
Motor vehicle incident with injury	numbers	0	1	2	0	0	0	0

Emissions Control		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Total COD emissions	te	105.37	52.59	53.78	39.52	17.82	16.43	49.96
Per ton production	kg/te	0.15	0.11	0.13	0.10	0.10	0.04	0.10
Total VOC emissions	te	161.25	81.81	72.34	57.12	1.33	3.23	77.72
Per ton production	kg/te	0.23	0.18	0.17	0.14	0.01	0.01	0.16
Total NOx emissions	te	422.42	430.70	422.93	420.28	206.06	798.34	409
Per ton production	kg/te	0.61	0.93	0.99	1.03	1.14	1.83	0.83
Total SOx emissions	te	1431.4	2209.1	2672.9	2590.15	1402.4	4338.97	2430
Per ton production	kg/te	2.05	4.76	6.29	6.35	7.75	10.50	4.95
Total Direct CO <sub>2</sub> emissions (Scope 1)	million te	0.47	0.39	0.35	0.35	0.13	0.43	0.37
Per ton production	kg/te	676.1	834.7	829.5	847.95	737.5	1038.11	753
Total Indirect CO <sub>2</sub> emissions (Scope 2)	te	39907	2447	5642	3235.61	706.86	2413.32	2324
Per ton production	kg/te	57.3	5.3	13.3	7.93	3.91	5.84	4.7

\*VOC emissions are less in 2012. Unusual success through modified formulation achieved at our Paints site.

\*\*Unprecedented natural gas curtailment periods causing increased use of high sulphur Furnace Oil thereby causing high CO<sub>2</sub> emissions.

Water Usage		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Total Fresh water use	million m <sup>3</sup>	6.49	4.59	4.12	3.48	1.57	3.49	4.36
Per ton production	m <sup>3</sup> /te	9.8	9.9	9.7	8.53	8.7	8.44	8.9
% of sites with sustainable fresh water	%	25	25	25	25	33	33	100

Waste Management		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Total waste	kte	19.015	4.412	2.73	2.28	0.43	12.88	4.191
Per ton production	kg/te	27.32	9.53	6.44	5.60	2.35	31.18	8.53
Total hazardous waste	kte	0.31	0.54	0.52	0.53	0.001	0.0076	0.51
Per ton production	kg/te	0.45	1.17	1.22	1.30	0.003	0.001	1.04
Total non-reusable waste	kte	0.408	0.295	0.384	0.385	0.001	0.0076	0.28
Per ton production	kg/te	0.59	0.64	0.90	0.94	0.00	0.001	0.57
Total non-reusable Hazardous waste	kte	0.151	0.251	0.327	0.323	0.001	0.008	0.238
Per ton production	kg/te	0.22	0.54	0.77	0.79	0.00	0.00	0.48
Total Hazardous waste to landfill	kte	0	0	0	0	0	0	0
Per ton production	kg/te	0	0	0	0	0	0	0

Product Stewardship		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Product Eco-premium solutions	% sales			15.7	*	NR	NR	30

\*Data not available due to demerger of Paints Business

Energy Usage		2009	2010	2011	2012	2013 H1	2013-14	2015-16
Total Energy Consumption	1000Tj	6.5	4.8	4.3	4.3	2.1	4.9	4.6
Per ton production	GJ/Te	9.3	10.4	10.1	10.4	11.62	11.84	9

NR: Not Reported

# Economic Performance

## Management Approach

One of our core values is 'Integrity and Responsibility' and we apply this principle in our daily operations, in our projects and in the way we do business. We aim for the highest standards in all our dealings and aim to partner with suppliers who not only endorse our values but incorporate them in their businesses.

It is our belief that a strict focus on ethics and responsibility will result in business value for all involved stakeholders. Thus, we make sure that our actions speak louder than words.



# Integrity Management

Our people are our most valuable asset. We believe in the principles of nondiscrimination, freedom of association and internationally recognised expectations for business ethics. We ensure that our business principles are transparent and reflected in our Code of Conduct and consequently we nurture our people to aim for the highest standards of performance in all operations. Our Performance and Development Discussion (P&DD) tool helps to keep employees updated on the latest standings through training.

Following the strategic transition, we have updated our values and the Code of Conduct, and have also made it available for all stakeholders on our website: [www.ici.com.pk](http://www.ici.com.pk)

Integrity Management		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Code of Conduct confirmed incidents	number	10	23	20	5	NR	1	0
Code of conduct acceptance*	% employees	100	100	100	100	100	100	100**
Management audits including reassurance audits	number	6	11	9	7	6	6	6
Serious incidents - Level 3	number	1	1	1	1	0	0	0
Serious incidents - Level 1,2	number	0	2	0	0	0	0	0
Serious loss of containment - Cat D	number	0	0	0	0	0	0	0
Regulatory actions - Level 3	number	0	0	0	0	0	0	0

\*Number of Management and Non-Management Employees.

\*\*We aim to achieve 100% acceptance by including contractual staff as well.

## Key Performance Indicators: 2013-14 Overview:

2014 Management Audits included audit of our four Businesses and two locations (Corporate office in Mozang and the Head Office). The Speak Up program, a tool designed for local complaint management, is in the process of being re-launched. This program will allow for submission of complaints to a central committee, which will then investigate and provide resolution of the matter. Once such complaints are handled, they will be shared with our audit committee.

Serious incidents level 2 & 3 were thoroughly investigated and action plans were developed to avoid recurrences.

# Sourcing

We work closely with our supply chain partners and look beyond our own manufacturing cycle to find ways to promote sustainability in their operations. In this way, we not only improve our own performance but also influence the work ethics of our partners.

## Key Performance Indicators:

Sourcing		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Vendor Policy signed by key suppliers	%	88	83.8	85	91	92	88	96
Vendor Policy signed by Central NPR Suppliers*	%	x	x	28**	28	28	38	-
Supportive Supplier Visits since 2007	number	21	79	31	59	35	99	146

\*Number of Management and Non-Management Employees.

\*\*We aim to achieve 100% training level by including contractual staff as well.

## 2013-14 Overview:

We are happy to report a 13% increase in vendor policies signed by the central Non-Product Related suppliers. However we have registered a decrease of 6% in vendor policies signed by key suppliers. We will take measures to ensure that we meet our 2015 targets. Our programme of on-site visits to Critical Supplier aims to identify and develop critical suppliers as sustainable business partners.



# Social Performance

## Management Approach

A safe workplace is a healthy workplace.

For us, nothing means more than the safety of our people and the people we work with. Our aim is to empower employees and communities and find ways to enable them in a culture that is conducive to professional growth. We endorse and practise equal opportunities and are committed to impartial treatment of all employees, irrespective of origin, race or gender.

We have a passion for people and this is a fundamental part of our DNA as a responsible Company.



# Employment Practices

To attract, retain and bring out the best in our people, we invest in leadership and development trainings and offer rewarding careers to foster a culture of excellence. Not only are we committed to providing a safe and healthy working environment, but are also involved in finding ways for employees to continuously engage in learning.

We encourage our employees to embrace and exemplify our values i.e. Passion for People, Deliver Enduring Value, Customer Centricity, Innovation and, Integrity and Responsibility in the course of their work and daily routine activities.

Total Number of Employees: 1153

Management: 742

Non-Management: 411

## Key Performance Indicators:

Employment Practices		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Women executives*	%	0	0	0	0	0	25	12
On-line P&D Dialogue Participation	%	77	80	83	NR	NR	98	90
Management Development Programme	No of managers	34	121	211	NR	NR	NR	338
Employee Engagement Index	% favorable		75	82	87	NR	NR	80

\*Functional and Business Head positions

## 2013-14 Overview:

We have re-launched our Performance Management Online System 'P&D Discussion' and ensured maximum participation from our employees. The Employee Engagement Survey did not take place in the period under review. However, a dipstick Organisational Health Survey was conducted. The Employee Engagement Survey is planned in the near future.

The Management Development Programme was a global standardised best practice with AkzoNobel and following divestment, the programme was dropped. However, we have continued to train our employees with several other leadership and development programmes. In the period under review, we successfully completed 3,123 man-days of training.



# Community Investment

Our community investment activities are managed through the ICI Pakistan Foundation which is a separate legal entity with its own Board of Trustees. The Foundation is governed by a Trust Deed that clearly outlines policies and procedures and clearly defines the scope of community investment activities. The accounts of the Foundation are annually audited by A.F. Ferguson & Co.

The Foundation is focused towards community development through investment in education, health, environment and infrastructural development along with disaster relief.

## Key Performance Indicators:

Community Investment		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Community Programme Investment	PKR Million	16.5	42.5*	24.3	6	7.45	4.2	30

\*This amount includes contribution by stakeholders including ICI Pakistan Limited staff and parent company contribution for floods.

## 2013-14 Overview:

The Polyester Business launched its third six month programme on 'Basic Household Electrical Wiring' in the month of December 2013 which recently reached completion in June 2014. This three hour per day comprehensive learning opportunity provided to members of local community is managed at Polyester site through a professional trainer from TEVTA supported by volunteer workers from Polyester Business. The training is based on a comprehensive module developed after a consultation of various text books approved by TEVTA. Polyester Business engineers have supported in the development of this module which covers all important aspects, from safety measures to the application of the knowledge in different electrical household items.

The Company had previously invested in an initiative to impart vocational training to women in the Khewra community and thus, established the Ladies Welfare Centre in 1973. The Centre employs four teachers and enrolls approximately 25 girl students per annum in classes for arts & crafts such as fabric cutting & stitching, knitting & embroidery, cooking and textile printing. To date the Centre has trained more than 3,000 students and ICI Pakistan provides the premises, equipment, faculty and the management resource to efficiently run the Institute.

ICI Pakistan started monthly eye surgical workshops at its hospital in Khewra to support the local community. Winnington Hospital, Khewra provides services such as full use of its modern operation theatre, postoperative care and free medicines to the patients. On average 400 people are examined during the monthly two days' workshop. Medicines and spectacles are provided to the needy patients. Since 1991, 252 eye surgical workshops have been held, wherein 137,426 patients have been examined and 14,352 operations have been performed successfully.

Under the 'Ilm-o-Hunar' umbrella, a number of women completed their courses at the Adult Literacy Programme at the Kakapir Village in Sandspit, Karachi. The programme has received wide media coverage and will soon be launched within the community at Lyari.

# Health, Safety & Security

Health, Safety and Security are a keystone at ICI Pakistan. We consider the prevention of accidents in daily operations, in day to day work and during work related travel and transportation routes, to be of prime importance. Providing a safe work place for our employees and contractors is one of our top priorities. The Company has established systems to ensure safe operations and to prevent accidents based on the standards and corporate guidelines. We believe all accidents are preventable thus zero harm in terms of health, safety and security remains our underlying philosophy of conducting sustainable business.

Our activities in the areas of HSE are geared to ensuring the occupational health and safety of employees, contractors, and suppliers on our company premises under the supervision of ICI Pakistan. In this way, we also reduce running costs by avoiding damages and work disruptions.

## Key Performance Indicators:

Health, Safety & Security		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Fatalities	number	0	0	0	1	0	0	0
Total reportable injury rate employees/supervised contractors	/million hours	0.18	0	0.18	0.34	0	0.33	0
Occupational Illness Rate employees	/million hours	0	0	0	0	0	0	0
Total illness absence rate employees	%	1.79	1.92	1.76	1.72	1.83	1.51	1.76
Fatalities contractors (supervised and independent)	numbers	1	0	0	0	0	0	0
Total reportable injury rate independent contractors	/million hours	0.52	0	0	0	0	0.56	0
Lost time injury independent contractors	numbers	1	0	0	0	0	0	0
% sites with BBS programme	%	0	100	100	100	100	100	100
Distribution incidents	numbers	1	1	1	0	0	0	0
Motor vehicle incident with injury	numbers	0	1	2	0	0	0	0

## 2013-14 Overview:

The Polyester, Soda Ash, Life Sciences and Chemicals businesses respectively achieved 3.95, 1.20, 3.20 and 4.03 million man hours without LTI (lost time injury) for employees and supervised contractors. Two reportable injuries for employees and supervised contractors and two for independent contractors were reported during the year with total reportable injury rate of 0.33 and 0.56 respectively. All the incidents were thoroughly investigated and action plans were developed to avoid recurrences.

Review of the 2013 HSE&S improvement plans of all Businesses / Locations was completed in March 2014. Focus on reducing the Operational Eco Efficiency (OEE) Footprint continued with sustainability plans in place for implementation in all Businesses. Total illness absence rate decreased due to 100% compliance with health and hygiene assessment monitoring programme.

# Environmental Performance

## Management Approach

We take a lot from our planet and consequently from our environment and as a responsible organisation, we believe in giving back as much as we take. Our core objectives include methods in which we can mitigate impact of our operations on the climate and the environment and our aim is to discover ideas to evolve sustainable business operations.

Environmental objectives are comprehensively integrated into our corporate and business goals and we ensure that we fully comply with the National Environment Legislation.





# NOTHING LIKE SUNSHINE

Foreseeing

rising costs of fossil fuels and the

subsequent energy generated through them, solar power is all

set to surpass and become the highest source of power generation. Further

augmenting the case for solar energy is its zero carbon footprint.

Our team at Chemicals took an audacious initiative to fulfil the plants' lighting needs by harnessing the omnipresent power of the Sun. The lighting sheds which are energy intensive machines were replaced with Solar LED's. The 120 watt LED's which now illuminate the walkways and corridors do so by capturing the Sun's energy during the day through photovoltaic solar panels.

ICI Pakistan has a passion for innovation, and the same passion goes into how we think about environmental responsibility.

It is how we work tirelessly to reduce our impact on climate change, how we find ways to use greener materials,

and conserve the natural resources of our planet.



# Emissions Control

We responsibly address issues involving environmental impacts throughout the production cycle which includes upstream to downstream production. We are committed to exploring ways to combat challenges of climate change and carbon management.

As a Company, we strive to manage energy and natural resources efficiently and to reduce emissions and discharges. We seek innovative methods to reduce energy consumption and minimize waste through source reduction, recycling and disposal in an environmentally sound manner. Environmental issues are taken into account in decision making processes, both at corporate and operational level.

## Key Performance Indicators:

Emissions Control		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Total COD emissions	te	105.37	52.59	53.78	39.52	17.82	16.43	49.96
Per ton production	kg/te	0.15	0.11	0.13	0.10	0.10	0.04	0.10
Total VOC emissions	te	161.25	81.81	72.34	57.12	1.33	3.23	77.72
Per ton production	kg/te	0.23	0.18	0.17	0.14	0.01	0.01	0.16
Total NOx emissions	te	422.42	430.70	422.93	420.28	206.06	798.34	409
Per ton production	kg/te	0.61	0.93	0.99	1.03	1.14	1.83	0.83
Total SOx emissions	te	1431.4	2209.1	2672.9	2590.15	1402.4	4338.97	2430
Per ton production	kg/te	2.05	4.76	6.29	6.35	7.75	10.50	4.95
Total Direct CO <sub>2</sub> emissions (Scope 1)	million te	0.47	0.39	0.35	0.35	0.13	0.43	0.37
Per ton production	kg/te	676.1	834.7	829.5	847.95	737.5	1038.11	753
Total Indirect CO <sub>2</sub> emissions (Scope 2)	te	39907	2447	5642	3235.61	706.86	2413.32	2324
Per ton production	kg/te	57.3	5.3	13.3	7.93	3.91	5.84	4.7

\*VOC emissions are less in 2012. Unusual success through modified formulation achieved at our Paints site.

\*\*Unprecedented natural gas curtailment periods causing increased use of high sulphur Furnace Oil thereby causing high CO<sub>2</sub> emissions.

## 2013-14 Overview:

Operational Eco efficiency KPI's on gaseous emissions have been affected with the use of coal as fuel and have significantly increased. The use of HFO due to gas curtailment has also resulted in an increase in emissions. The COD level has dropped down substantially with the installation of glycol ejectors.

Figures show a slight increase in VOC emissions due to the change in product mix at the Chemicals Plant. CO<sub>2</sub> emission levels are high with the installation of Coal Fired Boilers and with the usage of limestone in the CFBs to reduce emission. Indirect CO<sub>2</sub> emission levels have dropped down significantly as the Polyester plant power usage has become independent of the national grid.



# Water Usage

Water management has remained a key driver towards our sustainability strategy and has been vital to business continuity. As users of this critical natural resource, we have developed measures in place to ensure responsible management of fresh water. We take it as a prime responsibility to use recycled waste water in our business operations.

## Key Performance Indicators:

Water Usage		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Total Fresh water use	million m <sup>3</sup>	6.49	4.59	4.12	3.48	1.57	3.49	4.36
Per ton production	m <sup>3</sup> /te	9.8	9.9	9.7	8.53	8.7	8.44	8.9
% of sites with sustainable fresh water	%	25	25	25	25	33	33	100

## 2013-14 Overview:

Fresh water usage reduction initiatives at our manufacturing sites reduced water consumption despite the commissioning of major projects at Polyester and Soda Ash sites.

The waste water which left the plant after getting treatment on effluent treatment plant is now being used in sprinklers for gardening purposes at Polyester site. This water conservation has led to a saving of 10,000 litres of fresh water per hour.



# A LITTLE GOES A LONG WAY!

The  
water  
conservation  
team at Soda

Ash started the year  
with a strong focus on  
increasing awareness to  
save natural resources. The  
team worked with a slogan  
“Every Drop Counts”

and conveyed their message to every  
member of the Soda Ash team including  
employees' children. The team embarked on  
an aggressive campaign which focused on water  
saving and effective water management in housing  
areas as well as plant premises.

In our residential communities, it was identified that  
overhead tanks were not installed and direct water usage was  
contributing in water wastage. The team came up with an idea to  
install water storage tanks in every house. Subsequently, thirty water  
storage tanks have been installed to date and the  
process is still continuing.

Another water saving project included the collection & reuse of waste water  
for irrigation through design and implementation of a water recycling system.



# Waste Management

We continue to employ the 3 Rs waste hierarchy in our Waste Management system. We are implementing global practices to encourage waste reduction and the optimization of waste processing adhering to the following clear principles:

- Reduce
- Reuse
- Recycle

We ensure that waste is effectively converted into energy and any leftover waste is neutralised before proper disposal.

## Key Performance Indicators:

Waste Management		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Total waste	kte	19.015	4.412	2.73	2.28	0.43	12.88	4.191
Per ton production	kg/te	27.32	9.53	6.44	5.60	2.35	31.18	8.53
Total hazardous waste	kte	0.31	0.54	0.52	0.53	0.001	0.0076	0.51
Per ton production	kg/te	0.45	1.17	1.22	1.30	0.003	0.001	1.04
Total non-reusable waste	kte	0.408	0.295	0.384	0.385	0.001	0.0076	0.28
Per ton production	kg/te	0.59	0.64	0.90	0.94	0.00	0.001	0.57
Total non-reusable hazardous waste	kte	0.151	0.251	0.327	0.323	0.001	0.008	0.238
Per ton production	kg/te	0.22	0.54	0.77	0.79	0.00	0.00	0.48
Total hazardous waste to landfill	kte	0	0	0	0	0	0	0
Per ton production	kg/te	0	0	0	0	0	0	0

## 2013-14 Overview:

Waste at Soda Ash plant has increased after the commissioning of the Coal Fired Boilers. This is due to increase in fly ash and slag which results from the usage of coal. The Soda Ash Business is working on the options to reuse the fly ash and slag waste either at its own site or at other plants locally.

The Sustainability Council has noted the waste figures and is analysing measures and methods to mitigate the amount of waste generated.

# Product Stewardship

The life cycle of any product goes through numerous stages; from R&D to manufacturing and from packaging to delivery. We as a company continuously strive towards ensuring that our products are made with minimal risks to health and environment at each step of the value chain.

This can only be achieved if stakeholders are involved and take responsibility for the efficient use of resources and the minimisation of waste.

We believe in sharing our HSE&S best practices with our suppliers and thus ensure product security from raw material supplies to product delivery.

## Key Performance Indicators:

Product Stewardship		2009	2010	2011	2012	2013 H1	2013-14	2015-16
								Target
Product Eco-premium solutions	% sales			15.7	*	NR	NR	30

\*Data not available due to demerger of Paints Business

## 2013-14 Overview:

As part of our comprehensive product stewardship, our Life Sciences business completed 72 pre-commercialisation product reviews through the New Product Evaluation Database to commensurate the associated risks.

The Chemicals Business successfully developed a replacement of products Licisol CSD with Licisol AN-SRA. The previous product (Licisol CSD) was nonyl phenol (NP9) based product which was a not biodegradable product and was harmful to the environment.



# Energy Efficiencies

Energy from renewable resources is the way of the future. The global impact of industrialisation on the planet's atmosphere and climate has reinforced our belief that we as a company have a responsibility to conserve energy and reduce our carbon emissions.

To battle the operating deficiencies resulting from the energy crisis; this year we installed Coal Fired Boilers at our plants to bolster manufacturing and streamline operating requirements. Thus, our carbon emissions have increased significantly. The Sustainability Council has plans to initiate a dialogue in which the challenges and any associated risks will be assessed.

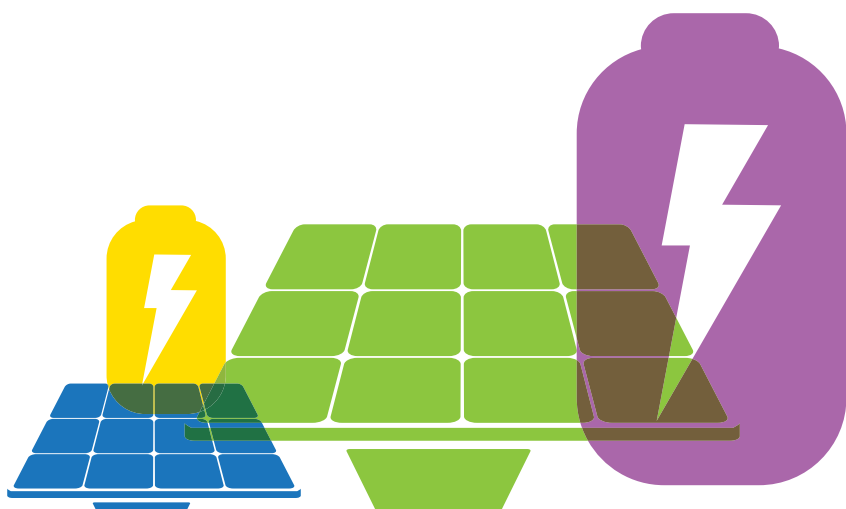
## Key Performance Indicators:

Energy Usage		2009	2010	2011	2012	2013 H1	2013-14	2015-16
Total Energy Consumption	1000TJ	6.5	4.8	4.3	4.3	2.1	4.9	4.6
Per ton production	GJ/Te	9.3	10.4	10.1	10.4	11.62	11.84	9

## 2013-14 Overview:

Energy consumption has exceeded from the target due to the use of limestone to reduce emissions from coal as an energy resource. On the other hand, dense ash production consumes more energy due to high electrical consumption.

We have continued to invest in energy saving initiatives across our variegated sites and locations. The energy conservation teams have strived to focus on the optimum utilisation of the available natural gas, day to day process optimisation, steady plant operation, thorough monitoring of key energy parameters, hardware modification and awareness amongst staff at shop floor level.





Some of our significant projects in energy conservation are:

- Aalborg 8 refurbishment at Soda Ash site
- Improvement in PCD heat recovery at Soda Ash site
- Installation of LED lights at Soda Ash conversion of engineering stores to “Green Building” using solar energy at Soda Ash site
- Lay-up protection of boiler at Polyester site
- Improvement in quenching process at Spinning at Polyester site
- Separation of common ON/OFF switches and Control on ON/OFF timings of electrical appliances (AC Chiller, Split ACs, Heaters, lights) at regional office, Lahore
- Replacement of conventional geysers with Instant Geysers at regional office, Lahore



# G3 Content Index

## STANDARD DISCLOSURES PART 1

Profile Disclosure	Description	Cross-Reference
<b>Strategy and Analysis</b>		
1.1	Statement from the most senior decision-maker of the organisation	Overview & Strategy; CE Message; Sustainability Performance; Leadership Statement
1.2	Description of key impacts, risks, and opportunities	Governance & Compliance; Risk Management
<b>Organisational Profile</b>		
2.1	Name of the organisation	Cover Page; ICI Pakistan at a Glance
2.2	Primary brands, products, and/or services	Business Performance, ICI Pakistan at a Glance
2.3	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures	Governance & Compliance; Director's Report
2.4	Location of organisation's headquarters	Governance & Compliance; Company Information
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Snapshot page
2.6	Nature of ownership and legal form	Governance & Compliance; Corporate Governance and Compliance
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	Business Performance
2.8	Scale of the reporting organisation	ICI Pakistan at a Glance
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Governance & Compliance; Director's Report
2.1	Awards received in the reporting period	Overview & Strategy; Awards & Achievements
<b>Report Parameters</b>		
3.1	Reporting period (e.g., fiscal/calender year) for information provided	Governance & Compliance; Director's Report Sustainability Performance; About the Report
3.2	Date of most recent previous report (if any)	Overview & Strategy; Awards & Achievements
3.3	Reporting cycle (annual, biennial, etc.)	Annual
3.4	Contact point for questions	Sustainability Performance; About the Report
3.5	Process for defining report content	Sustainability Performance; About the Report
3.6	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance	Sustainability Performance; About the Report
3.7	State any specific limitations on the scope or boundary of the report (see completeness Principle for explanation of scope)	Sustainability Performance; About the Report
3.8	Basis for reporting on joint ventures	NA
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report	Sustainability Performance; About the Report

3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods)	Overview & Strategy; CE Message Sustainability Performance; About the Report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	None
3.12	Table identifying the location of the Standard Disclosures in the report	This table
3.13	Policy and current practice with regard to seeking external assurance for the report	Sustainability Performance; About the Report

#### Governance, Commitments and Engagement

4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight	Governance and Compliance; Corporate Governance and Compliance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Governance and Compliance; Our Board of Directors
4.3	For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Governance and Compliance; Our Board of Directors
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Governance & Compliance; Corporate Governance and Compliance
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives	Amongst others, the drivers of compensation are individual performance as well as overall company performance
4.6	Processes in place for the highest governance body to ensure conflicts of interests are avoided.	Governance & Compliance; Corporate Governance and Compliance
4.7	Process for determining the composition, qualifications and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	Governance & Compliance; Our Board of Directors, Report of the Directors
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	Overview & Strategy; Our Vision
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles	Governance & Compliance; Risk Management. Sustainability Performance
4.1	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	Governance & Compliance; Corporate Governance and Compliance
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Governance & Compliance; Risk Management
4.12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses	Governance & Compliance; Corporate Governance and Compliance
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organisations	UNGC, MAP, KCC, PBC
4.14	List of stakeholder groups engaged by the organisation	Sustainability Performance; Stakeholder Engagement
4.15	Basis of identification and selection of stakeholders with whom to engage	Sustainability Performance; Stakeholder Engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Sustainability Performance; Stakeholder Engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Sustainability Performance; Stakeholder Engagement

## STANDARD DISCLOSURES PART III: Performance Indicators

### Economic Performance

EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments	Governance & Compliance; Report of the Directors
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Governance & Compliance; Risk Management. Sustainability Performance; Environmental Performance
EC4	Significant financial assistance received from the government	None
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	Economic Performance; Sourcing
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Overview & Strategy; Community Investment
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	Sustainability Performance; Social Performance; Community Investment

### Environmental Performance

EN2	Percentage of materials used that are recycled input materials.	Sustainability Performance; Environmental Performance. Waste Management
EN3	Direct energy consumption by primary energy source.	Sustainability Performance; Environmental Performance; Energy Efficiencies
EN4	Indirect energy consumption by primary source.	Sustainability Performance; Environmental Performance; Energy Efficiencies
EN5	Energy saved due to conservation and efficiency improvements.	Sustainability Performance; Environmental Performance; ; Energy Efficiencies
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Environmental Performance; Case Study (Nothing like Sunshine)
EN8	Total water withdrawal by source.	Sustainability Performance; Environmental Performance; Water Usage
EN10	Percentage and total volume of water recycled and reused.	Sustainability Performance; Environmental Performance; Water Usage
EN16	Total direct and indirect greenhouse gas emissions by weight.	Sustainability Performance; Environmental Performance; Emissions Control
EN17	Other relevant indirect greenhouse gas emissions by weight.	Sustainability Performance; Environmental Performance; Emissions Control
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Sustainability Performance; Environmental Performance; Energy Efficiencies
EN19	Emissions of ozone-depleting substances by weight.	Sustainability Performance; Environmental Performance; Emissions Control
EN20	NOx, SOx, and other significant air emissions by type and weight.	Sustainability Performance; Environmental Performance; Emissions Control
EN22	Total weight of waste by type and disposal method.	Sustainability Performance; Environmental Performance; Waste Management
EN23	Total number and volume of significant spills.	None
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	Sustainability Performance; Environmental Performance; Waste Management

EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Sustainability Performance; Environmental Performance
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None

#### **Social: Labour Practice and Decent Work**

LA1	Total workforce by employment type, employment contract, and region broken down by gender	Sustainability Performance; Social Performance; Employment Practices
LA4	Percentage of employees covered by collective bargaining agreements	100%
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities by region and gender	Sustainability Performance; Social Performance; Health, Safety and Security
LA10	Average hours of training per year per employee by gender and by employee category	Sustainability Performance; Social Performance
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.	Sustainability Performance; Social Performance; Employment Practices

#### **Social: Human Rights**

HR4	Total number of incidents of discrimination and corrective actions taken	None
Social: Society		
SO2	Percentage and total number of business units analysed for risks related to corruption	100%
SO3	Percentage of employees trained in organisation's anti-corruption policies	100%
SO4	Actions taken in response to incidents of corruption	
SO5	Public policy positions and participation in public policy development and lobbying	Governance & Compliance; Corporate Governance and Compliance
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	None
SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly	None
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None

#### **Social: Product Responsibility**

PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	None
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Sustainability Performance; Stakeholder Engagement
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	None

# Assurance Statement

## Independent Assurance Statement to the Management of ICI Pakistan Limited

### Introduction

United Registrar of Systems (URS) has been commissioned by the management of ICI Pakistan (ICI or "the Company") to carry out a limited assurance engagement on the Company's 2014 Sustainability Report (the Report") against the Global Reporting Initiative 2011, Sustainability Reporting Guidelines Version 3.1 ("GRI G3.1")

The management of ICI is responsible for the collection, analysis, aggregation and presentation of information within the Report. Our responsibility in performing this work is to the management of ICI only and in accordance with terms of reference agreed with the Company. The assurance engagement is based on the assumption that the data and information provided to us is complete and true.

