



ICI Pakistan Limited

Towards a future of exciting possibilities

ICI Pakistan Limited Annual Report 2012





A person wearing a red jacket and a yellow helmet is riding a dark horse through a field of tall, golden grass. The horse is galloping, and the rider is leaning forward. The background is a bright, hazy sky. The overall tone is energetic and forward-looking.

Towards a future of exciting possibilities

Over sixty nine years of driving change in the markets we operate in, of challenging norms, of adapting and of introducing the future. Over sixty nine years of doing what we do best – embarking on new journeys, without losing who we are and where we come from.

Today, our journey is focused on the future - the future of our customers, partners, stakeholders and employees. Today, our journey is one of investment and opportunities, of value growth and diversity, of exploiting potential and discovering talent.

Today our journey is of aspirations.
Aspiring "**towards a future of exciting possibilities**".

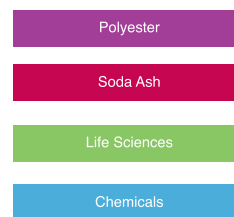
ICI at a Glance

We manufacture and trade in a diversified range of products including Polyester Staple Fiber, Soda Ash, Sodium bicarbonate 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

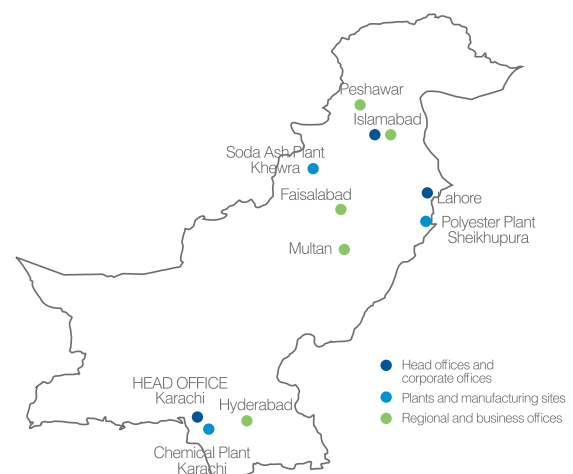
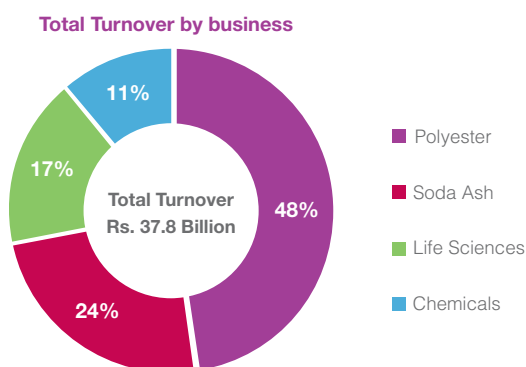


Industries we serve	
▶▶▶ Textiles	
▶▶▶ Paints	
▶▶▶ Appliances	
▶▶▶ Construction	
▶▶▶ Automobile	
▶▶▶ Footwear	
▶▶▶ Oil/Petroleum/Lubes/Grease	
▶▶▶ Food & Beverage	
▶▶▶ Personal Care	
▶▶▶ Metal Cleaning/Engineering	
▶▶▶ Pharmaceuticals	
▶▶▶ Cement/Mining	
▶▶▶ Chemical Processing/Resins	
▶▶▶ Plastics/Rubber/Tanneries	
▶▶▶ Agrochemicals/Seeds	
▶▶▶ Coatings/Inks	
▶▶▶ Detergents and Laundry Soaps	
▶▶▶ Surgical	
▶▶▶ Fertilizers	
▶▶▶ Paper/Ceramics/Glass	

In December 2012, Lucky Holdings Limited acquired the shareholding of ICI Omicron B.V. 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, YB is the largest export house as well as the largest cement manufacturer in Pakistan.



Key Performance Indicators

Statement of income

NSI		
in Rs Million		
2011	35,516	-2%
2012	34,682	

Operating result		
in Rs Million		
2011	2,378	-37%
2012	1,500	

Profit before tax		
in Rs Million		
2011	2,295	-40%
2012	1,372	

Profit after tax		
in Rs Million		
2011	1,531	-42%
2012	893	

EBITDA		
in Rs Million		
2011	3,311	-22%
2012	2,578	

EBITDA margin		
% of NSI		
2011	9.32	-20%
2012	7.43	

Dividend and earnings per share

Earnings per share		
in Rs		
2011	13.25	-27%
2012	9.67	

Dividend per share (proposed)		
in Rs		
2011	9.00	-39%
2012	5.50	

* Based on year end market value

Ratios

Equity		
in Rs Million		
2011	9,528	-1%
2012	9,417	

Price earning		
in times		
2011	9.08	+98%
2012	17.98	

Return on capital employed		
in %		
2011	20.17	-37%
2012	12.67	

Return on fixed assets		
% of revenue		
2011	28.55	-48%
2012	14.76	

Dividend yield*		
in %		
2011	7.48	-58%
2012	3.16	

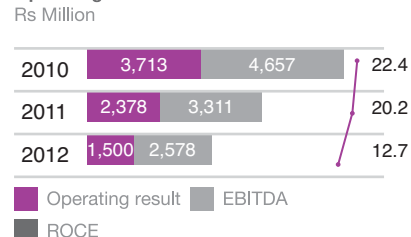
Operating result per employee		
in Rs Million		
2011	2.1	-33%
2012	1.4	

Cash flows

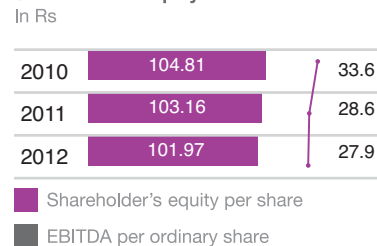
Net cash from operating activities		
in Rs Million		
2011	2,875	-211%
2012	-3,177	

Capital expenditures		
in Rs Million		
2011	611	+270%
2012	2,259	

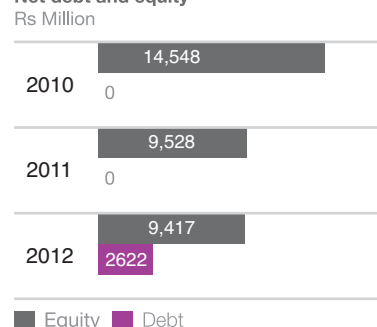
Operating result and EBITDA



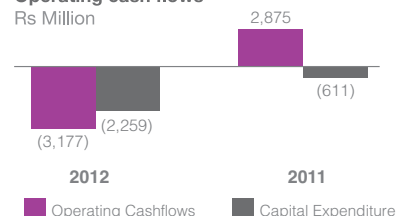
Shareholder's equity and EBITDA



Net debt and equity



Operating cash flows



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Governance & Compliance

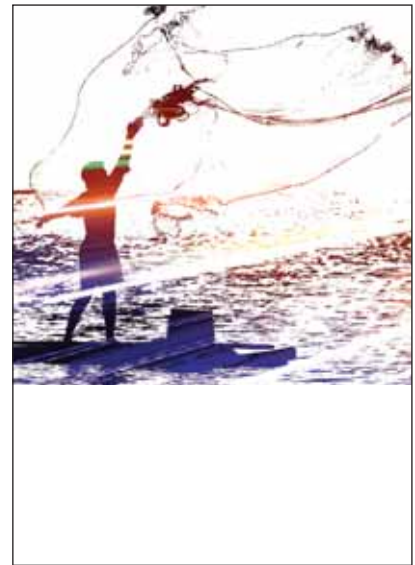
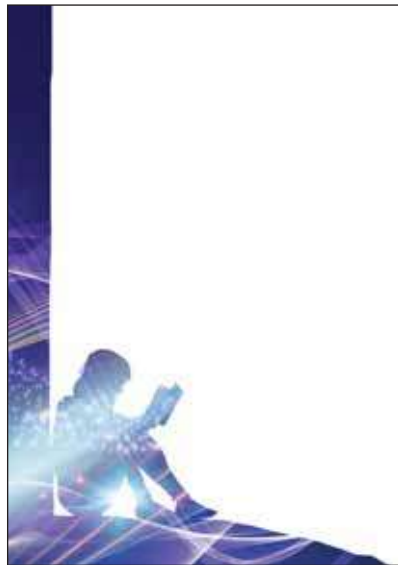
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Our focus is to become stronger and better than ever. With the support of our new majority shareholder, we are embarking on a journey of aspiration, exploring options and exploiting opportunities to add value to the millions of lives we touch every day.

Overview & Strategy

fairwinds and following seas

This section provides an overview of our strategic priorities and highlights key performance areas. You will also find the Chief Executive's statement along with a snapshot of the year under review.



Our Mission

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

Strategic Thrust

To achieve our mission we will:

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

Our Sustainability Guiding Principle

We are committed to reducing our impact on the planet and delivering more sustainable products and solutions to our customers. This will only be possible if sustainability is at the heart of everything we do.

That is 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.



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 dialog

Employee Responsibilities

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

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

CE Statement



Dear Stakeholders,

2012 has been a momentous year for ICI Pakistan as it completed 69 years of operations in the country and a transition in the ownership of its majority shareholding. Following the acquisition of ICI plc by AkzoNobel in 2008, your company has undergone another major transition in 2012. In keeping with AkzoNobel's strategic intent, the Paints Business of ICI Pakistan was demerged into a separate legal entity, Akzo Nobel Pakistan Limited, with the remaining businesses retained under the ICI Pakistan umbrella. Following the demerger of the Paints Business, AkzoNobel completed the process of divestment of its shareholding in ICI Pakistan. A competitive and transparent process was adopted by AkzoNobel for the sale of its shareholding which was acquired by Lucky Holdings Limited in December 2012, making ICI Pakistan a part of YBG (Yunus Brothers Group).

YBG is one of the fastest growing and highly progressive Pakistani conglomerates with a portfolio of diverse and successful businesses including, but not limited to Cement, Textiles, Power Generation, and Commodity Trading. The addition of ICI Pakistan

to their portfolio of businesses is an opportunity for the current and future businesses of YBG. At ICI Pakistan we expect to provide a springboard for the future growth and diversification of the group.

In the period leading up to and during the transition, business continued as usual with the employees exhibiting a high degree of professionalism, working tirelessly to deliver results in a challenging environment, compounded by an ever increasing energy crisis and macro-economic challenges. The challenges faced by the Polyester Business due to the worsening global market dynamics for polyester, coupled with extended gas outages at both the Polyester and Soda Ash plants, negatively impacted profitability during the year. As a consequence of lower availability of gas, the company was forced to use more expensive alternate fuels, leading to an additional expense of approximately PKR 407 million. In order to address the ongoing energy issues, the company embarked on a capital expenditure project to install two coal-fired boilers at Khewra to reduce the dependence on more expensive alternate fuels for the Soda Ash plant. The project commenced in Q1-2012 and is expected to be completed by mid 2013. We are also looking for a similar solution to address the energy concerns at our Polyester plant and once both these projects are completed, we expect to realize significant savings on incremental expense for alternative fuels thereby improving the performance of the Businesses.

With the macro environment constantly changing, businesses conditions are beset with new challenges. As we transition into 2013, whilst addressing the challenges facing the company, we continue to strive in our quest to deliver value to our customers so as to enable them to maintain their competitive advantage.

I would, at this stage, like to briefly mention the successes achieved in growing our footprint in our Life Sciences Business through the launch of new products and key partnerships entered into by the Chemicals Business whilst also expanding its geographic coverage. These initiatives are targeted at enhancing future earnings as your management explores ways to deliver higher levels of performance to its stakeholders. The focus on the customer and the needs of their markets are evidenced through initiatives that the Soda Ash and Polyester businesses have taken to improve their product offering to their customers.

In keeping with our commitment to our sustainability targets, we aim to reduce our environmental impact on the planet and deliver more sustainable products and solutions to our customers. Sustainability is therefore at the heart of everything we do. We began reporting progress on our sustainability journey five years ago and I am proud to report that we are now forerunners in sustainability reporting in Pakistan, winning the prestigious ACCA WWF 'Best Sustainability Report Award' last year.

I believe that the credit for staying true to our core values goes to the commitment of our people. We believe in building and fostering engaged teams by offering them a safe and stimulating work environment and good career opportunities. Our employee engagement score of 4.35 on a 5-point scale, is a testimony of our passion for people.

I would like to take this opportunity to thank our outgoing Directors for their valuable guidance and contribution to the company over the past many years. Special thanks are also due to Mr. Mahomed J. Jaffer, who served as a Director of your Company for more than 30 years and as Chairman for over 10 years. It is through their excellent support that ICI Pakistan enjoys such an iconic stature in the Pakistani corporate landscape today. On behalf of the company and all employees I wish them good health and wellbeing.

ICI Pakistan is a great company with a wealth of talent, a strong brand, a broad and deeply entrenched footprint with businesses that enjoy leadership positions in the markets they operate. We are all very excited about what the future holds now that we have the backing of a majority shareholder that has a long-term view on the company, and the country. We thank all our stakeholders who have believed in us for so long and look forward to their continued support as we begin our journey of aspiration **'towards a future of exciting possibilities!'**

With best regards,

Yours Sincerely



Ali A. Aga
Acting Chief Executive

Financial Highlights

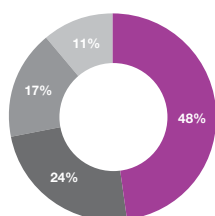
Our results at a glance

- 2012 turnover down at 2 percent
- 2012 gross profit down at 20 percent
- 2012 profit after tax down at 42 percent
- 2012 earnings per share: Rs 9.67 (2011: Rs 13.25)
- Total dividend per share for 2012: Rs 5.50 (2011: Rs 9.00) proposed

Turnover by business

Total turnover Rs 37.8 Billion

	%
Polyester	48
Soda Ash	24
Life Sciences	17
Chemicals	11

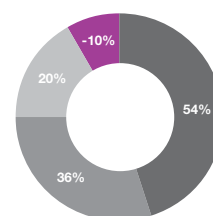


■ Polyester ■ Soda Ash ■ Life Sciences ■ Chemicals

Operating result by business

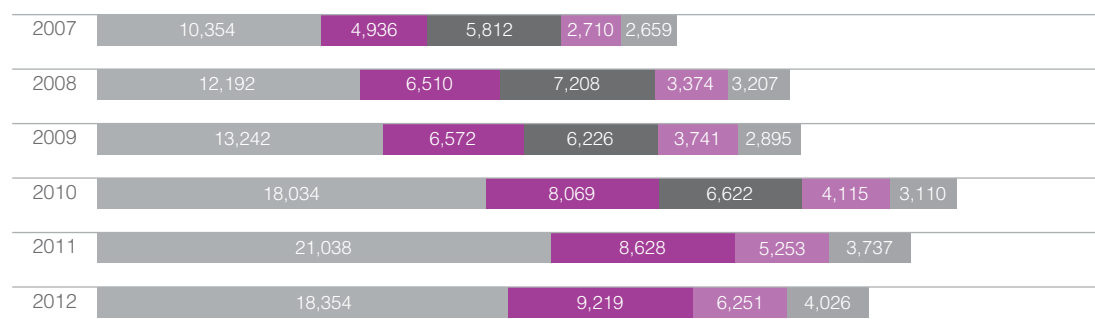
Total Operating result Rs 1.5 Billion

	%
Polyester	-10
Soda Ash	54
Life Sciences	36
Chemicals	20



Turnover

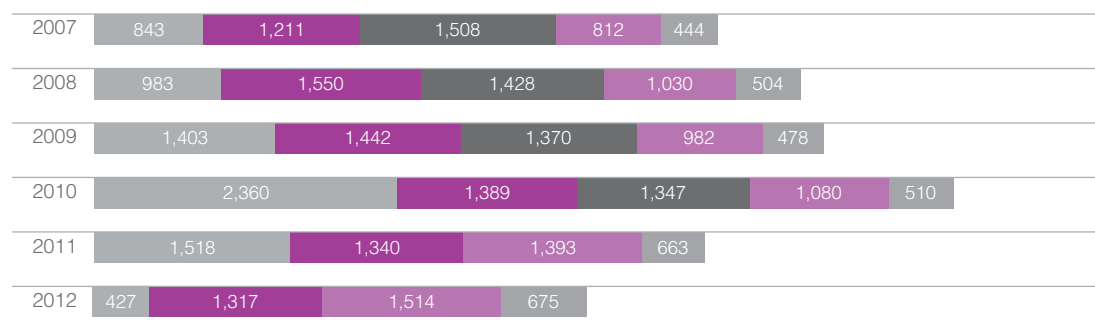
Rs Million



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

Gross Profit

Rs Million

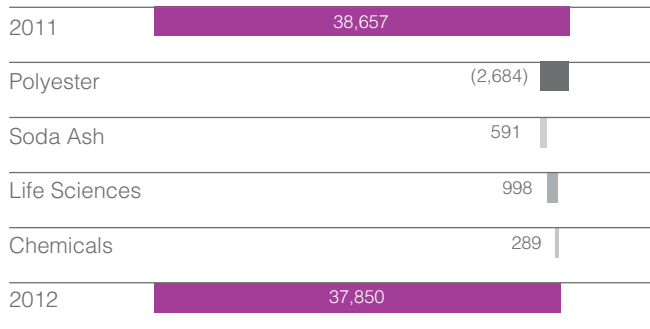


■ Polyester ■ Soda Ash ■ Paints ■ Life Sciences ■ Chemicals

Year 2011 and 2012 exclude effect of Paints business due to demerger

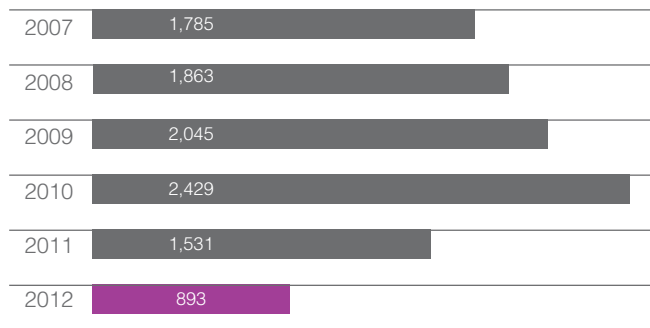
Revenue Development (Business-wise)