### Scope of Assurance

URS was asked to express an opinion in relation to the assurance scope, which includes the following aspects:

- Evaluation of the reporting principles for defining the sustainability report content and the quality as expressed in the Sustainability Reporting Guidelines GRI G3.1.
- The social, environmental and economic indicators presented in the Report, for a period of 12 months from July 1, 2013 to June 30, 2014.
- Adherence to the principles of inclusivity, materiality and responsiveness.
- Adherence to ISAE 3000 (2003) to provide limited assurance on performance data within the sustainability report.

The intended users of this statement are the management of ICI and the readers of the Report.

### Assurance Methodology

Our activities included a review of the report content against the principles of Materiality, Inclusiveness & Responsiveness. We communicated with ICI Pakistan to determine the accuracy and authenticity of report content, data points, methodologies and policies around the organization's social, environmental & economic data and activities. Our procedures on this engagement included:

- Gain an understanding of The Company's targets for sustainability as part of the business strategy and operations;
- Review of the company's approach to stakeholder engagement and its materiality determination process;
- Verify the robustness of the data management system, information flow and controls;

We believe that the desk top review of the ICI's Sustainability Report completed by URS provides an appropriate basis for our conclusions.

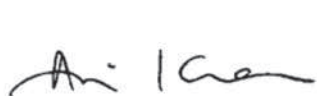


### Conclusion

Based on the information reviewed from the Report, URS is confident that this Report provides a comprehensive and balanced account of ICI's environmental, social and economic performance for the period under review. The data presented is based on a systematic process and we are satisfied that the reported performance data accurately represents ICI's current ability to manage and/or report on its environmental, social and economic performance, while meeting the principles of Inclusivity, Materiality and Responsiveness.

### Statement of independence, impartiality and competence

URS operates strict conflict of interest checks and has confirmed our independence to work on this engagement with ICI. The members of the review team have not provided consulting services and were not involved in the preparation of any part of the Report. The review team has the required combination of education, experience, training and skills for this engagement.



**Ali Khan**

Chief Executive  
United Registrar of Systems - Pakistan  
September 22, 2014



**Jackson Wilson**

Jackson Wilson & Co.  
Chartered Accountants  
ICAP Membership # 6224



# Financial Performance

The Financial Performance section provides a comprehensive record of our financial activities in 2013-14.

# BUILDING ON INTEGRITY & RESPONSIBILITY



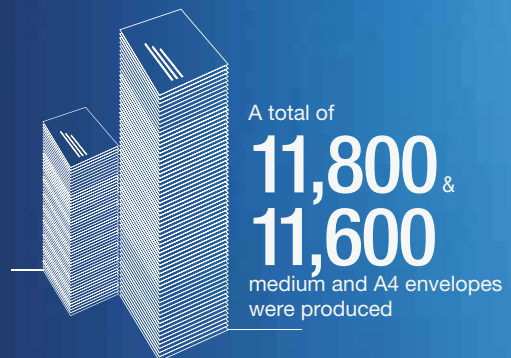
# REUSE, REDUCE & RECYCLE

In an effort to help recycle and reuse paper, we developed a 'Multiple Use' envelope and introduced it for internal mail transactions. There are two sizes i.e. Medium size and A4 size. The medium sized envelope can be used up to 8 times while the A4 sized envelope can be reused up to 12 times.

Monetarily, we managed to save PKR 3.5 on medium size and PKR 5.28 on the A4 size envelopes.

The 'Multiple Use' envelope has not only significantly reduced wastage but has contributed considerably to recycling efforts. According to the environmental impact calculator, this envelope has helped us save 4 tons of paper, which means that we saved: 68 trees, 12 cubic yard of landfill space, 8 barrels of oil, 28,000 gallons of water and 16,400 kilowatt hours of electricity.

We can help protect the environment by not wasting paper. This has to be part of our everyday life as a small contribution in saving the planet's natural resources.



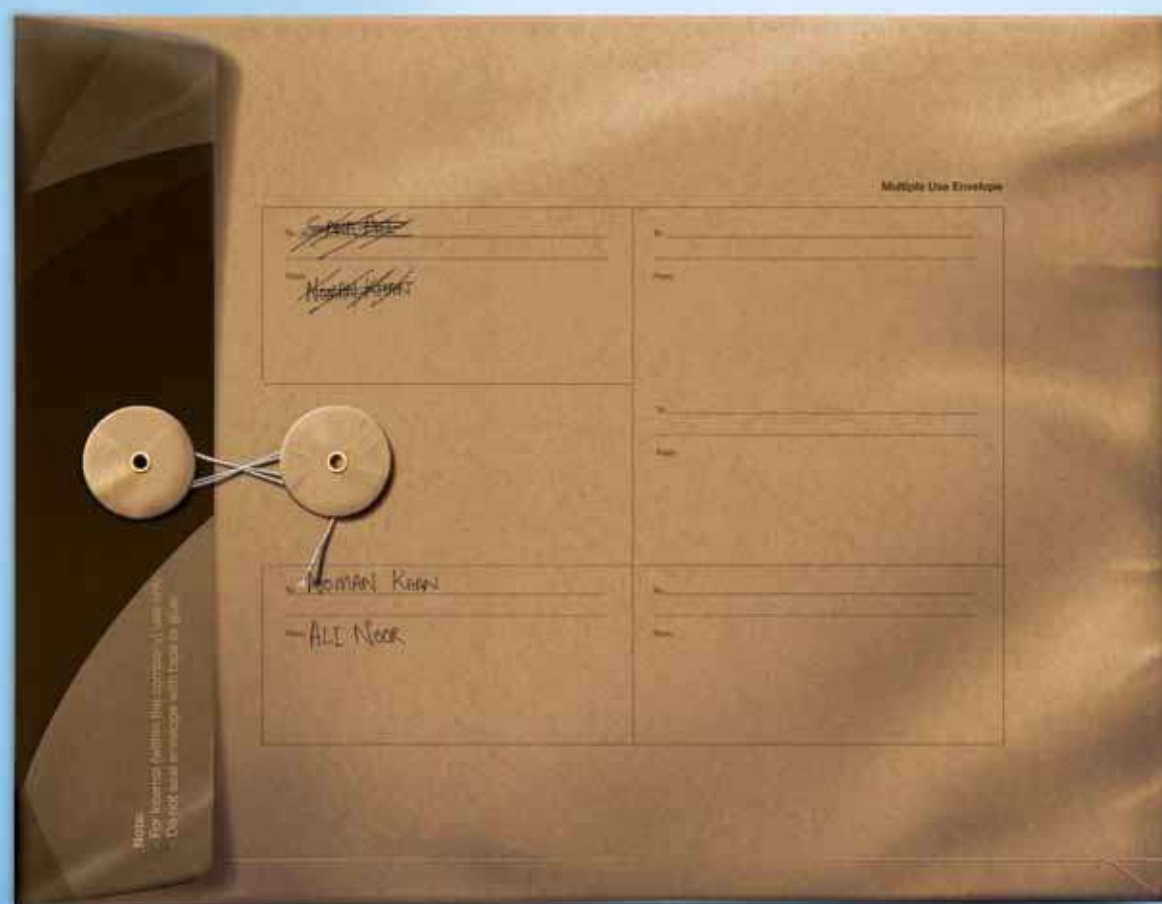
This effort has not only significantly reduced wastage but has contributed considerably to recycling efforts.



The total savings calculated is  
**PKR 1 Million**

# PLANET

## MENT EFFORT PLANET





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## **ICI Pakistan Limited**

### Financial Statements





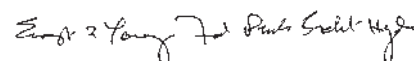
# Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of **ICI Pakistan Limited** (the Company) as at **30 June 2014** and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for changes as stated in note 44 to the accompanying unconsolidated financial statements with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2014** and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Shariq Ali Zaidi

Date: 29 August, 2014

Karachi

# Unconsolidated Balance Sheet

As at June 30, 2014

Amounts in Rs '000

	Note	June 30, 2014	June 30, 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	<b>11,652,057</b>	10,550,038
Intangible assets	4	<b>64,261</b>	45,123
		<b>11,716,318</b>	10,595,161
Long-term investments	5	<b>502,976</b>	502,976
Long-term loans	6	<b>253,477</b>	199,063
Long-term deposits and prepayments	7	<b>27,843</b>	33,338
		<b>784,296</b>	735,377
		<b>12,500,614</b>	11,330,538
<b>Current assets</b>			
Stores, spares and consumables	8	<b>559,256</b>	558,736
Stock-in-trade	9	<b>4,582,632</b>	4,573,275
Trade debts	10	<b>858,347</b>	865,690
Loans and advances	11	<b>191,121</b>	158,716
Trade deposits and short-term prepayments	12	<b>206,775</b>	156,512
Other receivables	13	<b>1,420,794</b>	1,096,823
Taxation - net		<b>1,765,784</b>	1,474,066
Cash and bank balances	14	<b>852,095</b>	730,349
		<b>10,436,804</b>	9,614,167
<b>Total assets</b>		<b>22,937,418</b>	20,944,705

Amounts in Rs '000

	Note	June 30, 2014	June 30, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital			
1,500,000,000 (June 30, 2013: 1,500,000,000) ordinary shares of Rs 10 each		<b>15,000,000</b>	15,000,000
Issued, subscribed and paid-up capital	15	<b>923,591</b>	923,591
Capital reserves	16	<b>309,643</b>	309,643
Unappropriated profit		<b>10,004,193</b>	8,555,755
<b>Total equity</b>		<b>11,237,427</b>	9,788,989
<b>Surplus on revaluation of property, plant and equipment</b>	17	<b>639,372</b>	698,536
<b>Non-current liabilities</b>			
Provisions for non-management staff gratuity	18	<b>77,842</b>	79,678
Long-term loans	19	<b>2,314,805</b>	1,887,026
Deferred tax liability - net	20	<b>1,093,718</b>	1,101,111
		<b>3,486,365</b>	3,067,815
<b>Current liabilities</b>			
Current portion of long-term loans	19	<b>872,221</b>	-
Trade and other payables	21	<b>6,264,665</b>	4,734,816
Short-term borrowings and running finance	22	<b>437,368</b>	2,654,549
		<b>7,574,254</b>	7,389,365
<b>Contingencies and commitments</b>	23		
<b>Total equity and liabilities</b>		<b>22,937,418</b>	20,944,705

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

  
**Muhammad Sohail Tabba**  
Chairman / Director

  
**Asif Jooma**  
Chief Executive

  
**Muhammad Abid Ganatra**  
Chief Financial Officer

# Unconsolidated Profit and Loss Account

For the year ended June 30, 2014

Amounts in Rs '000

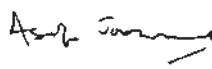
	Note	For the year ended June 30, 2014	For the six months period ended June 30, 2013
Turnover	25	42,698,659	20,133,977
Sales tax, commission and discounts	24	(4,465,182)	(1,818,299)
Net sales, commission and toll income		38,233,477	18,315,678
Cost of sales	25	(33,581,636)	(16,258,497)
Gross profit		4,651,841	2,057,181
Selling and distribution expenses	27	(1,530,254)	(523,391)
Administration and general expenses	28	(895,653)	(361,134)
Operating result		2,225,934	1,172,656
Other charges	29	(181,058)	(85,124)
Finance costs	30	(387,042)	(187,062)
		(568,100)	(272,186)
Other income	31	323,130	125,618
Profit before taxation		1,980,964	1,026,088
Taxation	32	(278,748)	(338,321)
Profit after taxation		1,702,216	687,767
<b>Basic and diluted earnings per share (Rupees)</b>	33	<b>18.43</b>	7.45

	For the year ended June 30, 2014	For the year ended June 30, 2013
<b>Basic and diluted earnings per share (Rupees)</b>	<b>18.43</b>	12.55

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



**Muhammad Sohail Tabba**  
Chairman / Director



**Asif Jooma**  
Chief Executive



**Muhammad Abid Ganatra**  
Chief Financial Officer

# Unconsolidated Statement of Comprehensive Income

For the year ended June 30, 2014

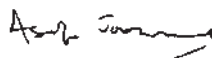
Amounts in Rs '000

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>Profit after taxation</b>	<b>1,702,216</b>	687,767
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains on defined benefit plans	<b>52,914</b>	336,815
Tax effect	<b>(17,462)</b>	(117,885)
	<b>35,452</b>	218,930
<b>Total comprehensive income for the year / period</b>	<b>1,737,668</b>	906,697

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



**Muhammad Sohail Tabba**  
Chairman / Director



**Asif Jooma**  
Chief Executive



**Muhammad Abid Ganatra**  
Chief Financial Officer



# Unconsolidated Cash Flow Statement

For the year ended June 30, 2014

Amounts in Rs '000

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>Cash flows from operating activities</b>		
Profit before taxation	1,980,964	1,026,088
Adjustments for:		
Depreciation and amortisation - note 3.5 & 4.2	1,338,740	557,691
Loss / (gain) on disposal of property, plant and equipment - note 29 & 31	14,084	(363)
Write offs - note 3.2.2 and 4.1	27,322	-
Provision for staff retirement benefit plan - note 18.1.1	52,360	48,676
Provision / (reversal) for non-management staff gratuity and eligible retired employees' medical scheme	4,801	(275,275)
Interest on bank deposits and loan to the Subsidiary	(368)	(1,292)
Interest expense	381,528	162,537
	3,799,431	1,518,062
Movement in:		
Working capital	1,068,385	(1,682,332)
Long-term loans	(54,414)	(7,555)
Long-term deposits and prepayments	5,495	7,553
Cash generated from / (used in) operations	4,818,897	(164,272)
Payments for :		
Staff retirement benefit plan - note 18.1.2	(62,798)	(94,556)
Non-management staff gratuity and eligible retired employees' medical scheme	(23,695)	(12,174)
Taxation	(574,280)	(551,563)
Interest	(351,539)	(148,799)
<b>Net cash generated from / (used in) operating activities</b>	<b>3,806,585</b>	<b>(971,364)</b>
<b>Cash flows from investing activities</b>		
Payments for capital expenditure	(2,408,806)	(958,617)
Proceeds from disposal of property, plant and equipment	7,506	5,358
Interest received on bank deposits and loan to the Subsidiary	368	12,532
<b>Net cash used in investing activities</b>	<b>(2,400,932)</b>	<b>(940,727)</b>

Amounts in Rs '000

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>Cash flows from financing activities</b>		
Long-term loans	1,300,000	1,596,756
Dividends paid	(366,726)	(143,273)
<b>Net cash generated from financing activities</b>	<b>933,274</b>	<b>1,453,483</b>
Net increase / (decrease) in cash and cash equivalents	<b>2,338,927</b>	<b>(458,608)</b>
<b>Cash and cash equivalents at the beginning of the year / period</b>	<b>(1,924,200)</b>	<b>(1,465,592)</b>
<b>Cash and cash equivalents at the end of the year / period</b>	<b>414,727</b>	<b>(1,924,200)</b>

#### Movement in working capital

##### *(Increase) / decrease in current assets*

Stores, spares and consumables	(520)	(16,619)
Stock-in-trade	(9,359)	808,065
Trade debts	7,343	(295,439)
Loans and advances	(32,406)	29,766
Trade deposits and short-term prepayments	18,691	(19,055)
Other receivables	(323,970)	(100,444)
	<b>(340,221)</b>	<b>406,274</b>

##### *Increase / (decrease) in current liabilities*

Trade and other payables	1,408,606	(2,088,606)
	<b>1,068,385</b>	<b>(1,682,332)</b>

#### **Cash and cash equivalents at the end of the year / period comprise of:**

Cash and bank balances - note 14	852,095	730,349
Short-term borrowings and running finance - note 22	(437,368)	(2,654,549)
	<b>414,727</b>	<b>(1,924,200)</b>

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

  
**Muhammad Sohail Tabba**  
Chairman / Director

  
**Asif Jooma**  
Chief Executive

  
**Muhammad Abid Ganatra**  
Chief Financial Officer

# Unconsolidated Statement of Changes in Equity

For the year ended June 30, 2014

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
<b>As at January 01, 2013</b>	<b>923,591</b>	<b>309,643</b>	<b>7,791,656</b>	<b>9,024,890</b>
Final dividend for the year ended December 31, 2012 @ Rs 2.00 per share	-	-	(184,718)	(184,718)
<b>Transactions with owners, recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>(184,718)</b>	<b>(184,718)</b>
Profit for the period	-	-	687,767	687,767
Other comprehensive income for the period	-	-	218,930	218,930
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>906,697</b>	<b>906,697</b>
Transfer from surplus on revaluation of property, plant and equipment - incremental depreciation for the period - net of deferred tax - note 17	-	-	42,120	42,120
	-	-	42,120	42,120
<b>As at June 30, 2013</b>	<b>923,591</b>	<b>309,643</b>	<b>8,555,755</b>	<b>9,788,989</b>
Interim dividend for the year ended June 30, 2014 @ Rs 4.00 per share	-	-	(369,436)	(369,436)
<b>Transactions with owners, recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>(369,436)</b>	<b>(369,436)</b>
Profit for the year	-	-	1,702,216	1,702,216
Other comprehensive income for the year	-	-	35,452	35,452
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,737,668</b>	<b>1,737,668</b>
Transfer from surplus on revaluation of property, plant and equipment - incremental depreciation for the year - net of deferred tax - note 17	-	-	80,206	80,206
	-	-	80,206	80,206
<b>As at June 30, 2014</b>	<b>923,591</b>	<b>309,643</b>	<b>10,004,193</b>	<b>11,237,427</b>

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

  
**Muhammad Sohail Tabba**  
Chairman / Director

  
**Asif Jooma**  
Chief Executive

  
**Muhammad Abid Ganatra**  
Chief Financial Officer

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

## 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, 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.

These are the separate financial statements of the Company in which investment in subsidiary is stated at cost less impairment losses, if any.

## 2. Summary of Significant Accounting Policies

Following are the details of significant accounting policies:

### 2.1 Statement of compliance

These unconsolidated 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 (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Basis of preparation

These unconsolidated financial statements have been prepared under the historical cost convention, except:

- a) Certain classes of property, plant and equipment (i.e. freehold land, buildings on freehold and leasehold land and plant and machinery) have been measured at revalued amounts; and
- b) Provision for management staff gratuity, non-management staff gratuity and eligible retired employees' medical scheme is stated at present value.

The preparation of unconsolidated 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 historic 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 unconsolidated financial statements in subsequent years are discussed in note 43.

### 2.3 Property, plant and equipment and depreciation

Property, plant and equipment (except freehold land, buildings on freehold and leasehold land and plant and machinery) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, buildings on freehold and leasehold land and plant and machinery are stated at revalued amounts less subsequent accumulated depreciation and subsequent impairment losses, if any. Capital work-in-progress is stated at cost less impairment, if any. Cost of certain property, plant and equipment comprises historical cost. Such cost includes the cost of replacing parts of the property, plant and equipment and the cost of borrowings for long-term construction projects, if the recognition criteria is met.

Depreciation charge is based on the straight-line method whereby the cost or revalued amount of an asset is written off to profit and loss account over its estimated useful life after taking into account residual value, if material. The cost of leasehold land is depreciated 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 at each balance sheet date and adjusted, if appropriate.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Maintenance and normal repairs are charged to profit and loss account 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 unappropriated profit.

## 2.4 Intangible assets and amortisation

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

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in profit and loss account as incurred.

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

## 2.5 Investments

Investments in subsidiaries and unquoted equity securities classified as available-for-sale are stated at cost less provision for impairment, if any.

## 2.6 Stores, spares and consumables

Stores, spares and consumables are stated at the lower of weighted average cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less net estimated costs to sell, which is generally equivalent to replacement cost. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon up to the balance sheet date.

## 2.7 Stock-in-trade

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

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

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon up to the balance sheet date.

## 2.8 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables (Refer note 40.6.1).

## 2.9 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. In this regard the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirements of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan.

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.

Deferred tax relating to items recognised outside profit and loss account is recognised outside profit and loss account. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

## 2.10 Cash and cash equivalents

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

## 2.11 Impairment

### Financial assets

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 and loss account 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

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

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 losses 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.

## 2.12 Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on revaluation of property, plant and equipment" account shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Company has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

- a) depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- b) an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on revaluation of property, plant and equipment" account to accumulated profit / loss through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

## 2.13 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 except eligible retired employees' medical scheme is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income.

All past service costs are recognised at the earlier of when the amendment or curtailment occurs and when the Company has recognised related restructuring or termination benefits.

### Defined contribution plans

The Company operates two registered contributory provident funds for its entire staff and a registered defined contribution superannuation fund for its management staff, who has 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.

### Compensated absences

The Company recognises the accrual for compensated absences in respect of employees in which these are earned up to the balance sheet date. The accrual has been recognised on the basis of actuarial valuation.

## 2.14 Operating leases / Ijarah contracts

Leases, other than those under Ijarah contracts, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Ijarah contracts are classified as operating leases irrespective of whether significant



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

## **2.15 Trade and other payables**

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

## **2.16 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 costs 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.

## **2.17 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 recognised as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

## **2.18 Financial liabilities**

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

## **2.19 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 year.

## **2.20 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 re-translated into Pak Rupees at the foreign exchange rates at the balance sheet date. Exchange differences are taken to the profit and loss account.

## **2.21 Functional and presentation currency**

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

## **2.22 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies.

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 the Subsidiary is accounted for on a time-apportioned basis using the effective interest rate method.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Dividend income is recognised when the right to receive dividend is established.

Toll manufacturing income is recognised when services are rendered.

## 2.23 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.

## 2.24 Dividend

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

## 2.25 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 Chief Executive Officer (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 expenditures. Segment capital expenditure is the total cost incurred during the year 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, Life Sciences and Chemicals, which also reflects the management structure of the Company.

## 2.26 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. Derivatives qualifying for hedge accounting are accounted for accordingly whereas, derivatives that do not qualify for hedge accounting are accounted for as held for trading instruments. All changes in the fair value are recognised in the profit and loss account.

## 2.27 Off-setting

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

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
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### 3. Property, plant and equipment

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

Operating property, plant and equipment - note 3.2	10,756,006	8,000,684
Capital work-in-progress - note 3.7	896,051	2,549,354
	11,652,057	10,550,038

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

	Land		Lime beds	Buildings		Plant and	Railway	Rolling	Furniture	Total
	Freehold	Leasehold	on freehold land	On freehold land	On leasehold land	machinery	sidings	stock and vehicles	and equipment	
	Note 3.3			Note 3.3		Note 3.3 & 3.4				
As at June 30, 2014										
<b>Net carrying value basis</b>										
Opening net book value (NBV)	341,885	-	134,525	310,465	655,011	6,361,578	-	12,964	184,256	8,000,684
Addition / transfer (at cost) - note 3.2.1	96,137	-	10,899	92,172	443,596	3,398,311	-	6,090	63,604	4,110,809
Disposal / transfer (at NBV)	-	-	-	(30)	(260)	(16,045)	-	(4,700)	(555)	(21,590)
Adjustments (at NBV) - note 3.2.2	(1)	(29)	(15)	(88,751)	86,752	(23,557)	-	26,778	(43,091)	(41,914)
Depreciation charge / reversal- note 3.5	-	29	(11,549)	(48,472)	(105,012)	(1,055,050)	-	(14,730)	(57,199)	(1,291,983)
Closing net book value	438,021	-	133,860	265,384	1,080,087	8,665,237	-	26,402	147,015	10,756,006
<b>Gross carrying value basis</b>										
Cost / revaluation	438,021	562,166	250,556	2,398,205	1,968,029	22,461,480	297	118,610	491,709	28,689,073
Accumulated depreciation	-	(562,166)	(116,696)	(2,132,821)	(887,942)	(13,796,243)	(297)	(92,208)	(344,694)	(17,933,067)
Closing net book value	438,021	-	133,860	265,384	1,080,087	8,665,237	-	26,402	147,015	10,756,006
Depreciation rate % per annum	-	2 to 4	5 to 25	5 to 25	3 to 33.33	3.33 to 50	3.33	10 to 33.33	10 to 50	

As at June 30, 2013

<b>Net carrying value basis</b>										
Opening net book value	341,885	-	127,434	325,586	683,958	6,438,018	-	21,010	199,598	8,137,489
Addition / transfer (at cost)	-	-	12,534	8,993	14,383	354,349	-	400	14,311	404,970
Disposal / transfer (at NBV)	-	-	-	-	(804)	(3,654)	-	(508)	(29)	(4,995)
Depreciation charge - note 3.5	-	-	(5,443)	(24,114)	(42,527)	(427,135)	-	(7,938)	(29,623)	(536,780)
Closing net book value	341,885	-	134,525	310,465	655,010	6,361,578	-	12,964	184,257	8,000,684
<b>Gross carrying value basis</b>										
Cost / revaluation	341,885	567,799	239,657	2,429,974	1,470,646	19,238,452	297	90,333	591,211	24,970,254
Accumulated depreciation	-	(567,799)	(105,132)	(2,119,509)	(815,636)	(12,876,874)	(297)	(77,369)	(406,954)	(16,969,570)
Closing net book value	341,885	-	134,525	310,465	655,010	6,361,578	-	12,964	184,257	8,000,684
Depreciation rate % per annum	-	2 to 4	3.33 to 7.5	5 to 10	2.5 to 10	3.33 to 50	3.33	10 to 25	10 to 33.33	

**3.2.1** Additions to plant and machinery include interest charge on long-term loan obtained for coal fired boiler project amounting to Rs 231.406 million out of which an amount of Rs 95.406 million was incurred during the year ended June 30, 2014.

**3.2.2** During the year, the Company appointed a professional firm to conduct a physical verification exercise for reconciling physical fixed assets with the books of account. As per their recommendation, fixed assets having net book value of Rs. 27.213 million and Rs. 14.701 million have been written off and reclassified to intangible assets, respectively.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
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**3.2.3** Property, plant and equipment includes the following major spare parts and stand by equipment:

<b>Cost</b>	<b>362,904</b>	345,981
<b>Net book value</b>	<b>194,844</b>	205,170

**3.3** Subsequent to revaluations 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 on freehold and leasehold land and plant and machinery were revalued again on December 31, 2011 resulting in a net surplus of Rs 712.431 million, respectively. The valuation was conducted by an independent valuer. Valuations for plant and machinery and building 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.

**3.4** Plant and machinery including equipment held with Searle Pakistan Limited, Breeze Pharmaceutical Limited and Maple Pharmaceutical (Private) Limited (toll manufacturers), are as follows:

<b>Cost</b>	<b>8,369</b>	2,272
<b>Net book value</b>	<b>5,638</b>	1,099

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
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**3.5** The depreciation charge for the year / period has been allocated as follows:

Cost of sales - note 26	<b>1,229,818</b>	507,147
Selling and distribution expenses - note 27	<b>13,821</b>	2,837
Administration and general expenses - note 28	<b>48,344</b>	26,796
	<b>1,291,983</b>	536,780

**3.5.1** Depreciation charge is inclusive of the incremental depreciation due to revaluation.

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

	As at June 30, 2014	As at June 30, 2013
<b>Net book value</b>		
Freehold land	<b>138,741</b>	42,604
Buildings	<b>1,218,076</b>	806,312
Plant and machinery	<b>8,246,802</b>	5,868,447
	<b>9,603,619</b>	6,717,363

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>3.7</b> Capital work-in-progress comprises of:		
Civil works and buildings	<b>270,916</b>	290,318
Plant and machinery	<b>549,576</b>	1,940,263
Miscellaneous equipment	<b>44,606</b>	235,219
Advances to suppliers / contractors	<b>19,013</b>	14,189
Designing, consultancy and engineering fee	<b>11,940</b>	69,365
	<b>896,051</b>	2,549,354

This includes interest charged during the period ended June 30, 2013 in respect of long-term loan obtained for coal fired boiler project amounting to Rs 136 million which has been transferred to operating property, plant and equipment during the year.

**3.7.1** The following is the movement in capital work-in-progress during the year / period

Balance at the beginning of the year / period	<b>2,549,354</b>	1,984,221
Addition during the year / period	<b>2,409,836</b>	970,103
	<b>4,959,190</b>	2,954,324
Transferred to property plant and equipment during the year / period	<b>(4,063,139)</b>	(404,970)
Balance at the end of the year / period	<b>896,051</b>	2,549,354

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

As at June 30, 2014						
	Mode of sale	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
<b>Plant and machinery</b>						
Refractory, Panelmate and various other assets	Scrap	30,470	14,125	16,345	1,301	Shahbaz and Company, Malakwal District Mandi Bahauddin
<b>Rolling stock and vehicles</b>						
Audi and Fork lift trucks	Auction	6,440	1,739	4,701	5,343	Mr. Azfar Abbas Ashary, Karachi
<b>Building</b>						
Civil Work Lime Stone Storage	Scrap	2,877	2,648	229	20	Shahbaz and Company, Malakwal District Mandi Bahauddin
As at June 30, 2013						
<b>Plant and machinery</b>						
Diesel Generator Set and various other items	Scrap	16,594	13,333	3,261	1,037	Shahbaz and Company, Malakwal district Mandi Bahauddin
<b>Rolling stock and vehicles</b>						
Toyota Corolla, Toyota Altis and Fork lift trucks	Auction	2,600	2,092	508	2,470	S Muhammad Shakeel, Mr. Zahid Qadri and Mr. Asif Mahmood, Karachi
<b>Building</b>						
Scrap items	Scrap	2,930	2,274	656	10	Anjum Wood Craft, Khewra District Jhelum

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

## 4 Intangible assets

As at June 30, 2014			
	Software	Licenses	Total
<b>Net carrying value basis</b>			
Opening net book value (NBV)	11,754	33,369	45,123
Addition / transfer (at cost)	-	51,303	51,303
Adjustments (at NBV) - note 4.1	10,900	3,692	14,592
Amortisation charge - note 4.2	(12,286)	(34,471)	(46,757)
Closing net book value	10,368	53,893	64,261
<b>Gross carrying amount</b>			
Cost	172,187	188,546	360,733
Accumulated amortisation	(161,819)	(134,653)	(296,472)
Net book value	10,368	53,893	64,261
Rate of amortisation % per annum	20	20 to 50	
As at June 30, 2013			
<b>Net carrying value basis</b>			
Opening net book value	19,115	21,877	40,992
Additions (at cost)	-	25,042	25,042
Amortisation charge - note 4.2	(7,361)	(13,550)	(20,911)
Closing net book value	11,754	33,369	45,123
<b>Gross carrying amount</b>			
Cost	230,213	128,459	358,672
Accumulated amortisation	(218,459)	(95,090)	(313,549)
Net book value	11,754	33,369	45,123
Rate of amortisation % per annum	20	20 to 50	

- 4.1** As explained in note 3.2.2, assets having net book value of Rs. 14.701 million and Rs. 0.109 million have been reclassified from tangible assets and written off, respectively.

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
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- 4.2** The amortisation charge for the year / period has been allocated as follows:

Cost of sales - note 26	13,614	4,460
Selling and distribution expenses - note 27	1,948	4,485
Administration and general expenses - note 28	31,195	11,966
	46,757	20,911

	As at June 30, 2014	As at June 30, 2013
<b>5. Long-term investments</b>		
<b>Unquoted - at cost</b>		
<i>Subsidiary</i>		
– ICI Pakistan PowerGen Limited (wholly owned)		
7,100,000 ordinary shares (June 30, 2013: 7,100,000) of Rs 100 each - note 5.1	710,000	710,000
Less: Provision for impairment loss - note 5.2	209,524	209,524
	500,476	500,476
<b>Others</b>		
<i>Equity security available-for-sale</i>		
– Arabian Sea Country Club Limited		
250,000 ordinary shares (June 30, 2013: 250,000) of Rs 10 each	2,500	2,500
	502,976	502,976

**5.1** As of the balance sheet date, the value of the Company's investment on the basis of net assets of ICI Pakistan PowerGen Limited (the Subsidiary) as disclosed in its audited financial statements for the year ended June 30, 2014 amounted to Rs. 773.149 million (June 30, 2013: Rs 640.265 million).

**5.2** In 2011, the Company reviewed the future economic benefits of the Subsidiary based on its estimated future cash flows. The recoverable amount of investment was estimated based on its discounted value-in-use. Based on the assessment, the carrying amount of investment was determined to be Rs 209.524 million higher than the recoverable amount. However, based on current assessment no provision or reversal is required in the current year.

## 6. Long-term loans

### Considered good

Due from directors, executives and employees - note 6.1 **253,477** 199,063

### 6.1 Due from directors, executives and employees

	Motor car	House building	Total	Total
Due from directors and executives - note 6.2, 6.3 & 6.4	144,973	57,761	202,734	184,494
Less: Receivable within one year - note 11	27,266	25,745	53,011	46,329
	117,707	32,016	149,723	138,165
Due from employees - note 6.3			126,390	84,410
Less: Receivable within one year - note 11			22,636	23,512
			103,754	60,898
			253,477	199,063
Outstanding for period:				
- less than three years but over one year			161,338	111,691
- more than three years			92,139	87,372
			253,477	199,063

### 6.2 Reconciliation of the carrying amount of loans to directors and executives:

Balance at the beginning of the year / period	184,494	179,498
Disbursements during the year / period	123,414	46,528
Repayments during the year / period	(105,174)	(41,532)
Balance at the end of the year / period	202,734	184,494

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

**6.4** The maximum aggregate amount of loans due from the directors and executives at the end of any month during the year was Rs 202.734 million (June 30, 2013: Rs 184.494 million).



# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>7. Long-term deposits and prepayments</b>		
Deposits	25,679	24,632
Prepayments	2,164	8,706
	<b>27,843</b>	<b>33,338</b>

<b>8. Stores, spares and consumables</b>		
Stores - note 8.1	34,912	47,826
Spares	608,509	594,216
Consumables	100,570	101,377
	<b>743,991</b>	<b>743,419</b>
Less: Provision for slow moving and obsolete spares - note 8.2	184,735	184,683
	<b>559,256</b>	<b>558,736</b>

**8.1** The above amounts include stores and spares in transit of Rs. 15.625 million (June 30, 2013: Rs. 19.355 million)

**8.2** Movement of Provision for slow moving and obsolete spares is as follows:

Balance at the beginning of the year / period	184,683	184,683
Charge for the year / period - note 28	154	-
Write-off during the year / period	(102)	-
Balance at the end of the year / period	<b>184,735</b>	<b>184,683</b>

## 9. Stock-in-trade

Raw and packing material (include in-transit Rs 791.619 million; 2013: Rs 740.76 million) - note 9.3	2,348,115	2,084,788
Work-in-process	165,341	232,841
Finished goods (include in-transit Rs 137.44 million, 2013: Rs. 343.754 million)	2,166,884	2,348,788
	<b>4,680,340</b>	<b>4,666,417</b>
Less: Provision for slow moving and obsolete stock-in-trade - note 9.1		
- Raw material	8,771	15,461
- Finished goods	88,937	77,681
	<b>97,708</b>	<b>93,142</b>
	<b>4,582,632</b>	<b>4,573,275</b>

**9.1** Movement of Provision for slow moving and obsolete stock-in-trade is as follows:

Balance at the beginning of the year / period	93,142	88,428
Charge for the year / period - note 28	12,389	8,231
Reversal during the year / period	(6,890)	-
Write-off during the year / period	(933)	(3,517)
Balance at the end of the year / period	<b>97,708</b>	<b>93,142</b>

**9.2** Stock amounting to Rs 28.801 million (June 30, 2013: Rs 364.413 million) is measured at net realisable value and impairment has been reversed by Rs 20.529 million (June 30, 2013: impairment charge of Rs 17.354 million) to arrive at its net realisable value.

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>9.3</b> Raw and packing materials held with the toll manufacturers are as follows:		
Searle Pakistan Limited	349,019	305,766
Maple Pharmaceutical (Private) Limited	2,064	1,934
EPLA Laboratories (Private) Limited	10,031	46,258
Breeze Pharma (Private) Limited	20,811	33,831
NovaMed Pharmaceuticals (Private) Ltd	18,002	25,308
BioGenics Pakistan (Private) Limited	1,551	-
Seeds Sahiwal warehouses	21,777	1,597
	<b>423,255</b>	<b>414,694</b>

## 10. Trade debts

### Considered good

- Secured	135,393	262,319
- Unsecured	892,385	744,260

**1,027,778** 1,006,579

### Considered doubtful

**93,664** 94,802

**1,121,442** 1,101,381

Less: Provision for:

- Doubtful debts - note 40.4	93,664	94,802
- Discounts payable on sales	169,431	140,889

**263,095** 235,691

note 10.1 **858,347** 865,690

## 10.1 The above balances include amounts due from the following associated undertakings which are neither past due nor impaired:

Yunus Textile Mills Limited	26,397	17,496
Lucky Textile Mills Limited	1,162	10,657
Lucky Knits (Private) Limited	3,340	730
ICI Pakistan PowerGen Limited	371	627
	<b>31,270</b>	<b>29,510</b>

## 11. Loans and advances

### Considered good

Loans due from:

Directors and executives - note 6.1	53,011	46,329
Employees - note 6.1	22,636	23,512
	<b>75,647</b>	<b>69,841</b>

Advances to:

Directors and executives - note 11.1	14,241	7,270
Employees	276	263
Contractors and suppliers	95,368	75,815
Others	5,589	5,527
	<b>115,474</b>	<b>88,875</b>

**191,121** 158,716

### Considered doubtful

**7,292** 7,292

**198,413** 166,008

Less: Provision for doubtful loans and advances - note 40.4

**7,292** 7,292

**191,121** 158,716

## 11.1 The maximum aggregate amount of advances due from the directors and executives at the end of any month during the year was Rs 3.221 million and Rs 14.037 million (Six months period ended June 30, 2013: Rs 2.585 million and Rs 10.619 million) respectively.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>12. Trade deposits and short-term prepayments</b>		
Trade deposits	<b>25,803</b>	16,960
Short-term prepayments	<b>180,972</b>	139,552
	<b>206,775</b>	156,512

## 13. Other receivables

### Considered good

Duties, sales tax and octroi refunds due	<b>243,107</b>	351,163
Commission and discounts receivable	<b>22,612</b>	21,784
Interest income receivable	<b>8,214</b>	10,231
Receivable from principal - note 13.2	<b>1,068,427</b>	710,600
Others	<b>78,434</b>	3,045
	<b>1,420,794</b>	1,096,823

### Considered doubtful

	<b>20,237</b>	57,312
	<b>1,441,031</b>	1,154,135

Less: Provision for doubtful receivables - note 13.3

	<b>20,237</b>	57,312
note - 13.1	<b>1,420,794</b>	1,096,823

**13.1** This amount includes Rs Nil (June 30, 2013: Rs 23.36 million) on account of exchange gain / loss on forward exchange contracts.

**13.2** This includes receivable amounting to Rs. 1,019.8 million (June 30, 2013: Rs. 710.6 million) from a foreign vendor in relation to margin support guarantee.

### 13.3 Movement of provision for doubtful receivables

Balance at the beginning of the year / period	<b>57,312</b>	57,312
Reversal during the year / period	<b>(37,075)</b>	-
Balance at the end of the year / period	<b>20,237</b>	57,312

## 14. Cash and bank balances

Cash at banks :

- Short-term deposits - note 14.1	<b>103,000</b>	102,000
- Current accounts	<b>741,738</b>	360,120

In hand:

- Cheques	-	261,159
- Cash	<b>7,357</b>	7,070

	<b>852,095</b>	730,349
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**14.1** Represent security deposits from customer that are placed with various banks with terms ranging from one week to one year. The mark-up on these deposits ranges between 8.00% to 9.00% (June 30, 2013: 9.50% to 11.50%) and these term deposits are readily encashable without any penalty.

Amounts in Rs '000

As at June 30, 2014 (Numbers)	As at June 30, 2013		As at June 30, 2014	As at June 30, 2013
<b>15. Issued, subscribed and paid-up capital</b>				
<b>83,734,062</b>	83,734,062	Ordinary shares of Rs 10 each fully paid in cash	<b>837,341</b>	837,341
<b>211,925</b>	211,925	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash under scheme of arrangement for amalgamation (note 15.1)	<b>2,119</b>	2,119
<b>16,786</b>	16,786	Ordinary shares of Rs 10 each issued as fully paid bonus shares	<b>168</b>	168
<b>8,396,277</b>	8,396,277	Ordinary shares issued pursuant to the previous scheme as fully paid for consideration of investment in associate (note 15.2)	<b>83,963</b>	83,963
<b>92,359,050</b>	92,359,050		<b>923,591</b>	923,591

**15.1** The process for amalgamation of three companies namely Paintex Limited, ICI Pakistan Manufacturers Limited and Imperial Chemical Industries Limited resulted in a new company as ICI Pakistan Limited on April 1, 1987.

**15.2** With effect from October 1, 2000 the Pure Terephthalic Acid (PTA) Business of the Company was demerged under a scheme of arrangement dated December 12, 2000 approved by the shareholders and sanctioned by the High Court of Sindh.

**15.3** On December 28, 2012, Lucky Holdings Limited acquired from ICI Omicron B.V. its entire shareholding of 70,019,459 shares in ICI Pakistan Limited, besides acquiring 111,698 additional shares by way of public offer made by it to all the shareholders of the Company in pursuance of the provisions of the Listed Companies (Substantial Acquisition of Voting Shares & Take-overs), Ordinance, 2002 and the Listed Companies (Substantial Acquisition of Voting Shares & Take-overs) Regulations, 2008. Thus, Lucky Holdings Limited became the holding company, and Lucky Cement Limited became the ultimate holding company of ICI Pakistan Limited with effect from December 28, 2012. Along with Lucky Holdings Limited, two other companies of the Yunus Brothers Group namely, Gadoon Textile Mills Limited and Lucky Textile Mills Limited also participated in the public offer thereby acquiring 5,980,917 shares and 5,077,180 shares respectively. As at the balance sheet date, Lucky Cement Limited together with the group companies held 87.33% (June 30, 2013: 87.79%) shareholding.

## 16. Capital reserves

Share premium - note 16.1	<b>309,057</b>	309,057
Capital receipts - note 16.2	<b>586</b>	586
	<b>309,643</b>	309,643

**16.1** 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.

With effect from July 1, 2011, the capital reserves were split between the Company and Akzo Nobel Pakistan Limited based on 66.54:33.46 ratio which was disclosed in the audited special purpose financial statements for the six months period ended June 30, 2011.

**16.2** 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.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>17. Surplus on revaluation of property, plant and equipment</b>		
Balance at the beginning of the year / period	698,536	740,656
Adjustment due to change in tax rate - note 20.1	21,042	-
Transferred to unappropriated profit in respect of incremental depreciation during the year / period - net of deferred tax	(80,206)	(42,120)
Balance at the end of the year / period	639,372	698,536
		(Restated)
<b>18. Provisions for non-management staff gratuity</b>	<b>77,842</b>	<b>79,678</b>

## 18.1 Staff retirement benefits

The amount recognized in the profit and loss account against defined benefit scheme for the year / period is as follows:

	2014				2013			
	Pension	Funded Gratuity	Unfunded Total		Pension	Funded Gratuity	Unfunded Total	Restated
<b>18.1.1 The amounts recognised in the profit and loss account against defined benefit schemes are as follows:</b>								
Current service cost	17,153	32,322	49,475	3,291	11,998	20,760	32,758	1,368
Interest cost	102,896	54,286	157,182	8,118	63,871	34,764	98,635	3,904
Expected return on plan assets	(127,167)	(37,245)	(164,412)	-	(64,311)	(18,406)	(82,717)	-
Past service cost	-	10,115	10,115	(10,115)	-	-	-	-
Net (reversal) / charge for the year / period	(7,118)	59,478	52,360	1,294	11,558	37,118	48,676	5,272
<b>Other comprehensive income:</b>								
(Gain) / loss on obligation	7,112	21,574	28,686	5,677	(95,577)	(98,995)	(194,572)	7,517
(Gain) on plan assets	(75,645)	(11,632)	(87,277)	-	(95,884)	(30,553)	(126,437)	-
Net (gain) / loss	(68,533)	9,942	(58,591)	5,677	(191,461)	(129,548)	(321,009)	7,517

## 18.1.2 Movement in the net assets / (liability) recognised in the balance sheet are as follows:

Opening balance	225,777	(190,112)	35,665	(79,678)	(29,126)	(302,098)	(331,224)	(72,147)
Net reversal / (charge) - note 18.1.1	7,118	(59,478)	(52,360)	(1,294)	(11,558)	(37,118)	(48,676)	(5,272)
Other comprehensive income	68,533	(9,942)	58,591	(5,677)	191,461	129,548	321,009	(7,517)
Contributions / payments during the year / period	-	62,798	62,798	8,807	75,000	19,556	94,556	5,258
Closing balance	301,428	(196,734)	104,694	(77,842)	225,777	(190,112)	35,665	(79,678)

## 18.1.3 The amounts recognised in the balance sheet are as follows:

Fair value of plan assets - note 18.1.5	1,274,962	379,191	1,654,153	-	1,293,746	362,228	1,655,974	-
Present value of defined benefit obligation - note 18.1.4	(973,534)	(575,925)	(1,549,459)	(77,842)	(1,067,969)	(552,340)	(1,620,309)	(79,678)
Surplus / (deficit)	301,428	(196,734)	104,694	(77,842)	225,777	(190,112)	35,665	(79,678)

The recognized asset / liability of funded gratuity is netted off against recognized asset / liability of funded pension and recorded accordingly.

## 18.1.4 Movement in the present value of defined benefit obligation:

Opening balance	1,067,969	552,340	1,620,309	79,678	1,194,618	646,506	1,841,124	72,147
Current service cost	17,153	32,322	49,475	3,291	11,998	20,760	32,758	1,368
Interest cost	102,896	54,286	157,182	8,118	63,871	34,764	98,635	3,904
Benefits paid	(221,596)	(94,712)	(316,308)	(8,807)	(106,941)	(50,695)	(157,636)	(5,258)
Actuarial loss / (gain)	7,112	21,574	28,686	5,677	(95,577)	(98,995)	(194,572)	7,517
Past service cost	-	10,115	10,115	(10,115)	-	-	-	-
Closing balance	973,534	575,925	1,549,459	77,842	1,067,969	552,340	1,620,309	79,678

## 18.1.5 Movement in the fair value of plan assets:

Opening balance	1,293,746	362,228	1,655,974	-	1,165,492	344,408	1,509,900	-
Expected return	127,167	37,245	164,412	-	64,311	18,406	82,717	-
Contributions	-	62,798	62,798	-	75,000	19,556	94,556	-
Benefits paid	(221,596)	(94,712)	(316,308)	-	(106,941)	(50,695)	(157,636)	-
Actuarial gain	75,645	11,632	87,277	-	95,884	30,553	126,437	-
Closing balance - note 18.1.7	1,274,962	379,191	1,654,153	-	1,293,746	362,228	1,655,974	-

Amounts in Rs '000

18.1.6 Historical information *	June 30		December 31		
	2014	2013	2012	2011	2010
Present value of defined benefit obligation	1,627,301	1,699,987	2,264,010	2,337,261	2,483,046
Fair value of plan assets	(1,654,153)	(1,655,974)	(1,509,900)	(1,581,574)	(1,771,477)
(Surplus) / deficit	(26,852)	44,013	754,110	755,687	711,569

\* Prior year figures are inclusive of staff retirement benefits of Paints business (2010).

18.1.7 Major categories / composition of plan assets are as follows:	2014	2013
Debt instruments	68.77%	69.00%
Equity at market value	28.70%	28.00%
Cash	2.53%	3.00%

Fair value of plan asset	Pension	Gratuity	Pension	Gratuity
	As at June 30, 2014	As at June 30, 2013	As at June 30, 2014	As at June 30, 2013
<b>Investment</b>				
National savings deposits	181,164	-	526,012	82,250
Government bonds	667,896	283,066	339,014	172,385
Corporate bonds	-	6,936	9,431	8,137
Shares	406,635	67,586	392,450	70,317
Cash	19,267	21,603	26,839	29,139
Total	1,274,962	379,191	1,293,746	362,228

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

Actual return on plan assets during 2014 was Rs 251.689 million (June 30, 2013: Rs 209.154 million).

18.1.8 The principal actuarial assumptions at the reporting date were as follows:	2014	2013
Discount rate	12.75%	10.75%
Future salary increases - Management	10.50%	8.75%
Future salary increases - Non-management	8.00%	6.00%
Future pension increases	7.50%	6.00%

18.1.9 Impact of changes in assumptions on defined benefit scheme is as follows:	1% Increase	1% Decrease
Assumption		
Discount rate	(85,297)	95,249
Salary increase	62,203	(56,918)
Pension increase	35,272	(31,726)

18.1.10 The Company contributed Rs 62.166 million (June 30, 2013: Rs 31.347 million) and Rs 44.950 million (June 30, 2013: Rs 21.246 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

	As at June 30, 2014 (Unaudited)	As at June 30, 2013 (Unaudited)
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18.2 Provident fund		
Size of the fund (net assets)	1,269,506	1,234,564
Cost of investments made (actual investments made)	1,127,747	1,062,906
Percentage of investments made (cost of investments)	89%	86%
Fair value of investments	1,192,093	1,196,650

#### 18.2.1 Break-up of investments of provident fund

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	As at June 30, 2014 (Unaudited)		As at June 30, 2013 (Unaudited)	
	Investments	% of investment as size of the fund	Investments	% of investment as size of the fund
<b>On fair value</b>				
Pakistan Investment Bonds	854,999	72%	518,722	44%
Treasury Bill	49,604	4%	170,814	14%
Regular Income Certificates	-	0%	222,300	19%
Mutual Funds	81,682	7%	76,867	6%
Shares	196,142	16%	195,654	16%
Term Finance Certificates	9,666	1%	12,293	1%
	1,192,093	100%	1,196,650	100%

Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>19 Long-term loans</b>	<b>2,314,805</b>	<b>1,887,026</b>
<b>19.1</b> From banking companies / financial institutions:		
- Faysal Bank Limited	<b>343,591</b>	343,591
- Habib Bank Limited	<b>543,435</b>	543,435
	<b>887,026</b>	887,026

The Company has obtained Long-Term Finance Facility (LTFF) for imported and locally manufactured plant and machinery from Faysal Bank Limited of Rs 343.591 million (limit: Rs 500 million) and Habib Bank Limited of Rs 543.435 million (limit: Rs 1,000 million) for a period of 7 years (including 2 years grace period), with the principal payable on semi annual basis. The mark-up is chargeable at fixed rate ranging from 9.65% to 9.85% payable on quarterly basis. These facilities are secured against first pari passu hypothecation charge on the Property, Plant and Equipment (PPE) of the Company's Soda Ash Business located at Khewra. The loans have been refinanced by the State Bank of Pakistan under LTFF for Export Oriented Projects.

## 19.2 Islamic Term Finance

From banking companies / financial institutions:

-Standard Chartered Bank (Pakistan) Limited	<b>800,000</b>	1,000,000
-Less: Current portion of Long-Term Finance	<b>400,000</b>	-
	<b>400,000</b>	1,000,000

The Company had obtained long-term finance of Rs 1,000 million in June 2013 from Standard Chartered Bank (Pakistan) Limited under Islamic Diminishing Musharakah upto a limit of Rs 1,000 million for a period of 3 years (including 6 months grace period). Repayments of Rs. 200 million were made during the current year. The rental payment is charged at relevant KIBOR plus 0.25% p.a. payable on semi annual basis. This facility is initially secured by a ranking charge to be subsequently replaced by a first pari passu hypothecation charge on the present and future fixed assets of the Company's Polyester Business located at Sheikhpura.

-Meezan Bank Limited	<b>500,000</b>	-
-Less: Current portion of Long-Term Finance	<b>222,222</b>	-
	<b>277,778</b>	-

During the year, the Company has obtained long-term finance of Rs 500 million from Meezan Bank Limited under Islamic Diminishing Musharakah upto a limit of Rs 500 million for a period of 3 years (including 9 months grace period). The rental payment is charged at relevant KIBOR plus 0.25% p.a. payable on a quarterly basis. This facility is initially secured by a ranking charge to be subsequently replaced by a first pari passu hypothecation charge on the present and future plant, machinery and equipment of the Company's Soda Ash Business located at Khewra.

-Allied Bank Limited	<b>1,000,000</b>	-
-Less: Current portion of Long-Term Loan	<b>249,999</b>	-
	<b>750,001</b>	-

During the year, the Company has obtained long-term loan for Rs 1,000 million from Allied Bank Limited upto a limit of Rs 1,000 million for a period of 4 years (including 1 year grace period). The rental payment is charged at relevant KIBOR plus 0.25% p.a. payable on a quarterly basis. This facility is secured by a first pari passu hypothecation charge on the present and future Plant, Machinery and Equipment of the Company's Soda Ash Business located at Khewra.



Amounts in Rs '000

	As at June 30, 2014			As at June 30, 2013		
	Opening	Charge / (Reversal)	Closing	Opening	Charge	Closing
<b>20 Deferred tax liability - net</b>						
<b>Deductible temporary differences</b>						
Provisions for retirement benefits, doubtful debts and others	(301,666)	42,298	(259,368)	(330,076)	28,410	(301,666)
Retirement fund provision routed through other comprehensive income	(93,508)	28,276	(65,232)	(211,393)	117,885	(93,508)
<b>Taxable temporary differences</b>						
Property, plant and equipment - note 20.1	1,496,285	(77,967)	1,418,318	1,421,819	74,466	1,496,285
	<b>1,101,111</b>	<b>(7,393)</b>	<b>1,093,718</b>	880,350	220,761	1,101,111

**20.1** Reversal during the year includes Rs. 21.042 million (June 30, 2013: Rs. Nil) adjusted in surplus on revaluation of property, plant and equipment on account of change in tax rate.

	As at June 30, 2014	As at June 30, 2013 Restated
<b>21 Trade and other payables</b>		
Trade creditors - note 21.1 & 21.1.1	1,717,081	741,283
Bills payable	2,338,246	2,113,695
Excise and custom duties	3,959	3,964
Mark-up accrued	58,454	28,465
Accrued interest on expansion project - note 21.2	3,152	38,733
Accrued expenses	966,337	830,788
Technical service fee / royalty - note 21.3	23,686	680
Workers' profit participation fund - note 21.4	107,446	61,635
Workers' welfare fund	43,797	49,081
Distributors' security deposits - payable on termination of distributorship - note 21.5	106,142	118,888
Contractors' earnest / retention money	9,808	9,550
Running account with customers - note 21.6	223,874	118,086
Unclaimed dividends	48,693	45,982
Payable for capital expenditure	328,317	252,931
Accrual for compensated absences - note 21.7	31,249	31,249
Payable to ICI Pakistan PowerGen Limited (the Subsidiary)	129,519	102,057
Others	124,905	187,749
	<b>6,264,665</b>	4,734,816

**21.1** This includes an amount of Rs 344.692 million (June 30, 2013: Rs 101.84 million) payable to ICI Pakistan PowerGen Limited, a related party on account of purchase of electricity.

**21.1.1** This amount includes Rs Nil (June 30, 2013: Rs 1.17 million) on account of exchange loss on forward exchange contracts.

**21.2** This liability pertains to financing obtained for Coal Fired Boiler project. Interest charged on the finance facilities is capitalised as part of plant and machinery.

**21.3** This amount includes Rs 23.008 million (June 30, 2013: Rs Nil) on account of royalty payable to Lucky Holdings Limited, the holding company.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>21.4 Workers' profit participation fund</b>		
Balance at the beginning of the year / period	61,635	75,192
Allocation for the year / period - note 29	104,422	54,195
	166,057	129,387
Interest on funds utilised in the Company's businesses at 41.25 % (2013: 41.25 %) per annum - note 30	3,049	2,248
Less: Payment to the fund	61,660	70,000
Balance at the end of the year / period	107,446	61,635
<b>21.5</b> Interest on security deposits from certain distributors is payable at 8.8 % (June 30, 2013: 11.2 %) per annum as specified in the respective agreements.		
<b>21.6</b> Included herein are amounts due to the following associated undertakings:		
Gadoon Textile Mills	27,910	2,891
Yunus Textile Mills	197	-
Fazal Textile Mills	764	249
	28,871	3,140
<b>21.7</b> This figure is based on actuarial valuation and estimation.		
<b>22 Short-term borrowings and running finance - note 22.1, 22.2, 22.3 &amp; 22.4</b>	437,368	2,654,549
Short-term borrowings and running finance facility from various banks aggregated to Rs 4,921 million (June 30, 2013: Rs 4,715 million) and carry mark-up during the year ranging from relevant KIBOR + 0.20% to 1.00% per annum with an average mark-up rate of relevant KIBOR + 0.20% as at June 30, 2014 on utilized limits (June 30, 2013: relevant KIBOR + 0.40% to 0.75% per annum with an average mark-up rate of relevant KIBOR + 0.43% on utilized limits). These facilities are secured by hypothecation charge over the present and future stock-in-trade and book debts of the Company.		
<b>22.1 Short-term borrowings - secured</b>	-	2,126,000
There are no short term borrowings utilized at the balance sheet date (June 30, 2013: Rs. 2,126 million at relevant KIBOR + 0.20% to 0.40%)		
<b>22.2 Foreign currency loan against import finance</b>	267,368	-
The above foreign currency loan carry mark-up at relevant LIBOR + bank's spread which is decided at the time of disbursement (June 30, 2013: NIL).		
<b>22.3 Export refinance</b>	170,000	130,000
The Company has export refinance facility of upto Rs. 200 million (June 30, 2013: Rs. 200 million) available from Faysal Bank Limited as at June 30, 2014 out of which Rs 170 million was utilized (June 30, 2013: Rs. 130 million). The above export refinance facility is secured by first pari passu hypothecation charge. The export refinance facility carries mark-up at State Bank of Pakistan (SBP) rate (currently 8.40%) + 0.25% per annum (June 30, 2013: SBP rate 8.4% + 0.25% per annum).		
<b>22.4 Short-term running finance - secured</b>	-	398,549

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
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## 23 Contingencies and Commitments

### 23.1 Claims against the Company not acknowledged as debts are as follows:

Local bodies - note 23.1.1	32,261	12,735
Others	36,616	28,288
	<b>68,877</b>	41,023

**23.1.1** The Company was served notice by Punjab Employees Social Security Institution's (PESSI) local office Shahdara, dated November 24, 1997 on Polyester Plant for alleged non payment of Rs 11.96 million on account of social security contribution on the basis of assessment made by the PESSI for the period 1996 and 1997, on behalf of contractors' workers (M/s Descon Engineering Limited) engaged for Expansion Project. The Company challenged the notice and filed an appeal with Vice Commissioner Social Security Institution and also filled petition in High Court Lahore on July 20, 2012, along with stay application, the court granted stay order on July 25, 2012. The outcome of the case cannot be determined yet.

**23.2** Also refer note 43 to these unconsolidated financial statements for income tax contingencies.

**23.3** Guarantee issued by the Company of Rs Nil (June 30, 2013: Rs 133 million) to a bank on behalf of its subsidiary ICI Pakistan PowerGen Limited for availing funded facility.

**23.4** Commitments in respect of capital expenditure (including coal fired boiler project of the Soda Ash business and coal fired steam turbine project of the Polyester business) amounted to Rs 1,168.636 million (June 30, 2013: Rs 541.987 million).

**23.5** During the year, ICI Pakistan Limited committed an equity investment of Rs. 960 million in the Morinaga Business, to be jointly operated by ICI Pakistan and Unibrands (Pvt.) Ltd under a newly formed company namely NutriCo Pakistan (Pvt.) Limited through signing of shareholders and share subscription agreements with Unibrands. This joint venture entails a total equity investment of Rs. 960 million by ICI to acquire 40% equity in NutriCo in up to three tranches. Subsequent to the balance sheet date, the Company has paid Rs. 360 million in this respect.

**23.6** Commitments for rentals under operating lease / Ijarah contracts in respect of vehicles amounting to Rs 153.912 million (June 30, 2013: Rs 132.995 million) are as follows:

Year		
2014	-	54,462
2015	61,657	43,304
2016	48,649	26,216
2017	34,403	9,013
2018	9,203	-
	<b>153,912</b>	132,995
Payable not later than one year	61,657	54,462
Payable later than one year but not later than five years	92,255	78,533
	<b>153,912</b>	132,995

**23.7** Outstanding foreign exchange contracts as at June 30, 2014 entered into by the Company amounted Rs Nil (June 30, 2013: Rs 1,166.117 million).