Rs Million



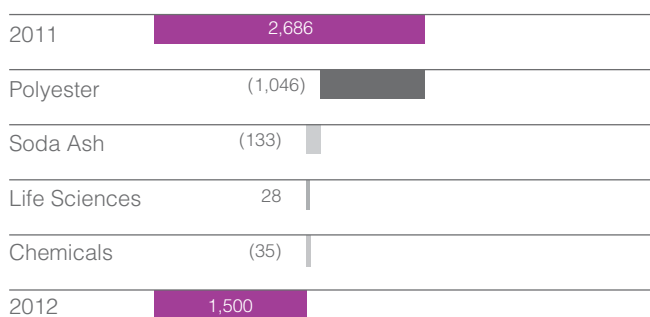
Profit after tax

Rs Million



Operating Result Development (Business-wise)

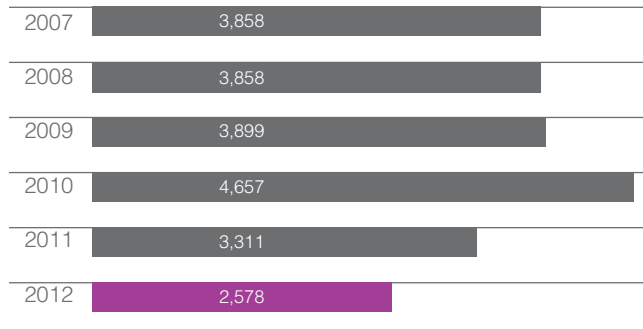
Rs Million



Year 2011 and 2012 exclude effect of Paints business due to demerger

EBITDA

Rs Million



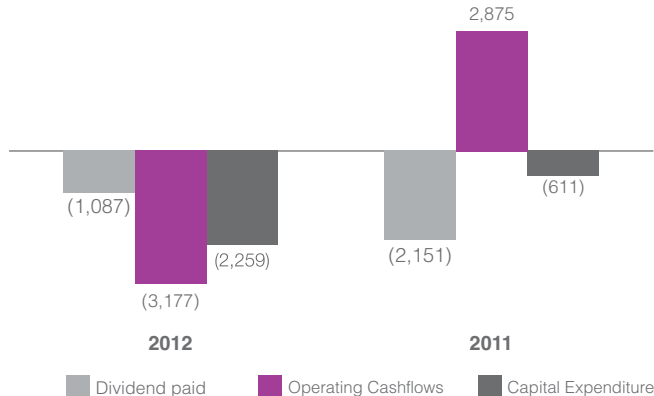
Earnings per share

Rs



Operating Cash flows

Rs Million



Profitability ratios

Gross margin (%)

2007	20.93
2008	19.77
2009	19.96
2010	19.03
2011	12.97
2012	11.34

Operating result margin (%)

2007	12.96
2008	10.98
2009	10.65
2010	10.57
2011	6.70
2012	4.33

Profit before tax margin (%)

2007	12.02
2008	10.12
2009	10.81
2010	10.62
2011	6.46
2012	3.95

Profit after tax margin (%)

2007	7.75
2008	6.70
2009	7.19
2010	6.91
2011	4.31
2012	2.57

Return on assets (%)

2007	9.51
2008	10.08
2009	9.54
2010	11.02
2011	7.39
2012	4.28

Return on equity (%)

2007	15.70
2008	14.96
2009	15.17
2010	16.70
2011	16.07
2012	9.48

Return on capital employed (%)

2007	23.87
2008	21.77
2009	19.38
2010	22.43
2011	20.17
2012	12.67

Revenue per employee (Rs million)

2007	17.95
2008	21.04
2009	21.85
2010	26.88
2011	32.03
2012	31.64

Net income per employee (Rs million)

2007	1.39
2008	1.41
2009	1.57
2010	1.86
2011	1.38
2012	0.81

Price earning ratio (Rs)

2007	15.29
2008	5.12
2009	11.44
2010	8.24
2011	9.08
2012	17.98

Cost ratios

Administration cost as % of sales

2007	3.30
2008	4.05
2009	4.14
2010	3.70
2011	3.42
2012	3.88

Operating cost as a % of net sales*

2007	87.04
2008	89.02
2009	89.35
2010	89.43
2011	93.30
2012	95.67

Liquidity & other ratios

Current ratio

2007	1.44
2008	1.81
2009	1.92
2010	2.17
2011	1.30
2012	1.10

Stockholders' equity per common share (Rs)

2007	81.91
2008	89.68
2009	97.14
2010	104.81
2011	103.16
2012	101.97

Market value per share (Rs)

2007	196.65
2008	68.71
2009	168.49
2010	144.24
2011	120.27
2012	173.89

Efficiency ratios

Inventory days

2007	59.85
2008	52.43
2009	58.00
2010	51.19
2011	50.53
2012	60.81

Debtor days

2007	13.65
2008	11.81
2009	11.08
2010	8.90
2011	5.91
2012	4.88

Creditor days

2007	78.24
2008	50.52
2009	41.00
2010	40.06
2011	37.17
2012	46.78

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

Operating and Financial Highlights

Ratios		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Profitability Ratios											
Gross margin	%	14.70	15.62	18.14	20.85	20.93	19.77	19.96	19.03	12.97	11.34
Gross profit turnover	%	15.16	13.21	15.92	18.60	18.54	17.22	17.52	16.91	12.01	10.40
Operating result margin	%	6.00	7.64	9.97	12.66	12.96	10.98	10.65	10.57	6.70	4.33
Net profit margin	%	4.23	6.00	8.51	7.44	7.75	6.70	7.19	6.91	4.31	2.57
Profit markup	%	17.23	18.51	22.16	26.34	26.47	24.64	24.94	23.51	14.90	12.79
Profit before tax margin	%	4.45	6.30	8.73	10.82	12.02	10.12	10.81	10.62	6.46	3.95
Return on equity	%	14.03	13.13	16.56	14.18	15.70	14.96	15.17	16.70	16.07	9.48
Return on capital employed	%	17.50	15.44	18.28	21.57	23.87	21.77	19.38	22.43	20.17	12.67
Return on assets	%	5.42	7.59	9.85	8.60	9.51	10.08	9.54	11.02	7.39	4.28
Return on fixed assets	%	19.68	25.01	25.18	29.46	34.92	32.61	32.82	40.91	28.55	14.76
Growth Ratios											
Net sales	%	48.35	(2.69)	4.74	5.94	17.63	20.74	2.27	23.57	1.10	(2.35)
Operating results	%	0.98	23.82	36.81	34.54	20.37	2.29	(0.81)	22.62	(35.94)	(36.93)
EBITDA	%	1.61	16.80	25.34	28.27	18.40	-	1.04	19.45	(28.89)	(22.14)
Profit after tax	%	(58.69)	38.06	48.63	(7.42)	22.61	4.37	9.77	18.78	(36.95)	(41.71)
Operating working capital	%	53.16	(104.67)	(324.95)	(199.82)	(118.86)	218.10	(82.19)	320.64	(408.72)	150.99
Efficiency Ratios											
Asset turnover	Times	1.28	1.27	1.16	1.16	1.23	1.51	1.33	1.59	1.71	1.66
Fixed asset turnover	Times	3.28	3.28	2.52	2.33	2.69	2.97	3.08	3.87	4.26	3.41
Inventory turnover	Times	5.73	4.16	4.73	5.07	6.24	6.39	6.08	6.71	7.15	5.19
Current asset turnover	Times	3.42	2.45	2.84	2.79	2.55	3.46	2.56	2.96	3.07	3.48
Capital employed turnover	Times	2.83	2.39	2.09	1.91	2.08	2.28	2.07	2.39	3.25	3.19
Operating working capital turnover	Times	21.16	(440.62)	(108.61)	(38.38)	(20.62)	21.09	121.06	35.56	(11.65)	22.30
Inventory turnover ratio	Days	60.06	76.94	81.77	73.67	59.85	52.43	58.00	51.19	50.53	60.81
Debtor turnover ratio	Days	13.25	15.09	14.44	12.84	13.65	11.81	11.08	8.90	5.91	4.88
Creditor turnover ratio	Days	56.35	75.62	78.70	75.90	78.24	50.52	41.00	40.06	37.17	46.78
Operating cycle	Days	16.96	16.41	17.52	10.62	(4.74)	13.72	28.08	20.03	19.28	18.91
Revenue per employee	Rs'000	13,568	13,434	14,137	15,304	17,946	21,044	21,852	26,878	32,025	31,644
Net Income per employee	Rs'000	574	806	1,203	1,138	1,391	1,410	1,572	1,858	1,381	814
Capex to sales	%	2.53	3.12	7.77	5.53	4.65	5.45	2.91	2.43	1.72	6.51
Cost Ratios											
Operating costs (% of sales)	%	94.00	92.36	90.03	87.34	87.04	89.02	89.35	89.43	93.30	95.67
Administration costs (% of sales)	%	3.26	3.77	3.75	3.71	3.30	4.05	4.14	3.70	3.42	3.88
Selling costs (% of sales)	%	5.43	4.22	4.41	4.48	4.67	4.74	5.17	4.77	2.85	3.13
Financial charges/Interest cost (% of sales) *	%	2.11	1.44	1.50	1.45	0.44	0.32	-	-	-	0.36
Equity Ratios											
Price earnings ratio	Rs	15.40	11.76	12.40	11.01	15.29	5.12	11.44	8.24	9.08	17.98
Earnings per share	Rs	5.52	7.62	11.33	10.49	12.86	13.42	14.73	17.50	13.25	9.67
Dividend per share	Rs	2.50	4.00	5.00	5.50	6.00	6.50	8.00	17.50	9.00	5.50
Dividend cover	Times	2.21	1.91	2.27	1.91	2.14	2.06	1.84	1.00	1.47	1.76
Dividend (declared for the year) yield	%	2.94	4.46	3.56	4.76	3.05	9.46	4.75	12.13	7.48	3.16
Dividend (declared for the year) payout	%	45.29	52.48	44.14	52.45	46.66	48.43	54.31	100.01	81.57	56.91
Market value per share	Rs	85.00	89.65	140.50	115.50	196.65	68.71	168.49	144.24	120.27	173.89
Break-up value per share with surplus on revaluation	Rs	44.25	62.25	71.95	82.05	89.20	96.62	103.85	111.35	89.57	109.99
Break-up value per share excluding surplus on revaluation	Rs	39.35	58.02	68.39	73.95	81.91	89.68	97.14	104.81	103.16	101.97
Liquidity Ratios											
Current ratio	Ratio	0.67:1	1.38:1	1.10:1	1.29:1	1.44:1	1.81:1	1.92:1	2.17:1	1.30:1	1.10:1
Quick / Acid test ratio	Ratio	0.33:1	0.69:1	0.56:1	0.73:1	0.97:1	1.02:1	1.27:1	1.39:1	0.81:1	0.45:1
Cash ratio	Ratio	0.13:1	0.33:1	0.29:1	0.33:1	0.58:1	0.44:1	0.77:1	0.85:1	0.52:1	0.10:1
Leverage Ratios											
Debt to equity	%	-	1.39	-	0.04	-	-	-	-	-	27.85
Total debt to capital ratio	Ratio	40:60	1:99	0:100	0:100	0:100	0:100	0:100	0:100	0:100	21:79
Interest cover *	Times	3.11	5.36	6.82	8.44	28.42	32.29	-	-	-	11.84
Summary of Cash Flows											
Cash generated from operations	Rs Million	2,140	1,917	2,667	3,554	4,312	1,188	4,938	3,716	4,127	(2,180)
Net cash generated from operating activities	Rs Million	1,933	1,824	2,522	3,477	4,094	970	4,476	2,334	2,875	(3,177)
Net cash used in investing activities	Rs Million	(103)	3,379	(1,421)	(1,040)	(1,397)	(1,781)	(938)	(753)	(510)	(2,126)
Net cash used in financing activities	Rs Million	(1,262)	(4,542)	(1,118)	(2,337)	(869)	(833)	(1,041)	(1,388)	(2,151)	(796)
Cash and cash equivalents at December 31	Rs Million	1,044	1,705	1,688	1,788	3,615	1,971	4,468	4,662	4,633	(1,466)

* Interest cover and interest cost (% of sales) is zero in 2009, 2010 and 2011 due to net interest income.
Excluding turnover of discontinued furnace oil and coal business in 2003, one-off profit on sale of PPTA shares in 2004, recognition of deferred tax credit in 2005.
The comparative (2003-2004) have not been restated due to change in accounting policy on adoption of IFRIC 4.

Vertical and Horizontal Analysis

Vertical Analysis	2007	2007	2008	2008	2009	2009	2010	2010	2011	2011	2012	2012
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Profit and Loss Account												
Net Sales, Commission & Toll Income	23,024.1	100.0	27,798.9	100.0	28,429.9	100.0	35,130.0	100.0	35,516.1	100.0	34,681.6	100.0
Cost of Sales	18,205.4	79.1	22,303.1	80.2	22,754.0	80.0	28,443.7	81.0	30,910.0	87.0	30,748.2	88.7
Gross Profit	4,818.8	20.9	5,495.8	19.8	5,675.9	20.0	6,686.3	19.0	4,606.1	13.0	3,933.4	11.3
Selling & Distribution Expenses	1,074.5	4.7	1,317.3	4.7	1,470.2	5.2	1,674.7	4.8	1,012.8	2.9	1,087.2	3.1
Administration & General Expenses	760.2	3.3	1,126.2	4.1	1,178.1	4.1	1,299.0	3.7	1,214.8	3.4	1,346.2	3.9
Operating Result	2,984.0	13.0	3,052.4	11.0	3,027.7	10.6	3,712.6	10.6	2,378.4	6.7	1,500.0	4.3
Financial Charges	146.4	0.6	219.3	0.8	167.5	0.6	163.9	0.5	260.9	0.7	294.2	0.8
Other Operating Charges	222.3	1.0	233.7	0.8	247.6	0.9	303.4	0.9	206.7	0.6	132.6	0.4
Other Operating Income	153.3	0.7	213.4	0.8	460.0	1.6	486.3	1.4	383.8	1.1	298.4	0.9
Profit before taxation	2,768.5	12.0	2,812.8	10.1	3,072.5	10.8	3,731.5	10.6	2,294.7	6.5	1,371.6	4.0
Taxation	983.7	4.3	950.0	3.4	1,027.8	3.6	1,302.7	3.7	763.2	2.1	479.0	1.4
Profit after taxation	1,784.8	7.8	1,862.7	6.7	2,044.7	7.2	2,428.8	6.9	1,531.4	4.3	892.7	2.6

Balance Sheet												
Total Equity and Revaluation Reserve	12,381.0	66	13,410.9	73	14,414.6	67	15,455.4	70	10,352.1	50	10,158.1	49
Non-Current Liability	119.6	1	613.0	3	1,208.1	6	1,093.2	5	1,441.3	7	1,680.8	8
Current Liability	6,263.8	33	4,446.8	24	5,799.9	27	5,482.0	25	8,928.0	43	9,024.1	43
Total Equity and Liabilities	18,764.4	100	18,470.7	100	21,422.7	100	22,030.7	100	20,721.4	100	20,863.0	100
Non-Current Assets	9,741.6	52	10,435.3	56	10,297.5	48	10,152.4	46	9,154.4	44	10,898.1	52
Current Assets	9,022.8	48	8,035.4	44	11,125.2	52	11,878.3	54	11,567.0	56	9,964.9	48
Total Assets	18,764.4	100	18,470.7	100	21,422.7	100	22,030.7	100	20,721.4	100	20,863.0	100