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

## 24. Operating segment results

	Polyester		Soda Ash		Life Sciences		Chemicals		Company	
	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013
Sales										
Afghanistan	-	-	7,750	4,664	-	699	2,358	1,928	10,108	7,291
India	-	-	497,500	181,003	-	-	-	-	497,500	181,003
United Arab Emirates	-	-	-	-	-	-	50,410	7,861	50,410	7,861
Others	-	8,233	-	-	-	-	-	-	-	8,233
	-	8,233	505,250	185,667	-	699	52,768	9,789	558,018	204,388
Inter-segment	-	-	-	-	-	-	5,857	9,785	5,857	9,785
Local	19,667,433	9,701,479	10,427,943	4,683,715	7,504,584	3,383,635	4,479,076	2,125,869	42,079,036	19,894,698
	19,667,433	9,709,712	10,933,193	4,869,382	7,504,584	3,384,334	4,537,701	2,145,443	42,642,911	20,108,871
Commission / toll income	-	-	-	-	-	-	61,605	34,891	61,605	34,891
Turnover	19,667,433	9,709,712	10,933,193	4,869,382	7,504,584	3,384,334	4,599,306	2,180,334	42,704,516	20,143,762
Sales tax	385,692	126,708	1,518,523	645,513	40,978	9,189	479,680	215,631	2,424,873	997,041
Commission and discounts to distributors and customers	439,358	126,914	425,196	137,643	859,787	424,271	315,968	132,430	2,040,309	821,258
	825,050	253,622	1,943,719	783,156	900,765	433,460	795,648	348,061	4,465,182	1,818,299
Net sales, commission & toll income	18,842,383	9,456,090	8,989,474	4,086,226	6,603,819	2,950,874	3,803,658	1,832,273	38,239,334	18,325,463
Cost of sales - note 26	19,066,559	9,442,026	6,622,359	3,204,255	4,792,331	2,146,431	3,106,244	1,475,570	33,587,493	16,268,282
Gross profit	(224,176)	14,064	2,367,115	881,971	1,811,488	804,443	697,414	356,703	4,651,841	2,057,181
Selling and distribution expenses - note 27	258,230	46,019	236,780	51,357	824,909	329,996	210,335	96,019	1,530,254	523,391
Administration and general expenses - note 28	309,150	124,976	264,293	102,888	201,989	76,632	120,221	56,638	895,653	361,134
Operating result	(791,556)	(156,931)	1,866,042	727,726	784,590	397,815	366,858	204,046	2,225,934	1,172,656

**24.1 Segment assets**  
- note 24.5 & 25.3 7,643,268 7,215,283 14,827,493 12,608,937 6,335,403 4,853,688 2,809,583 2,398,548 20,565,660 18,865,663

**24.2 Unallocated assets** 2,371,760 2,079,042

22,937,420 20,944,705

**24.3 Segment liabilities**  
- note 24.5 & 25.4 11,336,335 8,772,215 4,389,791 3,177,567 2,555,658 1,680,842 1,024,907 809,607 8,256,604 6,229,439

**24.4 Unallocated liabilities** 2,804,017 4,227,741

11,060,621 10,457,180

**24.5** Inter unit current account balances of respective businesses have been eliminated from the total.

**24.6 Depreciation & amortization**  
- note 3.5 and 4.2 528,092 230,363 751,803 294,575 23,750 11,100 35,095 21,653 1,338,740 557,691

**24.7 Capital expenditure** 1,627,533 407,574 803,035 550,903 43,008 16,997 35,232 19,671 2,508,808 995,145

**24.8 Inter-segment pricing**

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

**24.9** There were no major customer of the Company which formed part of 10% or more of the Company's revenue.

Amounts in Rs '000

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>25. Reconciliations of reportable segment turnover, cost of sales, assets and liabilities</b>		
<b>25.1 Turnover</b>		
Total turnover for reportable segments - note 24	<b>42,704,516</b>	20,143,762
Elimination of inter-segment turnover - note 24	<b>(5,857)</b>	(9,785)
Total turnover	<b>42,698,659</b>	20,133,977
<b>25.2 Cost of sales</b>		
Total cost of sales for reportable segments - note 26	<b>33,587,493</b>	16,268,282
Elimination of inter-segment purchases - note 26	<b>(5,857)</b>	(9,785)
Total cost of sales	<b>33,581,636</b>	16,258,497
<b>25.3 Assets</b>		
Total assets for reportable segments	<b>20,565,660</b>	18,865,663
Taxation recoverable	<b>1,765,784</b>	1,474,066
Bank deposits - note 14	<b>103,000</b>	102,000
Long-term investments - note 5	<b>502,976</b>	502,976
Total assets	<b>22,937,420</b>	20,944,705
<b>25.4 Liabilities</b>		
Total liabilities for reportable segments	<b>8,256,604</b>	6,229,439
Short-term loan	<b>170,000</b>	2,256,000
Long-term loan	<b>2,314,805</b>	1,887,026
Accrued interest on expansion project - note 21	<b>3,152</b>	38,733
Unclaimed dividends - note 21	<b>48,693</b>	45,982
Total liabilities	<b>10,793,254</b>	10,457,180

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

## 26. Cost of Sales

	Polyester		Soda Ash		Life Sciences		Chemicals		Company	
	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>Raw and packing materials consumed</b>										
Opening stock	897,238	1,394,859	510,102	359,582	453,994	588,355	207,993	115,497	2,069,327	2,458,293
Purchases										
Inter-segment	5,857	9,785	-	-	-	-	-	-	5,857	9,785
Others	15,157,139	7,501,920	2,198,446	1,028,100	2,058,518	456,369	1,802,668	1,009,243	21,216,771	9,995,632
	15,162,996	7,511,705	2,198,446	1,028,100	2,058,518	456,369	1,802,668	1,009,243	21,222,628	10,005,417
	16,060,234	8,906,564	2,708,548	1,387,682	2,512,512	1,044,724	2,010,661	1,124,740	23,291,955	12,463,710
Closing stock - note 9	(878,010)	(897,238)	(552,167)	(510,102)	(636,348)	(453,994)	(272,821)	(207,993)	(2,339,346)	(2,069,327)
Raw material consumed	15,182,224	8,009,326	2,156,381	877,580	1,876,164	590,730	1,737,840	916,747	20,952,609	10,394,383
Salaries, wages and benefits - note 26.1	347,903	133,692	645,747	220,182	2,832	900	44,669	17,326	1,041,151	372,100
Stores and spares consumed	183,251	69,819	104,415	47,339	-	-	7,697	2,293	295,363	119,451
Conversion fee paid to contract manufacturers	-	-	-	-	396,884	136,435	10,056	4,871	406,940	141,306
Oil, gas and electricity	1,890,218	1,002,818	2,713,782	1,210,796	-	-	12,481	4,690	4,616,481	2,218,304
Rent, rates and taxes	936	490	1,098	864	-	-	14,321	6,948	16,355	8,302
Insurance	24,031	12,923	27,989	16,970	-	-	1,110	563	53,130	30,456
Repairs and maintenance	4,596	1,657	891	5	608	-	4,678	2,174	10,773	3,836
Depreciation & amortisation charge - note 3.5 & 4.2	500,637	217,025	728,703	282,967	262	207	13,830	11,408	1,243,432	511,607
Write-offs - note 3.2.2 & 4.1	1,708	-	20,706	-	-	-	751	-	23,165	-
Technical fees	-	-	-	-	1,020	-	2,807	1,354	3,827	1,354
Royalty	-	-	-	-	1,629	-	-	-	1,629	-
General expenses	168,479	68,347	168,183	67,482	2,887	1,167	17,027	6,940	356,576	143,936
Opening stock of work-in-process	170,516	74,987	-	-	59,475	71,700	2,850	1,276	232,841	147,963
Closing stock of work-in-process - note 9	(143,343)	(170,516)	-	-	(16,447)	(59,475)	(5,551)	(2,850)	(165,341)	(232,841)
Cost of goods manufactured	18,331,156	9,420,568	6,567,895	2,724,185	2,325,314	741,664	1,864,566	973,740	29,088,931	13,860,157
Opening stock of finished goods	994,304	1,009,796	78,767	383,510	793,560	1,102,849	404,476	278,929	2,271,107	2,775,084
Finished goods purchased	136,304	6,979	-	175,327	2,977,682	1,098,109	1,203,805	631,964	4,317,791	1,912,379
	19,461,764	10,437,343	6,646,662	3,283,022	6,096,556	2,942,622	3,472,847	1,884,633	35,677,829	18,547,620
Closing stock of finished goods - note 9	(395,205)	(994,304)	(24,303)	(78,767)	(1,291,836)	(793,560)	(366,603)	(404,476)	(2,077,947)	(2,271,107)
Provision for slow moving and obsolete stocks - note 28	-	(1,013)	-	-	(12,389)	(2,631)	-	(4,587)	(12,389)	(8,231)
	19,066,559	9,442,026	6,622,359	3,204,255	4,792,331	2,146,431	3,106,244	1,475,570	33,587,493	16,268,282

## 26.1 Staff retirement benefits

Salaries, wages and benefits include Rs 31.205 million (June 30, 2013: Rs 23.196 million) in respect of staff retirement benefits.

**27. Selling and distribution expenses**

	<b>Polyester</b>		<b>Soda Ash</b>		<b>Life Sciences</b>		<b>Chemicals</b>		<b>Company</b>	
	<b>For the year ended June 30, 2014</b>	For the six months period ended June 30, 2013	<b>For the year ended June 30, 2014</b>	For the six months period ended June 30, 2013	<b>For the year ended June 30, 2014</b>	For the six months period ended June 30, 2013	<b>For the year ended June 30, 2014</b>	For the six months period ended June 30, 2013	<b>For the year ended June 30, 2014</b>	For the six months period ended June 30, 2013
Salaries and benefits - note 27.1	<b>42,010</b>	16,373	<b>24,624</b>	7,690	<b>331,964</b>	104,418	<b>68,240</b>	23,610	<b>466,838</b>	152,091
Repairs and maintenance	<b>155</b>	101	<b>1,810</b>	1,092	<b>2,828</b>	1,378	<b>2,491</b>	856	<b>7,284</b>	3,427
Advertising and publicity expenses	<b>1,103</b>	193	<b>15,409</b>	42	<b>118,980</b>	62,127	<b>5,347</b>	3,926	<b>140,839</b>	66,288
Rent, rates and taxes	<b>400</b>	192	<b>3,015</b>	1,529	<b>7,936</b>	4,179	<b>1,225</b>	613	<b>12,576</b>	6,513
Insurance	-	-	<b>370</b>	597	<b>7,238</b>	5,069	<b>2,264</b>	1,594	<b>9,872</b>	7,260
Lighting, heating and cooling	<b>107</b>	59	<b>1,862</b>	680	<b>3,336</b>	1,357	<b>6,292</b>	1,453	<b>11,597</b>	3,549
Depreciation & amortisation charge - note 3.5 & 4.2	-	-	<b>97</b>	65	<b>10,416</b>	4,506	<b>5,256</b>	2,751	<b>15,769</b>	7,322
Outward freight and handling	<b>2,751</b>	5,014	<b>81,359</b>	30,530	<b>61,650</b>	30,299	<b>66,133</b>	28,307	<b>211,893</b>	94,150
Travelling expenses	<b>7,415</b>	3,350	<b>3,138</b>	1,336	<b>116,545</b>	43,833	<b>16,408</b>	7,761	<b>143,506</b>	56,280
Postage, telegram, telephone and telex	<b>1,155</b>	779	<b>1,191</b>	343	<b>17,982</b>	8,856	<b>3,425</b>	2,477	<b>23,753</b>	12,455
Royalty	<b>188,424</b>	-	<b>89,895</b>	-	-	-	-	-	<b>278,319</b>	-
Write-offs - note 3.2.2 & 4.1	-	-	-	-	<b>862</b>	-	-	-	<b>862</b>	-
General expenses	<b>14,710</b>	19,958	<b>14,010</b>	7,453	<b>145,172</b>	63,974	<b>33,254</b>	22,671	<b>207,146</b>	114,056
	<b>258,230</b>	46,019	<b>236,780</b>	51,357	<b>824,909</b>	329,996	<b>210,335</b>	96,019	<b>1,530,254</b>	523,391

**27.1 Staff retirement benefits**

Salaries and benefits include Rs 13.776 million (June 30, 2013: Rs 14.038 million) in respect of staff retirement benefits.

**28. Administration and general expenses**

Salaries and benefits - note 28.1	<b>186,182</b>	61,181	<b>168,080</b>	54,173	<b>111,969</b>	38,779	<b>78,635</b>	28,249	<b>544,866</b>	182,382
Repairs and maintenance	<b>4,235</b>	2,797	<b>3,470</b>	1,582	<b>4,732</b>	1,686	<b>1,185</b>	481	<b>13,622</b>	6,546
Advertising and publicity expenses	<b>5,057</b>	1,018	<b>5,778</b>	1,159	<b>1,915</b>	388	<b>1,249</b>	251	<b>13,999</b>	2,816
Rent, rates and taxes	<b>5,645</b>	2,838	<b>2,986</b>	1,441	<b>965</b>	466	<b>645</b>	312	<b>10,241</b>	5,057
Insurance	<b>1,310</b>	493	<b>1,567</b>	589	<b>2,793</b>	2,390	<b>426</b>	160	<b>6,096</b>	3,632
Lighting, heating and cooling	<b>6,241</b>	2,987	<b>4,905</b>	2,874	<b>9,118</b>	2,909	<b>1,060</b>	621	<b>21,324</b>	9,391
Write-offs - note 3.2.2 & 4.1	<b>993</b>	-	<b>1,188</b>	-	<b>667</b>	-	<b>448</b>	-	<b>3,296</b>	-
Depreciation & amortisation charge - note 3.5 & 4.2	<b>27,455</b>	13,338	<b>23,003</b>	11,543	<b>13,072</b>	6,387	<b>16,009</b>	7,494	<b>79,539</b>	38,762
Provision for doubtful debts - trade - note 40.6	-	-	-	-	<b>1,556</b>	-	-	774	<b>1,556</b>	774
Provision for obsolete stocks - note 9.1	-	1,013	-	-	<b>12,389</b>	2,631	-	4,587	<b>12,389</b>	8,231
Provision for slow moving and obsolete spares - note 8.2	-	-	<b>52</b>	-	<b>102</b>	-	-	-	<b>154</b>	-
Travelling expenses	<b>7,872</b>	3,203	<b>4,753</b>	1,941	<b>7,113</b>	2,402	<b>4,109</b>	2,292	<b>23,847</b>	9,838
Postage, telegram, telephone and telex	<b>3,276</b>	1,633	<b>3,154</b>	1,420	<b>2,935</b>	1,167	<b>1,707</b>	827	<b>11,072</b>	5,047
General expenses	<b>60,884</b>	34,475	<b>45,357</b>	26,166	<b>32,663</b>	17,427	<b>14,748</b>	10,590	<b>153,652</b>	88,658
	<b>309,150</b>	124,976	<b>264,293</b>	102,888	<b>201,989</b>	76,632	<b>120,221</b>	56,638	<b>895,653</b>	361,134

**28.1 Staff retirement benefits**

Salaries and benefits include Rs 12.274 million (June 30, 2013: Rs 15.360 million) in respect of staff retirement benefits.



# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>29. Other charges</b>		
Auditors' remuneration - note 29.1	3,687	2,539
Donations - note 29.2	17,452	7,450
Workers' profit participation fund - note 21.4	104,422	54,195
Workers' welfare fund	40,428	20,940
Loss on disposal of property, plant and equipment	15,069	-
	<b>181,058</b>	<b>85,124</b>

## 29.1 Auditors' remuneration

Statutory audit fee	2,050	2,050
Half yearly review and other certifications	950	-
Out of pocket expenses	687	489
	<b>3,687</b>	<b>2,539</b>

**29.2** Represent provision in respect of donation to ICI Pakistan Foundation (Head office, Karachi). Mr. Asif Jooma, Director of the Group, Mr. Suhail Aslam Khan, Mr. Asif Malik, Ms. Saima Kamila Khan and Ms. Fathema Zuberi, Executives of the Company are amongst the Trustees of the Foundation. No amount has been paid during the current year and corresponding period.

## 30. Finance costs

Mark-up	327,724	137,370
Interest on workers' profit participation fund - note 21.4	3,049	2,248
Discounting charges on receivables	46,292	20,917
Exchange losses	4,144	24,529
Guarantee fee and others	5,833	1,998
	<b>387,042</b>	<b>187,062</b>

## 31. Other income

### Income from financial assets

#### Income from related party

Return on loan due from the Subsidiary  
Service fee from related parties - note 31.1

-	1,292
1,980	990
368	-
2,348	2,282

#### Income from other financial assets

Profit on short-term and call deposits

### Income from non-financial assets

Scrap sales	67,371	22,212
Gain on disposal of property, plant and equipment	985	363
Provisions and accruals no longer required written back	138,552	90,300
Exchange gain	104,774	-
Sundries	9,100	10,461
	<b>323,130</b>	<b>125,618</b>

**31.1** This represents amount charged by the Company for certain management and other services rendered to its wholly owned subsidiary, ICI Pakistan PowerGen Limited, in accordance with the service agreement.

Amounts in Rs '000

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>32. Taxation</b>		
Current	311,133	271,336
Prior	(102,548)	(35,887)
Deferred	70,163	102,872
Net tax charged - note 32.1	278,748	338,321

### 32.1 Tax reconciliation

Profit before taxation	1,980,964	1,026,088
Tax @ 34% (2013: 35%)	673,528	359,131
Effect of prior year charge	(102,548)	(35,887)
Tax impact due to change of FTR ratio	89,034	8,230
Effect of credit under section 65B	(316,690)	-
Effect of change in tax rate on beginning deferred tax balance	(62,510)	-
Tax effect of items not deductible for tax purposes	7,278	2,608
Others	(9,344)	4,239
Net tax charged	278,748	338,321
Average effective tax rate	14%	33%

### 33. Basic and diluted earning per share (EPS)

Profit after taxation for the year / period	1,702,216	687,767
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the year / period	92,359,050	92,359,050
<b>Rupees</b>		
Basic and diluted earning per share (EPS)	18.43	7.45

### 34. Remuneration of chairman, chief executive, directors and executives

The 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	
	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013
Managerial remuneration	-	365	46,447	15,633	41,251	16,125	605,490	172,879	693,188	205,002
Retirement benefits	-	-	7,601	2,558	6,058	3,137	131,977	44,887	145,636	50,582
Group insurance	-	-	34	9	68	19	4,377	548	4,479	576
Rent and house maintenance	-	-	894	1,862	-	-	175,134	53,054	176,028	54,916
Utilities	-	-	783	256	-	-	43,503	13,015	44,286	13,271
Medical expenses	-	-	71	42	178	66	30,880	14,741	31,129	14,849
	-	365	55,830	20,360	47,555	19,347	991,361	299,124	1,094,746	339,196
Number of persons	1	1	1	1	1	2	446	368	449	376

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

**34.1** In addition to above, an amount of Rs 205.8 million (June 30, 2013: Rs 98.6 million) on account of variable pay to employees has been recognised in the current year / period. This amount is payable in the following year after verification of achievements against targets.

Variable and special bonus paid during the year / period includes the following:

	Paid in 2014 relating to 2013	Paid in 2013 relating to 2012
Chief Executive	7,125	-
Directors	10,857	3,855
Executives	90,577	48,007
Other employees	13,813	39,319
	<b>122,372</b>	<b>91,181</b>

**34.2** The Directors and certain executives are provided with free use of the Company cars in accordance with their entitlement. The Chief Executive is provided with free use of Company car, certain household equipment and maintenance when needed.

**34.3** Aggregate amount charged in the unconsolidated financial statements for remuneration to six non-executive directors was Rs Nil (June 30, 2013: Rs 1.975 million). During the year fee paid to directors amount to Rs 1.863 million (June 30, 2013: Rs 0.525 million) for attending board and other meetings, which is not part of remuneration.

**34.3.1** The remuneration and fee paid to directors during last period includes Rs 0.442 million and Rs 0.08 million respectively against two non-executive directors who were appointed as executive directors.

**34.4** The above amounts include an amount of Rs 189.01 million (June 30, 2013: Rs 75.35 million) on account of remuneration of key management personnel out of which Rs 29.31 million (June 30, 2013: Rs 11.881 million) relates to post employment benefits.

	As at and for the year ended June 30, 2014	As at and for the six months period ended June 30, 2013
<b>34.5</b> Total number of employees as of the balance sheet date	<b>1138</b>	1053
Average number of employees during the year / period	<b>1086</b>	1055

## 35. Transactions with related parties

The related parties comprise the holding company (Lucky Holdings Limited), the ultimate holding company (Lucky Cement Limited) and related group companies, local associated company, subsidiary company, directors of the Company, companies where directors also hold directorship, key employees (note 34) and staff retirement funds (note 18). Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these unconsolidated financial statements are as follows:

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>Subsidiary Company</b>		
Purchase of goods, materials and services	1,068,140	543,181
Provision of services and other receipts - note 31	1,980	990
Return on loan to the Subsidiary - note 31	-	1,292
Sale of goods and material and services	2,440	-
<b>Associated companies</b>		
Purchase of goods, materials and services	17,167	62
Sale of goods and materials	1,646,191	718,460
Dividends	322,629	162,379
Royalty	278,319	-

**36. Plant capacity and annual production**

- in metric tonnes:

	For the year ended June 30, 2014		For the six months period ended June 30, 2013	
	Annual Name Plate Capacity	Production	Annual Name Plate Capacity	Production
Polyester	122,000	109,810	122,000	54,428
Soda Ash - note 36.1	350,000	287,445	350,000	118,864
Chemicals - note 36.2	-	15,643	-	9,291
Sodium Bicarbonate	26,000	27,000	20,000	13,070

**36.1** Production of Soda Ash was greater as compared to previous period since Coal Fired Boilers became operational during current year. Further last period production was low due to gas curtailment.

**36.2** The capacity of 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 is 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 other 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 oversight of the Company's risk management framework. The executive 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.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts 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 balance sheet date the interest rate profile of the Company's interest-bearing financial instruments were:

	Carrying Amount	
	As at June 30, 2014	As at June 30, 2013
<b>Fixed rate instruments</b>		
Financial assets - note 14	103,000	102,000
Financial liabilities - note 19 & 21	(993,168)	(1,005,914)
	<b>(890,168)</b>	<b>(903,914)</b>
<b>Variable rate instruments</b>		
Financial liabilities - note 19 & 22	(2,737,368)	(3,654,549)
	<b>(2,737,368)</b>	<b>(3,654,549)</b>

### 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 balance sheet date would not affect profit or loss.

### Sensitivity analysis for variable rate instruments

If KIBOR had been 1% higher / lower with all other variables held constant, the impact on the profit before tax for the year / period would have been Rs 27.37 million (June 30, 2013: Rs 36.54 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 and purchases which are entered in a currency other than Pak Rupees. When the management expects future depreciation of Pak Rupees, the Company enters into forward foreign exchange contracts 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.

Following is the gross balance sheet exposure classified into separate foreign currencies:

	EURO	USD	GBP	JPY
As at June 30, 2014				
Other receivables	4,092	11,280	-	-
Cash and bank balances	-	6,897	-	-
	<b>4,092</b>	<b>18,177</b>	<b>-</b>	<b>-</b>
Trade and other payables	(63,171)	(1,276,899)	(1,050,235)	-
Gross balance sheet exposure	<b>(59,079)</b>	<b>(1,258,722)</b>	<b>(1,050,235)</b>	<b>-</b>
As at June 30, 2013				
Trade debts	-	7,861	-	-
Other receivables	1,156	722,914	-	-
Cash and bank balances	-	53,265	-	-
	<b>1,156</b>	<b>784,040</b>	<b>-</b>	<b>-</b>
Trade and other payables	(143,565)	(1,416,383)	(545,421)	(1,208)
Gross balance sheet exposure	<b>(142,409)</b>	<b>(632,343)</b>	<b>(545,421)</b>	<b>(1,208)</b>

Amounts in Rs '000

Significant exchange rates applied during the year / period were as follows:

	Average rate		Spot rate	
	For the year ended June 30, 2014	For the six months period ended June 30, 2013	As at June 30, 2014	As at June 30, 2013
Rupees per	Rupees		Rupees	
EURO	134.97	128.92	134.94	130.18
USD	98.90	98.22	98.80	99.66
GBP	168.43	151.53	168.15	151.80
JPY	0.98	1.03	0.97	1.01

#### Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase profit before tax for the year by Rs 23.68 million (June 30, 2013: Rs 13.21 million). The following table demonstrates the sensitivity to the change in exchange rates. As at June 30, 2014, if Pak Rupee had weakened / strengthened by 1% against other currencies, with all other variables held constant, the effect on the Company profit before tax at June 30, 2014 and June 30, 2013 would be as follows:

	Increase / decrease in exchange rates	Effect on Profit before tax (EURO)	Effect on Profit before tax (USD)	Effect on Profit before tax (GBP)	Effect on Profit before tax (JPY)
<b>2014</b>					
Pak Rupee	+1%	591	12,587	10,502	-
Pak Rupee	-1%	(591)	(12,587)	(10,502)	-
<b>2013</b>					
Pak Rupee	+1%	1,424	6,323	5,454	12
Pak Rupee	-1%	(1,424)	(6,323)	(5,454)	(12)

#### 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 counter-party. 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. Some customers are 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 balance sheet date is as follows:

	As at June 30, 2014	As at June 30, 2013
<b>40.1 Financial assets</b>		
Long-term investments - note 5	2,500	2,500
Long-term loans - note 6	253,477	199,063
Long-term deposits - note 7	25,679	24,632
Trade debts - note 10	858,347	865,690
Loans and advances - note 11	191,121	158,716
Trade deposits - note 12	25,803	16,960
Other receivables - note 13	1,177,687	745,660
Bank balances - note 14	844,738	723,279
	<b>3,379,352</b>	<b>2,736,500</b>

**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.

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>40.3 Financial assets</b>		
- Secured	479,034	538,756
- Unsecured	2,900,318	2,197,744
	<b>3,379,352</b>	<b>2,736,500</b>

**40.4** The ageing of trade debts and loans and advances at the balance sheet date is as follows:

Not past due	921,068	982,468
<b>Past due but not impaired:</b>		
Not more than three months	106,392	63,946
<b>Past due and impaired:</b>		
More than three months and not more than six months	3,726	2,000
More than six months and not more than nine months	4,448	-
More than nine months and not more than one year	2,321	-
More than one year	112,469	78,086
	<b>229,356</b>	<b>144,032</b>
Less: Provision for:		
- Doubtful debts - note 10	93,664	94,802
- Doubtful loans and advances - note 11	7,292	7,292
	<b>100,956</b>	<b>102,094</b>
	<b>1,049,468</b>	<b>1,024,406</b>

**40.4.1** There were no past due or impaired receivables from related parties.

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

Wholesale customers	72,282	1,181
Retail customers	26,008	16,650
End-user customers	131,066	126,201
	<b>229,356</b>	<b>144,032</b>
Less: Provision for:		
- Doubtful debts - note 10	93,664	94,802
- Doubtful loans and advances - note 11	7,292	7,292
	<b>100,956</b>	<b>102,094</b>
	<b>128,400</b>	<b>41,938</b>

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

	Trade debts	Loans and advances	Total	Total
Balance at the beginning of the year / period	94,802	7,292	102,094	102,676
Additional provision - note 28	1,556	-	1,556	774
Written off during the year / period	(194)	-	(194)	(302)
Provision no longer required	(2,500)	-	(2,500)	(1,054)
Balance at the end of the year / period	<b>93,664</b>	<b>7,292</b>	<b>100,956</b>	<b>102,094</b>

**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 an 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.



**40.7 Concentration risk**

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

	As at June 30, 2014	As at June 30, 2013
Textile and Chemicals	457,365	430,224
Glass	106,513	64,651
Paper and Board	12,056	2,015
Pharmaceuticals / Detergents	77,861	150,600
Paints	16,893	10,369
Banks	844,738	723,279
Loans and Advances and Others	479,736	468,641
	<b>1,995,162</b>	<b>1,849,779</b>
Less: Provision for:		
- Doubtful debts - note 10	93,664	94,802
- Doubtful loans and advances - note 11	7,292	7,292
	<b>100,956</b>	<b>102,094</b>
	<b>1,894,206</b>	<b>1,747,685</b>

- 40.8** Other price risk is the risk that the value of future cash flows of the financial instrument will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investment securities. As at the balance sheet date, the Company is not materially exposed to other price risk except investment in subsidiary which is carried at cost against which provision for impairment has been provided in these unconsolidated financial statements.

**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 analyses 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
<b>As at June 30, 2014</b>			
<b>Financial liabilities</b>			
Trade creditors - note 21	1,717,081	(1,717,081)	(1,717,081)
Bills payable - note 21	2,338,246	(2,338,246)	(2,338,246)
Mark-up accrued - note 21	58,454	(58,454)	(58,454)
Accrued interest on secured / unsecured loans - note 21	3,152	(3,152)	(3,152)
Accrued expenses - note 21	966,337	(966,337)	(966,337)
Technical service fee / royalty - note 21	23,686	(23,686)	(23,686)
Distributors' security deposits - payable on termination of distributorship - note 21 & 21.5	106,142	(115,482)	(115,482)
Contractors' earnest / retention money - note 21	9,808	(9,808)	(9,808)
Unclaimed dividends - note 21	48,693	(48,693)	(48,693)
Payable for capital expenditure - note 21	328,317	(328,317)	(328,317)
Payable to ICI Pakistan PowerGen Limited - note 21	129,519	(129,519)	(129,519)
Others - note 21	124,905	(124,905)	(124,905)
Long-term loan - note 19	2,314,805	(3,832,069)	(1,188,661)
Short-term borrowings - note 22.1 and 22.2	437,368	(453,556)	(453,556)
	<b>8,606,513</b>	<b>(10,149,305)</b>	<b>(7,505,897)</b>

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

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	Carrying amount	Contractual cash flows	Less than one year
As at June 30, 2013			
<b>Financial liabilities</b>			
Trade creditors - note 21	741,283	(741,283)	(741,283)
Bills payable - note 21	2,113,695	(2,113,695)	(2,113,695)
Mark-up accrued - note 21	28,465	(28,465)	(28,465)
Accrued interest on secured / unsecured loans - note 21	38,733	(38,733)	(38,733)
Accrued expenses - note 21	791,074	(791,074)	(791,074)
Technical service fee / royalty - note 21	680	(680)	(680)
Distributors' security deposits - payable on termination of distributorship - note 21 & 21.5	118,888	(132,203)	(132,203)
Contractors' earnest / retention money - note 21	9,550	(9,550)	(9,550)
Unclaimed dividends - note 21	45,982	(45,982)	(45,982)
Payable for capital expenditure - note 21	252,931	(252,931)	(252,931)
Payable to ICI Pakistan PowerGen Limited - note 21	102,057	(102,057)	(102,057)
Others - note 21	149,320	(149,320)	(149,320)
Long-term loan - note 19	1,887,026	(2,446,543)	(377,836)
Short-term borrowings - note 22.1 & 22.2	2,256,000	(2,290,387)	(2,290,387)
Short-term running finance - note 22.3	398,549	(398,549)	(398,549)
	8,934,233	(9,541,452)	(7,472,745)

## 42. Capital risk management

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

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares. The Company also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt. The gearing ratio as at June 30, 2014 and June 30, 2013 is as follows:

	As at June 30, 2014	As at June 30, 2013
Long-term loans	2,314,805	1,887,026
Trade and other payables	6,264,665	4,734,816
Short-term borrowings and running finance	437,368	2,654,549
<b>Total debt</b>	<b>9,016,838</b>	9,276,391
Cash and bank balances	(852,095)	(730,349)
<b>Net debt</b>	<b>8,164,743</b>	8,546,042
Share capital	923,591	923,591
Capital reserves	309,643	309,643
Unappropriated profit	10,004,193	8,555,755
<b>Equity</b>	<b>11,237,427</b>	9,788,989
<b>Capital</b>	<b>19,402,170</b>	18,335,031
<b>Gearing ratio</b>	<b>42.08%</b>	46.61%

#### 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 details of the tax matters are as follows:

The Appellate Tribunal Inland Revenue (The Tribunal) had 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 had filed an appeal against the said order before the CIR (Appeals), the hearing of which 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 under the principle of well known case of *Eli Lilly*. After the Supreme Court's decision on retrospectivity as mentioned above, a notice has been issued u/s 66A 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 Court's decision as above. However, despite the stay granted by High Court, the tax department issued an order on May 7, 2012 and raised the demand of the additional tax liability of Rs 19 million. The Company filed an appeal before The Tribunal which decided the case in Company's favour on the basis that order issued on May 7, 2012 was time barred. The tax department has also issued an order through which Tribunal's order has been given effect and Company's position has been accepted.