Horizontal Analysis	2007	2007	2008	2008	2009	2009	2010	2010	2011	2011	2012	2012
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Profit and Loss Account												
Net Sales, Commission & Toll Income	23,024.1	17.6	27,798.9	20.7	28,429.9	2.3	35,130.0	23.6	35,516.1	1.1	34,681.6	-2.3
Cost of Sales	18,205.4	17.5	22,303.1	22.5	22,754.0	2.0	28,443.7	25.0	30,910.0	8.7	30,748.2	-0.5
Gross Profit	4,818.8	18.1	5,495.8	14.0	5,675.9	3.3	6,686.3	17.8	4,606.1	-31.1	3,933.4	-14.6
Selling & Distribution Expenses	1,074.5	22.7	1,317.3	22.6	1,470.2	11.6	1,674.7	13.9	1,012.8	-39.5	1,087.2	7.3
Administration & General Expenses	760.2	4.7	1,126.2	48.1	1,178.1	4.6	1,299.0	10.3	1,214.8	-6.5	1,346.2	10.8
Operating Result	2,984.0	20.4	3,052.4	2.3	3,027.7	-0.8	3,712.6	22.6	2,378.4	-35.9	1,500.0	-36.9
Financial Charges	146.4	-54.1	219.3	49.8	167.5	-23.6	163.9	-2.2	260.9	59.2	294.2	12.7
Other Operating Charges	222.3	29.9	233.7	5.1	247.6	5.9	303.4	22.6	206.7	-31.9	132.6	-35.8
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Profit before taxation	2,768.5	30.7	2,812.8	1.6	3,072.5	9.2	3,731.5	21.4	2,294.7	-38.5	1,371.6	-40.2
Taxation	983.7	48.6	950.0	-3.4	1,027.8	8.2	1,302.7	26.7	763.2	-41.4	479.0	-37.2
Profit after taxation	1,784.8	22.6	1,862.7	4.4	2,044.7	9.8	2,428.8	18.8	1,531.4	-36.9	892.7	-41.7

Balance Sheet												
Total Equity and Revaluation Reserve	12,381.0	9	13,410.9	8	14,414.6	7	15,455.4	7	10,352.1	-33	10,158.1	-2
Non-Current Liability	119.6	15	613.0	413	1,208.1	97	1,093.2	-10	1,441.3	32	1,680.8	17
Current Liability	6,263.8	15	4,446.8	-29	5,799.9	30	5,482.0	-5	8,928.0	63	9,024.1	1
Total Equity and Liabilities	18,764.4	11	18,470.7	-2	21,422.7	16	22,030.7	3	20,721.4	-6	20,863.0	1
Non-Current Assets	9,741.6	-2	10,435.3	7	10,297.5	-1	10,152.4	-1	9,154.4	-10	10,898.1	19
Current Assets	9,022.8	28	8,035.4	-11	11,125.2	38	11,878.3	7	11,567.0	-3	9,964.9	-14
Total Assets	18,764.4	11	18,470.7	-2	21,422.7	16	22,030.7	3	20,721.4	-6	20,863.0	1

Year in Review

Q1



Signing of Agreement for Coal Fired Boiler Project

Board Meeting - February 09

Polyester launches Grid Tied Solar Power Project

Chemicals Business signs distribution agreement with DuPont

Extraordinary General Meeting February 08

Board Meeting - March 15

Chemicals Business completed '3 million man-hours' without Reportable Injury

ICI wins MAP Corporate Excellence Award

Q2



Launch of Trilobal Fiber

Annual General Meeting - April 27

Board Meeting - April 27

Launch of GumiVits

Demerger of Paints Business

ICI Pakistan Foundation launches 'Clean Drinking Water' program

Launch of CranCare

Global Sustainability Day celebrated across the company

ICI Pakistan wins ACCA-WWF 'Best Sustainability Report' award

Q3



ICI Pakistan achieves world-class employee engagement results

Board Meeting - July 03

Animal Health celebrates ten successful years of Poultry

Launch of Kundan

Board Meeting - July 25

Launch of AptiMax

Board Meeting - August 27

Seeds Segment holds nationwide farmer gatherings

Board Meeting - September 17

Q4



ICI Pakistan wins ICAP 'Best Corporate Report' and 'Best Sustainability Report' award

Board Meeting - October 23

New light Soda Ash packaging launched

ICI Pakistan achieves third place in 'Best Place to Work' awards

Chemicals celebrated 16 years without LTI

Board Meeting - December 14

Chief Executive Waqar Malik announces retirement

Lucky Holdings Limited completes acquisition of ICI Pakistan

Board Meeting - December 28

New Board of Directors constituted

Your Passion Our Promise

We operate on a very simple philosophy; recruit the best talent and then provide them opportunities to excel. For us it's important to develop people who can drive our growth ambition and development aspirations. In return we offer a performance driven culture, varied career opportunities and endless possibilities for personal growth.

Your Passion

If you have the passion, we promise to give you a chance to prove your potential. Our structured recruitment programs are a strong threshold to begin an exciting journey that promises to enhance knowledge, unleash your potential and groom you to becoming a future leader. We offer a variety of recruitment options such as the Graduate Recruit, Trainee Engineer, and Commercial, Finance and IT Trainee Programs. In the year 2012, we brought 29 fresh graduates onboard channeling them through our talent pipeline and giving them varied experience across the company.

We also offer diverse opportunities for experienced professionals to join our wide array of business and functional streams.

Our Promise

Cross Business and Functional Opportunities

We believe in a 'promote from within' culture and carefully nurture our talent to become future leaders. Our diverse portfolio of businesses offers tremendous versatility of career options within the company and we are able to provide our people with a chance to try new and challenging roles. Our Capability Groups in the areas of Commercial, Technical, Finance, IT, HR and Communications help us map the career paths of our employees and build sustainable succession within the organization. Talent movement within the company for 2012 was recorded at 14%.

People Development

We believe in proactive talent management and developing our people is a core value. Our employees benefit from various developmental initiatives including training programs, both in-house and external. In the year 2012, we successfully completed 2488 man days of training, across all four businesses.

Our 'Continuing Education Program' aims to further develop the potential of our top performers, both in commercial and technical streams by encouraging and supporting them to pursue higher education from reputed universities of Pakistan.



Performance Management

Through regular dialog, review and candid feedback we aim to achieve better business results and reward our employees for their achievements. We have a transparent evaluation process which incorporates both performance review and development planning hence offering further professional support for employees to manage and plan their careers.

Work Environment

We aim to create a workplace where everyone has a chance to develop skills and talent consistent with our company's values and goals. We embrace diversity and encourage an environment where people and their opinions are valued. We promote a culture where people enjoy their work, feel positive about it and do their best.

The Perfect Match

A good measure of the success of 'Our Promise' is our outstanding employee engagement score on the survey conducted by Gallup each year. In 2012, our engagement survey score was

4.35 on a 5-point scale compared to 4.14 the year before. This increase of 0.21 points over 2011 indicates a monumental and substantial change in employee engagement levels across our teams and places us at the 74th percentile within Gallup global database thus reinforcing our commitment towards our employees.

We are an 'Employer of Choice' and were ranked third in the 'Best Place to Work 2012' survey conducted by Engage Consulting.



Awards and Achievements

ACCA-WWF Award for 'Best Sustainability Report'

This year, for the first time we clinched the 'Best Sustainability Report' award at the prestigious ACCA-WWF Pakistan Environmental Reporting Awards 2011 held in Karachi. The aim of the awards is to give recognition to organizations reporting and disclosing environmental information, encouraging the uptake of environmental reporting and raising awareness in corporate transparency issues.

Best Place to Work Award

ICI Pakistan was ranked third in the 'Best Place to Work' survey hosted by Engage Consulting, a pioneer in studying and recognizing the best companies to work for in Pakistan. A large number of organizations participated in 2012 and with an employee engagement rate of 84% we received the third prize.

MAP Corporate Excellence Award

A testimony of our excellent management practices, compliance framework and solid core values was winning the coveted MAP (Management Association Pakistan) 'Corporate Excellence Award' in the Chemicals category for 2011. The award ceremony is held annually to recognize and honor companies with outstanding performance and progressive management practices.

ICAP Best Corporate Report Awards

Once again, our Annual Report 2011 was amongst the top five in the Chemicals and Fertilizers category of the ICAP Best Corporate Report Awards. This is the fifth successive year that we have had the honor of winning the ICAP Best Corporate Report Award.

ICAP Best Sustainability Report Awards

Along with the Best Corporate Report award, we also managed to be the runners up for the ICAP Best Sustainability Report Award. This award was introduced two years ago and is based on G3 Guidelines of Global Reporting Initiative (GRI), an international reporting standard that has also been recognized by the International Federation of Accountants (IFAC). We are one of the few corporate entities who report according to these globally accepted standards.



MAP corporate excellence award



ACCA WWF award for best sustainability report

Technology Developments

Vision

'Proactively partner with the businesses and functions of ICI Pakistan to help them achieve their key strategic objectives through innovative and cost effective IT solutions.'

Highlights of 2012

Successful completion of Paints IT Separation Project

A main focus during the year was to successfully complete the Paints IT Separation Project. The aim of the project was to separate IT applications, networks and services to enable Paints to operate as an independent function. We started off with the demerger of the SAP Environment, which was smoothly achieved by the help of our team, business personnel and implementation partners; SAP AG and IBM. The Infrastructure separation involved migration of their Email system, User Account Management System, Network Connectivity and SharePoint applications to AkzoNobel Global.

Transition to Independent IT Systems

The aim of the IT Divestment Project was to create an independent IT infrastructure for ICI Pakistan Limited post divestment of AkzoNobel shareholding. The project entailed separating our services from AkzoNobel global network and migrating to our local Infrastructure. This included separation of Centralized User Account Management System, Email System and SharePoint Applications server, aided by Microsoft Corporation.

Providing External Services

Consequent to the demerger of our Paints Business into a separate company Akzo Nobel Pakistan Limited, we signed an agreement with them to extend our services and expertise to ANPL for their smooth business operations and continuity as well as training their team to operate independently.

Deployment of SAP Planning Process (MRP) at Life Sciences – 'Go Live' December 2012

A combined team of Corporate IT, business personnel and implementation partners IBM, undertook the implementation of SAP Planning Process at Life Sciences. The project is aimed to assist the business with better planning, decision making and business operations as per best business practices.

Revising IT Policies

As we have emerged as an independent company, we have completed revising our own IT policies in the domains of Hardware, Security and IT in general.

Initiation of the Bring Your Own Device Service

Our team initiated the Bring Your Own Device (BYOD) and Web Based Service Offering Project with the aim of enabling our users to access their emails on their personal device.

Upgrading our Systems

To further improve our services and to be at par with industry benchmarks, this year we upgraded our system landscapes of the SAP ERP and SAP BI Solutions.

Team

Our team is a blend of rich experience and youthful energy. Our people have talent, creative drive and enthusiasm, which are reflected in our delivery of challenging projects and our aim of achieving the best in terms of processes, efficiencies and controls.

Future Outlook

We will continue to look for opportunities and innovations that enable our businesses to work smarter and faster. We look for expansion in terms of our services and team, building upon the investments that have been made in our applications and the development of our people.



OneWeb training



IT conference in Murree

Health, Safety, Environment and Security

ICI has a long-standing HSE commitment to the highest standards for the health and safety of our employees, customers and contractors as well as to the protection of the environment in the communities in which we live and work. The Company's focus has been on assessing the effectiveness of the existing regulatory framework and the approaches to management of hazards and risks within the Businesses to ensure they are sufficiently robust to protect workers and the public from accidents and ill health. In order to achieve this we continued to build working relationships with other safety conscious companies, NGO's and relevant government bodies.

Policy

ICI Pakistan has values which make it responsible for:

- Protecting the health and safety of employees, contractors, customers and neighbors.
- Maintaining the security of people and assets.
- Protecting the environment.

We will work in close cooperation with customers, suppliers and distributors to:

- Comply with all relevant laws and regulatory requirements.
- Ensure that all activities are conducted in a manner consistent with ICI Pakistan Health, Safety, Environment and Security Standards and Guidelines.
- Ensure that business activities are conducted to prevent harm to customers, employees, contractors and public, other stakeholders and the environment.
- Develop, manufacture and market products with full regards of HSE&S aspects, ensure compliance with the ICI Pakistan Product Stewardship Management System and sell only those products that can be transported, stored, used and disposed off safely.
- Protect peoples, assets, intellectual property and critical information from accidental or deliberate harm, damage or loss.
- Openly communicate on the nature of activities, encourage dialogue and report progress on health, safety and environmental performance.

Regularly monitor the application of this Policy.

Beliefs and Principles

Our goal is to increase stakeholder value by delivering sustainable solutions to our customers, which is crucial for the success of our company. To achieve this, we require sustainable business operations in order to meet our needs today whilst protecting resources and rights for future generations.

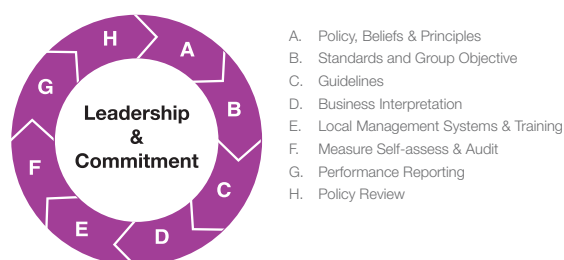
This we achieve by the continuous improvement of our first class HSE&S performance through corporate leadership, the dedication of our staff and the application of the highest professional standards in our work.

The principles, by which we operate, are;

- All work related injuries and illnesses are preventable. Therefore we protect people on our sites; people involved in our businesses and other stakeholders interests from accidental or deliberate harm, damage or loss.
- All emissions of hazardous materials can be prevented and will progressively be reduced, as products and technologies develop.
- Continuous improvement in HSE, Security and Product Stewardship will provide business values, opportunities and competitive advantage.
- Stakeholders have a right to information about our operations and HSE&S performance and that transparency will promote and increase trust.

HSE&S Management System

Continuous improvement in Health, Safety, Environment & Security (HSE&S) and Product Stewardship performance is integral to sustainability, as well as providing business value, opportunities and competitive advantages.





HSES Trophy

The implementation of the HSE&S Policy across all operations, sites and businesses, is through the ICI Health, Safety, Environment & Security Management System, which is fully integrated into the Company's scheme of organization. The key elements are the Policy, Standards, Guidelines, Local Management System (Procedures), and Training Management, Self Assessment & Audit and performance reporting and policy review.

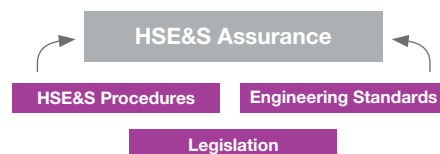
The system augments, but does not replace HSE legislation applicable to Company activities. Line Management is responsible for HSE&S performance, the implementation of local regulatory requirements and the ICI Pakistan's HSE&S Policy, Standards and Guidelines.

Implementation is by means of:

- Equipment
Designed and Maintained 'Fit for Purpose'
- Procedures/System
Locally Developed and Documented 'Robust'
- People
Trained and Involved, Contributing to HSE&S Improvement, 'Competent & Motivated'.

HSE&S Assurance Process

Any system cannot work without having underlined processes and an organizational structure to implement it. Our system is based on



Process	Structure
Learning Events/ Incident Reporting	Site/Location HSE&S Committee
Competence	Specialist HSE&S Forum
Procedures Compliance	Executive HSE&S Management Team
Management of Change	Site Communication Sessions
HSE&S Communications	Training Programs for All Staff Levels
Auditing	

Our Performance

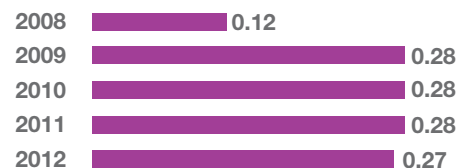
Health

Full compliance with the Health Assessment and Work Environment monitoring programs resulted in completion of the whole year without reportable occupational illness. There was 2% reduction over 2011 in Total Illness Absence rate.

Safety

The Company continues to demonstrate its strong commitment to HSE. Unfortunately there were two reportable injuries. Medical Treatment was reported by Soda Ash site on 15th Feb 2012 and a Fatal Injury

Total Reportable Injury Rate



incident was reported by Polyester site on 1st August 2012. Both these incidents have been thoroughly investigated and corrective actions implemented to avoid reoccurrence. The safety performance at other sites remained as; Soda Ash achieved 2.02 million man-hours, Polyester achieved 0.91 million man-hours, Chemicals achieved 6.2 million man-hours and Life Sciences achieved 0.83 million man-hours without an injury to employees and supervised contractors. No injury occurred to independent contractors.

Environment

In 2012, Fresh Water Usage, Waste Reduction and several other projects on OEE footprint reduction projects were completed which resulted in improvements over 2011 in waste produced per ton (approximately 12% reduction), Water usage M3 per ton (12% reduction), SOx (3% reduction), NOx (1% reduction). Energy usage slightly increased (3%) which resulted in an increase in CO2 emissions (3%). Our OEE footprint is 3.7% down in comparison with 2011.



Fire fighting drill



Global sustainability day celebrations



HSE&S meeting in Murree

What Happened in 2012

25th April - World Malaria Day:

On the occasion of World Malaria Day (25th April 2012) an awareness campaign was launched through Corporate Communication and Public Affairs Department. Information on prevention and control of malaria was distributed across the company.

Multiple Safety Events at Soda Ash:

To increase HSE&S awareness amongst the staff, our Soda Ash Business arranged multiple safety events from 28th to 30th March. Significant events were scaffolding competition, safe driving on heavy vehicles and safe motor cycle driving, fire fighting and first aid demonstration.

EIA Public Hearing for the Installation of Coal Fire Boilers and Steam Turbines at Soda Ash Site:

The EIA Public Hearing for the installation of Coal Fire Boilers and Steam Turbine Project at Soda Ash Site Khewra was carried out at Al-Beruni College, Khewra on 4th July 2012, to meet regulatory requirements. More than 125 participants (including representative of regulatory authorities, environment consultants and member of public) attended the hearing. The hearing was chaired by Mandi Bahaudin District Officer Environment.

Training on Food Handling at Polyester and Mozang Office:

HSE & Training Department of Polyester Business conducted a training session for all the food handlers at Polyester Business and Mozang Office. The trainers briefed on the basics of food handling process. They were also told the importance it has for them to know the hygiene and safety in food handling and act upon these accordingly.

Training of Fishermen Community:

ICI Pakistan Foundation, under the Ilm-o-Hunar Program, collaborated with the technical team of the Pakistan Maritime Security Agency (MSA) held a "Safety and Global Positioning System (GPS) Refresher Training Course" for the fishermen of the Bhit Island region near Kemari. This will go a long way in assisting the fishermen community. A group of 20 fishermen attended the course.

HSE&S Week - Life Sciences Business:

HSE&S week was observed at Life Sciences Business from 18th to 22nd Jun 2012 on all locations under the theme "All Abroad the Safety Train". The slogan projected importance of safety in everyone's life, as the whole unit is like one big family of people working towards the same goals and being as safe as possible. All accidents are avoidable through one's continuous learning efforts and commitment towards a safer environment and by adaptation of the best practices.



HSE&S trainings for customers



Rescue 1122's visit at our mozang site

Global Sustainability Day:

On 14th June 2012, Global Sustainability Day was celebrated with full zeal and enthusiasm in which a huge population of management, non-management and contract staff participated. At all the locations Business heads/senior managers addressed the staff and explained the theme and concept of sustainability and gave examples how an individual employee can contribute towards sustainable future of the company. Significant activities done during the day were:

- Sustainability Day Message from Business Heads
- Sustainability Corners
- Sustainability Suggestions
- Sustainability Snapshots
- Your Own Wobblers (having messages on sustainability awareness)
- Cut the Carbon (CO₂) Messaging

The day's activities at all the sites/locations were concluded with the prize distribution on the best suggestion.

Security

Actions arising from third party security audit carried out in 2011 to identify gaps were completed.

HSE&S Improvement Plan Review

To monitor performance of every year, a comprehensive review of business and location is conducted. In 2012 business and location plans were prepared on the basis of the 2011 review and self assessment.

Behavior Based Safety (BBS)

ICI Pakistan Behavior Based Safety (CP BBS) program continued during the year. Training sessions on BBS were also conducted by Corporate HSE.

Trainings

To create HSE&S awareness, the need to understand responsibilities, to improve safety performance and apply safety measures in working areas on daily basis, as well as raising the HSE&S profile across the company, three HSE&S Awareness Courses and two Leading HSE&S courses were conducted during 2012. Managers from Soda Ash, Polyester, Chemicals, Life Sciences, Corporate Offices and AkzoNobel (Paints) attended the following courses:

Course Name	No. of Sessions	No. of Participants
Leading in HSE&S – Dharabi	1	13
Leading in HSE&S – Lahore	1	24
HSE&S Awareness – Lahore and Karachi	3	75
CP BBS Training – All Sites	5	65
Training on AIGs	4	80

Community Investment

We challenge ourselves to be the means of progress in the communities we operate. For us, investing in our communities is more than just writing a cheque. We are committed to helping them find lasting solutions to the challenges they face.

We support a broad range of initiatives in the areas of health, education and environment protection as we believe they provide the fundamental building blocks for the development of society. Our community investment initiatives are managed through the ICI Pakistan Foundation which is run by its own Board of Trustees.

Rehabilitating Lives

In 2012, ICI Pakistan Foundation completed its 'Clean Drinking Water Project' in Sind. This project was initiated to assist affected communities of the devastating floods of 2011 that wrecked havoc in Sind. Lack of availability of clean drinking water was a key issue as water borne diseases became rampant due to stagnant water.

Five Water Purification Plants were installed in key densely populated areas which now provide clean drinking water to over 20,000 beneficiaries daily. 200 Self Help Biological Sand Filters are also being arranged for individual households in more remote areas aimed to benefit over 8000 people daily. The implementing partner for the project was Thardeep Rural Development Program (TRDP) - a non-profit organization actively engaged in development work in Sindh.

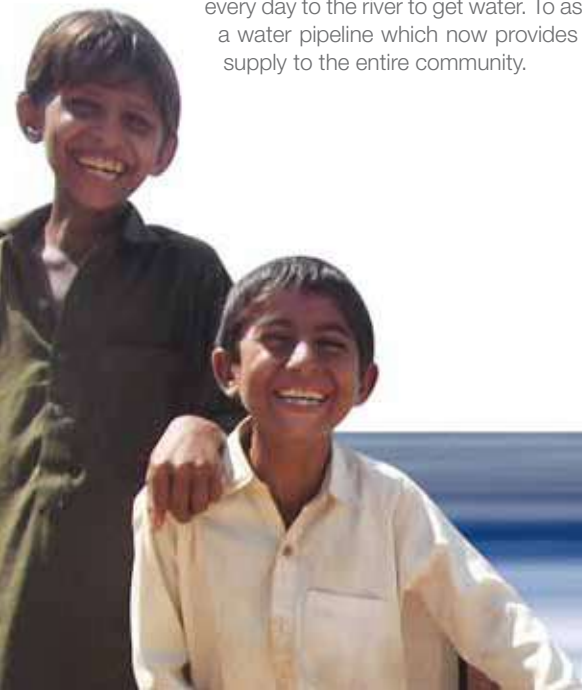
To assist the victims of the epic 2010 floods, we built a village at Munda Headworks in Khyber Pakhtoon Khwa and another at Rahimyarkhan in Punjab. We built 63 permanent homes for the affected families besides providing basic infrastructure. This year, we assisted the community in the village of Munda Headworks by providing much needed access to water. The village is located on top of a mountain and the villagers had to go all the way down every day to the river to get water. To assist them, we put up a water pipeline which now provides uninterrupted water supply to the entire community.

The Right to Learn

Education is a prime focus in a developing country ours. We support various schools throughout Pakistan, especially in localities near our operations. This year, we continued our support to the Government Primary School in Tibbi Haria Sheikhpura, Kakapir Government Boys and Girls Primary School in Karachi and the Institute of Behavioral Psychology (IBP), an institute for special children. Last year we selected a new partner Child Care Foundation to help us run and manage the Tibbi Hariya school. We have seen considerable improvement in the quality of education as well as overall enrolment and have put together a refurbishment plan with essential infrastructural investment in the school.

Investing in developing skills is essentially about providing lifetime opportunities. Our skill development program 'Ilm-o-Hunar', was launched in 2010 with Painter Trainings courses. In 2011, we started a 'Basic Household Wiring' course at our Polyester Plant and this year we are very proud that the program is now recognized by TEVTA (Technical Education & Vocational Training Authority) Punjab. Students completing this course receive a TEVTA certification which is a countrywide recognition of trade skills.

This year we further expanded our program to include technological skills and a computer facility was set up at the Bhit Island High School in Karachi to impart technological skills to the students of the school and other residents of the island. Bhit Island is a small island located near our Head Office and is populated by the fishing community. The facility will be used by over seven hundred students during school hours and in the evenings it will run as a computer training institute for the local youth.



Health First

Health is important to people, and people are important to us. Since 1945, our, Soda Ash business has been running the Winnington Hospital in Khewra that not only caters to the employees but also looks after any walk-in patients of the community. Our hospital offers, free routine OPD, free accident and emergency service round the clock as well as free medical screening for the community.

Since 1991, we have been organizing eye care programs for the community of Khewra. This program is run in collaboration with the Layton Rahmatulla Benevolent Trust (LRBT). In 2011, it was further extended to the community in Sheikhupura near our Polyester plant. In 2012, 12 free eye camps were held and a total of 5695 patients were treated, 1208 refractions were handled and 489 major and 142 minor surgeries were performed.

We also set up Medical Camps at the Rahimyarkhan village we built for victims of the 2010 floods. Run entirely by volunteers from our Life Sciences Business, the camp provided health screening for 400 out patients.

For the People, by our People

The ICI Pakistan Volunteer program was launched in 2009 and since then our staff have generously contributed their time and effort to assist deprived communities. A total of 1141 hours were spent by 38 employees and their families during the year on a variety of activities.

Building Homes: We are immensely proud of the contribution our employees are making to help communities around them and a great example of their efforts is building six houses for a severely marginalized community in the desert of Tharparkar. Not only did our employees collect funds for the project, they also physically assisted in building the houses. In addition they installed four hand pumps to enable the community to have a continuous source of water.

Adding Comfort: Another effort was refurbishing the Maryville home for the elderly which over the years was facing significant wear and tear. It was not only the facade which needed uplifting, but other areas such as uneven flooring which were proving to be a hazard for the elderly who call this place home. The ICI Pakistan Foundation upon a request from a group of volunteers, contributed towards the project. Our team put together a refurbishment program whereby the entire structure was repainted and the whole ambience was uplifted by placing new flooring and redoing the garden. They also spend time with the residents of this home which for them is a great comfort.

Caring with Color: Concern for Children (CFC) is a non-profit organization working for education, health and sustainable livelihood for deprived communities. They requested us for assistance for painting three of their schools in Machar Colony located next to our Head Office. Always ready to lend a hand, our employees stepped up to cater to this request personally. The market value of the donated quantity was over PKR 100,000. Following this, an enthusiastic group of 13 people went out and painted the school.

Greener Tomorrow

To create awareness for conservation and protection of nature, our Soda Ash Business planted 1,100 sapling trees in Khewra – Pind Dan Khan. They also ran a number of environmental awareness activities such as Earth Day celebrations and conservation projects.

After the successful introduction of bio-degradable bags in place of paper envelopes last year, we have now introduced the technology in our packaging material. As a pilot, our Polyester ordered their first bio-degradable packaging material. Oxo-biodegradable technology is a “green” technology that helps reduce chemical impact on the environment.

Alternate Energy

In continuation with our efforts to support and encouraged innovative ideas and research based projects, we extended support to the Alternate Energy Pilot project, initiated by National University of Sciences and Technology, Islamabad. The project aims to develop low cost fuel and replace HFO.





We aim for the highest standards of performance and behavior in all our operations. It is not just how we do business; it is who we are, what we have become, what we pride ourselves on and the path we aim to take.

Governance & Compliance

eye on target

In this section we introduce our new Board of Directors and present their Report for 2012, which provides a detailed overview of activities during the year. Our corporate governance and compliance structure is also described, as well as our risk management framework.

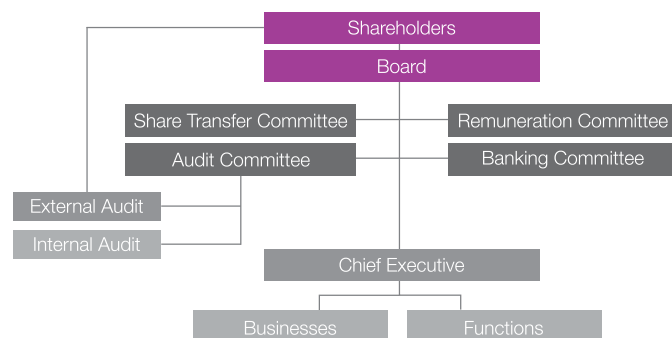
Corporate Governance and Compliance

How we govern our affairs is what dictates our long-term performance. A transparent structure to monitor and report our performance is what governance is all about.

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, the Karachi Stock Exchange (G) Limited, Lahore Stock Exchange (G) Limited and Islamabad Stock Exchange (G) 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 is responsible for setting the goals, objectives and strategies the Company has to 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 comprising the Chief Financial Officer and the Heads of businesses and functions. The Board is also assisted by a number of sub-committees comprising mainly non-executive directors.

Code of Conduct

ICI Pakistan Limited has always held in high esteem the best practices of corporate governance and believes in widely propagating the values and the ethics for strict adherence by all the 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 organizes training sessions and induction programs on a regular basis to ensure compliance at all levels.

Besides this, every employee and director of the Company is required to sign, on an annual basis, a statement to the effect that he or she understands the Code of Conduct and that he or she abides by it at all times while doing business for the Company.

Speak Up

In order to facilitate strict adherence to the Code of Conduct, the employees also have access to a "Speak Up" program whereby any employee can report any 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. The process is being looked after by the Board Audit Committee.

Board Composition

The present Board of ICI Pakistan comprises a well balanced mix of executive, non-executive directors. It has 8 directors which include one executive director, six non-executive directors and one independent director. 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 HR & Remuneration Sub Committee of the Board much before the introduction of the Code of Corporate Governance comprising mainly non-executive 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 internal audit function which is mainly responsible for internal controls, has been outsourced to M/s Ernst & Young Ford

Rhodes Sidat Hyder & Co. and reports directly to the Chairman of the Audit Committee. As a consequence of regular review over several years the company now has an extremely robust system of internal controls which was further strengthened in 2005 when the Company had to go through a comprehensive implementation of the Sarbanes and Oxley Act (SOX) due to listing of its previous parent company's shares on the New York Stock Exchange. Although this requirement is no longer applicable to ICI Pakistan Limited as a result of delisting of its ultimate parent company from the New York stock exchange, the Company continued with the control framework then adopted.

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, divides the employees in certain categories on the basis of their position and involvement in day-to-day decision making process and access to price sensitive information. Certain senior executives and the finance staff are categorized as "Permanent Insiders", while "Executives" (as defined by the Board to be an employee drawing a basic salary of PKR 2.4 million or above in a year) some of whom may not be "Permanent Insiders", can deal in the Company's shares any time outside the closed period announced by the Company on the eve of the quarterly Board meetings. The "Permanent Insiders" can deal in the Company's shares only during the open period specifically announced by the Company immediately after the quarterly Board meetings and the announcement of financial results. This open period does not exceed 15 calendar days in each quarter from the date of announcement of the financial results. All such transactions are required 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 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, labor standards, the environment and anti-corruption.

Adequate Disclosure

At ICI Pakistan, it is our endeavor 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 endeavor to provide as much supplementary information in the financial statements as possible.

Annual General Meeting

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. 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.

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 87.9% 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, arms 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

corporations. This is in pursuance 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, we refer the matter 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. Qualitative 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 the 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 the regulatory requirements are also the areas whereas 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.

Compliance

Non-Financial and Financial Letter of Representation

The Non-Financial Letter of Representation is the representation of management to its higher level of management on how it has dealt with the delegated responsibility, adhered to the rules and regulations and explains exceptions and deviations that occurred during the year.

The respective Business and Function Heads submitted an annual representation to the Chief Executive. Two exceptions were reported in the NFLOR 2012 process and appropriate action plans were developed to remedy the same.

Internal and External Audit

Our Internal Audit function plays a key role in providing the management and the Board an objective view and reassurance of the effectiveness of the risk management and related control systems throughout the entity. Internal Audits were executed across all businesses by Ernst & Young (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

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 our assets, address risks facing the business, and ensure timely reporting to the Board and senior management. We maintain a clear organizational structure with defined delegation of authorities. Our senior management takes the day to day responsibility for implementation of procedures; ongoing risk monitoring; and effectiveness of controls. On an ongoing basis, we monitor risks faced by our various businesses to ensure pertinent control arrangements. Our risk and control procedures are supported through:

Internal Control Self Assessment

The Internal Control Self Assessment (ICSA) exercise was carried out by all our Businesses in 2012 which assisted in the thorough assessment of controls to ensure a robust control structure. Senior management, along with the active involvement of each unit's management, led this annual self assessment exercise. Existing controls were identified, assessed and documented with the help of the online Control Self Assessment Tool (CSAT). Weaknesses

highlighted through this exercise were documented through action plans which clearly defined the corresponding actions to close the identified weaknesses in the system and processes. Action plans are followed up rigorously to ensure that timely corrective action is implemented for the effective functioning of controls.