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 after it being dismissed by the Sindh High Court on maintainability, 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. It is the Company's contention that such an action is unwarranted and which has illegally changed the settled position.

Whilst amending the assessment for the Tax Year 2003, 2004, 2005, 2007, 2008 and 2010, the 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. The CIR (Appeals) has also passed the orders for these tax years during the year ended June 30, 2014 thereby accepting the company's contention on the issue of carrying forward of unabsorbed depreciation. The department has filed an appeal against the orders of the CIR (Appeals) in the Tribunal which are pending for hearing.

In April 2012, a notice had been issued by the tax department for recovery of tax demand of Rs 271 million for Tax year 2003 and Rs 310 million for tax year 2004 on account of unabsorbed tax depreciation relating to the demerger of PPTA business. This notice has been issued by the tax department on the basis that revenue cases cannot be stayed by the High Court of Sindh for a period of more than six months as mentioned in Article 199(4A) of the Constitution of Pakistan. The Company through its counsel has filed a reply to the department stating that since our assessments are protective assessments and as stated in the order the demand can only arise after the matter is finally decided by the Supreme Court for assessment year 2002-03. No action has been taken by the tax department after the reply of the Company.

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.

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. A tax demand of Rs 616 million was raised in the order. It is the company's contention that such an action is unwarranted. An appeal before the CIR (Appeals) on the matter has been decided in the Company's favour and carrying forward of unabsorbed depreciation has been allowed. The department has filed an appeal against the order of the CIR (Appeals) in the Tribunal which is pending for hearing.

In June 2012, whilst amending the assessment for the Tax Year 2009, the tax department had disallowed the unabsorbed depreciation on the ground that there was no brought forward depreciation from Tax Year 2008 and a demand of Rs 972 million was created. It was the Company's contention that such an action was unwarranted. This position was totally different from the

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

position taken earlier by the tax department. The Company had filed an appeal before the High Court of Sindh challenging the said order which had decided the case with the direction that the matter will be finalised by the CIR (Appeals) within six weeks from the date of High Court's Order. On August 15, 2012 CIR (Appeals) issued its order and upheld the order passed by the tax department earlier. The Company then filed an appeal before the Appellate Tribunal Inland Revenue against the said order of CIR (Appeals) as well as for the stay of demand. On November 15, 2012, the Tribunal decided the case in Company's favour on the basis that the original assessment order for assessment year 2001-02 passed on May 29, 2002 is now crystallized and therefore unabsorbed depreciation is available to the company. The Tax Department has also issued an order giving effect to the Tribunal's decision through which the unabsorbed depreciation has been allowed to be carried forward for adjustment in Tax Year 2009. In July 2013 tax department had also passed an order for Tax Year 2010 whereby allowed the benefit of carried forward depreciation from Tax Year 2009.

## **Pension and Gratuity**

Certain actuarial assumptions have been adopted as disclosed in note 18 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 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 equipment with a corresponding effect on the depreciation charge and impairment.

## **44. Standards or Interpretations not yet effective**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as follows :

### **44.1 New, Amended and Revised Standards and Interpretations of IFRSs**

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IFRS 7 – Financial Instruments: Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

IFAS 3 – Profit and Loss Sharing on Deposits

### **Improvements to Accounting Standards Issued by the IASB**

IAS 1 – Presentation of Financial Statements – Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The adoption of the above revision, amendments interpretation of the standards did not have any effect on the financial statements.

### Standards, Interpretations and Amendments to Approved Accounting Standards that are not yet effective

The following are the standards and interpretations, which have been issued but are not yet effective for the current financial year:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 41 – Agriculture: Bearer Plants	January 01, 2016
IAS 19 – Employee Benefits	July 01, 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	January 01, 2014
IFRIC 21 – Levies	January 01, 2014

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

#### 45. Post balance sheet events - dividends

The Directors in their meeting held on August 29, 2014 have recommended a final dividend of Rs 4 per share (2013: Rs Nil per share) in respect of year ended June 30, 2014. This dividend is in addition to Interim dividend paid of Rs. 4 per share during the current year. The unconsolidated financial statements for the year ended June 30, 2014 do not include the effect of the final dividend which will be accounted for in the year in which it is approved.

#### 46. Date of authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on August 29, 2014.

#### 47. General

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

**47.2** During the six months ended June 30, 2013 the Company changed its financial year from December 31 to June 30. Accordingly, the corresponding figures in the profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity pertain to six months ended June 30, 2013 and, hence, are not comparable.

**47.3** Corresponding figures have also been rearranged and reclassified, wherever necessary, for better presentation. However, there has been no material reclassification to report except for reclassification of eligible retired employees' medical scheme from deferred liabilities to trade and other payables amounting to Rs. 39.714 million.

**Muhammad Sohail Tabba**  
Chairman / Director

**Asif Jooma**  
Chief Executive

**Muhammad Abid Ganatra**  
Chief Financial Officer

# Notes to the Unconsolidated Financial Statements

For the year ended June 30, 2014

	2005 Restated	2006	2007 Restated	
<b>Balance Sheet</b>				
Equity	9,493,072	10,265,010	11,368,830	
Revaluation Reserves	494,315	1,124,220	1,012,167	
<b>Equity and Revaluation Reserve</b>	<b>9,987,387</b>	<b>11,389,230</b>	<b>12,380,997</b>	
Non Current Liability	90,604	104,079	119,571	
Current Liability	5,891,930	5,436,275	6,263,805	
<b>Total Equity and Liabilities</b>	<b>15,969,921</b>	<b>16,929,584</b>	<b>18,764,373</b>	
Non Current Assets	9,469,783	9,905,729	9,741,603	
Current Assets	6,500,138	7,023,855	9,022,770	
<b>Total Assets</b>	<b>15,969,921</b>	<b>16,929,584</b>	<b>18,764,373</b>	
<b>Profit and Loss Account</b>				
Turnover	21,054,298	21,947,688	25,988,351	
Net sales, commission & toll income	18,476,457	19,574,118	23,024,123	
Cost of sales	15,124,759	15,492,648	18,205,369	
Gross profit	3,351,698	4,081,470	4,818,754	
Operating Result	1,842,542	2,479,018	2,984,004	
Profit before taxation	1,612,401	2,117,797	2,768,523	
Profit after taxation	1,572,257	1,455,628	1,784,800	
<b>Summary of Cash Flows</b>				
Cash generated from / (used in) operations	2,666,900	3,554,048	4,312,406	
Net cash generated from / (used in) operating activities	2,521,959	3,477,093	4,093,537	
Net cash used in investing activities	(1,420,757)	(1,040,183)	(1,397,436)	
Net cash generated from / (used in) financing activities	(1,118,221)	(2,337,028)	(868,583)	
<b>Cash and cash equivalents at December 31 / June 30</b>	<b>1,687,656</b>	<b>1,787,538</b>	<b>3,615,056</b>	

Excluding recognition of deferred tax credit in 2005

2011 and 2012 numbers have been restated due to IAS 19 revision

Year 2011 onwards exclude the effect of Paints business due to demerger

\* Comparative analysis is based on twelve months performance of current year versus same period last year (SPLY) for a meaningful comparison.

Amounts in Rs '000

January to December						July to June	
	2008 Restated	2009	2010	2011 Restated	2012 Restated	2012-13* Restated	2013-14
	12,448,126	13,482,796	14,548,093	9,066,723	9,024,890	9,788,989	11,237,427
	962,795	931,846	907,352	824,207	740,656	698,536	639,372
	<b>13,410,921</b>	<b>14,414,642</b>	<b>15,455,445</b>	<b>9,890,930</b>	<b>9,765,546</b>	<b>10,487,525</b>	<b>11,876,799</b>
	612,954	1,208,117	1,093,190	1,340,306	1,593,267	3,067,815	3,486,365
	4,446,810	5,799,898	5,482,037	9,280,988	9,355,282	7,389,365	7,574,254
	18,470,685	21,422,657	22,030,672	20,512,224	20,714,095	20,944,705	22,937,418
	10,435,258	10,297,489	10,152,415	9,154,438	10,898,077	11,330,538	12,500,614
	8,035,427	11,125,168	11,878,257	11,357,786	9,816,018	9,614,167	10,436,804
	18,470,685	21,422,657	22,030,672	20,512,224	20,714,095	20,944,705	22,937,418
	31,921,873	32,399,181	39,532,506	38,348,591	37,809,433	39,627,119	42,698,659
	27,798,915	28,429,897	35,129,980	35,516,114	34,681,563	36,267,761	38,233,477
	22,303,138	22,754,005	28,443,690	30,910,029	30,688,097	32,193,170	33,581,636
	5,495,777	5,675,892	6,686,290	4,606,085	3,993,466	4,074,592	4,651,841
	3,052,360	3,027,654	3,712,566	2,378,449	1,624,634	1,986,737	2,225,934
	2,812,778	3,072,506	3,731,516	2,294,653	1,496,223	1,749,207	1,980,964
	1,862,738	2,044,738	2,428,826	1,531,430	973,661	1,158,701	1,702,216
	1,188,392	4,938,310	3,716,187	4,127,104	(1,963,689)	(164,272)	4,818,897
	969,809	4,476,231	2,334,428	2,875,020	(3,176,714)	(971,364)	3,806,585
	(1,780,969)	(938,043)	(752,830)	(509,814)	(2,125,793)	(940,727)	(2,400,932)
	(832,815)	(1,041,018)	(1,388,027)	(2,151,436)	(796,407)	1,453,483	933,274
	1,971,081	4,468,251	4,661,822	4,633,322	(1,465,592)	(1,924,200)	414,727



# Pattern of Shareholding

as at June 30, 2014

No. of Shareholders	Categories		No. of Shares
	From	To	
6,445	1	100	215,018
2,681	101	500	633,238
638	501	1,000	463,458
597	1,001	5,000	1,294,428
80	5,001	10,000	591,601
26	10,001	15,000	328,184
13	15,001	20,000	227,095
11	20,001	25,000	242,322
6	25,001	30,000	159,630
4	30,001	35,000	135,369
1	35,001	40,000	35,400
1	40,001	45,000	41,659
4	45,001	50,000	193,200
1	50,001	55,000	50,370
1	55,001	60,000	55,018
1	65,001	70,000	66,540
2	80,001	85,000	165,665
2	85,001	90,000	177,657
1	90,001	95,000	91,579
2	95,001	100,000	197,900
1	100,001	105,000	102,000
1	115,001	120,000	119,687
1	140,001	145,000	140,800
1	160,001	165,000	162,523
1	165,001	170,000	167,570
1	225,001	230,000	227,700
1	275,001	280,000	279,700
1	305,001	310,000	307,281
1	310,001	315,000	310,550
1	325,001	330,000	326,138
1	330,001	335,000	331,953
1	505,001	510,000	506,920
1	530,001	535,000	533,175
1	690,001	695,000	691,400
1	2,125,001	2,130,000	2,129,188
1	5,075,001	5,080,000	5,077,180
1	5,980,001	5,985,000	5,980,917
1	69,595,001	69,600,000	69,599,037
<b>10,535</b>			<b>92,359,050</b>

# Pattern of Shareholding

as at June 30, 2014

S.No.	Categories of Shareholders	No. of Shareholders	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children.	4	520,515	0.56
2	Associated Companies, undertakings and related parties.	3	80,657,134	87.33
3	NIT and ICP	0	0	0
4	Banks Development Financial Institutions, Non Banking Financial Institutions.	25	153,113	0.17
5	Insurance Companies	17	2,749,404	2.98
6	Modarabas and Mutual Funds	35	2,712,549	2.94
7	Share holders holding 10%	1	69,599,037	75.36
8	General Public :			
	a. Local	10,302	3,928,039	4.25
	b. Foreign			
9	Others	149	1,638,296	1.77
	<b>Total (excluding : shareholders holding 10%)</b>	<b>10,535</b>	<b>92,359,050</b>	<b>100.00</b>

# Pattern of Shareholding

as at June 30, 2014

## ADDITIONAL INFORMATION

Shareholder's Category	Number of Shareholders / folios	Number of Shares Held	%
<b>i. Associated Companies, Undertakings and Related Parties (name wise details)</b>			
GADOON TEXTILE MILLS LIMITED	1	5,980,917	6.48
LUCKY HOLDINGS LIMITED	1	69,599,037	75.36
LUCKY TEXTILE MILLS LIMITED	1	5,077,180	5.50
	<b>3</b>	<b>80,657,134</b>	<b>87.33</b>
<b>ii. Mutual Funds (name wise details)</b>			
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	3,238	0.00
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1	91,579	0.10
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	1	326,138	0.35
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	34,000	0.04
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	1	4,788	0.01
CDC - TRUSTEE FIRST HABIB STOCK FUND	1	23,200	0.03
CDC - TRUSTEE HBL - STOCK FUND	1	691,400	0.75
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	1	17,200	0.02
CDC - TRUSTEE HBL MULTI - ASSET FUND	1	102,000	0.11
CDC - TRUSTEE HBL PF EQUITY SUB FUND	1	17,500	0.02
CDC - TRUSTEE IGI STOCK FUND	1	87,800	0.10
CDC - TRUSTEE KSE MEEZAN INDEX FUND	1	18,500	0.02
CDC - TRUSTEE MEEZAN BALANCED FUND	1	25,116	0.03
CDC - TRUSTEE MEEZAN ISLAMIC FUND	1	533,175	0.58
CDC - TRUSTEE MEEZAN TAHAFUZZ PENSION FUND - EQUITY SUB FUND	1	167,570	0.18
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	4,909	0.01
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	33,569	0.04
CDC - TRUSTEE PICIC ISLAMIC STOCK FUND	1	20,000	0.02
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	1	35,400	0.04
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	227,700	0.25
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1	16,000	0.02
CDC-TRUSTEE FIRST HABIB ISLAMIC BALANCED FUND	1	32,800	0.04
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	1	140,800	0.15
CDC-TRUSTEE MEEZAN CAPITAL PROTECTED FUND-II	1	25,641	0.03
CONFIDENCE MUTUAL FUND LTD	1	7	0.00
DOMINION STOCK FUND LIMITED	1	182	0.00
GOLDEN ARROW SELECTED STOCKS FUND	1	7	0.00
GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1	21,900	0.02
INVESTEC MUTUAL FUND LIMITED	1	17	0.00
SAFEWAY MUTUAL FUND LIMITED	1	256	0.00
SECURITY STOCK FUND LIMITED	1	36	0.00
	<b>31</b>	<b>2,702,428</b>	<b>2.93</b>
<b>iii. Directors and their spouse(s) and minor children (name wise details)</b>			
MR. ASIF JOOMA	1	506,920	0.55
MR. KAMAL A CHINOY	2	1,095	0.00
MR. KHAWAJA IQBAL HASSAN	1	12,500	0.01
	<b>4</b>	<b>520,515</b>	<b>0.56</b>

Shareholder's Category	Number of Shareholders / folios	Number of Shares Held	%
<b>iv. Executives</b>	<b>5</b>	<b>1,173</b>	<b>0.00</b>
<b>v. Public Sector Companies and Corporations</b>	<b>2</b>	<b>2,129,832</b>	<b>2.31</b>
<b>vi Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds</b>	<b>46</b>	<b>646,365</b>	<b>0.70</b>
<b>vii. Shareholders Holding five percent or more Voting Rights in the Listed Company (name wise details)</b>			
GADOON TEXTILE MILLS LIMITED	1	5,980,917	6.48
LUCKY HOLDINGS LIMITED	1	69,599,037	75.36
LUCKY TEXTILE MILLS LIMITED	1	5,077,180	5.50
	<b>3</b>	<b>80,657,134</b>	<b>87.33</b>
<b>viii. Others &amp; General Public</b>	<b>10,444</b>	<b>5,701,603</b>	<b>6.17</b>
<b>Total (excluding : shareholders holding 5%)</b>	<b>10,535</b>	<b>92,359,050</b>	<b>100.00</b>

**ix. Details of trading in the shares by the Directors, CEO, CFO, Company Secretary and their spouses:**

During the year, Mr. Asif Jooma, purchased 506,920 shares of the Company and Mr. Kamal A Chinoy purchased 1,000 qualification shares as required under the Articles of the Company. Other than these, the directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the Company during the year.

# Notice of 63<sup>rd</sup> Annual General Meeting

Notice is hereby given that the Sixty-Third Annual General Meeting of ICI Pakistan Limited will be held on Wednesday, October 22, 2014 at 9:30 a.m. at ICI House, 5 West Wharf, Karachi, to transact the following business:

1. To receive, consider and adopt the accounts of the Company for the period ended June 30, 2014, the report of the Auditors thereon and the report of the Directors.
2. To declare and approve Final cash dividend @ 40% i.e. Rs. 4/- per ordinary share of Rs.10/- each for the year ended June 30, 2014, as recommended by the Directors, payable to the Members whose names appear in the Register of the Members as at October 15, 2014.
3. To appoint the Auditors of the Company and to fix their remuneration.

By Order of the Board



**Saima Kamila Khan**  
Company Secretary

October 01, 2014  
Karachi

## Notes:

1. Share Transfer Books of the Company will remain closed from October 16, 2014 to October 22, 2014 (both days inclusive). Transfers received in order at the office of our Shares Registrar, FAMCO Associates (Pvt) Limited, 8-F, Block-6, P.E.C.H.S., Shahr-e-Faisal, Karachi, by the close of business on October 15, 2014 will be in time for the purposes of the Annual General Meeting.
2. All Members are entitled to attend and vote at the Meeting. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote for him/her. A proxy must be a Member of the Company.
3. An instrument of proxy applicable for the Meeting is being provided with the notice sent to Members. Further copies of the instrument of proxy may be obtained from the Registered Office of the Company during normal office hours. Proxy form may also be downloaded from the Company's website: [www.ici.com.pk](http://www.ici.com.pk).
4. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must, to be valid, be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
5. Members are requested to submit a copy of their Computerized National Identity Card/Smart National Identity Card (CNIC/SNIC), if not already provided and notify immediately changes, if any, in their registered address to our Shares Registrar, FAMCO Associates (Pvt) Ltd.
6. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000, issued by the Securities and Exchange Commission of Pakistan.

## A. For Attending the Meeting:

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his/her original CNIC/SNIC or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

## B. For Appointing Proxies:

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC/SNIC numbers shall be mentioned on the form.
- (iii) Attested copies of CNIC/SNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his/her original CNIC/SNIC or original passport at the time of the Meeting.
- (v) In case of a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



**ICI PAKISTAN**

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**ICI Pakistan Limited  
and its Subsidiary Company**  
Consolidated Financial Statements

# Report of the Directors

For the year Ended June 30, 2014

The Directors are pleased to present their report together with the audited Group results of ICI Pakistan Limited for the year ended June 30, 2014. The ICI Pakistan Group comprises of ICI Pakistan Limited and ICI Pakistan PowerGen Limited (PowerGen), a wholly owned subsidiary.

The Director's report, giving a commentary on the performance of ICI Pakistan Limited for the year ended June 30, 2014 has been presented separately.

Net Sales Income of PowerGen for the period at Rs. 913 million is 2% lower as compared to same period last year due to lower electricity sales to Polyester Business. As a result, Company made an operating profit of Rs. 143 million for the year which is 15% lower compared to the corresponding period last year.



**Muhammad Sohail Tabba**  
Chairman / Director



**Asif Jooma**  
Chief Executive

Dated: August 29, 2014

Karachi



# Auditors' Report to the Members

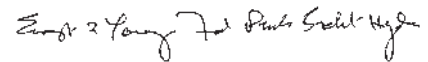
We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **ICI Pakistan Limited** (the Holding Company) and its subsidiary company (together referred to as Group) as at **30 June 2014** and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of the Holding Company and its subsidiary company namely ICI Pakistan PowerGen Limited. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Holding Company and its subsidiary company as at **30 June 2014** and the results of their operations for the year then ended.

Date: 29 August, 2014

Karachi



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Shariq Ali Zaidi

# Consolidated Balance Sheet

As at June 30, 2014

Amounts in Rs '000

	Note	June 30, 2014	June 30, 2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	<b>11,808,502</b>	10,727,467
Intangible assets	4	<b>64,261</b>	45,123
		<b>11,872,763</b>	10,772,590
Long-term investment	5	<b>2,500</b>	2,500
Long-term loans	6	<b>256,525</b>	202,071
Long-term deposits and prepayments	7	<b>27,843</b>	33,338
		<b>286,868</b>	237,909
		<b>12,159,631</b>	11,010,499
<b>Current assets</b>			
Stores, spares and consumables	8	<b>617,668</b>	615,782
Stock-in-trade	9	<b>4,607,216</b>	4,594,877
Trade debts	10	<b>883,710</b>	891,186
Loans and advances	11	<b>193,000</b>	160,640
Trade deposits and short-term prepayments	12	<b>220,018</b>	161,888
Other receivables	13	<b>1,488,685</b>	1,188,212
Taxation - net		<b>1,765,784</b>	1,474,066
Cash and bank balances	14	<b>858,204</b>	836,143
		<b>10,634,285</b>	9,922,794
<b>Total assets</b>		<b>22,793,916</b>	20,933,293

Amounts in Rs '000

	Note	June 30, 2014	June 30, 2013
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital			
1,500,000,000 (2013: 1,500,000,000) ordinary shares of Rs 10 each		<b>15,000,000</b>	15,000,000
Issued, subscribed and paid-up capital	15	<b>923,591</b>	923,591
Capital reserves	16	<b>309,643</b>	309,643
Unappropriated profit		<b>10,125,694</b>	8,544,999
<b>Total equity</b>		<b>11,358,928</b>	9,778,233
<b>Surplus on revaluation of property, plant and equipment</b>	17	<b>784,517</b>	843,037
<b>Non-current liabilities</b>			
Provisions for non-management staff gratuity	18	<b>78,081</b>	79,917
Long-term loans	19	<b>2,314,805</b>	1,887,026
Deferred tax liability - net	20	<b>1,093,718</b>	1,101,111
		<b>3,486,604</b>	3,068,054
<b>Current liabilities</b>			
Current portion of long-term loans	19	<b>872,221</b>	-
Trade and other payables	21	<b>5,854,278</b>	4,589,420
Short-term borrowings and running finance	22	<b>437,368</b>	2,654,549
		<b>7,163,867</b>	7,243,969
<b>Contingencies and commitments</b>	23		
<b>Total equity and liabilities</b>		<b>22,793,916</b>	20,933,293

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

  
**Muhammad Sohail Tabba**  
Chairman / Director

  
**Asif Jooma**  
Chief Executive

  
**Muhammad Abid Ganatra**  
Chief Financial Officer

# Consolidated Profit and Loss Account

For the year ended June 30, 2014

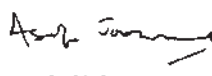
Amounts in Rs '000

	Note	For the year ended June 30, 2014	For the six months period ended June 30, 2013
Turnover	25	42,698,659	20,133,977
Sales tax, commission and discounts	24	(4,620,382)	(1,893,940)
Net sales, commission and toll income		38,078,277	18,240,037
Cost of sales	25	(33,280,470)	(16,105,080)
Gross profit		4,797,807	2,134,957
Selling and distribution expenses	27	(1,530,254)	(523,391)
Administration and general expenses	28	(896,407)	(361,635)
Operating result		2,371,146	1,249,931
Other charges	29	(191,033)	(90,550)
Finance costs	30	(388,024)	(187,793)
		(579,057)	(278,343)
Other income	31	321,776	125,600
Profit before taxation		2,113,865	1,097,188
Taxation	32	(278,748)	(338,321)
Profit after taxation		1,835,117	758,867
<b>Basic and diluted earnings per share (Rupees)</b>	33	<b>19.87</b>	8.22
		<b>For the year ended June 30, 2014</b>	<b>For the year ended June 30, 2013</b>
<b>Basic and diluted earnings per share (Rupees)</b>		<b>19.87</b>	15.36

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



**Muhammad Sohail Tabba**  
Chairman / Director



**Asif Jooma**  
Chief Executive



**Muhammad Abid Ganatra**  
Chief Financial Officer

# Consolidated Statement of Comprehensive Income

For the year ended June 30, 2014

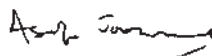
Amounts in Rs '000

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>Profit for the year / period</b>	<b>1,835,117</b>	758,867
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains on defined benefit plans	52,914	336,815
Tax effect	(17,462)	(117,885)
	<b>35,452</b>	218,930
<b>Total comprehensive income for the year / period</b>	<b>1,870,569</b>	977,797

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



**Muhammad Sohail Tabba**  
Chairman / Director



**Asif Jooma**  
Chief Executive



**Muhammad Abid Ganatra**  
Chief Financial Officer

# Consolidated Cash Flow Statement

For the year ended June 30, 2014

Amounts in Rs '000

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>Cash flows from operating activities</b>		
Profit before taxation	2,113,865	1,097,188
Adjustments for:		
Depreciation and amortisation - note 3.5 & 4.2	1,381,219	580,439
Loss / (gain) on disposal of property, plant and equipment - note 29 & 31	14,081	(363)
Write offs - note 3.2.2 & 4.1	27,404	-
Provision for staff retirement benefit plan - note 18.1.1	52,740	48,676
Provisions / (reversal) for non-management staff gratuity and eligible retired employees' medical scheme	4,800	(275,275)
Interest on bank deposits	(368)	-
Interest expense	381,878	162,884
	3,975,619	1,613,549
Movement in:		
Working capital	839,062	(1,683,437)
Long-term loans	(54,455)	(7,639)
Long-term deposits and prepayments	5,495	7,553
Cash generated from / (used in) operations	4,765,721	(69,974)
Payments for :		
Staff retirement benefit pension plans - note 18.1.2	(63,178)	(94,556)
Non-management staff gratuity and eligible retired employees' medical scheme	(23,695)	(12,174)
Taxation	(574,280)	(551,563)
Interest	(351,889)	(151,059)
<b>Net cash generated from / (used in) operating activities</b>	<b>3,752,679</b>	<b>(879,326)</b>
<b>Cash flows from investing activities</b>		
Payments for capital expenditure	(2,454,705)	(969,981)
Proceeds from disposal of property, plant and equipment	7,626	5,358
Interest received on bank deposits	368	-
<b>Net cash used in investing activities</b>	<b>(2,446,711)</b>	<b>(964,623)</b>

Amounts in Rs '000

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>Cash flows from financing activities</b>		
Long-term loans	1,300,000	1,596,756
Dividends paid	(366,726)	(143,273)
<b>Net cash generated from financing activities</b>	<b>933,274</b>	<b>1,453,483</b>
Net increase / (decrease) in cash and cash equivalents	2,239,242	(390,466)
<b>Cash and cash equivalents at the beginning of the year / period</b>	<b>(1,818,406)</b>	<b>(1,427,940)</b>
<b>Cash and cash equivalents at the end of the year / period</b>	<b>420,836</b>	<b>(1,818,406)</b>
<b>Movement in working capital</b>		
<b>(Increase) / decrease in current assets</b>		
Stores, spares and consumables	(1,886)	(18,422)
Stock-in-trade	(12,339)	816,734
Trade debts	7,476	(295,493)
Loans and advances	(32,360)	33,208
Trade deposits and short-term prepayments	10,824	(20,292)
Other receivables	(300,473)	(122,689)
	<b>(328,758)</b>	<b>393,046</b>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	1,167,820	(2,076,483)
	<b>839,062</b>	<b>(1,683,437)</b>
<b>Cash and cash equivalents at the end of the year / period comprise of:</b>		
Cash and bank balances - note 14	858,204	836,143
Short-term borrowings and running finance - note 22	(437,368)	(2,654,549)
	<b>420,836</b>	<b>(1,818,406)</b>

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

  
**Muhammad Sohail Tabba**  
Chairman / Director

  
**Asif Jooma**  
Chief Executive

  
**Muhammad Abid Ganatra**  
Chief Financial Officer



# Consolidated Statement of Changes in Equity

For the year ended June 30, 2014

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
<b>As at January 01, 2013</b>	<b>923,591</b>	<b>309,643</b>	<b>7,710,090</b>	<b>8,943,324</b>
Final dividend for the year ended December 31, 2012 @ Rs 2.00 per share	-	-	(184,718)	(184,718)
<b>Transactions with owners, recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>(184,718)</b>	<b>(184,718)</b>
Profit for the period	-	-	758,867	758,867
Other comprehensive income for the period	-	-	218,930	218,930
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>977,797</b>	<b>977,797</b>
Transfer from surplus on revaluation of property, plant and equipment - incremental depreciation for the period - net of deferred tax - note 17	-	-	41,830	41,830
	-	-	41,830	41,830
<b>As at June 30, 2013</b>	<b>923,591</b>	<b>309,643</b>	<b>8,544,999</b>	<b>9,778,233</b>
Interim dividend for the year ended June 30, 2014 @ Rs 4.00 per share	-	-	(369,436)	(369,436)
<b>Transactions with owners, recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>(369,436)</b>	<b>(369,436)</b>
Profit for the year	-	-	1,835,117	1,835,117
Other comprehensive income for the year	-	-	35,452	35,452
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,870,569</b>	<b>1,870,569</b>
Transfer from surplus on revaluation of property, plant and equipment - incremental depreciation for the year - net of deferred tax - note 17	-	-	79,562	79,562
	-	-	79,562	79,562
<b>As at June 30, 2014</b>	<b>923,591</b>	<b>309,643</b>	<b>10,125,694</b>	<b>11,358,928</b>

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

  
**Muhammad Sohail Tabba**  
Chairman / Director

  
**Asif Jooma**  
Chief Executive

  
**Muhammad Abid Ganatra**  
Chief Financial Officer

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

## 1. Status and Nature of Business

The Group consists of:

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

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

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

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

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

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

## 2. Summary of significant accounting policies

Following are the details of significant accounting policies.