Enterprise Risk Management

The Enterprise Risk Management (ERM) methodology is part of our efforts to clearly and structurally prioritize the main risks affecting our operations and organizations, in order to focus the company's efforts on those risks that are not controlled in an acceptable manner. For this purpose, ERM workshops are conducted across all our Businesses on a periodic basis. The purpose and goal of the ERM workshops is to identify, assess and develop responses to the main risks that are affecting or could in the future affect ICI Pakistan Ltd in achieving its strategy and objectives (financial and non-financial). A cross-functional Business Executive Team identifies a detailed list of overall business risk exposures. This exercise is performed by all businesses and the main outcome of these workshops is the development of a current and complete risk profile upon which necessary action plans are developed to mitigate the identified risks. These action plans are monitored on a regular basis.

Strategic

Internal

Risk

Implementation of strategic agenda

- A failure to properly and fully implement our strategic agenda could adversely affect the company and its businesses.

Risk Corrective Action

The appropriateness of our strategic agenda, our performance against this agenda and our governance structure is continuously monitored by the Executive Management Team and the Board of Directors. Specific attention is paid to areas such as macro-economic developments, general and financial market developments, competitive situation, performance improvement potential, sustainability, geographical spread, emerging markets and political risks. Risks are minimized as we operate in attractive industries, have leading market positions and have strong executive leadership in place.

External

Risk

Adapting to changing economic conditions and government policies

- Risk of ad-hoc tariff adjustments on imports impacting local producers like ourselves
- 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 intimacy, product quality, innovation and supply chain efficiencies – along with a strong market footprint help us appropriately respond to challenges posed by weak economic and demand conditions. The Board and management endeavor to define and implement a clear strategy to overcome these strategic external risks and continuously seek dialogue with the policy makers through various business forums in the overall interest of the domestic industries.

Operational

Internal

Risk

Overdependence on single source suppliers and major principals.

- Risk of failing to identify alternate sources of raw materials. Also, the risk of failing to maintain key business relationships with major principals of our trading businesses resulting in financial loss to the company.

Risk Corrective Action

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

Risk

Attraction and retention of talent.

- Our ambitious growth plans may not be achieved if we fail to attract and retain the right people. We depend on the continued contribution of our employees.

Risk Corrective Action

The Board and management put great emphasis on attracting, educating, motivating and retaining staff, using engagement tools such as performance and development appraisals and dialogs, employees surveys, leadership identification and review as well as leadership development. It's a firm belief that without people we would not have a business and growing business means having to develop our people.

Engagement of our employees remains a priority. Our employee engagement score for 2012 was the highest across AkzoNobel world.

Risk

Health, Safety, Environment 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, process safety, product safety and operational eco-efficiency. Unlikely scenarios can involve major incidents with a high impact for our organization which may cause business disruption and reputational damage.

Risk Corrective Action

For us, compliance with HSE&S standards is a license for doing business. The company continues to focus on energy conservation, waste and Operational & Eco-Efficiency (OEE) footprint reduction. A detailed report on HSE performance and development in 2012 is available in this report.

External

Risk

Severe energy shortages and price hikes affecting both, the cost of doing business and downstream demand.

- Disruption to supply of natural gas to the company's production facilities is negatively impacting business deliverables due to considerable erosion of margins as a result of using expensive alternate fuels.

Risk Corrective Action

To address the energy deficit faced by the company due to restricted supply of natural gas, in 2011 the Board of Directors approved a PKR 2 billion project to install boilers for steam generation based on state of the art Coal Fired Technology, which will improve the energy economics of the Soda Ash business. This project is expected to be completed in 2013.

Further, in early 2013, the Board has approved a project of one coal fired boiler and two coal fired heaters to cater for the energy requirements of the Polyester Business.

Also, in order to partially mitigate the financial impact, 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.

Financial

Internal

Risk

Credit risk

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

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 overall risk appetite of the company.

Risk

Liquidity risk

- Risk of the company not being able to fulfill its financial obligations due to non availability of sufficient funds.

Risk Corrective Action

The company ensures optimum utilization of cash generated by operations and has sufficient lines with various financial institutions to meets its funding requirements.

Compliance

Internal

Risk

Compliance with laws and regulation

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

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 program including training, monitoring and assessment. We advertise the use of our company-wide complaints procedure called 'SpeakUp!' which enables all our employees to report irregularities, if any, in relation to our Code of Conduct.

External

Risk

Fluctuations in exchange rates

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

Risk Corrective Action

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

Risk

Interest rate risk

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

Risk Corrective Action

The company has availed State Bank of Pakistan's Long Term Financing Facility (LTFF) to meet the funding requirements of the Soda Ash Coal Fired Boiler Project where the interest rate is fixed over the term of the loan. For other borrowings, the interest rate risk is at an acceptable level.

External

Board & Management Committees

Committees of the Board

Audit Committee with Brief Terms of Reference

The Audit Committee ensures that the Company has a sound system of internal financial and operational controls. It 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 letter issued by the external auditors and management's response thereto.

Besides 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 directors all of who are Non-Executive Directors including the Chairman who is an independent Director. 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 without the Chief Financial Officer or the internal auditors being present. It further meets at least once a year, the internal auditors without the Chief Financial Officer being present. The Audit Committee met ten times during the year under review.

Human Resource and Remuneration Committee

The HR & 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 and all other HR matters.

The Committee consists of three Non-Executive and two Executive Directors. The Vice President Human Resources

acts as the Secretary of the Committee which meets at least once a year.

Banking Committee

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

Share Transfer Committee

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

Management Committees

Executive Management Committee

The CE 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.

HSE Management Committee

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

Succession Planning Forum

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

Commercial capability group
Technical capability group
Finance and IT capability group
HR, Communications and others capability group

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 synergistic opportunities and sharing of best practices.

Company Information

Board of Directors

M Yunus Tabba	Chairman (Non-Executive)	Asif Jooma	Non-Executive
M Ali Tabba	Vice Chairman (Non-Executive)	Khawaja Iqbal Hassan	Independent
Ali A Aga	Acting Chief Executive	M Abid Ganatra	Non-Executive
Amina A Aziz Bawany	Non-Executive	M Sohail Tabba	Non-Executive

Audit Sub Committee

Khawaja Iqbal Hassan	Chairman
Muhammad Ali Tabba	Member
M Abid Ganatra	Member

HR & Remuneration Sub Committee

Muhammad Ali Tabba	Chairman
Muhammad Sohail Tabba	Member
Asif Jooma	Member
Ali A Aga	Member
Khawaja Iqbal Hassan	Member

Chief Financial Officer*

Nasir Jamal

Company Secretary*

Nasir Jamal

Executive Management Team

Ali A Aga	Chief Executive* & Vice President, Soda Ash	Nasir Jamal	Chief Financial Officer*
Faisal Akhtar	General Manager, Chemicals	Suhail Aslam Khan	Vice President, Polyester
M Asif Malik	Vice President, Human Resource & Life Sciences	Syed Iqbal Haider	General Manager, Corporate Technical

Bankers

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

Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Oman International Bank
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Auditors

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

External Auditors
KPMG Taseer Hadi & Co.,
Chartered Accountants

Registered Office

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

Shares Registrar

FAMCO Associates (Pvt) Ltd.
1st Floor, State Life Building 1-A
I. I. Chundrigar Road, Karachi-74000
Tel : (021) 32427012, 32426597,
32420755, 32475606, 32425467
Fax : (021) 32426752

*Acting

Our Board of Directors



Muhammad Yunus Tabba

Appointed as Chairman ICI Pakistan Limited on December 28, 2012, Mr. Muhammad Yunus Tabba started his 40 year long career with Yunus Brothers Group as one of its founding members and has seen it progress through the years. With his expertise and diversified experience, he has taken Yunus Brothers Group to a level which is appreciated by local and international business communities.

Mr. Muhammad Yunus Tabba has also been awarded "Businessman of the Year" by the Chamber of Commerce, several times during his career. Under his leadership, the Group has achieved many breakthroughs and has received multiple awards from local and international institutions.



Muhammad Ali Tabba

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

Mr. Muhammad Ali Tabba is a distinguished leader and has been actively involved in many welfare organizations as well. He serves as a Trustee of the Fellowship Fund for Pakistan, a Board formed to identify and sponsor 'Leaders' of the country to polish their leadership skills. Due to his extensive engagement in many community welfare projects, he has received numerous recognitions and awards for his social interventions. Mr. 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, World Economic Forum bestowed him with the honor of Young Global Leader 2010.



Ali A. Aga

Appointed to the Board of Directors of ICI Pakistan Limited in January 2009, Mr. Ali Aga was appointed as Acting Chief Executive of ICI Pakistan Limited in December 2012 and is also the Chairman of ICI Pakistan PowerGen Limited. He also heads the Soda Ash Business of ICI Pakistan as its Vice President. He started his career in ICI as a Management Trainee in 1981 and has over 32 years of multi industry experience in a wide range of management positions in Marketing, Operations, Business Strategy, Human Resource, and General management in ICI Pakistan as well as other multinational and national Companies. His industry experience includes Fertilizers, Polyester, Agrochemicals, Consumer Electronics and Soda Ash industries.

He has served as General Manager Human Resource, Corporate Communications and Public Affairs for the ICI Group in Pakistan and also as a Director on the Board of Pakistan PTA Ltd, Akzo Nobel Pakistan Limited and Pakistan Society for Training & Development. He is actively engaged in volunteer work in the field of education and is the Chairman of the Board of Governors of Winnington School Khewra.

Mr. Ali Aga holds an MBA degree with double majors in Marketing and Operations Management and a Bachelors in Chemical Engineering. He has also attended the Advanced Management Program at Harvard Business School and has been a guest speaker at various local and international conferences.



Amina A Aziz Bawany

Appointed to the Board of Directors of ICI Pakistan Limited on December 28, 2012, Mrs. Amina Abdul Aziz Bawany is a post graduate in Early Years Education with over ten years experience in the education sector.

She has held a key oversight position within the group and possesses a versatile skill set with experience in customer relations and sales and 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 of underprivileged Pakistanis.



Asif Jooma

Appointed as Non-Executive Director of ICI Pakistan Limited on December 28, 2012, Mr. Asif Jooma is a Bachelor of Arts in Developmental Economics from Boston University. He has been engaged in the corporate sector of Pakistan since 1983. Over the years he has spoken at numerous international and local conferences on industry related and management issues. He has attended Executive Development Programs at INSEAD and Harvard Business School.

He has previously served as President, 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 Boards of NIB Bank Limited, Engro Fertilizers Limited and Board of Investment and Executive Committee of BOI – Government of Pakistan.



Khawaja Iqbal Hassan

Khawaja Iqbal Hassan was appointed as a Non-Executive Director on the Board of ICI Pakistan Limited on January 18, 2013. Mr Hassan 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. Mr Hassan is the founder of Global Securities Pakistan Limited and NIB Bank Limited and served in both institutions as Chief Executive Officer.

Mr Hassan is presently a member of the Board of Directors of The State Bank of Pakistan, Engro Corporation Limited, ICI Pakistan Limited and the Karachi Grammar School. He has also served on the Boards of the Civil Aviation Authority of Pakistan, 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), the Central Depository Company of Pakistan Limited and the Pakistan Centre for Philanthropy. He is also a former Vice Chairman of the Pakistan Bankers Association and has served as Chairperson, Banking Sector Committee on Reform of Pakistan's Banking Companies Ordinance. Mr Hassan has also been a member of the Prime Minister of Pakistan's Task Force on Foreign Exchange Reserves Management, Corporate Tax Reform and Capital Markets Reform.

Mr Hassan was awarded the Sitara-e-Imtiaz by the Government of Pakistan for meritorious contribution to national interests.



Muhammad Abid Ganatra

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

Mr. 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 Bachelors in Law.



Muhammad Sohail Tabba

Appointed as Non-Executive Director of ICI Pakistan Limited on December 28, 2012, Mr. Muhammad Sohail Tabba is one of the top business executives in Pakistan, with vast experience in manufacturing, energy, real estate and cement sectors gained throughout his two decade long career. His association with the Yunus Brother 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 of 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 as a member of the Board of Governors at Hamdard University Pakistan.

Our Executive Management Team



Ali A Aga
Acting Chief Executive & Vice President, Soda Ash Business



Suhail Aslam Khan
Vice President, Polyester Business



Faisal Akhtar
General Manager, Chemicals Business



Syed Iqbal Haider
General Manager, Corporate Technical

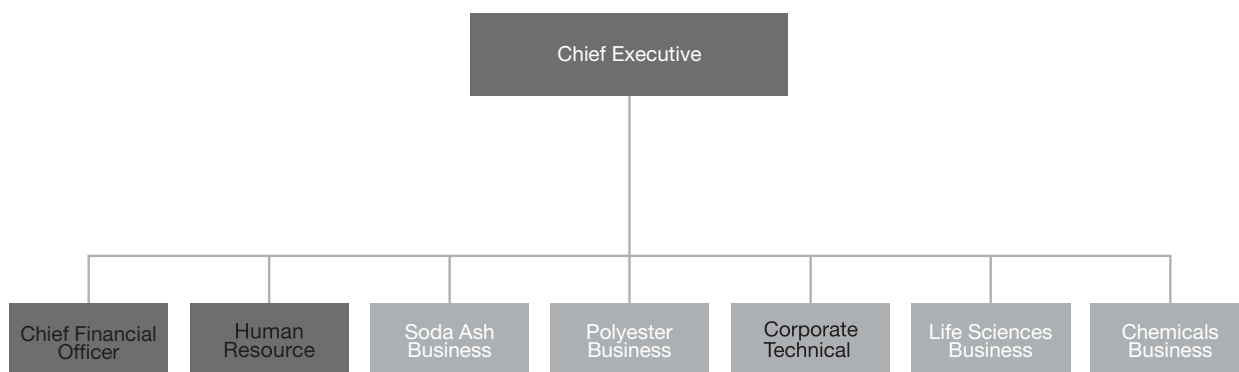


M Asif Malik
Vice President, Human Resource & Life Sciences Business



Nasir Jamal
Acting Chief Financial Officer

Organizational Structure



Report of the Directors

for the year ended December 31, 2012

The Directors are pleased to present their report together with the audited financial statements of the Company for the year ended December 31, 2012.

Overview

Net sales income (NSI) for the year at Rs 34.7 billion was lower by 2 percent compared to last year mainly due to lower volumes and prices in the Polyester Business with downstream demand impacted by the deteriorating energy crisis affecting off take and as a consequence sales volumes.

Operating result for the year at Rs 1,500 million was 37 percent lower compared to previous year primarily on account of lower PSF volumes and significant reduction in margin over feedstock. The results were further negatively impacted by the escalation in gas outage days forcing the Polyester and Soda Ash Businesses to rely on significantly expensive alternate fuel with an additional cost of approximately Rs 407 million. The Company also incurred one off demerger and divestment expenses amounting to Rs 374 million. Excluding the effects of the one off demerger and divestment expenses in both years, the combined Selling, Distribution and Administrative expense for the year was lower by 3 percent compared to last year.

As a consequence of the demerger of Paints business into Akzo Nobel Pakistan Limited, the Company became a net borrower resulting in higher interest cost. Consequently, Earnings per share from continuing operations at Rs 9.67 for the year was lower by 27 percent compared to same period last year. Including earnings of discontinued business, EPS was down by 36%.

On a group basis (including the result of wholly owned subsidiary ICI Pakistan PowerGen Limited) profit after tax from continuing operations for the year at Rs 989 million was 44 percent lower compared with last year.

The Coal Fired Boiler project, aimed at improving the energy economics of the Soda Ash Business, is progressing as per plan and is expected to be completed by mid year, with commissioning targeted before end June. This will assist the business to reduce its reliance on expensive alternate fuel. In addition, the Board has also approved a project of one coal fired boiler and two coal fired heaters for the Company's Polyester Business at an initial indicative cost of Rs 1.1 billion to improve the energy mix of the polyester plant located at Sheikhpura with resultant improvement in the conversion cost of PSF.

Following Lucky Holdings Limited's acquisition of the entire shareholding of ICI Omicron B.V. in ICI Pakistan Limited on

December 28, 2012. Lucky Holdings Limited, Gadoon Textile Mills Limited and Lucky Textile Mills Limited, part of YBG, now own 87.90 percent shares in ICI Pakistan Limited, making Lucky Holdings Limited the principal shareholder in place of ICI Omicron B.V. YBG, one of the largest conglomerates in Pakistan, has announced its unequivocal commitment to the future growth and prosperity of ICI Pakistan and all its stakeholders.

Financial Performance

	2012	2011	Increase/ (Decrease) Percentage
Rs m			
Turnover	37,809	38,349	(1)
Net Sales Income	34,682	35,516	(2)
Gross Profit	3,933	4,606	(15)
Operating Result	1,500	2,378	(37)
Profit Before Tax	1,372	2,295	(40)
Profit After Tax	893	1,531	(42)
Earnings Per Share (Rs)	9.67	13.25	(27)

Dividends

Your Directors are pleased to announce a final dividend of 20 percent i.e. Rs 2 per share of Rs. 10 each of the issued and paid up capital of Rs. 923,590,500. This, including the interim dividend of 35 percent, makes a total dividend of 55 percent for 2012.