### 2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

### 2.2 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, except:

- a) certain classes of property, plant and equipment (i.e. freehold land, buildings on freehold and leasehold land and plant and machinery) have been measured at revalued amounts; and
- b) Provision for management staff gratuity, non-management staff gratuity, and eligible retired employees' medical scheme is stated at present value.

The preparation of consolidated 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 consolidated financial statements in subsequent years are discussed in note 43.

### 2.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Holding Company and its subsidiary companies, here-in-after referred to as "the Group".

A company is a subsidiary, if an entity (the Holding Company) directly or indirectly controls, beneficially owns or holds more than fifty percent of its voting securities or otherwise has power to elect and appoint more than fifty percent of its directors.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Holding Company, using consistent accounting policies.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the subsidiary companies' shareholders' equity in the consolidated financial statements.

## 2.4 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 land and leasehold land and plant and machinery are stated at revalued amounts less subsequent accumulated depreciation and subsequent impairment losses, if any. Capital work-in-progress is stated at cost less impairment if any. Cost of certain property, plant and equipment comprises historical cost. Such cost includes the cost of replacing parts of the property, plant and equipment and the cost of borrowings for long-term construction projects, if the recognition criteria are met.

Depreciation charge is based on the straight-line method whereby the cost or revalued amount of an asset is written off to profit and loss account over its estimated useful life after taking into account residual value, if material. The cost of leasehold land is depreciated 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 at each balance sheet date, and adjusted, if appropriate.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Improvements are capitalised when it is probable that respective future economic benefits will flow to the Group and the cost of the item can be measured reliably. 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 unappropriated profit.

## 2.5 Intangible assets and amortisation

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

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

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

## 2.6 Stores, spares and consumables

Stores, spares and consumables are stated at the lower of weighted average cost and net realisable value. Net realizable value is the estimated selling price in the ordinary course of business less net estimated cost to sell, which is generally equivalent to replacement cost. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon up to the balance sheet date.

## 2.7 Stock-in-trade

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

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

Items in transit are valued at cost comprising invoice value plus other charges incurred thereon up to the balance sheet date.

## **2.8 Trade debts and other receivables**

Trade debts and other receivables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables (Refer note 40.6.1).

## **2.9 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. In this regard the effects on deferred taxation on the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirements of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan

The Group recognises a deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax relating to items recognised outside profit and loss account is recognised outside profit and loss account. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Further, the Group recognises deferred tax asset / liability on deficit / surplus on revaluation of property, plant and equipment which is adjusted against the related deficit / surplus.

## **2.10 Cash and cash equivalents**

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

## **2.11 Impairment**

### **Financial assets**

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.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

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 and loss account 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 assets 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 Group'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 losses 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.

## 2.12 Surplus on revaluation of fixed assets

The surplus arising on revaluation of fixed assets is credited to the "Surplus on Revaluation of property, plant and equipment" account shown below equity in the balance sheet in accordance with the requirements of section 235 of the Companies Ordinance, 1984. The said section was amended through the Companies (Amendment) Ordinance, 2002 and accordingly the Group has adopted the following accounting treatment of depreciation on revalued assets, keeping in view the Securities and Exchange Commission of Pakistan's (SECP) SRO 45(1)/2003 dated January 13, 2003:

- a) depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account; and
- b) an amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of property, plant and equipment" account to unappropriated profit / loss through Statement of Changes in Equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

## 2.13 Staff retirement benefits

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

### Defined benefit plans

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

An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income.

All past service costs are recognized at the earlier of when the amendment or curtailment occurs and when the Group has recognized related restructuring or termination benefits.

### **Defined contribution plans**

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

### **Compensated absences**

The Group recognizes the accrual for compensated absences in respect of employees in which these are earned up to the balance sheet date. The accrual has been recognized on the basis of actuarial valuation.

### **2.14 Operating leases / Ijarah contracts**

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

### **2.15 Trade and other payables**

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

### **2.16 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 costs 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.

### **2.17 Provisions**

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. 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.

### **2.18 Financial liabilities**

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

### **2.19 Earnings per share**

The Group 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 Group by the weighted average number of ordinary shares outstanding during the period.

### **2.20 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 re-translated into Pak Rupees at the foreign exchange rates at the balance sheet date. Exchange differences are taken to the profit and loss account.

### **2.21 Functional and presentation currency**

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

### **2.22 Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

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

Commission income is recognised on date of shipment from suppliers.

Profit on short-term deposits is accounted for on a time-apportioned basis using the effective interest rate method.

Dividend income is recognised when the right to receive dividend is established.

Toll manufacturing income is recognised when services are rendered.

## 2.23 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.

## 2.24 Dividend

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

## 2.25 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group 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 Group's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer (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 year 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, Life Sciences, Chemicals and others (PowerGen), which also reflects the management structure of the Group.

## 2.26 Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives qualifying for hedge accounting are accounted for accordingly whereas, derivatives that do not qualify for hedge accounting are accounted for as held for trading instruments. All changes in the fair value are recognized in the profit and loss account.

## 2.27 Off-setting

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



Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>3. Property, plant and equipment</b>		
<b>3.1</b> The following is a statement of property, plant and equipment:		
Operating property, plant and equipment - note 3.2	<b>10,908,546</b>	8,147,259
Capital work-in-progress - note 3.7	<b>899,956</b>	2,580,208
	<b>11,808,502</b>	10,727,467

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

	Land		Lime beds	Buildings		Plant and	Railway	Rolling	Furniture	Total
	Freehold	Leasehold	on freehold land	On freehold land	On leasehold land	machinery	sidings	stock and vehicles	and equipment	
	Note 3.3			Note 3.3		Note 3.3 & 3.4				
As at June 30, 2014										
Net carrying value basis										
Opening net book value (NBV)	341,885	-	134,525	321,322	655,011	6,497,300	-	12,965	184,251	8,147,259
Addition / transfer (at cost) - note 3.2.1	96,137	-	10,899	92,816	443,596	3,446,311	-	6,090	63,603	4,159,452
Disposal / transfer (at NBV)	-	-	-	(30)	(260)	(16,162)	-	(4,700)	(555)	(21,707)
Adjustments (at NBV) - note 3.2.2	(1)	(29)	(15)	(87,351)	86,751	(25,043)	-	26,777	(43,085)	(41,996)
Depreciation charge / reversal - note 3.5	-	29	(11,549)	(50,396)	(105,011)	(1,095,606)	-	(14,730)	(57,199)	(1,334,462)
Net book value	438,021	-	133,860	276,361	1,080,087	8,806,800	-	26,402	147,015	10,908,546
Gross carrying value basis										
Cost / revaluation	438,021	562,166	250,556	2,462,313	1,968,029	23,281,028	297	118,610	491,723	29,572,743
Accumulated depreciation	-	(562,166)	(116,696)	(2,185,952)	(887,942)	(14,474,228)	(297)	(92,208)	(344,708)	(18,664,197)
Net book value	438,021	-	133,860	276,361	1,080,087	8,806,800	-	26,402	147,015	10,908,546
Depreciation rate % per annum	-	2 to 4	5 to 25	5 to 50	3 to 33.33	3.33 to 50	3.33	10 to 33.33	10 to 50	
As at June 30, 2013										
Net carrying value basis										
Opening net book value	341,885	-	127,434	337,375	683,958	6,592,326	-	21,010	199,593	8,303,581
Addition / transfer (at cost)	-	-	12,534	8,993	14,383	357,579	-	400	14,311	408,200
Disposal / transfer (at NBV)	-	-	-	-	(803)	(3,654)	-	(508)	(29)	(4,994)
Depreciation charge - note 3.5	-	-	(5,443)	(25,046)	(42,527)	(448,951)	-	(7,937)	(29,624)	(559,528)
Net book value	341,885	-	134,525	321,322	655,011	6,497,300	-	12,965	184,251	8,147,259
Gross carrying value basis										
Cost / revaluation	341,885	567,799	239,657	1,256,083	1,470,646	19,991,178	297	94,690	665,599	24,627,834
Accumulated depreciation	-	(567,799)	(105,132)	(934,761)	(815,635)	(13,493,878)	(297)	(81,725)	(481,348)	(16,480,575)
Net book value	341,885	-	134,525	321,322	655,011	6,497,300	-	12,965	184,251	8,147,259
Depreciation rate % per annum	-	2 to 4	3.33 to 7.5	5 to 10	2.5 to 10	3.33 to 50	3.33	10 to 25	10 to 33.33	

**3.2.1** Additions to plant and machinery includes interest charge on long-term loan obtained for coal fired boiler project amounting to Rs 231.406 million. Out of Rs 231.406 million, an amount of Rs 95.406 million was incurred during the year ended June 30, 2014.

**3.2.2** During the year, the Group appointed a professional firm to conduct a physical verification exercise for reconciling physical fixed assets with the books of account. As per their recommendation, fixed asset having net book value of Rs. 27.295 million and Rs. 14.701 million have been written off and reclassified to intangible assets, respectively.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
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**3.2.3** Property, plant and equipment includes the following major spare parts and stand by equipment:

Cost	<b>366,575</b>	345,981
Net book value	<b>195,797</b>	205,170

**3.3** 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 704.752 million, respectively, the land, buildings on freehold and leasehold land and plant and machinery were revalued again on December 31, 2011 resulting in a net surplus of Rs 848.191 million, respectively. The valuation was conducted by an independent valuer. Valuations for plant and machinery and building 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.

**3.4** Plant and machinery including equipment held with Searle Pakistan Limited, Breeze Pharmaceutical Limited and Maple Pharmaceutical (Private) Limited (toll manufacturers), are as follows:

Cost	<b>8,369</b>	2,272
Net book value	<b>5,638</b>	1,099

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
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**3.5** The depreciation charge for the year / period has been allocated as follows:

Cost of sales - note 26	<b>1,272,297</b>	529,895
Selling and distribution expenses - note 27	<b>13,821</b>	2,837
Administration and general expenses - note 28	<b>48,344</b>	26,796
	<b>1,334,462</b>	559,528

**3.5.1** Depreciation charge is inclusive of the incremental depreciation due to revaluation.

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

	As at June 30, 2014	As at June 30, 2013
<b>Net book value</b>		
Freehold land	<b>138,741</b>	42,605
Buildings	<b>1,219,920</b>	806,318
Plant and machinery	<b>8,394,093</b>	6,017,549
	<b>9,752,754</b>	6,866,472

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>3.7</b> Capital work-in-progress comprises of:		
Civil works and buildings	<b>270,916</b>	290,758
Plant and machinery	<b>553,481</b>	1,970,677
Miscellaneous equipment	<b>44,606</b>	235,219
Advances to suppliers / contractors	<b>19,013</b>	14,189
Designing, consultancy and engineering fee	<b>11,940</b>	69,365
	<b>899,956</b>	2,580,208

This includes interest charged during the period ended June 30, 2013 in respect of long-term loan obtained for coal fired boiler project amounting to Rs 136 million which has been transferred to operating property, plant and equipment during the year.

**3.7.1** The following is the movement in capital work-in-progress during the year

Balance at the beginning of the year / period	<b>2,580,208</b>	2,006,731
Addition during the year / period	<b>2,431,531</b>	981,677
	<b>5,011,739</b>	2,988,408
Transferred to property plant and equipment during the year / period	<b>4,111,783</b>	408,200
Balance at the end of the year / period	<b>899,956</b>	2,580,208

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

As at June 30, 2014						
	Mode of sale	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
<b>Plant and machinery</b>						
Refractory, Panelmate and various other assets	Scrap	31,040	14,608	16,434	1,301	Shahbaz and Company, Malakwal District Mandi Bahauddin
<b>Rolling stock and vehicles</b>						
Audi and Fork lift trucks	Auction	6,440	1,739	4,701	5,343	Mr. Azfar Abbas Ashary, Karachi
<b>Building</b>						
Civil Work Lime Stone Storage	Scrap	2,877	2,648	229	20	Shahbaz and Company, Malakwal District Mandi Bahauddin
As at June 30, 2013						
<b>Plant and machinery</b>						
Diesel Generator Set and various other items	Scrap	16,594	13,333	3,261	1,037	Shahbaz and Company, Malakwal district Mandi Bahauddin
<b>Rolling stock and vehicles</b>						
Toyota Corolla, Toyota Altis and Fork lift trucks	Auction	2,600	2,092	508	2,470	S Muhammad Shakeel, Mr. Zahid Qadri and Mr. Asif Mahmood, Karachi
<b>Building</b>						
Scrap items	Scrap	2,930	2,274	656	10	Anjum Wood Craft, Khewra District Jhelum

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

## 4 Intangible assets

As at June 30, 2014			
	Software	Licenses	Total
<b>Net carrying value basis</b>			
Opening net book value (NBV)	11,754	33,369	45,123
Addition / transfer (at cost)	-	51,303	51,303
Adjustments (at NBV) - note 4.1	10,900	3,692	14,592
Amortisation charge - note 4.2	(12,286)	(34,471)	(46,757)
Net book value	10,368	53,893	64,261
<b>Gross carrying amount</b>			
Cost	172,187	188,546	360,733
Accumulated amortisation	(161,819)	(134,653)	(296,472)
Net book value	10,368	53,893	64,261
<b>Amortisation rate % per annum</b>	20	20 to 50	
As at June 30, 2013			
<b>Net carrying value basis</b>			
Opening net book value	19,115	21,877	40,992
Additions (at cost)	-	25,042	25,042
Amortisation charge - note 4.2	(7,361)	(13,550)	(20,911)
Net book value	11,754	33,369	45,123
<b>Gross carrying amount</b>			
Cost	230,212	128,459	358,671
Accumulated amortisation	(218,458)	(95,090)	(313,548)
Net book value	11,754	33,369	45,123
<b>Amortisation rate % per annum</b>	20	20 to 50	

- 4.1** As explained in note 3.2.2, assets having net book value of Rs. 14.701 million and Rs. 0.109 million have been reclassified from tangible assets and written off, respectively.

For the  
year  
ended  
June 30, 2014

For the  
six months  
period ended  
June 30, 2013

- 4.2** The amortisation charge for the year / period has been allocated as follows:

Cost of sales - note 26	13,614	4,460
Selling and distribution expenses - note 27	1,948	4,485
Administration and general expenses - note 28	31,195	11,966
	46,757	20,911

Amounts in Rs '000

			As at June 30, 2014	As at June 30, 2013	
5.	Long-term investments				
	Unquoted - at cost				
	Equity security available-for-sale				
	-Arabian Sea Country Club Limited				
	250,000 ordinary shares (June 30, 2013: 250,000) of Rs 10 each		2,500	2,500	
6.	Long-term loans				
	– Considered good				
	Due from directors, executives and employees - note 6.1		256,525	202,071	
6.1	Due from directors, executives and employees				
		Motor car	House building	Total	Total
	Due from directors and executives - note 6.2, 6.3 & 6.4	145,844	59,167	205,011	186,930
	Less: Receivable within one year - note 11	27,450	26,517	53,967	47,148
		118,394	32,650	151,044	139,782
	Due from employees - note 6.3			128,345	86,023
	Less: Receivable within one year - note 11			22,864	23,734
				105,481	62,289
				256,525	202,071
	Outstanding for period:				
	- less than three years but over one year			163,005	113,643
	- more than three years			93,520	88,428
				256,525	202,071
6.2	Reconciliation of the carrying amount of loans to directors and executives:				
	Balance at the beginning of the year / period			186,930	182,008
	Disbursements during the year / period			123,988	46,528
	Repayments during the year / period			(105,907)	(41,606)
	Balance at the end of the year / period			205,011	186,930
6.3	Loans for purchase of motor cars and house building are repayable between two to ten years. These loans are interest free and granted to the employees including executives of the Group in accordance with their terms of employment.				
6.4	The maximum aggregate amount of loans due from the director and executives at the end of any month during the year was Rs 205.011 million (June 30, 2013: Rs 186.930 million).				
7	Long-term deposits and prepayments				
	Deposits			25,679	24,632
	Prepayments			2,164	8,706
				27,843	33,338

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>8 Stores, spares and consumables</b>		
Stores - note 8.1	36,803	48,301
Spares	680,133	665,949
Consumables	106,167	106,915
	<b>823,103</b>	821,165
Less: Provision for slow moving and obsolete spares - note 8.2	<b>205,435</b>	205,383
	<b>617,668</b>	615,782

**8.1** The above amounts include stores and spares in transit of Rs. 17.506 million (June 30, 2013: Rs. 19.821 million)

**8.2 Movement of provision for slow moving and obsolete spares is as follows:**

Balance at the beginning of the year / period	205,383	205,383
Charge for the year / period - note 28	154	-
Write off during the year / period	(102)	-
Balance at the end of the year / period	<b>205,435</b>	205,383

**9. Stock-in-trade**

Raw and packing material (include in-transit Rs 791.850 million; 2013: Rs 741.313 million) - note 9.3	2,372,699	2,106,390
Work-in-process	165,341	232,841
Finished goods (include in-transit Rs 137.44 million, 2013: Rs. 343.754 million)	2,166,884	2,348,788
	<b>4,704,924</b>	4,688,019
Less: Provision for slow moving and obsolete stock-in-trade - note 9.1		
- Raw materials	8,771	15,461
- Finished goods	88,937	77,681
	<b>97,708</b>	93,142
	<b>4,607,216</b>	4,594,877

**9.1** Movement of provision for slow moving and obsolete stock-in-trade is as follows:

Balance at the beginning of the year / period	93,142	88,428
Charge for the year / period - note 28	12,389	8,231
Reversal during the year / period	(6,890)	-
Write-off for the year / period	(933)	(3,517)
Balance at the end of the year / period	<b>97,708</b>	93,142

**9.2** Stock amounting to Rs 28.801 million (June 30, 2013: Rs 364.413 million) is measured at net realisable value and impairment has been reversed by Rs 20.529 million (June 30, 2013: Impairment charge of Rs 17.354 million) to arrive at its net realisable value.

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>9.3</b> Raw and packing materials held with the toll manufacturers are as follows:		
Searle Pakistan Limited	349,019	305,766
Maple Pharmaceutical (Private) Limited	2,064	1,934
EPLA Laboratories (Private) Limited	10,031	46,258
Breeze Pharma (Private) Limited	20,811	33,831
NovaMed Pharmaceuticals (Private) Ltd	18,002	25,308
BioGenics Pakistan (Private) Limited	1,551	-
Seeds Sahiwal warehouses	21,777	1,597
	<b>423,255</b>	<b>414,694</b>

## 10 Trade debts

### Considered good

- Secured	161,166	288,092
- Unsecured	891,976	743,984

**1,053,142** 1,032,076

### Considered doubtful

**93,664** 94,802

**1,146,806** 1,126,878

Less: Provision for:

- Doubtful debts - note 40.4 & 40.6	93,664	94,802
- Discounts payable on Sales	169,432	140,890
	<b>263,096</b>	<b>235,692</b>

note 10.1 **883,710** 891,186

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

Yunus Textile Mills Limited	26,397	17,496
Lucky Textile Mills Limited	1,162	10,657
Lucky Knits (Private) Limited	3,340	730
	<b>30,899</b>	<b>28,883</b>

## 11. Loans and advances

### Considered good

Loans due from:

Directors and executives - note 6.1	53,967	47,148
Employees - note 6.1	22,864	23,734
	<b>76,831</b>	<b>70,882</b>

Advances to:

Directors and executives - note 11.1	14,538	7,573
Employees	219	199
Contractors and suppliers	95,921	76,572
Others	5,491	5,414
	<b>116,169</b>	<b>89,758</b>

**193,000** 160,640

### Considered doubtful

**7,292** 7,292

**200,292** 167,932

Less: Provision for doubtful loans and advances - note 40.4 & 40.6

**7,292** 7,292

**193,000** 160,640

## 11.1 The maximum aggregate amount of advances due from the directors and executives at the end of any month during the year was Rs 3.221 million and Rs 14.333 million (June 30, 2013: Rs 2.585 million and Rs 10.922 million) respectively.



# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>12. Trade deposits and short-term prepayments</b>		
Trade deposits	26,008	17,165
Short-term prepayments	194,010	144,723
	<b>220,018</b>	161,888

## 13. Other receivables

### Considered good

Duties, sales tax and octroi refunds due	287,020	392,101
Commission receivable	22,612	21,784
Interest income receivable	8,214	10,231
Receivable from principal - note 13.2	1,068,427	710,600
Others	102,412	53,496
	<b>1,488,685</b>	1,188,212
<b>Considered doubtful</b>	<b>20,237</b>	57,312
	<b>1,508,922</b>	1,245,524
Less: Provision for doubtful receivables - note 13.3	20,237	57,312
	<b>1,488,685</b>	1,188,212

note 13.1

**13.1** The above amount includes Rs Nil (June 30, 2013: Rs 23.36 million) on account of exchange gain on forward exchange contracts.

**13.2** This includes receivable amounting to Rs 1,019.8 million (June 30, 2013: Rs 710.6 million) from foreign vendor in relation to margin support guarantee.

## 13.3 Movement of provision for doubtful receivables

Balance at the beginning of the year / period	57,312	57,312
Reversal during the year / period	(37,075)	-
Balance at the end of the year / period	<b>20,237</b>	57,312

## 14 Cash and bank balances

Cash at bank:		
- Short-term deposits - note 14.1	103,000	102,000
- Current accounts	747,210	465,308
In hand:		
- Cheques	-	261,159
- Cash	7,994	7,676
	<b>858,204</b>	836,143

**14.1** Represent security deposits from customer that are placed with various banks with terms ranging from one week to one year. The mark-up on these deposits ranges between 8.00% to 9.00% (June 30, 2013: 9.50% to 11.50%) and these term deposits are readily encashable without any penalty.

Amounts in Rs '000

As at June 30, 2014 (Numbers)	As at June 30, 2013		As at June 30, 2014	As at June 30, 2013
<b>15. Issued, subscribed and paid-up capital</b>				
<b>83,734,062</b>	83,734,062	Ordinary shares of Rs 10 each fully paid in cash	<b>837,341</b>	837,341
<b>211,925</b>	211,925	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash under scheme of arrangement for amalgamation (note 15.1)	<b>2,119</b>	2,119
<b>16,786</b>	16,786	Ordinary shares of Rs 10 each issued as fully paid bonus shares	<b>168</b>	168
<b>8,396,277</b>	8,396,277	Ordinary shares issued pursuant to the previous scheme as fully paid for consideration of investment in associate (note 15.2)	<b>83,963</b>	83,963
<b>92,359,050</b>	92,359,050		<b>923,591</b>	923,591

**15.1** The process for amalgamation of three companies namely Paintex Limited, ICI Pakistan Manufacturers Limited and Imperial Chemical Industries Limited resulted in a new company as ICI Pakistan Limited on April 1, 1987.

**15.2** With effect from October 1, 2000 the Pure Terephthalic Acid (PTA) Business of the Company was demerged under a scheme of arrangement dated December 12, 2000 approved by the shareholders and sanctioned by the High Court of Sindh.

**15.3** On December 28, 2012, Lucky Holdings Limited acquired from ICI Omicron B.V. its entire shareholding of 70,019,459 shares in ICI Pakistan Limited, besides acquiring 111,698 additional shares by way of public offer made by it to all the shareholders of the Company in pursuance of the provisions of the Listed Companies (Substantial Acquisition of Voting Shares & Take-overs), Ordinance, 2002 and the Listed Companies (Substantial Acquisition of Voting Shares & Take-overs) Regulations, 2008. Thus, Lucky Holdings Limited became the holding company, and Lucky Cement Limited became the ultimate holding company of ICI Pakistan Limited with effect from December 28, 2012. Along with Lucky Holdings Limited, two other companies of the Yunus Brothers Group namely, Gadoon Textile Mills Limited and Lucky Textile Mills Limited also participated in the public offer thereby acquiring 5,980,917 shares and 5,077,180 shares respectively. As at the balance sheet date, Lucky Cement Limited together with the group companies held 87.33% (June 30, 2013: 87.79%) shareholding.

## 16. Capital reserves

Share premium - note 16.1	<b>309,057</b>	309,057
Capital receipts - note 16.2	<b>586</b>	586
	<b>309,643</b>	309,643

**16.1** 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.

With effect from July 1, 2011, the capital reserves were split between the Company and Akzo Nobel Pakistan Limited based on 66.54:33.46 ratio which was disclosed in the audited special purpose financial statements for the six months period ended June 30, 2011.

**16.2** 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.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>17. Surplus on revaluation of property, plant and equipment</b>		
Balance at the beginning of the year / period	843,037	884,867
Adjustment due to change in tax rate - note 20.1	21,042	-
Transferred to unappropriated profit in respect of incremental depreciation during the year / period - net of deferred tax	(79,562)	(41,830)
Balance at the end of the year / period	784,517	843,037
		(Restated)
<b>18. Provisions for non-management staff gratuity</b>	<b>78,081</b>	<b>79,917</b>

## 18.1 Staff retirement benefits

The amount recognized in the profit and loss account against defined benefit scheme for the year / period is as follows:

	2014				2013			
	Funded			Unfunded	Funded			Unfunded
	Pension	Gratuity	Total		Pension	Gratuity	Total	Restated
<b>18.1.1 The amounts recognised in the profit and loss account against defined benefit schemes are as follows:</b>								
Current service cost	17,153	32,702	49,855	3,291	11,998	20,760	32,758	1,368
Interest cost	102,896	54,286	157,182	8,118	63,871	34,764	98,635	3,904
Expected return on plan assets	(127,167)	(37,245)	(164,412)	-	(64,311)	(18,406)	(82,717)	-
Past service cost	-	10,115	10,115	(10,115)	-	-	-	-
Net (reversal) / charge for the year / period	(7,118)	59,858	52,740	1,294	11,558	37,118	48,676	5,272
<b>Other comprehensive income:</b>								
Loss / (gain) on obligation	7,112	21,574	28,686	5,677	(95,577)	(98,995)	(194,572)	7,517
(Gain) on plan assets	(75,645)	(11,632)	(87,277)	-	(95,884)	(30,553)	(126,437)	-
Net (gain) / loss	(68,533)	9,942	(58,591)	5,677	(191,461)	(129,548)	(321,009)	7,517

## 18.1.2 Movement in the net assets / (liability) recognised in the balance sheet are as follows:

Opening balance	225,777	(190,112)	35,665	(79,917)	(29,126)	(302,098)	(331,224)	(72,386)
Net reversal / (charge) - note 18.1.1	7,118	(59,858)	(52,740)	(1,294)	(11,558)	(37,118)	(48,676)	(5,272)
Other comprehensive income	68,533	(9,942)	58,591	(5,677)	191,461	129,548	321,009	(7,517)
Contributions / payments during the year / period	-	63,178	63,178	8,807	75,000	19,556	94,556	5,258
Closing balance	301,428	(196,734)	104,694	(78,081) *	225,777	(190,112)	35,665	(79,917) *

## 18.1.3 The amounts recognised in the balance sheet are as follows:

Fair value of plan assets - note 18.1.5	1,274,962	379,571	1,654,533	-	1,293,746	362,228	1,655,974	-
Present value of defined benefit obligation - note 18.1.4	(973,534)	(576,305)	(1,549,839)	(78,081)	(1,067,969)	(552,340)	(1,620,309)	(79,917)
Surplus / (deficit)	301,428	(196,734)	104,694	(78,081) *	225,777	(190,112)	35,665	(79,917) *

The recognized asset / liability of funded gratuity is netted off against recognized asset / liability of funded pension and recorded accordingly.

## 18.1.4 Movement in the present value of defined benefit obligation:

Opening balance	1,067,969	552,340	1,620,309	79,917	1,194,618	646,506	1,841,124	72,386
Current service cost	17,153	32,702	49,855	3,291	11,998	20,760	32,758	1,368
Interest cost	102,896	54,286	157,182	8,118	63,871	34,764	98,635	3,904
Benefits paid	(221,596)	(94,712)	(316,308)	(8,807)	(106,941)	(50,695)	(157,636)	(5,258)
Actuarial loss / (gain)	7,112	21,574	28,686	5,677	(95,577)	(98,995)	(194,572)	7,517
Past service cost	-	10,115	10,115	(10,115)	-	-	-	-
Closing balance	973,534	576,305	1,549,839	78,081	1,067,969	552,340	1,620,309	79,917

## 18.1.5 Movement in the fair value of plan assets:

Opening balance	1,293,746	362,228	1,655,974	-	1,165,492	344,408	1,509,900	-
Expected return	127,167	37,245	164,412	-	64,311	18,406	82,717	-
Contributions	-	63,178	63,178	-	75,000	19,556	94,556	-
Benefits paid	(221,596)	(94,712)	(316,308)	-	(106,941)	(50,695)	(157,636)	-
Actuarial gain	75,645	11,632	87,277	-	95,884	30,553	126,437	-
Closing balance - note 18.1.7	1,274,962	379,571	1,654,533	-	1,293,746	362,228	1,655,974	-

\* The unfunded included in the above table includes Rs 0.239 million (June 30, 2013: Rs 0.239 million) pertaining to the Subsidiary

Amounts in Rs '000

18.1.6 Historical information **	June 30		December 31		
	2014	2013	2012	2011	2010
Present value of defined benefit obligation	1,627,920	1,700,226	2,264,010	2,337,261	2,483,046
Fair value of plan assets	(1,654,533)	(1,655,974)	(1,509,900)	(1,581,574)	(1,771,477)
(Surplus) / deficit	(26,613)	44,252	754,110	755,687	711,569

\*\* Prior year figures are inclusive of staff retirement benefits of Paints business (2010).

18.1.7 Major categories / composition of plan assets are as follows:	2014		2013	
Debt instruments	68.77%		69.00%	
Equity at market value	28.70%		28.00%	
Cash	2.53%		3.00%	
Fair value of plan asset	Pension	Gratuity	Pension	Gratuity
	As at June 30, 2014		As at June 30, 2013	
<b>Investment</b>				
National savings deposits	181,164	-	526,012	82,250
Government bonds	667,896	283,446	339,014	172,385
Corporate bonds	-	6,936	9,431	8,137
Shares	406,635	67,586	392,450	70,317
Cash	19,267	21,603	26,839	29,139
Total	1,274,962	379,571	1,293,746	362,228

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

Actual return on plan assets during 2014 was Rs 251.689 million (2013: Rs 209.154 million).