Board Changes

Subsequent to completion of the acquisition by Lucky Holdings Limited from ICI Omicron B.V. of their entire shareholding in the Company, the following changes have taken place on the Board of Directors of the Company with effect from December 28, 2012:

Outgoing Directors

Mr Mahomed J Jaffer
Mr Waqar A Malik
Mr Mueen Afzal
Mr M Nawaz Tiwana
Mr Derek W Welch
Mr Bart Kaster

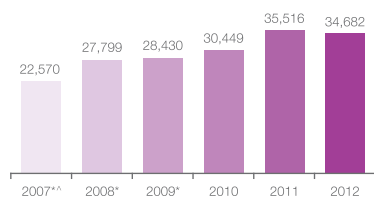
Incoming Directors

Mr Muhammad Yunus Tabba
Mr Muhammad Ali Tabba
Mr Muhammad Sohail Tabba
Ms Amina A Aziz Bawany
Mr Asif Joorna
Mr Muhammad Abid Ganatra

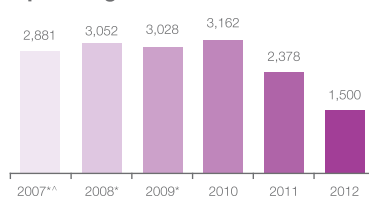
All incoming Directors were appointed for the remainder of the term, expiring April 28, 2014.

The Board subsequently appointed Mr Khawaja Iqbal Hassan as a Director of the Company with effect from January 18, 2013 in place of Mr Feroz Rizvi, who resigned from the Board with effect from January 1, 2013 following his retirement from the services of the Company.

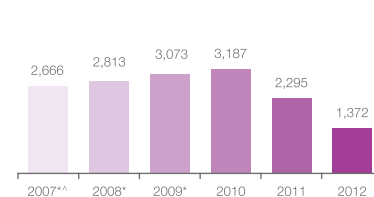
NSI in Rs M



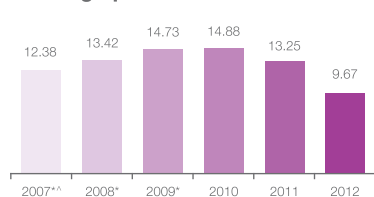
Operating Result in Rs M



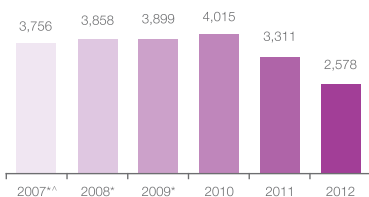
Profit before taxation in Rs M



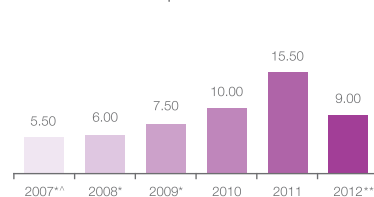
Earnings per share in Rs



EBITDA in Rs M



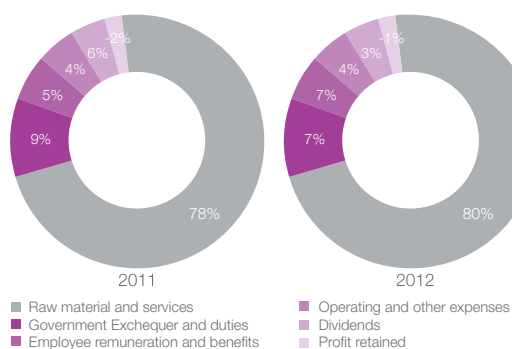
Dividend in Rs per share



[^] Excluding discontinued Kansai business

^{*} Includes Akzo Nobel Pakistan (formerly Paints Business)

^{**} 2012 dividend includes final dividend of Rs 5.5 per share relating to the financial year 2011



Value Addition and its distribution	Rs '000			
	2012	%	2011	%
Net Sales including sales tax	36,435,017	99%	37,351,139	99%
Other operating Income	298,381	1%	383,766	1%
	36,733,398	100%	37,734,905	100%
Raw Material and Services	29,415,239	80%	29,318,798	78%
Government Exchequer and duties	2,536,896	7%	3,332,684	9%
Employee remuneration & benefits	2,504,107	7%	2,075,021	5%
Operating and Other expenses	1,384,486	4%	1,476,972	4%
Dividends	1,086,670	3%	2,151,436	6%
Profit Retained	(194,001)	-1%	(620,006)	-2%
	36,733,398	100%	37,734,905	100%

The reconstituted Board appointed Mr Muhammad Yunus Tabba as Chairman of the Board for the remainder of the term of his office till April 28, 2014. The Board also appointed Mr Muhammad Ali Tabba as the Vice Chairman of the Board. Mr Ali A Aga was appointed as Acting Chief Executive with effect from December 28, 2012 on a temporary basis for a period until February 24, 2013 or as determined by the Board. The Directors also reconstituted the sub committees of the Board effective from January 18, 2013.

Appointment of Chief Executive Officer

The Board in its meeting held on February 21, 2013 has appointed Mr Asif Jooma as Chief Executive Officer (CEO) of the Company with effect from February 25, 2013 for the

remainder of the term expiring April 28, 2014. Prior to this appointment, Mr Asif Jooma was the Managing Director of Abbott Laboratories (Pakistan) Ltd since May 2007.

Mr Asif Jooma has served as President of American Business Council (ABC), Chairman of Pharma Bureau and President of Overseas Investors Chamber of Commerce & Industry (OICCI). In addition, Mr Asif Jooma is a Director at Engro Fertilizers Limited, NIB Bank Limited and a Director on the Board of Investment (BOI) and Member Executive Committee – Government of Pakistan.

According to the terms and conditions of appointment, Mr Asif Jooma will be entitled to a remuneration of Rs 46 million



Coal fired boiler agreement



ICAP & ICMAP award for best annual & sustainability report

per annum in addition to perquisites and other entitlements arising under his contract of employment with the Company and the applicable policies and service rules of the Company.

Health, Safety And Environment-HSE

The Company continued to demonstrate its strong commitment to HSE and completed the year without a reportable occupational illness on account of compliance with the Company's various Health Assessment and Work Environment monitoring programs. There was also a 2 percent reduction for the year in Total Illness Absence rate compared to last year.

Unfortunately, there were two reportable injuries for the year 2012. Medical Treatment was reported by Soda Ash site on February 15, 2012 and a Fatal Injury incident was reported by Polyester site on August 1, 2012. A comprehensive investigation into the fatality incident has been completed and remedial actions have been implemented.

Polyester, Soda Ash, Life Sciences and Chemicals business respectively achieved 0.91, 2.0, 0.83 and 6.2 million man hours without LTI (lost time injury) to employees and supervised contractors. There were no reportable injuries to any Independent Contractor.

In 2012, your Company's focus remained on energy and water conservation, waste reduction and Operational Eco Efficiency (OEE) footprint reduction. Your Company has shown improvements over 2011 in waste produced per ton (approximately 12 percent reduction), Water usage M3 per ton (12 percent reduction), SOx (3 percent reduction), NOx (1 percent reduction). Energy usage per ton slightly increased (3 percent) due to lower production levels which also resulted in an increase in CO2 emissions per ton (3 percent). Despite higher energy and CO2 emissions, our OEE footprint is 3.7 percent down compared to last year. All manufacturing sites reported compliance with liquid and air emission.

ICI Pakistan Limited was awarded the 'Best Sustainability Report' award at the ACCA-WWF Pakistan Environmental Reporting Awards 2011 ceremony held in Karachi. This award recognizes ICI Pakistan's commitment towards sustainability.

A detailed report on HSE performance and development in 2012 is available on page 24 of the annual report.

Corporate Social Responsibility-CSR

Your Company's community investment activities are managed through the ICI Pakistan Foundation, a registered

Trust run and managed by its own Board of Trustees. In addition, certain other community activities are carried out directly by your Company. The Foundation focuses on community development through investment in education, health, environment, infrastructural development and disaster relief and rehabilitation projects.

Rehabilitation:

In 2012, ICI Pakistan Foundation completed its 'Clean Drinking Water Project' in Sindh. This project was initiated to assist affected communities of the devastating floods of 2011 in Sindh. Lack of availability of clean drinking water was a key issue as water borne diseases became rampant due to stagnant water.

Five Water Purification Plants were installed in key densely populated areas which now provide clean drinking water to over 20,000 beneficiaries daily. We also distributed 200 Self Help Biological Sand Filters for individual households in more remote areas benefitting over 8,000 people daily. The implementing partner for the project was Thardeep Rural Development Program (TRDP) - a non-profit organization actively engaged in development work in Sindh.

Education:

In the sphere of Education, the Foundation continued to support the Government Primary School in Tibbi Hariya Sheikhpura, Kakapir Government Boys School in Karachi and the Institute of Behavioral Psychology (IBP), an institute for special children. A refurbishment plan of Government Primary School in Tibbi Hariya, Sheikhpura was submitted and also approved by the Foundation.

'Ilm-o-Hunar', a skill development program launched in 2010 continued in 2012 with another batch of students completing a 'Basic Household Electrical Wiring' offered at our Polyester site in Sheikhpura. This program is recognized by TEVTA (Technical Education & Vocational Training Authority) Punjab.

A computer facility was also set up at the Bhit Island High School in Karachi to impart technological skills to the students of the school and other residents of the island.

Bhit Island is a small island located near our Head Office and is populated by the fishing community. The facility will be used by over seven hundred students during school hours and also run as a computer training institute for the local community in the evening.

Health:

Since 1991, your Company had been conducting eye care



Water filter plants set up across Sindh



Prize distribution ceremony at Kakapir School



Ilm-o-Hunar certificate ceremony

programs for the community of Khewra near our Soda Ash plant. This program is run in collaboration with the Layton Rahmatulla Benevolent Trust (LRBT) and in 2011 it was extended to the community in Sheikhpura near our Polyester plant. Twelve free eye camps were held during the year and a total of 5,695 patients were treated, 1,208 refractions were handled and 489 major and 142 minor surgeries were performed.

ICI Pakistan Volunteer Program

The ICI Pakistan Volunteer program was launched in 2009 and since then our staff have generously contributed their time and effort to assist deprived communities. A total of 1,141 hours were spent by 38 employees and their families during the year on a variety of activities.

Environment:

Tree Plantation Drive: For conservation and protection of nature, your Company's Soda Ash Business planted 1,100 sapling trees in Khewra.

After the successful introduction of bio-degradable bags in place of paper envelopes last year, we have now introduced the technology in our packaging material. As a pilot, our Polyester Business ordered their first bio-degradable packaging material. Oxo-biodegradable technology is a "green" technology that helps reduce chemical impact on the environment.

A detailed report on CSR performance in 2012 is available on page 28 of the annual report.

Human Resource

In 2012, ICI Pakistan Limited continued to keep a sharp focus on developing and honing the skills of its employees by investing in internal and external trainings coupled with opportunities to move across functions and businesses. Your Company imparted 20,126 man hours of training in 2012, focusing on improving managerial, personal and functional effectiveness. Talent movement across business/functions was recorded at 14 percent in the current year, providing development opportunities for managers.

Your Company continued to add to the talent pipeline by recruiting fresh graduates in the commercial, finance and technical streams to bring in strategic and innovative ideas.

For the second consecutive year, Gallup International Viewpoint engagement survey scores for your Company improved significantly, testimony to the Company's commitment in providing employees a high performance

work environment fostering talent engagement and development. In the Gallup Viewpoint engagement survey 2012, the Company scored 4.35 on a 5 point scale, bringing it to the 74th percentile within the Gallup global database, and making your Company's score one of the best on a comparative basis.

The Performance and Development Dialog (P&DD) continued to be an essential tool to provide regular feedback to managers in addition to aligning performance with Business 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 2012 is available on page 20 of the annual report.

Risk Management Framework

The Board has an overall responsibility for ensuring that an effective risk management process is in place. This encompasses identification and prioritization of strategic, financial, operational, legal & external risks and ensuring appropriate controls to mitigate these risks.

A detailed report on risk management philosophy, key risks and tools used by the Company is available on page 35 of the annual report.

Polyester Staple Fiber (PSF)

Weak global PSF demand and bumper cotton crops put regional margins under severe pressure in the first half of the year. Domestic demand remained weak due to energy supply issues to downstream industries. As a result, PSF sales volume remained low compared to corresponding period last year along with lower margins over feedstock and increase in the cost of energy. Market conditions slightly

Net sales, commission & toll income (Rs M)		
2012		18,204
2011		21,019
Operating result (Rs M)		
2012	(146)	
2011		901



Our team of volunteers at Maryville (home for the elderly)



Our new graduate recruits

improved in the second half of 2012 where PSF sales volume picked up due to export demand in the Polyester Cotton (PC) segment and seasonal demand for finer counts in the Polyester Viscose (PV) segment. Consequently, overall sales volume was 7 percent lower compared to same period last year.

Energy crisis continued to plague business operations. Business was forced to discontinue the use of WAPDA as a source of energy due to multiple break downs and frequent load shedding. Gas supply remained intermittent and total gas availability to the business was only 26 percent as the total number of equivalent gas outage increased to 225 days from 186 days last year. As a result, the Business had to incur an additional cost of Rs 40 million on expensive alternate fuel. Total energy cost was therefore higher despite a 5 percent decrease in production volumes.

Significant drop in the revenue and reduction in regional and domestic margins led to an operating loss of Rs 146 million (2011: Rs 901 million operating profit).

National Tariff Commission (NTC) has imposed provisional anti dumping duties on dumped PSF originating from China for a period of 4 months starting from December 21, 2012. Additionally, on conclusion of the Sunset Review of dumped PSF imports from Korea, Thailand and Indonesia, NTC has imposed anti dumping duties on dumped PSF originating from these countries, for a period of two years with effect from January 30, 2013.

Going forward, volumes and margins are expected to remain under pressure and would largely be dependent on the outlook of Chinese and regional market. In the downstream, energy availability to the textile industry will prove to be the key driver of yarn and value-added product exports.

Soda Ash

Global demand for Soda Ash remained sluggish in 2012, mainly due to a slower demand in China. The demand overall remained well below capacity, leading to a lower capacity utilization in 2012 compared to the previous year.

The domestic market in Pakistan continues to remain affected due to energy supply issues and downstream industries struggling on account of gas and electricity shortages throughout the year. The market remains in an oversupply situation, with domestic capacity operating at about 70 percent utilization. Domestic manufacturers were further prejudiced due to unabated under invoiced imports.

Net sales, commission & toll income (Rs M)

2012	7,604
2011	6,854

Operating result (Rs M)

2012	803
2011	936

The business continues to take up these issues with the relevant Government departments. Final determination of the anti-dumping duty against Kenyan Company by the National Tariff Commission is also awaited due to a petition filed in the Lahore High Court by one of the importers. NTC had imposed a provisional anti-dumping duty of 20 percent in June 2012, with the final determination now overdue.

Business operations were impacted during the year as full time equivalent gas outages increased from 174 days in 2011 to 186 days in 2012, and business had to incur an additional cost of over Rs 367 million on alternate fuels compared with 2011. Major initiatives focusing on energy savings, cost reductions and efficiency improvement continue to help the business in mitigating the adverse impact of rising energy prices. Although Operating result at Rs 803 million was Rs 133 million (14 percent) lower than 2011, mainly due to one off administrative & general expenses on account of transition related expenditure, the underlying business results remain robust.

Work on installation of Coal Fired Boiler Project is in progress, and expected to be completed by mid year, targeting commissioning before end June.

Going forward, unpredictable gas supply and law and order conditions in the country remain the top concerns for the business as well as the industry in general.

Life Sciences

Net sales income for the year at Rs 5,492 million was 15 percent higher compared to same period last year on the back of growth in all segments with higher revenue.

Sales of the pharmaceutical segment grew by 14 percent over last year on the back of product portfolio expansion and volume growth. Animal Health segment and Seeds segment also demonstrated strong double digit growth in



Best place to work award



Celebrating Earth hour at our Soda Ash site



Board of Directors Dec 28, 2012

Net sales, commission & toll income (Rs M)		
2012		5,492
2011		4,774
Operating result (Rs M)		
2012		548
2011		520

sales compared to the previous year on the back of both higher prices and volume growth. Vegetable Seeds segment growth was driven by product expansion and aggressive marketing.

Operating result for the year at Rs 548 million was 5 percent higher compared with the same period last year.

As informed earlier, Astra Zeneca, a major Principal in the pharmaceuticals segment, has served a termination notice with the intention of discontinuing its distribution agreement with the Company. Going forward, the Business plans to enhance its focus on its own branded portfolio and launch a number of new products to mitigate the impact of the loss of Astra Zeneca business and enhance its presence in the market.

Chemicals

Overall sales volume for the year was 8 percent higher than same period last year.

Net sales income for the year at Rs 3,422 million was 8

Net sales, commission & toll income (Rs M)		
2012		3,422
2011		3,177
Operating result (Rs M)		
2012		294
2011		330

percent higher compared to same period last year. Operating result for the year at Rs 294 million was 11 percent lower despite higher volumes compared to same period last year

primarily due to one off demerger and divestment related costs.

Finance

Company's Balance Sheet at a current ratio of 1.10 (2011: 1.30) and liquidity ratio of 0.42 (2011: 0.78) was affected post settlement of liability with Akzo Nobel Pakistan Limited.

Net sales income was lower by 2 percent compared to last year mainly due to lower volumes and prices in the Polyester Business. PSF prices remained under pressure in line with global market sentiments. Sales volumes were lower due to absence of demand in the downstream industries on the back of gas supply shortages. This was partially offset by NSI growth in other businesses compared to last year.

Lower NSI in the Polyester Business and extended gas outages in the Polyester and Soda Ash Business resulting in additional cost of approximately Rs 407 million compared to 2011 kept the Gross profit lower by 15 percent and Operating result lower by 37 percent.

Selling and distribution expenses for the year were 7 percent (Rs 74 million) higher on account of higher freight charges due to increase in fuel costs; higher advertising and promotional expenses to support new products launched in the Life Sciences business; and general inflationary pressure. Administration and general expenses for the year were 11 percent (Rs 131 million) higher than last year mainly due to one off demerger and divestment expenses.

Company settled the account payable to Akzo Nobel Pakistan Limited amounting to Rs 3.69 billion in July and August 2012. Subsequently, short term finances were availed by the Company from various banks. As a result, the financial charges for the year were higher by 13 percent and operating income for the year was lower.

Consequently, Profit after tax amounting to Rs. 893 million was 42 percent lower (excluding discontinued business) compared to last year. The Consolidated Profit after tax from continuing operations amounting to Rs. 989 million was also 44 percent lower compared with last year.

Earnings per share from continuing operations at Rs 9.67 for the year was lower by 27 percent compared to last year. Including the earning of discontinued business EPS was down by 36%.



Launch of AptiMax



Analyst briefing session for our 2011 results



Our football team

Taxation

The tax department reopened the income tax assessment for the assessment year 2001-2002 on the ground that demerger of PTA business from ICI Pakistan Ltd. was effective from the completion date i.e. August 6, 2001. This was challenged by the Company in the High Court which upheld the Company's contention that the department did not have the right to reopen this finalized assessment. The department filed an appeal in the Supreme Court against the High Court's order. The appeal was dismissed by the Supreme Court. Despite Supreme Court's decision on retrospectivity, a notice was 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. The Company is of the view that in light of Supreme Court decision and the fact that such notice is time barred under the repealed Ordinance, it is expected to be quashed by the High Court. Subsequently, in spite of 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 Appellate Tribunal Inland Revenue which has decided the case in Company's favour in November 2012.

For the assessment year 2002-2003 on receipt of notice under section 62 of the Income Tax Ordinance, 1979, the Company had filed a writ petition in the Supreme Court challenging the tax department's notice that the effective date of PTA's demerger was August 6, 2001 rather than the effective date given in the Scheme of Arrangement as October 1, 2000. That notice had raised certain issues relating to vesting of PTA assets by the company and disallowance of unabsorbed depreciation which has been settled in the assessment year 2001-2002. While this case is pending for adjudication, in view of the Supreme Court's as well as Appellate Tribunal Inland Revenue's decision relating to assessment year 2001-2002 it is unlikely that the department can take an adverse action.

In June 2012, whilst amending the assessment for the Tax Year 2009, the tax department has disallowed the unabsorbed depreciation on the ground that there is no brought forward depreciation from Tax Year 2008 and a demand of Rs 972 million has been created. It is the Company's contention that such an action is unwarranted. This position is totally different from the position taken in earlier tax years i.e. 2003-2008 by the tax department. The Company has filed an appeal before the High Court of Sindh challenging the said order which has decided the case with the direction that the matter will be finalized by the CIR (Appeals) within six weeks

from the date of High Court's Order. On August 15, 2012 CIR (Appeals) has issued its order and upheld the order passed by the tax department earlier. The company had 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 depreciation loss is available to the company.

Future Outlook

Macro economic outlook of the country remains challenging. The energy supply issues run deeper in the industrial sector, causing the cost of production to increase substantially and simultaneously decreasing the downstream demand thereby affecting both the margins and volumes.

In addition, dumping and under-invoicing of polyester and soda ash at uneconomical prices remains a major concern. Your Company is aggressively pursuing the matter with the National Tariff Commission and other relevant departments. Your Company's performance in 2013 will be influenced by the ongoing energy conundrum and broader macro economic conditions. With the Coal Fired Boiler commissioning in mid 2013, Soda Ash Business is expected to reduce its dependency on higher cost alternate fuel.

Acknowledgment

The results of your Company are a reflection of the commitment and contribution by the strong pool of talented employees and the trust reposed in the Company by its customers, suppliers, service providers and shareholders.

Company Secretary

The Board of Directors appointed Ms Ambreen Shah as Company Secretary and General Counsel with effect from May 4, 2012. Previously, Mr Nasir Jamal was serving as Acting Company Secretary with effect from October 26, 2011.

Change of Financial Year

The Directors, in their meeting held on January 18, 2013, have recommended that the financial year of the Company be changed from January – December to July – June in order to align it with the financial year of the holding company. The proposal to change the financial year of the Company will be placed for approval before the shareholders in the forthcoming Annual General Meeting.



Inducting the new graduate recruits



Celebrating global sustainability day 2012



Demerger of our Paints Business

Auditors

The present auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants, stand retired as on the date of the forthcoming Annual General Meeting of the Company. Following their retirement, based on the recommendations of the Audit Committee, the Directors have proposed the appointment of M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants as the statutory auditors of the Company as the same are the statutory auditors of the holding company. The proposal to appoint M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants as the statutory auditors will be placed for approval before the shareholders in 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 accounts 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 judgment.
- 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 3.
- Outstanding taxes and levies are given in the Notes to the Financial Statements.
- The management of the Company is committed to good corporate governance, and appropriate steps are taken to comply with best practices.

Investment In Retirement Benefits

The value of investments, made by the staff retirement funds operated by the trustees of the funds as per their respective financial statements on May 31, 2012 (at the time of demerger of Paints Business), are as follows:

Value (Rs '000)

1. ICI Pakistan Management Staff Pension Fund*	1,472,920
2. ICI Pakistan Management Staff Gratuity Fund*	416,200
3. ICI Pakistan Management Staff Defined Contribution Superannuation Fund**	380,141
4. ICI Pakistan Management Staff Provident Fund**	769,735
5. ICI Pakistan Non-Management Staff Provident Fund**	373,246

* Figures are unaudited and as per actuarial valuation report at the time of demerger of Paints Business,

** Audited figures at the time of demerger of Paints Business

Directors' Attendance

During the year 2012, ten (10) Board Meetings, ten (10) Audit Committee and four (4) Remuneration Committee meetings were held. Attendance by each Director/CFO/Company Secretary was as follows.

Name of Director	Board of Directors Attendance	Audit Committee Attendance	HR & Remuneration Committee
			Attendance
Mr. M J Jaffer	8	8	-
Mr. Waqar A Malik	9	-	-
Mr. Mueen Afzal	10	10	2
Mr. Nawaz Tiwana	9	-	4
Mr. Ali A Aga	10	-	-
Mr. Derek W Welch	9	-	4
Mr. Feroz Rizvi Director & CFO	9	6	-
Mr. Bart Kaster	7	9	-
Mr. Nasir Jamal Acting Company Secretary	4	3	-
Ms. Ambreen Shah* Company Secretary	6	4	4
Zia U Syed Secretary to Audit Committee	-	1	-
M Asif Malik Secretary to HR & Remuneration Committee	-	-	4

*Resigned w.e.f. February 2013



Winners trophy at the tri-businesses cricket tournament in Lahore



New interim branding at our head office



Our volunteers building a village in Thar

Directors appointed with effect from 28 Dec 2012

Mr. Muhammad Yunus Tabba	1	-	-
Mr. Muhammad Ali Tabba	1	-	-
Mr. Muhammad Sohail Tabba	1	-	-
Ms. Amina A Aziz Bawany	1	-	-
Mr. Asif Jooma	1	-	-
Mr. Muhammad Abid Ganatra	1	-	-

Director's Training

During the year a few of our Directors were enrolled for the Director's Training Program conducted by the Pakistan Institute of Corporate Governance (PICG). Mr. Ali Aga has completed this certification in 2009.

Pattern of Shareholding

A statement showing the pattern of shareholding in the Company along with additional information as at December 31, 2012 appears on page numbers 50 to 51.

As at December 31, 2012, Lucky Holdings Limited together with Gadoon Textile Mills Limited and Lucky Textile Mills Limited held 87.90 percent shares, while Institutions held 3.89 percent, and individuals and others held the balance 8.21 percent.

The highest and lowest market prices of ICI Pakistan shares during 2012 were as follows:

Pre-Demerger

Highest	January 23, 2012	Rs. 153.66
Lowest	January 02, 2012	Rs. 118.00

Post-Demerger

Highest	August 01, 2012	Rs. 183.00
Lowest	July 13, 2012	Rs. 137.62

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 except for the sale of shares held by Mr Feroz Rizvi and the wife and son of Mr M J Jaffer. Necessary returns were filed in this respect with the regulatory authorities besides informing the Board of the said transactions as required under the Code of Corporate Governance.

Group Financial Statements

The audited financial statements of the ICI Group for the year ended December 31, 2012 are attached. The ICI Pakistan Group comprises of ICI Pakistan Limited and ICI Pakistan PowerGen Limited, a wholly owned subsidiary.

Muhammad Yunus Tabba
Chairman / Director

Ali A Aga
Acting Chief Executive

Muhammad Nasir Jamal
Acting Chief Financial Officer

Statement of Compliance

with the Code of Corporate Governance for the year ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Listing Regulation No XI 35 of the Karachi Stock Exchange 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 one independent Director, six non-executive Directors and one executive Director.

Category

Independent Director
Executive Director
Non-Executive Directors

Names

Khawaja Iqbal Hassan
Mr Ali A Aga
Mr Muhammad Yunus Tabba
Mr Muhammad Ali Tabba
Mr Muhammad Sohail Tabba
Mr Asif Jooma
Mr Muhammad Abid Ganatra
Ms Amina A Aziz Bawany

The independent director who was appointed w.e.f. January 18, 2013 meets the criteria of independence under clause i(b) of the CCG.

2. The Directors have confirmed that none of them is serving as a 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 an NBFI. None of the Directors is a member of a stock exchange.
4. As a result of the acquisition of the Company by Lucky Holdings Limited, seven Directors resigned from the Board and those vacancies were immediately filled up. The details with respect to Board changes appear in the Directors' Report.
5. The company has a Code of Conduct duly approved by the Board of Directors which has been circulated throughout the Company 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 year, four regular meetings and six extra-ordinary Board meetings were held which were all presided over by the Chairman and in his absence, by a Director elected by the Board for the purpose. Written notices of the regular Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of all ten Board meetings were appropriately recorded and circulated in time.
9. The Directors have been provided with detailed briefings and copies of the Listing Regulations of the Stock Exchange, the Company's Memorandum and Articles of Association and the Code of Corporate Governance and they well-conversant with their duties and responsibilities. One of the Directors has so far acquired certification under directors training programme conducted by the PICG and more will be attending the training programme during the year 2013.
10. The Board appointed Ms Ambreen Shah as Company Secretary with effect from May 4, 2012, including her remuneration and terms and conditions of her employment.
11. The Report of the Directors for the year ended December 31, 2012 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 2nd quarterly and annual accounts were also initiated by the external auditors before presentation to the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Company has an Audit Committee of the Board which has been in existence since 1992. The present Board has reconstituted the committee comprising three members, of whom two are non-executive directors and the Chairman of the Committee is an independent director.

16. The meetings of the Audit Committee were held at least every quarter prior to approval of interim and final results of the Company and 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 four are non-executive directors including the Chairman of the committee.

18. The Board has outsourced the internal audit function to M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. They are involved in the internal audit function on a full time basis. Mr. Nasir Jamal who was appointed as Head of Internal Audit Designate resigned from the position following his appointment as Acting CFO on January 18, 2013. The Company will soon appoint Head of Internal audit 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 Yunus Tabba
Chairman



Ali A Aga
Acting Chief Executive

February 21, 2013
Karachi

Review Report

to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's 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.

Further, Listing Regulations notified by Karachi Stock Exchange Limited (formerly Karachi Stock Exchange (Guarantee) Limited) requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the

Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the Company for the year ended 31 December 2012.

Date: 21 February 2013
Karachi

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants



Our success depends on the success of our customers. Understanding our customers' needs enables us to come up with innovative and value added products. Every day the country's most respected brands, businesses and service providers depend on our products to make their businesses run smoothly. Developing sustainable solutions for them is something we do with a passion.

Business Performance

staying ahead

The following section gives a detailed summary of how each of our Business Areas performed during 2012. Information on market characteristics and key brands is also provided.

Soda Ash

Reading the newspaper, sipping on a glass of orange juice, biting into a hot croissant, or simply wearing freshly laundered clothes, you experience the use of Soda Ash every day. Without Soda Ash, the manufacturing of necessary commodities such as glass, paper and detergents would not be possible. The closest you get to a derivative of this versatile chemical compound is the baking soda tin in your kitchen used as a baking ingredient.



Setting Standards

Taking the lead in setting standards is a cornerstone of our operational agenda. We are the largest Soda Ash manufacturer in the country and are known for the excellent quality of product and the strides we take to ensure perfection in customer offering.

A pioneer in introducing international standard 50 KG packaging in Pakistan, we consistently pursue new ways of improving. This year we launched a new packaging look featuring a two color design, colored stitching at the top of the bag and an increase in bag weight by 10 grams. The improvements were done after carefully studying our customer requirements and benchmarking ourselves against the most preferred standards across the global to come up with the best option. Our customers' response to this has proved the idea to be worth the effort.



Launching the new light soda ash 50kg packaging



The water conservation team at Soda Ash



Coal fired boiler agreement

Market Overview

The global Soda Ash market has grown sluggishly in 2012. Mature markets have been stagnant whereas emerging markets have posted growth below expectations. China in particular has seen slower growth in downstream demand, as the overheated pace of economic growth seen over the past few years has subsided. Due to capacity increases outpacing real growth in demand, operating rates have declined over the course of the year.

The domestic market in Pakistan has seen movements in 2012. Downstream segments have yet again been impacted over the course of the year by gas and electricity curtailment, with pricier alternative energy sources squeezing margins amidst poor law and order conditions. There have been positive additions to the downstream capacity base, but on the flip side, severe curtailment of operations, and in certain cases, closures, have cut back on this growth.

Business Performance

2012 was a difficult year to manufacture and sell Soda Ash, owing to energy issues, coupled with a challenging business environment in Pakistan.

On the regulatory front, a provisional Anti-Dumping duty of 19.82% was imposed on TATA Chemicals, Magadi in June 2012 by the National Tariff Commission

(NTC). A case before the Lahore High Court is currently preventing the NTC from issuing its Final Findings in the investigation. Upon an application filed by Indian Soda Ash manufacturers seeking duties on all exporters of Soda Ash to India, the Business was awarded Anti-Dumping duties in India amounting to USD 5.6 per ton.

In order to be better positioned to meet the needs of our customers and continue with our proud tradition of being a trusted and reliable supplier, the Soda Ash Business took a landmark step to install coal fired boilers at Khewra. Facing the challenge of a worsening gas curtailment schedule year-on-year, we have taken this step in order to utilize the full potential of our plant and be better positioned to cater to the needs of our customers.

Over the course of 2011 as well as 2012, we have introduced several resource conservation initiatives in order to reduce the burden we place on the environment, and improve efficiencies in the process.



Improved facilities at our
Winnington Hospital



Celebrating blue day at Winnington School



Celebrating safety week 2012

Developments

In Q4 2012, the new-look 50 KG packaging for Light Soda Ash was rolled out, very much in line with the Business's commitment to providing the best quality product in the market. An exhaustive benchmarking exercise was conducted by the Business against not just local, but international competition as well, and the new packaging has improved both the aesthetic appeal, and the quality of packing itself. Thus, our final product is now even better positioned to exceed the expectations of our valuable customers.

In order to come closer to our customers and further deepen our ties, several 'customer support visits' were undertaken over the course of the year. Best practices from a technical perspective, as well as the critically important perspectives of Health, Safety and Environment were shared during these visits. By sharing what we know, and learning from our customers, we hope to make the 'ICI Customer Experience' even more rewarding going forward.

Challenges

The major challenge for the Business, as well as downstream consumers of Soda Ash remains coping with the energy crisis. With our coal fired boilers expected to come online during the coming year, we hope to partially address one of our major challenges and be better positioned to cater to the needs of our customers.

In terms of secondary challenges, tough trading conditions in Pakistan remain a key factor to plan and prepare for. With heightened political activity in the year 2013 potentially leading to frequent market closures and impacted transportation activity, poor law and order conditions need to be hedged against. We aim to come closer to our customers, understand their needs and develop solutions tailored to exceed their expectations. Challenges are a part of doing business in today's world, but the response to these challenges is really what defines us as a company.