18.1.8 The principal actuarial assumptions at the reporting date were as follows:	2014	2013
Discount rate	12.75%	10.75%
Future salary increases - Management	10.50%	8.75%
Future salary increases - Non-management	8.00%	6.00%
Future pension increases	7.50%	6.00%

#### 18.1.9 Impact of changes in assumptions on defined benefit scheme is as follows:

Assumption	1% Increase	1 % Decrease
Discount rate	(85,297)	95,249
Salary increase	62,203	(56,918)
Pension increase	35,272	(31,726)

18.1.10 The Group contributed Rs 62.543 million (June 30, 2013: Rs 31.347 million) and Rs 45.349 million (June 30, 2013: Rs 21.246 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

	As at June 30, 2014 (Unaudited)	As at June 30, 2013 (Unaudited)
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#### 18.2 Provident fund

Size of the fund	1,269,506	1,234,564
Cost of investments made	1,127,747	1,062,906
Percentage of investments made	89%	86%
Fair value of investments	1,192,093	1,196,650

#### 18.2.1 Break-up of investments of provident fund

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

	As at June 30, 2014 (Unaudited)		As at June 30, 2013 (Unaudited)	
	Investments	% of investment as size of the fund	Investments	% of investment as size of the fund
<b>On fair value</b>				
Pakistan Investment Bonds	854,999	72%	518,722	44%
Treasury Bill	49,604	4%	170,814	14%
Regular Income Certificates	-	0%	222,300	19%
Mutual Funds	81,682	7%	76,867	6%
Shares	196,142	16%	195,654	16%
Term Finance Certificates	9,666	1%	12,293	1%
	1,192,093	100%	1,196,650	100%

Investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>19 Long-term loans</b>	<b>2,314,805</b>	<b>1,887,026</b>
<b>19.1</b> From banking companies / financial institutions:		
- Faysal Bank Limited	<b>343,591</b>	343,591
- Habib Bank Limited	<b>543,435</b>	543,435
	<b>887,026</b>	887,026

The Group has obtained long-term finance facility (LTFF) for imported and locally manufactured plant and machinery from Faysal Bank Limited of Rs 343.591 million (limit: Rs 500 million) and Habib Bank Limited of Rs 543.435 million (limit: Rs 1,000 million) for a period of 7 years (including 2 years grace period), with the principal payable on semi annual basis. The mark-up is chargeable at fixed rate ranging from 9.65% to 9.85% payable on quarterly basis. These facilities are secured against first pari passu hypothecation charge on the property, plant and equipment (PPE) of the Group's Soda Ash Business, located at Khewra. The loans have been refinanced by the State Bank of Pakistan under long term finance facility (LTFF) for export oriented projects.

## 19.2 Islamic term finance

From banking companies / financial institutions:

-Standard Chartered Bank (Pakistan) Limited	<b>800,000</b>	1,000,000
-Less: Current portion of long-term finance	<b>400,000</b>	-
	<b>400,000</b>	1,000,000

The Group has obtained long-term finance for Rs 1,000 million in June 2013 from Standard Chartered Bank (Pakistan) Limited under Islamic Diminishing Musharakah upto a limit of Rs 1,000 million for a period of 3 years (including 6 months grace period). Repayments of Rs 200 million were made during the current year. The rental payment is charged at relevant KIBOR plus 0.25% p.a. payable on semi annual basis. This facility is initially secured by a ranking charge to be subsequently replaced by a first pari passu hypothecation charge on the present and future fixed assets of the Group's Polyester Business located at Sheikhpura.

-Meezan Bank Limited	<b>500,000</b>	-
-Less: Current portion of Long-Term Finance	<b>222,222</b>	-
	<b>277,778</b>	-

During the year the Group has obtained long-term finance for Rs 500 million from Meezan Bank Limited under Islamic Diminishing Musharakah upto a limit of Rs 500 million for a period of 3 years (including 9 months grace period). The rental payment is charged at relevant KIBOR plus 0.25% p.a. payable on a quarterly basis. This facility is initially secured by a ranking charge to be subsequently replaced by a first pari passu hypothecation charge on the present and future plant, machinery and equipment of the Group's Soda Ash Business located at Khewra.

-Allied Bank Limited	<b>1,000,000</b>	-
-Less: Current portion of long-term loan	<b>249,999</b>	-
	<b>750,001</b>	-

During the year the Group has obtained long-term loan for Rs 1,000 million from Allied Bank Limited under long-term loan upto a limit of Rs 1,000 million for a period of 4 years (including 1 year grace period). The rental payment is charged at relevant KIBOR plus 0.25% p.a. payable on a quarterly basis. This facility is secured by a first pari passu hypothecation charge on the present and future plant, machinery and equipment of the Group's Soda Ash Business located at Khewra.

Amounts in Rs '000

	As at June 30, 2014			As at June 30, 2013		
	Opening	Reversal / (Charge)	Closing	Opening	Reversal	Closing
<b>20 Deferred tax (liability) / asset - net</b>						
<b>Deductible temporary differences</b>						
Provisions for retirement benefits, doubtful debts and others	(301,666)	42,298	(259,368)	(330,076)	28,410	(301,666)
Retirement funds provision routed through other comprehensive income	(93,508)	28,276	(65,232)	(211,393)	117,885	(93,508)
<b>Taxable temporary differences</b>						
Property, plant and equipment - note 20.1	1,496,285	(77,967)	1,418,318	1,421,819	74,466	1,496,285
	<b>1,101,111</b>	<b>(7,393)</b>	<b>1,093,718</b>	880,350	220,761	1,101,111

**20.1** Reversal during the year includes Rs 21.042 million (June 30, 2013: Rs Nil) adjusted in surplus on revaluation of property, plant and equipment on account of change in tax rate.

	As at June 30, 2014	As at June 30, 2013 Restated
<b>21 Trade and other payables</b>		
Trade creditors - note 21.1	1,387,666	651,021
Bills payable	2,338,350	2,113,808
Excise and custom duties	4,486	4,811
Mark-up accrued	58,454	28,465
Accrued interest on expansion project - note 21.2	3,152	38,733
Accrued expenses	975,458	836,188
Technical service fee / royalty - note 21.3	23,686	680
Workers' profit participation fund - note 21.4	114,557	72,447
Workers' welfare fund	51,539	54,110
Distributors' security deposits - payable on termination of distributorship - note 21.5	106,142	118,888
Contractors' earnest / retention money	9,809	9,550
Running account with customers - note 21.6	223,874	118,086
Unclaimed dividends	48,692	45,982
Payable for capital expenditure	329,509	253,710
Provision for compensated absences - note 21.7	31,249	31,249
Others	147,655	211,692
	<b>5,854,278</b>	4,589,420

**21.1** This amount includes Rs Nil (June 30, 2013: Rs 1.17 million) on account of exchange loss on forward exchange contracts.

**21.2** This liability pertains to financing obtained for coal fired boiler project. Interest charged on the finance facilities is capitalised as part of plant and machinery.

**21.3** This amount includes Rs 23.008 million (June 30, 2013: Rs Nil) on account of royalty payable to Lucky Holdings Limited.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
<b>21.4 Workers' profit participation fund</b>		
Balance at the beginning of the year / period	72,447	81,887
Allocation for the year / period - note 29	111,435	57,966
	183,882	139,853
Interest on funds utilised in the Group's businesses at 41.25 % (June 30, 2013: 41.25%) per annum - note 30	3,400	2,594
Less:		
- Payment to the Fund	72,725	70,000
Balance at the end of the year / period	114,557	72,447
<b>21.5</b> Interest on security deposits from certain distributors is payable at 8.8 % (June 30, 2013: 11.2 %) per annum as specified in the respective agreements.		
<b>21.6</b> Included herein are amounts due to the following associated undertakings (related party):		
Gadoon Textile Mills	27,910	2,891
Fazal Textile Mills	764	249
Yunus Textile Mills	197	-
	28,871	3,140
<b>21.7</b> This figure is based on actuarial valuation and estimation.		
<b>22 Short-term borrowings and running finance - note 22.1, 22.2, 22.3 &amp; 22.4</b>	437,368	2,654,549
Short-term borrowings and running finance facility from various banks aggregated to Rs 4,946 million (June 30, 2013: Rs 4,740 million) and carry mark-up during the year of KIBOR + 0.20% to 1.00% per annum with an average mark-up rate of relevant KIBOR + 0.20% as at June 30, 2014 on utilized limits (June 30, 2013: relevant KIBOR + 0.40% to 0.75% per annum with an average mark-up rate of relevant KIBOR + 0.20% on utilized limits). The facilities are secured by hypothecation charge over the present and future stock-in-trade and book debts of the Group.		
<b>22.1 Short-term borrowings - secured</b>	-	2,126,000
There are no short term borrowings utilized as at balance sheet date (June 30, 2013: Rs. 2,126 million, relevant KIBOR + 0.20% + 0.50%)		
<b>22.2 Foreign currency loan against import finance</b>	267,368	-
The above foreign currency loan carry mark-up at relevant LIBOR + bank's spread which is decided at the time of disbursement (June 30, 2013: NIL).		
<b>22.3 Export refinance</b>	170,000	130,000
The Group has export refinance facility of upto Rs. 200 million (June 30, 2013: Rs. 200 million) available from Faysal Bank Limited as at June 30, 2014 out of which Rs 170 million was utilized (June 30, 2013: Rs 130 million). The above export refinance facility is secured by first pari passu hypothecation charge. The export refinance facility carries mark-up at State Bank of Pakistan rate (currently 8.40%) + 0.25% per annum (June 30, 2013: SBP rate 8.4% + 0.25% per annum).		
<b>22.4 Short-term running finance - secured</b>	-	398,549



Amounts in Rs '000

	As at June 30, 2014	As at June 30, 2013
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## 23 Contingencies and Commitments

### 23.1 Claims against the Group not acknowledged as debts are as follows:

Local bodies - note 23.1.1	36,616	30,446
Others	49,972	28,288
	<b>86,588</b>	<b>58,734</b>

**23.1.1** The Group was served notice by Punjab Employees Social Security Institution's local office Shahdara, dated November 24, 1997 on Polyester plant for payment Rs 11.96 million on account of Social Security Contribution on basis of assessment made by the PESSI for the period 1996 and 1997, on behalf of contractors' workers (M/s Descon Engineering Limited) engaged for expansion project. The Group challenged the notice and filed an appeal with Vice Commissioner Social Security Institution and also filed petition in High Court Lahore on July 20, 2012, along with stay application, the court granted stay order on July 25, 2012. The outcome of the case cannot be determined yet.

**23.1.2** A demand for additional electricity duty amounting to Rs 17.711 million (June 30, 2013: Rs 17.711 million) has been raised by the electric inspector to the Subsidiary for the period from March 2004 to June 2007. The matter along with other legal options are currently being explored by the Group. No provision has been made for the demand as the Group considers that this additional duty is not payable.

**23.2** Also refer note 43 to these financial statements for income tax contingencies.

**23.3** Guarantee issued by the Group of Rs Nil (June 30, 2013: Rs 133 million) to a bank on behalf of its subsidiary ICI Pakistan PowerGen Limited for availing funded facility.

**23.4** Commitments in respect of capital expenditure (including coal fired boiler project of the Soda Ash business and coal fired steam turbine project of the Polyester business) amounted to Rs 1,172.736 million (June 30, 2013: Rs 567.309 million).

**23.5** During the year the Group committed an equity investment of Rs. 960 million in the Morinaga Business, to be jointly operated by ICI Pakistan and Unibrands (Pvt.) Ltd under a newly formed company namely NutriCo Pakistan (Pvt.) Limited through signing of shareholders and share subscription agreements with Unibrands. This joint venture entails a total equity investment of Rs. 960 million by the Group to acquire 40% equity in NutriCo in up to three tranches. Subsequent to the balance sheet date, the Group has paid Rs. 360 million in this respect.

**23.6** Commitments for rentals under operating lease / Ijarah contracts in respect of vehicles amounting to Rs 155.610 million (June 30, 2013: Rs 135.266 million) are as follows:

Year		
2014	-	55,030
2015	62,223	43,872
2016	49,215	26,783
2017	34,969	9,581
2018	9,203	-
	<b>155,610</b>	<b>135,266</b>
Payable not later than one year	62,223	55,030
Payable later than one year but not later than five years	93,387	80,236
	<b>155,610</b>	<b>135,266</b>

**23.7** Outstanding foreign exchange contracts as at June 30, 2014 entered into by the Group amounted to Rs Nil (June 30, 2013: Rs 1,166.117 million).

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

## 24. Operating segment results

	Polyester		Soda Ash		Life Sciences		Chemicals		Others - PowerGen		Group	
	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013
Sales												
Afghanistan	-	-	7,750	4,664	-	699	2,358	1,928	-	-	10,108	7,291
India	-	-	497,500	181,003	-	-	-	-	-	-	497,500	181,003
United Arab Emirates	-	-	-	-	-	-	50,410	7,861	-	-	50,410	7,861
Others	-	8,233	-	-	-	-	-	-	-	-	-	8,233
	-	8,233	505,250	185,667	-	699	52,768	9,789	-	-	558,018	204,388
Inter-segment	-	-	-	-	-	-	5,857	9,785	1,068,140	543,181	1,073,997	552,966
Local	19,667,433	9,701,479	10,427,943	4,683,715	7,504,584	3,383,635	4,479,076	2,125,869	-	-	42,079,036	19,894,698
	19,667,433	9,709,712	10,933,193	4,869,382	7,504,584	3,384,334	4,537,701	2,145,443	1,068,140	543,181	43,711,051	20,652,052
Commission / Toll income	-	-	-	-	-	-	61,605	34,891	-	-	61,605	34,891
Turnover	19,667,433	9,709,712	10,933,193	4,869,382	7,504,584	3,384,334	4,599,306	2,180,334	1,068,140	543,181	43,772,656	20,686,943
Sales tax	385,692	126,708	1,518,523	645,513	40,978	9,189	479,680	215,631	155,200	75,641	2,580,073	1,072,682
Commission and discounts to distributors and customers	439,358	126,914	425,196	137,643	859,787	424,271	315,968	132,430	-	-	2,040,309	821,258
	825,050	253,622	1,943,719	783,156	900,765	433,460	795,648	348,061	155,200	75,641	4,620,382	1,893,940
Net sales, commission & toll income	18,842,383	9,456,090	8,989,474	4,086,226	6,603,819	2,950,874	3,803,658	1,832,273	912,940	467,540	39,152,274	18,793,003
Cost of sales - note 26	19,066,559	9,442,026	6,622,359	3,204,255	4,792,331	2,146,431	3,106,244	1,475,570	768,714	390,634	34,354,467	16,658,046
Gross profit	(224,176)	14,064	2,367,115	881,971	1,811,488	804,443	697,414	356,703	144,226	76,906	4,797,807	2,134,957
Selling and distribution expenses - note 27	258,230	46,019	236,780	51,357	824,909	329,996	210,335	96,019	-	-	1,530,254	523,391
Administration and general expenses - note 28	309,150	124,976	264,293	102,888	201,989	76,632	120,221	56,638	994	621	896,407	361,635
Operating result	(791,556)	(156,931)	1,866,042	727,726	784,590	397,815	366,858	204,046	143,232	76,285	2,371,146	1,249,931
24.1 Segment assets - note 24.5	7,643,268	7,215,283	14,827,493	12,608,937	6,335,403	4,853,688	2,809,583	2,398,548	356,972	489,064	20,922,632	19,354,727
24.2 Unallocated assets											1,871,284	1,578,566
											22,793,916	20,933,293
24.3 Segment liabilities - note 24.5	11,336,335	8,569,049	4,389,791	3,177,567	2,555,658	1,680,842	1,024,907	809,607	63,330	58,010	7,846,454	6,084,283
24.4 Unallocated liabilities											2,804,017	4,227,741
											10,650,471	10,312,024
24.5 Inter unit current account balances of respective businesses have been eliminated from the total												
24.6 Depreciation & amortisation charge - note 3.5 & 4.2	528,092	230,363	751,803	294,575	23,750	11,100	35,095	21,653	42,479	22,748	1,381,219	580,439
24.7 Capital expenditure	1,627,533	407,574	803,035	550,903	43,008	16,997	35,232	19,671	21,695	11,573	2,530,503	1,006,718
24.8 Inter-segment pricing												
Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.												
24.9 There were no major customer of the Group which formed part of 10 % or more of the Group's revenue.												

Amounts in Rs '000

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>25. Reconciliations of reportable segment revenues, cost of sales, assets and liabilities</b>		
<b>25.1 Turnover</b>		
Total turnover for reportable segments - note 24	<b>43,772,656</b>	20,686,943
Elimination of inter-segment turnover - note 24	<b>(5,857)</b>	(9,785)
Elimination of inter-segment turnover from the subsidiary	<b>(1,068,140)</b>	(543,181)
Total turnover	<b>42,698,659</b>	20,133,977
<b>25.2 Cost of sales</b>		
Total cost of sales for reportable segments - note 26	<b>34,354,467</b>	16,658,046
Elimination of inter-segment purchases - note 26	<b>(5,857)</b>	(9,785)
Elimination of inter-segment purchases from the subsidiary	<b>(1,068,140)</b>	(543,181)
Total cost of sales	<b>33,280,470</b>	16,105,080
	<b>As at June 30, 2014</b>	<b>As at June 30, 2013</b>
<b>25.3 Assets</b>		
Total assets for reportable segments	<b>20,922,632</b>	19,354,727
Taxation recoverable	<b>1,765,784</b>	1,474,066
Bank deposits - note 14	<b>103,000</b>	102,000
Long-term investments - note 5	<b>2,500</b>	2,500
Total assets	<b>22,793,916</b>	20,933,293
<b>25.4 Liabilities</b>		
Total liabilities for reportable segments	<b>7,846,454</b>	6,084,283
Short-term loan - note 22.1, 22.2 & 22.3	<b>437,368</b>	2,256,000
Long-term loan - note 19	<b>2,314,805</b>	1,887,026
Accrued interest on expansion project - note 21	<b>3,152</b>	38,733
Unclaimed dividends - note 21	<b>48,692</b>	45,982
Total Liabilities	<b>10,650,471</b>	10,312,024

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

## 26. Cost of Sales

	Polyester		Soda Ash		Life Sciences		Chemicals		Others - PowerGen		Group	
	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>Raw and packing materials consumed</b>												
Opening stock	897,238	1,394,859	510,102	359,582	453,994	588,355	207,993	115,497	21,602	30,271	2,090,929	2,488,564
Purchases												
Inter-segment	5,857	9,785	-	-	-	-	-	-	-	-	5,857	9,785
Others	15,157,139	7,501,920	2,198,446	1,028,100	2,058,518	456,369	1,802,668	1,009,243	638,386	320,926	21,855,157	10,316,558
	15,162,996	7,511,705	2,198,446	1,028,100	2,058,518	456,369	1,802,668	1,009,243	638,386	320,926	21,861,014	10,326,343
	16,060,234	8,906,564	2,708,548	1,387,682	2,512,512	1,044,724	2,010,661	1,124,740	659,988	351,197	23,951,943	12,814,907
Closing stock - note 9	(878,010)	(897,238)	(552,167)	(510,102)	(636,348)	(453,994)	(272,821)	(207,993)	(24,582)	(21,602)	(2,363,928)	(2,090,929)
Raw & packaging material consumed	15,182,224	8,009,326	2,156,381	877,580	1,876,164	590,730	1,737,840	916,747	635,406	329,595	21,588,015	10,723,978
Salaries, wages and benefits - note 26.1	347,903	133,692	645,747	220,182	2,832	900	44,669	17,326	18,725	9,911	1,059,876	382,011
Stores and spares consumed	183,251	69,819	104,415	47,339	-	-	7,697	2,293	17,615	7,621	312,978	127,072
Conversion fee paid to contract manufacturers	-	-	-	-	396,884	136,435	10,056	4,871	-	-	406,940	141,306
Oil, gas and electricity	1,890,218	1,002,818	2,713,782	1,210,796	-	-	12,481	4,690	41,948	13,950	4,658,429	2,232,254
Rent, rates and taxes	936	490	1,098	864	-	-	14,321	6,948	420	210	16,775	8,512
Insurance	24,031	12,923	27,989	16,970	-	-	1,110	563	1,395	875	54,525	31,331
Repairs and maintenance	4,596	1,657	891	5	608	-	4,678	2,174	120	61	10,893	3,897
Depreciation and amortisation charge - note 3.5 & 4.2	500,637	217,025	728,703	282,967	262	207	13,830	11,408	42,479	22,748	1,285,911	534,355
Write-offs - note 3.2.2 & 4.1	1,708	-	20,706	-	-	-	751	-	82	-	23,247	-
Excise duty	-	-	-	-	-	-	-	-	9,321	4,736	9,321	4,736
Technical fees	-	-	-	-	1,020	-	2,807	1,354	-	-	3,827	1,354
Royalty	-	-	-	-	1,629	-	-	-	-	-	1,629	-
General expenses - note 26.2	168,479	68,347	168,183	67,482	2,887	1,167	17,027	6,940	1,203	464	356,039	143,530
Opening stock of work-in-process	170,516	74,987	-	-	59,475	71,700	2,850	1,276	-	-	232,841	147,963
Closing stock of work-in-process - note 9	(143,343)	(170,516)	-	-	(16,447)	(59,475)	(5,551)	(2,850)	-	-	(165,341)	(232,841)
Cost of goods manufactured	18,331,156	9,420,568	6,567,895	2,724,185	2,325,314	741,664	1,864,566	973,740	768,714	390,171	29,855,905	14,249,458
Opening stock of finished goods	994,304	1,009,796	78,767	383,510	793,560	1,102,849	404,476	278,929	-	-	2,271,107	2,775,084
Finished goods purchased	136,304	6,979	-	175,327	2,977,682	1,098,109	1,203,805	631,964	-	463	4,317,791	1,912,842
	19,461,764	10,437,343	6,646,662	3,283,022	6,096,556	2,942,622	3,472,847	1,884,633	768,714	390,634	36,444,803	18,937,384
Closing stock of finished goods - note 9	(395,205)	(994,304)	(24,303)	(78,767)	(1,291,836)	(793,560)	(366,603)	(404,476)	-	-	(2,077,947)	(2,271,107)
Provision for slow moving & obsolete stock-in-trade - note 28	-	(1,013)	-	-	(12,389)	(2,631)	-	(4,587)	-	-	(12,389)	(8,231)
	19,066,559	9,442,026	6,622,359	3,204,255	4,792,331	2,146,431	3,106,244	1,475,570	768,714	390,634	34,354,467	16,658,046

### 26.1 Staff retirement benefits

Salaries, wages and benefits include Rs 31.585 million (June 30, 2013: Rs 23.685 million) in respect of staff retirement benefits.

### 26.2 Service charges from the subsidiary

This includes amount Rs 1.740 million (June 30, 2013: Rs 0.870 million) charged by the Company for certain administrative service charges in accordance with the service level agreement which have been eliminated from the total.

**27. Selling and distribution expenses**

	<b>Polyester</b>		<b>Soda Ash</b>		<b>Life Sciences</b>		<b>Chemicals</b>		<b>Others - PowerGen</b>		<b>Group</b>	
	<b>For the year ended June 30, 2014</b>	For the six months period ended June 30, 2013	<b>For the year ended June 30, 2014</b>	For the six months period ended June 30, 2013	<b>For the year ended June 30, 2014</b>	For the six months period ended June 30, 2013	<b>For the year ended June 30, 2014</b>	For the six months period ended June 30, 2013	<b>For the year ended June 30, 2014</b>	For the six months period ended June 30, 2013	<b>For the year ended June 30, 2014</b>	For the six months period ended June 30, 2013
Salaries and benefits - note 27.1	<b>42,010</b>	16,373	<b>24,624</b>	7,690	<b>331,964</b>	104,418	<b>68,240</b>	23,610	-	-	<b>466,838</b>	152,091
Repairs and maintenance	<b>155</b>	101	<b>1,810</b>	1,092	<b>2,828</b>	1,378	<b>2,491</b>	856	-	-	<b>7,284</b>	3,427
Advertising and publicity expenses	<b>1,103</b>	193	<b>15,409</b>	42	<b>118,980</b>	62,127	<b>5,347</b>	3,926	-	-	<b>140,839</b>	66,288
Rent, rates and taxes	<b>400</b>	192	<b>3,015</b>	1,529	<b>7,936</b>	4,179	<b>1,225</b>	613	-	-	<b>12,576</b>	6,513
Insurance	-	-	<b>370</b>	597	<b>7,238</b>	5,069	<b>2,264</b>	1,594	-	-	<b>9,872</b>	7,260
Lighting, heating and cooling	<b>107</b>	59	<b>1,862</b>	680	<b>3,336</b>	1,357	<b>6,292</b>	1,453	-	-	<b>11,597</b>	3,549
Depreciation and amortisation charge - note 3.5 & 4.2	-	-	<b>97</b>	65	<b>10,416</b>	4,506	<b>5,256</b>	2,751	-	-	<b>15,769</b>	7,322
Write-offs - note 3.2.2 & 4.1	-	-	-	-	<b>862</b>	-	-	-	-	-	<b>862</b>	-
Outward freight and handling	<b>2,751</b>	5,014	<b>81,359</b>	30,530	<b>61,650</b>	30,299	<b>66,133</b>	28,307	-	-	<b>211,893</b>	94,150
Travelling expenses	<b>7,415</b>	3,350	<b>3,138</b>	1,336	<b>116,545</b>	43,833	<b>16,408</b>	7,761	-	-	<b>143,506</b>	56,280
Postage, telegram, telephone and telex	<b>1,155</b>	779	<b>1,191</b>	343	<b>17,982</b>	8,856	<b>3,425</b>	2,477	-	-	<b>23,753</b>	12,455
Royalty	<b>188,424</b>	-	<b>89,895</b>	-	-	-	-	-	-	-	<b>278,319</b>	-
General expenses	<b>14,710</b>	19,958	<b>14,010</b>	7,453	<b>145,172</b>	63,974	<b>33,254</b>	22,671	-	-	<b>207,146</b>	114,056
	<b>258,230</b>	46,019	<b>236,780</b>	51,357	<b>824,909</b>	329,996	<b>210,335</b>	96,019	-	-	<b>1,530,254</b>	523,391

**27.1 Staff retirement benefits**

Salaries and benefits include Rs 13.776 million (June 30, 2013: Rs 14.038 million) in respect of staff retirement benefits.

**28. Administration and general expenses**

Salaries and benefits - note 28.1	<b>186,182</b>	61,181	<b>168,080</b>	54,173	<b>111,969</b>	38,779	<b>78,635</b>	28,249	-	-	<b>544,866</b>	182,382
Repairs and maintenance	<b>4,235</b>	2,797	<b>3,470</b>	1,582	<b>4,732</b>	1,686	<b>1,185</b>	481	-	-	<b>13,622</b>	6,546
Advertising and publicity expenses	<b>5,057</b>	1,018	<b>5,778</b>	1,159	<b>1,915</b>	388	<b>1,249</b>	251	-	-	<b>13,999</b>	2,816
Rent, rates and taxes	<b>5,645</b>	2,838	<b>2,986</b>	1,441	<b>965</b>	466	<b>645</b>	312	-	-	<b>10,241</b>	5,057
Insurance	<b>1,310</b>	493	<b>1,567</b>	589	<b>2,793</b>	2,390	<b>426</b>	160	-	-	<b>6,096</b>	3,632
Lighting, heating and cooling	<b>6,241</b>	2,987	<b>4,905</b>	2,874	<b>9,118</b>	2,909	<b>1,060</b>	621	-	-	<b>21,324</b>	9,391
Depreciation and amortisation charge - note 3.5 & 4.2	<b>27,455</b>	13,338	<b>23,003</b>	11,543	<b>13,072</b>	6,387	<b>16,009</b>	7,494	-	-	<b>79,539</b>	38,762
Write-offs - note 3.2.2 & 4.1	<b>993</b>	-	<b>1,188</b>	-	<b>667</b>	-	<b>448</b>	-	-	-	<b>3,296</b>	-
Provision for doubtful debts - trade - note 40.6	-	-	-	-	<b>1,556</b>	-	-	774	-	-	<b>1,556</b>	774
Provision for slow moving and obsolete stock-in-trade - note 9.1	-	1,013	-	-	<b>12,389</b>	2,631	-	4,587	-	-	<b>12,389</b>	8,231
Provision for slow moving spares - note 8.2	-	-	<b>52</b>	-	<b>102</b>	-	-	-	-	-	<b>154</b>	-
Travelling expenses	<b>7,872</b>	3,203	<b>4,753</b>	1,941	<b>7,113</b>	2,402	<b>4,109</b>	2,292	-	-	<b>23,847</b>	9,838
Postage, telegram, telephone and telex	<b>3,276</b>	1,633	<b>3,154</b>	1,420	<b>2,935</b>	1,167	<b>1,707</b>	827	-	-	<b>11,072</b>	5,047
General expenses - note 28.2	<b>60,884</b>	34,475	<b>45,357</b>	26,166	<b>32,663</b>	17,427	<b>14,748</b>	10,590	<b>994</b>	621	<b>154,406</b>	89,159
	<b>309,150</b>	124,976	<b>264,293</b>	102,888	<b>201,989</b>	76,632	<b>120,221</b>	56,638	<b>994</b>	621	<b>896,407</b>	361,635

**28.1 Staff retirement benefits**

Salaries and benefits include Rs 12.274 million (June 30, 2013: Rs 15.360 million) in respect of staff retirement benefits.

**28.2 Service Charges from subsidiary**

This includes Rs 0.240 million (June 30, 2013: Rs 0.120 million) charged by the Company for certain administrative service charges in accordance with the service level agreement which have been eliminated from the total.

# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>29. Other charges</b>		
Auditors' remuneration - note 29.1	3,937	2,739
Donations - note 29.2	17,452	7,450
Workers' profit participation fund - note 21.4	111,435	57,966
Workers' welfare fund	43,140	22,395
Loss on disposal of property, plant and equipment	15,069	-
	<b>191,033</b>	<b>90,550</b>
<b>29.1 Auditors' remuneration</b>		
Statutory audit fee	2,300	2,250
Half yearly review and other certifications	950	-
Out of pocket expenses	687	489
	<b>3,937</b>	<b>2,739</b>
<b>29.2</b> Represent provision in respect of donation to ICI Pakistan Foundation (Head office, Karachi). Mr. Asif Jooma, Director of the Group, Mr. Suhail Aslam Khan, Mr. Asif Malik, Ms. Saima Kamila Khan and Ms. Fathema Zuberi, Executives of the Company are amongst the Trustees of the Foundation. No amount has been paid during the current year and corresponding period.		
<b>30. Finance costs</b>		
Mark-up	327,724	137,370
Interest on workers' profit participation fund - note 21.4	3,400	2,594
Discounting charges on receivables	46,292	20,917
Exchange losses	4,775	24,914
Guarantee fee and others	5,833	1,998
	<b>388,024</b>	<b>187,793</b>
<b>31. Other income</b>		
<b>Income from financial assets</b>		
Profit on short-term and call deposits	368	-
<b>Income from non-financial assets</b>		
Scrap sales	67,994	22,563
Gain on disposal of property, plant and equipment	988	363
Provisions and accruals no longer required written back	138,552	92,214
Exchange gain	104,774	-
Sundries	9,100	10,460
	<b>321,776</b>	<b>125,600</b>
<b>32. Taxation</b>		
Current	311,133	271,336
Prior	(102,548)	(35,887)
Deferred	70,163	102,872
	<b>note 32.1</b>	<b>278,748</b>
		<b>338,321</b>

Amounts in Rs '000

	For the year ended June 30, 2014	For the six months period ended June 30, 2013
<b>32.1 Tax reconciliation</b>		
Profit before tax	2,113,865	1,097,188
Tax @ 34% (2013: 35%)	718,714	384,016
Tax impact on profit of the subsidiary - note 32.2	(45,186)	(24,885)
Effect of prior year charge	(102,548)	(35,887)
Tax impact due to change of FTR ratio	89,034	8,230
Effect of credit under section 65B	(316,690)	-
Effect of change in tax rate on beginning deferred tax balance	(62,510)	-
Tax effect of items not deductible for tax purposes	7,278	2,608
Others	(9,344)	4,239
	278,748	338,321
Average effective tax rate	13%	31%

**32.2** The minimum turnover tax on subsidiary has been waived under Clause 11A of Part IV of second schedule of the Income Tax Ordinance 2001 and accordingly, the income of the Subsidiary is exempt under the provision of Income Tax Ordinance 2001.

### 33. Basic and diluted earning per share (EPS)

Profit after taxation for the year / period	1,835,117	758,867
	<b>Number of shares</b>	
Weighted average number of ordinary shares in issue during the year / period	92,359,050	92,359,050
	<b>Rupees</b>	
Basic and diluted earning per share (EPS)	19.87	8.22

### 34. Remuneration of chairman, chief executive, directors and executives

The amounts charged in the financial statements for the remuneration, including all benefits, to the chairman, chief executive, directors and executives of the Group were as follows:

	Chairman		Chief Executive		Directors		Executives		Total	
	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013	For the year ended June 30, 2014	For the six months period ended June 30, 2013
Managerial remuneration	-	365	46,447	15,633	41,251	16,125	608,524	174,047	696,222	206,170
Retirement benefits	-	-	7,601	2,558	6,058	3,137	132,789	45,188	146,448	50,883
Group insurance	-	-	34	9	68	19	4,401	552	4,503	580
Rent and house maintenance	-	-	894	1,862	-	-	176,263	53,514	177,157	55,376
Utilities	-	-	783	256	-	-	43,780	13,118	44,563	13,374
Medical expenses	-	-	71	42	178	66	31,090	15,098	31,339	15,206
	-	365	55,830	20,360	47,555	19,347	996,847	301,517	1,100,232	341,589
Number of persons	1	1	1	1	1	2	448	370	451	378



# Notes to the Consolidated Financial Statements

For the year ended June 30, 2014

Amounts in Rs '000

- 34.1** In addition to above, an amount of Rs 207.7 million (June 30, 2013: Rs 99.5 million) on account of variable pay to employees has been recognised in the current year / period. This amount is payable in the following year after verification of achievements against targets.

Variable and special bonus paid during the year / period includes the following:

	<b>Paid in 2014 relating to 2013</b>	<b>Paid in 2013 relating to 2012</b>
Chief Executive	<b>7,125</b>	-
Directors	<b>10,857</b>	3,855
Executives	<b>90,577</b>	48,007
Other employees	<b>13,947</b>	39,376
	<b>122,506</b>	91,238

- 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 free use of the Company car, certain household equipment and maintenance when needed.

- 34.3** Aggregate amount charged in the financial statements for remuneration to six non-executive directors was Rs Nil (June 30, 2013: Rs 1.975 million). During the year fee paid to directors amount to Rs 1.863 million (June 30, 2013: Rs 0.525 million) for attending board and other meetings, which is not part of remuneration.

- 34.3.1** The remuneration and fee paid to directors during last period includes Rs 0.442 million and Rs 0.08 million respectively against two non-executive directors who were appointed as executive directors.

- 34.4** The above amounts include an amount of Rs 189.01 million (June 30, 2013: Rs 75.35 million) on account of remuneration of key management personnel out of which Rs 29.31 million (June 30, 2013: Rs 11.881 million) relates to post employment benefits.

	<b>As at and for the year ended June 30, 2014</b>	<b>As at and for the six months period ended June 30, 2013</b>
<b>34.5</b> Total number of employees as of the balance sheet date	<b>1153</b>	1066
Average number of employees during the year / period	<b>1100</b>	1069

## **35. Transactions with related parties**

The related parties comprise the holding company (Lucky Holdings Limited), the ultimate holding company (Lucky Cement Limited) and related group companies, local associated company, directors of the Group, companies where directors also hold directorship, key employees (note 34) and staff retirement funds (note 18). Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	<b>For the year ended June 30, 2014</b>	<b>For the six months period ended June 30, 2013</b>
<b>Associated companies</b>		
Purchase of goods, materials and services	<b>17,167</b>	62
Sale of goods and materials	<b>1,646,191</b>	716,830
Dividends	<b>322,629</b>	162,379
Royalty	<b>278,319</b>	-

**36. Plant capacity and annual production**

- in metric tonnes except PowerGen which is in thousands of Megawatt hours:

	<b>For the year ended June 30, 2014</b>		<b>For the six months period ended June 30, 2013</b>	
	<b>Annual Name Plate Capacity</b>	<b>Production</b>	<b>Annual Name Plate Capacity</b>	<b>Production</b>
Polyester	<b>122,000</b>	<b>109,810</b>	122,000	54,428
Soda Ash - note 36.1	<b>350,000</b>	<b>287,445</b>	350,000	118,864
Chemicals - note 36.2	-	<b>15,643</b>	-	9,291
Sodium Bicarbonate	<b>26,000</b>	<b>27,000</b>	20,000	13,070
PowerGen - note 36.3	<b>122,640</b>	<b>42,873</b>	122,640	22,567

**36.1** Production of Soda Ash was greater as compared to previous period since coal fired boilers became operational during current year. Further last period production was low due to gas curtailment.

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

**36.3** Electricity by PowerGen is produced as per demand.

**37. Fair value of financial assets and liabilities**

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

**38. Financial risk management**

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

**38.1 Risk management framework**

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group'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 Group's activities. The Group, 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 Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

**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 three types of risk currency risk, interest rate risk and other price risk.

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## 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 balance sheet date the interest rate profile of Group's interest-bearing financial instruments were:

	Carrying Amount	
	As at June 30, 2014	As at June 30, 2013
<b>Fixed rate instruments</b>		
Financial assets - note 14	103,000	102,000
Financial liabilities - note 19.1 & 21	(993,168)	(1,005,914)
	<b>(890,168)</b>	<b>(903,914)</b>
<b>Variable rate instruments</b>		
Financial liabilities - note 19.2 & 22	(2,737,368)	(3,654,549)
	<b>(2,737,368)</b>	<b>(3,654,549)</b>

### Sensitivity analysis for fixed rate instruments

The Group 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 balance sheet date would not affect profit or loss.

### Sensitivity analysis for variable rate instruments

If KIBOR had been 1% higher / lower with all other variables held constant, the impact on the profit before tax for the year would have been Rs 27.37 million (June 30, 2013: Rs 36.54 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 Group is exposed to foreign currency risk on sales and purchases which are entered in a currency other than Pak Rupees. When the management expects future depreciation of Pak Rupees, the Group enters into forward foreign exchange contracts in accordance with State Bank of Pakistan instructions and the Group's treasury policy. The policy allows the Group to take currency exposure within predefined limits while open exposures are rigorously monitored.

Following is the gross balance sheet exposure classified into separate foreign currencies:

	EURO	USD	GBP	JPY
	As at June 30, 2014			
Trade debts	-	-	-	-
Other receivables	4,092	11,280	-	-
Cash and bank balances	-	6,897	-	-
	<b>4,092</b>	<b>18,177</b>	<b>-</b>	<b>-</b>
Trade and other payables	(63,171)	(1,276,899)	(1,050,235)	(104)
Gross balance sheet exposure	<b>(59,079)</b>	<b>(1,258,722)</b>	<b>(1,050,235)</b>	<b>(104)</b>
	As at June 30, 2013			
Trade debts	-	7,861	-	-
Other receivables	1,156	722,914	-	-
Cash and bank balances	-	53,265	-	-
	<b>1,156</b>	<b>784,040</b>	<b>-</b>	<b>-</b>
Trade and other payables	(143,565)	(1,416,383)	(545,421)	(1,321)
Gross balance sheet exposure	<b>(142,409)</b>	<b>(632,343)</b>	<b>(545,421)</b>	<b>(1,321)</b>

Significant exchange rates applied during the year / period were as follows:

	Average rate		Spot rate	
	For the year ended June 30, 2014	For the six months period ended June 30, 2013	As at June 30, 2014	As at June 30, 2013
Rupees per	Rupees		Rupees	
EURO	134.97	128.92	134.94	130.18
USD	98.90	98.22	98.80	99.66
GBP	168.43	151.53	168.15	151.80
JPY	0.98	1.03	0.97	1.01

#### Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase profit before tax for the year by Rs 23.68 million (June 30, 2013: Rs 13.21 million). The following table demonstrates the sensitivity to the change in exchange rates. As at June 30, 2014, if Pak Rupee had weakened / strengthened by 1% against other currencies, with all other variables held constant, the effect on the Group's profit before tax at June 30, 2014 and June 30, 2013 would be as follows:

	Increase / decrease in exchange rates	Effect on Profit before tax (EURO)	Effect on Profit before tax (USD)	Effect on Profit before tax (GBP)	Effect on Profit before tax (JPY)
<b>2014</b>					
Pak Rupee	+1%	591	12,587	10,502	1
Pak Rupee	-1%	(591)	(12,587)	(10,502)	(1)
<b>2013</b>					
Pak Rupee	+1%	1,424	6,323	5,454	13
Pak Rupee	-1%	(1,424)	(6,323)	(5,454)	(13)

#### 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 Group does not have significant exposure to any individual counter-party. To reduce exposure to credit risk the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group 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. Some customers are also secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

The Group's gross maximum exposure to credit risk at the balance sheet date is as follows:

	As at June 30, 2014	As at June 30, 2013
<b>40.1 Financial assets</b>		
Long-term investments - note 5	2,500	2,500
Long-term loans - note 6	256,525	202,071
Long-term deposits - note 7	25,679	24,632
Trade debts - note 10	883,710	891,186
Loans and advances - note 11	193,000	160,640
Trade deposits - note 12	26,008	17,165
Other receivables - note 13	1,201,665	796,111
Bank balances - note 14	850,210	828,467
	<b>3,439,297</b>	<b>2,922,772</b>

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

# Notes to the Consolidated Financial Statements

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	As at June 30, 2014	As at June 30, 2013
<b>40.3 Financial assets</b>		
- Secured	483,507	568,817
- Unsecured	2,955,790	2,353,955
	<b>3,439,297</b>	<b>2,922,772</b>

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

Not past due	922,537	984,116
<b>Past due but not impaired:</b>		
Not more than three months	106,392	63,946
<b>Past due and impaired:</b>		
More than three months and not more than six months	3,726	2,000
More than six months and not more than nine months	4,448	-
More than nine months and not more than one year	2,321	-
More than one year	138,242	103,858
	<b>255,129</b>	<b>169,804</b>
Less: Provision for:		
- Doubtful debts - note 10	93,664	94,802
- Doubtful loans and advances - note 11	7,292	7,292
	<b>100,956</b>	<b>102,094</b>
	<b>1,076,710</b>	<b>1,051,826</b>

**40.4.1** There were no past due or impaired receivables from related parties.

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

Wholesale customers	98,054	1,181
Retail customers	26,008	16,650
End-user customers	131,067	151,974
	<b>255,129</b>	<b>169,805</b>
Less: Provision for:		
- Doubtful debts - note 10	93,664	94,802
- Doubtful loans and advances - note 11	7,292	7,292
	<b>100,956</b>	<b>102,094</b>
	<b>154,173</b>	<b>67,711</b>

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

	Trade debts	Loans and advances	Total	Total
Balance at the beginning of the year / period	94,802	7,292	102,094	102,676
Additional provision - note 28	1,556	-	1,556	774
Written off during the year / period	(194)	-	(194)	(302)
Provision no longer required	(2,500)	-	(2,500)	(1,054)
Balance at the end of the year / period	<b>93,664</b>	<b>7,292</b>	<b>100,956</b>	<b>102,094</b>

**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 group-standard for dynamic provisioning:

- Provide an 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.

**40.7 Concentration risk**

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

	As at June 30, 2014	As at June 30, 2013
Textile and Chemicals	456,956	557,561
Glass	132,285	64,651
Paper and Board	12,057	2,015
Pharmaceuticals	77,862	150,600
Paints	16,893	10,369
Banks	850,210	828,467
Loans & Advances & Others	481,613	368,724
	<b>2,027,876</b>	<b>1,982,387</b>
Less: Provision for:		
- Doubtful debts - note 10	93,664	94,802
- Doubtful loans and advances - note 11	7,292	7,292
	<b>100,956</b>	<b>102,094</b>
	<b>1,926,920</b>	<b>1,880,293</b>

- 40.8** Other price risk is the risk that the value of future cash flows of the financial instrument will fluctuate because of changes in market prices such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investment securities. As at the balance sheet date, the Group is not materially exposed to other price risk.

**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. The Group treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyse the Group'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
<b>As at June 30, 2014</b>			
<b>Financial liabilities</b>			
Trade creditors - note 21	1,387,666	(1,387,666)	(1,387,666)
Bills payable - note 21	2,338,350	(2,338,350)	(2,338,350)
Mark-up accrued - note 21	58,454	(58,454)	(58,454)
Accrued interest on secured / unsecured loans - note 21	3,152	(3,152)	(3,152)
Accrued expenses - note 21	975,458	(975,458)	(975,458)
Technical service fee / Royalty - note 21	23,686	(23,686)	(23,686)
Distributors' security deposits - payable on termination of distributorship - note 21 & 21.5	106,142	(115,482)	(115,482)
Contractors' earnest / retention money - note 21	9,809	(9,809)	(9,809)
Unclaimed dividends - note 21	48,692	(48,692)	(48,692)
Payable for capital expenditure - note 21	329,509	(329,509)	(329,509)
Others - note 21	147,655	(147,655)	(147,655)
Long-term loan - note 19	2,314,805	(3,832,069)	(1,188,661)
Short-term borrowings - note 22.1, 22.2 & 22.3	437,368	(453,556)	(453,556)
	<b>8,180,746</b>	<b>(9,723,538)</b>	<b>(7,080,130)</b>

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

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	Carrying amount	Contractual cash flows	Less than one year
As at June 30, 2013			
<b>Financial liabilities</b>			
Trade creditors - note 21	651,021	(651,021)	(651,021)
Bills payable - note 21	2,113,808	(2,113,808)	(2,113,808)
Mark-up accrued - note 21	28,465	(28,465)	(28,465)
Accrued interest on secured / unsecured loans - note 21	38,733	(38,733)	(38,733)
Accrued expenses - note 21	836,188	(836,188)	(836,188)
Technical service fee / royalty - note 21	680	(680)	(680)
Distributors' security deposits - payable on termination of distributorship - note 21 & 21.5	118,888	(133,036)	(133,036)
Contractors' earnest / retention money - note 21	9,550	(9,550)	(9,550)
Unclaimed dividends - note 21	45,982	(45,982)	(45,982)
Payable for capital expenditure - note 21	253,710	(253,710)	(253,710)
Others - note 21	211,692	(211,692)	(211,692)
Long-term loan - note 19	1,887,026	(2,446,543)	(377,836)
Short-term borrowings - note 22.1 & 22.3	2,256,000	(2,290,387)	(2,290,387)
Short-term running finance - note 22.4	398,549	(398,549)	(398,549)
	8,850,292	(9,458,344)	(7,389,637)

## 42. Capital risk management

The Group's objective when managing capital is to safeguard the Group'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 Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the balance sheet plus net debt. The gearing ratio as at June 30, 2014 and June 30, 2013 is as follows:

	As at June 30, 2014	As at June 30, 2013
Long-term loans	2,314,805	1,887,026
Trade and other payables	5,854,278	4,589,420
Short-term borrowings and running finance	437,368	2,654,549
<b>Total debt</b>	<b>8,606,451</b>	9,130,995
Cash and bank balances	(858,204)	(836,143)
<b>Net debt</b>	<b>7,748,247</b>	8,294,852
Share capital	923,591	923,591
Capital reserves	309,643	309,643
Unappropriated profit	10,125,694	8,544,999
<b>Equity</b>	<b>11,358,928</b>	9,778,234
<b>Capital</b>	<b>19,107,175</b>	18,073,086
<b>Gearing ratio</b>	<b>40.55%</b>	45.90%



#### 43. Accounting estimates and judgements

##### Income taxes

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

The Appellate Tribunal Inland Revenue (The Tribunal) had 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 Group had filed an appeal against the said order before the CIR (Appeals), the hearing of which 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 Group in the High Court which upheld the Group'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 under the principle of well known case of Eli Lilly. After the Supreme Court's decision on retrospectivity as mentioned above, a notice has been issued u/s 66A of the repealed Ordinance by tax department on June 20, 2011, which was challenged by the Group in the High Court on the basis of Supreme Court's decision as above. However, despite the stay granted by High Court, the tax department issued an order on May 7, 2012 and raised the demand of the additional tax liability of Rs 19 million. The Group filed an appeal before The Tribunal which decided the case in Group's favour on the basis that order issued on May 7, 2012 was time barred. The tax department has also issued an order through which Tribunal's order has been given effect and Group's position has been accepted.

For the assessment year 2002-2003 on receipt of notice under section 62 of the Income Tax Ordinance, 1979, the Group had filed a writ petition in the Supreme Court after it being dismissed by the Sindh High Court on maintainability, challenging the tax department's notice that the effective date of PTA's demerger was August 6, 2001 rather than the effective date given in the Scheme of Arrangement as October 1, 2000. That notice had raised certain issues relating to vesting of PTA assets by the Group. It is the Group's contention that such an action is unwarranted and which has illegally changed the settled position.

Whilst amending the assessment for the Tax Year 2003, 2004, 2005, 2007, 2008 and 2010 the department has taken certain action in the order, considered by the department as "protective assessment" on the matter of unabsorbed depreciation carried forward. It is the Group's contention that such an action is unwarranted. The CIR (Appeals) has also passed the orders for these tax years during the year ended June 30, 2014 thereby accepting the Group's contention on the issue of carrying forward of unabsorbed depreciation. The department has filed an appeal against the orders of the CIR (Appeals) in the Tribunal which are pending for hearing.

In April 2012, a notice had been issued by the tax department for recovery of tax demand of Rs 271 million for Tax year 2003 and Rs 310 million for Tax year 2004 on account of unabsorbed tax depreciation relating to the demerger of PPTA business. This notice has been issued by the tax department on the basis that revenue cases cannot be stayed by the High Court of Sindh for a period of more than six months as mentioned in Article 199(4A) of the Constitution of Pakistan. The Group through its counsel has filed a reply to the department stating that since our assessments are protective assessments and as stated in the order the demand can only arise after the matter is finally decided by the Supreme Court for assessment year 2002-03. No action has been taken by the tax department after the reply of the Group.

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.

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. A tax demand of Rs 616 million was raised in the order. It is the Group's contention that such an action is unwarranted. An appeal before the CIR (Appeals) on the matter has been decided in the Group's favour and carrying forward of unabsorbed depreciation has been allowed. The department has filed an appeal against the order of the CIR (Appeals) in the Tribunal which is pending for hearing.

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In June 2012, whilst amending the assessment for the Tax Year 2009, the tax department had disallowed the unabsorbed depreciation on the ground that there was no brought forward depreciation from Tax Year 2008 and a demand of Rs 972 million was created. It was the Group's contention that such an action was unwarranted. This position was totally different from the position taken earlier by the tax department. The Group had filed an appeal before the High Court of Sindh challenging the said order which had decided the case with the direction that the matter will be finalised by the CIR (Appeals) within six weeks from the date of High Court's Order. On August 15, 2012 CIR (Appeals) issued its order and upheld the order passed by the tax department earlier. The Group then filed an appeal before the Appellate Tribunal Inland Revenue against the said order of CIR (Appeals) as well as for the stay of demand. On November 15, 2012, the Tribunal decided the case in Group's favour on the basis that the original assessment order for assessment year 2001-02 passed on May 29, 2002 is now crystallized and therefore unabsorbed depreciation is available to the Group. The tax department has also issued an order giving effect to the Tribunal's decision through which the unabsorbed depreciation has been allowed to be carried forward for adjustment in Tax Year 2009. Subsequently in July 2013 the tax department had also passed an order for Tax Year 2010 whereby allowed the benefit of carried forward depreciation from Tax Year 2009.

## Pension and Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 18 to the consolidated 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 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 Group. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Group reviews the value of the assets for possible impairment on an annual basis. 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 equipment with a corresponding affect on the depreciation charge and impairment.

## 44. Standards or Interpretations not yet effective

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year except as follows:

### 44.1 New, Amended and Revised Standards and Interpretations of IFRSs

The Group has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IFRS 7 – Financial Instruments: Disclosures – (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

IFAS 3 – Profit and Loss Sharing on Deposits

### Improvements to accounting standards issued by the IASB

IAS 1 – Presentation of Financial Statements – Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of servicing equipment

IAS 32 – Financial Instruments: Presentation – Tax effects of distribution to holders of equity instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and segment information for total assets and liabilities

The adoption of the above revision, amendments interpretation of the standards did not have any effect on the consolidated financial statements.

**Standards, Interpretations and Amendments to Approved Accounting Standards that are not yet effective**

The following are the standards and interpretations, which have been issued but are not yet effective for the current financial year:

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 41 – Agriculture: Bearer Plants	January 01, 2016
IAS 19 – Employee Benefits	July 01, 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	January 01, 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	January 01, 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	January 01, 2014
IFRIC 21 – Levies	January 01, 2014

The Group expects that the adoption of the above amendments and interpretation of the standards will not affect the Group's financial statements in the period of initial application.

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Group expects that such improvements to the standards will not have any impact on the Group's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

**45. Post balance sheet events - dividends**

The directors in their meeting held on August 29, 2014 have recommended a final dividend of Rs 4 per share (2013: Rs Nil per share) in respect of the year ended June 30, 2014. This dividend is in addition to Interim dividend paid of Rs. 4 per share paid during the current year. The consolidated financial statements for the year ended June 30, 2014 do not include the effect of the final dividend which will be accounted for in the year in which it is approved.

**46. Date of authorisation**

These consolidated financial statements were authorised for issue in the Board of Directors meeting held on August 29, 2014.

**47. General**

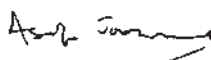
**47.1** Figures have been rounded off to the nearest thousand rupees except as stated otherwise.

**47.2** During the six months ended June 30, 2013 the Group changed its financial year from December 31 to June 30. Accordingly, the corresponding figures in the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity pertain to the six months ended June 30, 2013 and, hence, are not comparable.

**47.3** Corresponding figures have also been rearranged and reclassified, wherever necessary, for better presentation. However, there has been no material reclassification to report except for reclassification of eligible retired employees' medical scheme from deferred liabilities to accrued expenses in trade and other payables amounting to Rs. 39.714 million.



**Muhammad Sohail Tabba**  
Chairman / Director



**Asif Jooma**  
Chief Executive



**Muhammad Abid Ganatra**  
Chief Financial Officer

# Glossary

AGM	Annual General Meeting	LIC	Life Insurance Corporation
APCMA	All Pakistan Cement Manufacturing	LRBT	Layton Rahmatullah Benevolent Trust
BBS	Behavior Based Safety	LSE	Lahore Stock Exchange Limited
BOI	Board of Investment	LTFF	Long Term Finance Facility
BSL	Business School Lausanne Switzerland	LTJ	Lost Time Injury
BYOD	Bring your own device	LUMS	Lahore University of Management Sciences
CAA	Civil Aviation Authority	MAP	Management Association Pakistan
CCG	Code of Corporate Governance	MEG	Mono-Ethylene Glycol
CEO	Chief Executive Officer	MoU	Memorandum of Understanding
CFO	Chief Financial Officer	NBV	Net Book Value
CIR	Commissioner Inland Revenue	NFWWD	National Forum of Women with Disabilities
COD	Chemical Oxygen Demand	Nox	Nitrogen oxide
CP	Continuous Polymerization	NSI	Net Sales Income
CPR	Cardiovascular Pulmonary Resuscitation	NTC	National Tariff Commission
CSR	Corporate Social Responsibility	OEE	Operational & Eco-Efficiency
DMEP	Diarrhoea Management Education Programme	OPV	Open pollinated Variety
EAR	Expired Air Resuscitation	OR	Operating Result
EBIT	Earnings before interest & tax	P&DD	Performance and Development Discussion
EBITDA	Earnings before interest tax depreciation & amortization	Pak-EPA	Pakistan Environmental Protection Agency
ECC	External Chest Compression	PAT	Profit After Tax
EG	Ethylene Glycol	PICG	Pakistan Institute of Corporate Governance
EPS	Earnings per share	PIJBC	Pakistan-India Joint Business Council
ERM	Enterprise Risk Management	PPE	Property Plant & Equipment
FAO	Food & Agricultural Organization	PSF	Polyester Staple Fibre
FFFP	Fellowship Fund for Pakistan	PTA	Pure Terephthalic Acid
FTR	Final Tax Regime	PX	Para-xylene
GIDC	Gas Infrastructure Development Cess	RCMS	Responsible Care Management System
GRI	Global Reporting Initiative	ROI	Return on Investment
HCFCs	Hydrochlorofluorocarbon	SECP	Securities & Exchange Commission of Pakistan
HR	Human Resources	SOX	Sarbanes & Oxley Act
HSE	Health, Safety & Environment	Sox	Sulphur Oxide
HSE&S	Health, Safety, Environment and Security	SPLY	Same period last year
IAS	International Accounting Standards	TCF	The Citizens Foundation
ICAP	Institute of Chartered Accountants of Pakistan	TEVTA	Technical Education & Vocational Training Authority
IDC	Italian Development Council	UNGC	United Nations Global Compact
IFAC	International Federation of Accountants	UNIDO	United Nations Industrial Development Organization
IFRS	International Financial Reporting Standard	URS	United Registrar Systems
ISE	Islamabad Stock Exchange Limited	VOC	Volatile organic compounds
IT	Information Technology	WPPF	Workers Profit Participation Fund
KPI	Key Performance Indicator	WWF	Workers Welfare Fund
KSE	Karachi Stock Exchange Limited	YBG	Yunus Brothers Group
L&D	Learning and Development		

# Form of Proxy

## 63<sup>rd</sup> Annual General Meeting

I / We \_\_\_\_\_

of \_\_\_\_\_

being member(s) of ICI Pakistan Limited holding \_\_\_\_\_

ordinary shares hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or failing him / her \_\_\_\_\_

of \_\_\_\_\_ who is / are also member(s) of ICI Pakistan Limited as my/our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Sixty Third Annual General Meeting of the Company to be held on October 22, 2014 and at any adjournment thereof.

As witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_ 2014

Signed by the said \_\_\_\_\_

in the presence of 1. \_\_\_\_\_

2. \_\_\_\_\_

Folio / CDC Account No.

Signature

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

### Important:

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

### For CDC Account Holders / Corporate Entities:

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

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

**The Company Secretary  
ICI Pakistan Limited  
ICI House  
5 West Wharf  
Karachi-74000**

Affix  
Correct  
Postage



ICI PAKISTAN

## Admission Slip

The Sixty-Third Annual General Meeting of ICI Pakistan Limited will be held on Wednesday, October 22, 2014, at 9:30 a.m. at ICI House, 5 West Wharf, Karachi.

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

**Company Secretary**

Name \_\_\_\_\_ Holding \_\_\_\_\_

Shareholder No. \_\_\_\_\_ Signature \_\_\_\_\_

**Note:**

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

**CDC Account Holders / Proxies / Corporate Entities:**

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

**This Admission Slip is Not Transferable**



# Mandate Letter

Dear Shareholder,

## **DIVIDEND MANDATE (Optional)**

We wish to inform you that according to the provisions of the Companies Ordinance 1984 and various SECP circulars, shareholders are also entitled to receive their dividends by way of direct credit or electronic transfer to their bank account instead of receiving them through dividend warrants (crossed as A/c Payee only).

In case you wish to receive your future dividends directly in your bank account, please complete the particulars as mentioned below and return this letter to us duly signed along with a copy of your CNIC / SNIC (Computer National Identity Card / Smart National Identity Card).

## **SUBMISSION OF COPY OF CNIC / SNIC (Mandatory)**

Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC / SNIC number is mandatorily required to be mentioned on dividend warrants, members' register and other statutory returns. You are therefore request to submit a copy of your CNIC / SNIC (if not already provided) to the Shares Department of ICI Pakistan Limited, ICI House , 5 West Wharf , Karachi or FAMCO Associates (Pvt.) Limited, 8-F, Next to Hotel Faran, Nursery Block-6, P.E.C.H.S.,Shahra-e-faisal, Karachi.

CDC shareholders are requested to submit their dividend mandate and CNIC / SNIC directly to their broker (participant)/CDC.

Sincerely,



**Saima Kamila Khan**  
Company Secretary

October 01, 2014

**Note:** Members who have not yet provided their dividend mandate information, and/or CNIC/SNIC and/or NTN (as the case may be) are requested to provide the same at the earliest.

## **SHAREHOLDER'S SECTION**

I hereby wish to communicate my desire to receive my future dividends directly in my bank account as detailed below:

Name of shareholder : \_\_\_\_\_  
Folio number : \_\_\_\_\_  
Contact number of shareholder : \_\_\_\_\_  
Bank Account No. : \_\_\_\_\_  
Title of Account : \_\_\_\_\_  
Type of Account : \_\_\_\_\_  
Name of Bank : \_\_\_\_\_  
Bank branch & full mailing address : \_\_\_\_\_  
\_\_\_\_\_  
Contact No of bank : \_\_\_\_\_

it is stated that the above particulars given by me are correct to the best of my knowledge and I shall keep the company informed in case of any changes in the said particulars in the future

\_\_\_\_\_  
Shareholder's signature

CNIC / SNIC No. \_\_\_\_\_  
(copy attached)

Date : \_\_\_\_\_

A publication of the Corporate Communications  
& Public Affairs Department

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Pakistan

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Wizard of Oz