Future Plans

The future will always come one day at a time, and our belief is that the best way to predict the future is to prepare and plan for it, have a strong belief in the fundamentals that have shaped us and our business partners' success thus far, and through a combination of these activities, create our own future.

The Pakistan market and general business climate is characteristically uncertain, but we wish to add a degree of certainty for our customers in the shape of our commitment to stand by them as a trusted and reliable supplier of quality Soda Ash.

Life Sciences

Our name says it all: ours is the science of life, your life. Helping you maintain and improve the quality of life is a role we are proud of and take very seriously. We market some of the leading medicines available today, geared to address life threatening ailments like cardiovascular disease and cancer, as well as providing veterinary and agricultural brands, so that you have a range of options for improving the quality of your life.



Reaching Out

If there is one thing that's going to help us take our business to new heights, it's innovation. And innovation is not just about radical breakthroughs; it's about finding small ways of doing things better and discovering new ways of adding value to our customers.

Our Seeds Business has launched a toll-free helpline to provide assistance to farmers on agricultural issues. The helpline is being managed by dedicated agriculturalists who are guiding farmers across Pakistan for effective crop management and harvesting a better produce. The agricultural sector employs about 45% of the country's population and this is the first of its kind one stop solution being offered to them. Reaching out to our customers also helps us understand their needs and gives us ideas how we can improve our product offering and provide better solutions.





GumiVits launch



Diabetic camps by Glibetic

Pharmaceuticals

Market Overview

The Pharmaceuticals market is valued at PKR 185 billion registering a growth of 14.5% and adding PKR 23.2 billion in terms of absolute sales value over same period last year. This growth has been registered despite political uncertainty, security risks and doctors strikes in Punjab and Balochistan.

GSK is the current market leader of the Pharmaceuticals market, registering a sale of approximately Rs. 20 billion. Abbott has maintained its second rank with the sales worth Rs. 12 billion. Getz jumped to 3rd position overtaking Pfizer, after its acquisition of AG Pharmaceuticals. ICI Pharmaceuticals is ranked 26th with value sales of PKR 2.09 billion, and growing faster than the market at 17%. Market growth drivers for multinational companies have been product line extensions while National companies have been steadily increasing their market share through the launch of new brands.

The Drug Regulatory Authority of Pakistan, after considerable delay was finally established in 2012 after devolution of health matters to the provinces. It is now expected that pending registrations and approvals submitted by various companies will now be processed.

Business Performance

The Pharmaceuticals segment delivered total revenue of Rs 2.63 billion with growth of 14% over last year and 7% growth in EBIT. Our brands, Tenormin, Inderal, Zomig, Synflex, Proxen, Icef, Fortexone, Regnum and Glibetic showed impressive growth in 2012.

We launched three innovative brands; GumiVits – Multivitamin Gummies, CranCare – Cranberry Extract for urinary infections and AptiMax – a natural Appetite Stimulant. These were launched in line with our strategy of concentrating on children and mother/female population. Regnum, a multi-vitamin syrup, with unique formulation of five Amino-Acids quickly

gained acceptance to become a PKR 21 million brand only a year after its launch.

We were ranked the number one Cardiovascular Company in Pakistan while two of our brands Tenormin and Zestril ranked

amongst the Top 100 brands. This year we were successful in securing PKR 40 million worth of business for Fortexone from DGP Army; the highest single product business from any institution won by us.

After much effort and extensive liaison with the regulatory authorities in Pakistan, we were able to push for a 30% price increase for Inderal 10 and 40mg.

Near the end of this year, AstraZeneca informed us their intent to discontinue licensee agreement with our company. AstraZeneca products form a major component of our Pharmaceutical business and we are now putting together aggressive plans to rebuild the business.

Customer Engagement

This year, we ventured into the Nutraceuticals market with AptiMax along with becoming the first Pakistani company to launch healthy gummies for school children. To create awareness of GumiVits, we launched an elaborate school program across Karachi encouraging children to eat healthy and take necessary vitamins for healthy growth.

To engage our key customers in the cardio segment, we initiated an learning program on 'Management of Hypertension' with fifteen leading Cardiologists sharing knowledge on disease prevalence, treatment approaches in the light of recent guidelines, target control of blood pressure and effectiveness of Beta-Blockers. We also, put together an online customer interaction program for CranCare whereby our customers can directly contact us with their queries and concerns.





Visitors appreciating our Kundan stall and product



Farmer gatherings



Sunflower day activities

Challenges

The most significant issue in the Pharmaceutical industry of Pakistan is the wide spread availability of spurious, sub-standard and counterfeit medicines. With consumer's health being at risk, this concern poses considerable reputational risk for us and we try to work with the regulatory authorities to counter this concern.

Other than this, Pakistan's precarious security and political situation continues to hamper realistic growth trajectory of the industry.

Future Plans

The Pharmaceuticals Segment has an ambition to aggressively seek acquisitions of brands and manufacturing facility in 2013 and build its own Brands portfolio. We aim to launch new and innovative brands catering to the needs of the market.

Seeds & Vegetable Seeds

Market Overview

The Seeds industry, within the agriculture sector, is valued at PKR 42 billion. The Open-Pollinated Variety (OPV) seed market is worth around PKR 37 billion, while the hybrid seed market is PKR 5 billion. Major crops like wheat, sugarcane, cotton and rice comprise 30% of the agriculture sector whereas minor crops like oilseeds and vegetable seeds comprise 12% of the agriculture sector. We are predominantly present in the seeds market of minor crops along with having a strong foothold in the hybrid and OPV seeds market; sunflower, corn fodder, canola, mustard, rice and vegetable seeds. Our Seeds Segment also offers micronutrients, bio fertilizer and organic kitchen gardening market with outstanding variants. We plan to aggressively grow in micronutrients and vegetable seeds by increasing our penetration.

2012 Highlights

Our Seeds division reached yet another milestone in 2012 by crossing NSV of PKR 1.0 billion, with an impressive growth of 21% over the last year in the Seeds portfolio and 51% over last year in the Vegetable Seeds portfolio

Our Seeds and Vegetable Seeds teams were merged to improve coverage of widespread customers and provide better services and the benefit of this move is

clearly reflected in strong financial ratios which depict a healthy and sustainable future outlook for the Segment.

Developments

In 2012, we focused on strengthening our existing portfolios. A number of new products were launched to provide more options and solutions to our valued

customers. New products launched in 2012 under the umbrella of Seeds portfolio included Mustard hybrid seeds, Yellow and White Corn hybrid seeds and Rice OP varieties.

We pre-empted that tomato growers will soon require a hybrid seed variety which is resistant to yellow leaf curl virus and pathogen attacks. As a solution, we exhibited demos of a new tomato hybrid which is currently the only hybrid available in the market to resist above mentioned diseases. To cater to the need of our Pea growers for seed variety which matures in short duration, we launched a variety which is so far the earliest maturing registered variety in Pakistan.

We identified a gap in the field of kitchen gardening where there was a general dissatisfaction with the quality of existing kitchen gardening seeds, fertilizers and pesticides. We launched an organic kitchen gardening kit – Kundan which catered to customer's demand of high quality and superior performing products.

Creating a positive customer experience is a key priority and we installed a helpline offering farmers free technical advice on all agricultural issues. Farmers are considering this helpline to be a great help for agricultural community.

Challenges

Many parts of Sindh and Punjab face long spells of draught followed by floods, which severely impact our rural population. This, coinciding with high inflation and slow economic growth due to both internal and external factors, created challenging conditions for the business primarily by a decline in farmers' ability to invest in farm inputs.

Moreover, Vegetable seed is a highly unorganized market with opportunistic traders who prefer to initiate price wars rather than investing in building the brand. Such practices make it difficult for our Vegetable Seeds



Celebrating 10 years of poultry segment



Participating in the Doodh Mela 2012



ELANCO's visit to Pakistan

products to penetrate the market. Sustaining growth of over 50% in the Vegetable Seeds portfolio will thus be a challenging task in 2013.

As the Seeds division has diversified into OPV seeds and Micronutrients market, expanding business while banking on the successful launch would remain a challenge. Low-price, counterfeit micronutrient and bio fertilizer products are continuously flowing in the market and posing a threat for the segment.

Government's recent policy to subsidize wheat purchase price has adversely affected acreage of sunflower and vegetables. Moreover, low cotton prices are expected to affect micronutrient market thus segment has to plan accordingly to sustain growth.

Future Plans

Despite many challenges faced by the agriculture industry, we have robust plans to continue our growth momentum. We are engaged in the effective execution of rigorously devised marketing plans for our existing products and expanding our portfolio by adding new products that will cater to the needs of our customers. We will continue with efforts to diversify the portfolio with an intention to minimize dependence on Sunflower Seeds. We plan to aggressively grow the Micronutrient and Vegetable Seeds market by focusing on strengthening the current portfolio and introducing new promising products.

We are also evaluating the Agro Chemical business and are confident that we will be able to launch this potentially strong business in 2013.

Animal Health

Market Overview

The agriculture sector of Pakistan contributes 21% to the national GDP and employs nearly 45% of the country's labor force. It also supports other tiers of the economy by promoting aggregate demand for agro-based industrial goods and services. Within agriculture, Livestock sector dominates with 55.1% share in the value addition of agriculture and 11.6% share in the GDP of the country. The sector provides livelihood to approximately 30-35 million rural population. At a growth rate of 4.04% in 2011-12, Livestock has

emerged as a major alternative source of income in rural areas, particularly for the small farmers and landless poor.

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 is the fourth largest global milk producer. Meat industry of Pakistan is developing rapidly with export of meat (beef, mutton, and camel) growing from USD 108.54 million in 2010-11 to USD 123.61 million in 2011-12, showing an increase of 13.9%.

However, the livestock market of Pakistan is still primarily unorganized and technology adoption is a challenge since the livestock population is scattered with average farm holding of one to six animals.

However, a large gap in Pakistan's per capita consumption of milk and meat compared to world average and increased demand for livestock products through population growth, higher per capita income, remittances, export proceeds and general immunity from weather related problems makes the Livestock sector a promising avenue for consistent growth.

The poultry sector is the second largest industry in Pakistan after textiles. Poultry generates direct and indirect employment for about 1.5 million people. It is the largest consumer of grains, especially maize. Poultry contributes 25.8% of the total meat production in the country and is growing at an annual rate of 8-10 % reflecting its inherent potential. Key features of the poultry industry are its rapid mechanization, introduction of integrated farming systems, improvement of bio-security and value addition through sizeable current investments reaching about PKR 200 billion. Overall, the organized Animal Healthcare market is estimated at PKR 14.4 billion.

2012 Highlights

Our Animal Health Division witnessed a number of exciting developments in its marketing, branding and business development areas in 2012. Prominent among these was the successful launch of 13 new products in one year of which 12 were from the division's 'Own Brands' portfolio under the brand identity of Farmer's



Participating in Somatech Forum, Thailand



Participating in Provimi Animal Nutrition Seminar 2012

Choice. Farmer's Choice Brands reached the PKR 500 Million mark at trade price, making 'Own Brands' a major component of our Animal Health Division's overall portfolio.

The De-wormers range of Animal Health Division, mainly composed of 40 year old brands with four-fold price differential against generics, grew by 21% at the back of effective strategy execution and strong pull. Meanwhile, the division's cattle feed 'Vanda' grew by 63% in retail market as a result of consistent quality and efforts of our sales team.

Elanco's Somatech, a bovine somatotropin hormone milk enhancer, was consolidated in the North region with a growth of 52% resulting from deeper market penetration, stronger foothold at farm level and increase in market share.

Overall, the Animal Health Division registered net sales of PKR 1,685 million with growth of 11% over 2011.

Developments

In 2012, our Animal Health Division launched a number of new products to provide broader options and solutions to our valued customers. Diversification of 'Own Brands' portfolio under the brand identity of Farmer's Choice was a salient business development. Farmer's Choice Brands were fortified through the addition of 12 new products encompassing a wide range of therapeutic categories including Anthelmintics (Albasan Plus 2.5, Alba 10 Plus, Benvet Bolus, Deworm Bolus, Dectron Injection, Oxfenox Plus and Triclev 8.75), Restoratives (Dayfos), NSAIDs (Tricure) and Antibiotics (Doxityl, Lincamox-S, Neo-Colicin).

New products from our international partners included Bayer Animal Health's "Toxisorb", a toxin binder

for Poultry. Moreover, seven registered products of Norbrook Laboratories, UK were acquired from a local company in 2012 to strengthen the division's Livestock portfolio.

In 2012, Animal Health Division entered into export market of Afghanistan with negotiations for entry in Sudan underway.

Challenges

In 2012, the Animal Health industry of Pakistan faced some serious challenges in the form of disease epidemics and low prices of milk.

For the livestock sector, low in-market milk prices combined with high inflation and slow economic growth due to both internal and external factors, created challenging conditions for the business primarily by reducing the farmer's ability to purchase products for their livestock.

Poultry industry was severely hit by the New Castle Disease leading to 40% reduction in Broiler population during the first half of 2012 resulting in lower demand for feeds and biological ranges. This coupled with decline in marketable chicken prices and rising costs of production due to energy crisis and increasing grain prices made poultry farmers generally more cost conscious in terms of their purchasing of medicines and other required products.

Future Plans

Despite many challenges facing the livestock and poultry markets, our Animal Health segment has robust plans to continue with the growth momentum. We are engaged in the effective execution of well researched marketing plans for the existing portfolio of products and expansion of our portfolio by adding new products and technologies from world leading suppliers. The business is also determined to pursue its strategy of growth and innovation by developing its 'Own Brands' range to cater to newer and wider segments of the Animal Health market.



Our new Farmer's Choice brands

Chemicals

Our chemicals find their way into everything from food to building materials and from sports shoes to medical electronics. Our products make vehicle transmissions and fridges run smoothly and the vital ingredients in many personal and household care products come from us.



The background of the entire page is a soft-focus, close-up photograph of light-colored wood shavings. The shavings are scattered across the frame, with some showing the grain of the wood. The lighting is bright and even, creating a clean and professional aesthetic.

Building Expertise

It doesn't matter which industry or market you're in, developing partnerships with end customers is essential to be successful. Our Chemicals team sells a range of adhesives and to reach out to carpenters, who are the end users of their product, came up with the interesting concept of launching a Carpenters Club.

An engagement platform, the Calabond Carpenters Club provides woodwork specialists a chance to interact and share skills and knowledge. Carpenters across Pakistan participate in the club and their achievements are recognized and rewarded. They also share problems and concerns they face while using the product and we provide solutions and share product knowledge along with specialist trade skills enabling them to perform better. The participation and interest in the program is heartening and we have big plans of expanding its scope.



Signing ceremony with DuPont



Evonik partnership



Celebrating 16years without Lost Time Injury (LTI)

General Chemicals

Market Overview

General Chemicals is made up of the Trading and Polyurethanes Segment. Polyurethanes are supplied to appliances and construction industries while product offerings of the Trading segment go into paints and coatings, surgical goods, food, beverage and water treatment chemicals.

Production shortages were a key trend in all industries we operate in due to electricity and gas shortages as well as increased raw material prices and ongoing inflation. All these factors resulted in lower volumes than expected. Law and order situation combined with political instability led to mixed investors relations putting pressure on rupee value and causing it to touch new low against the dollar thereby spiking the cost of raw materials and impairing business activity.

2012 Highlights

The year was challenging however business performance exceeded expectations.

Polyurethanes

We are proudly the only PU blending facility in the entire country and have successfully maintained market leadership position in the Appliance Sector with strong customer engagement and customer service. 2012 was the first year after the successful transition with our new supplier and we were able to achieve high customer engagement owing to better service and product quality.

Successful trials were conducted in the mattress industry for two new product areas with Polyurethanes, namely TDI and PPG. Along with this, strong growth was achieved in the small cooler segment that includes vaccination boxes and thermal bottles.

Trading

In our Trading Sector we represent over 30 suppliers. Diversity and innovation are the pillars of this segment with products going into a range of industries from water treatment to cleaning chemicals for the food industry.

During the first half of 2012, overall margin profitability was better due to higher global prices for key raw materials. This was augmented by ex-stocking of Titanium Dioxide, a key raw material for the Paints Industry, to key customers. Diversification in the food and beverage segment was achieved with new innovative products going into bottle cleaning, dairy machinery and hardware sales for cleaning entire lines of production. Strong performance was also witnessed in the water treatment segment owing to the strong sales focus and customer management.

Developments

With the ever-changing dynamics of the market, the key to sustainable profitability was to be close to the customer and have a pipeline of new products.

In the Trading Segment, a new agreement for the coatings and printing ink industry was signed with Evonik, a global top 20 Chemical company. This move will further substantiate our presence in the Paints Industry. Additionally, two other suppliers, namely Torrecid and ILAG were also taken on board to strengthen our offering to the ceramics industry and the coatings Industry.

In the food and beverage segment dry lubrication cleaning chemicals were launched along with cleaning machinery. With new products for the dairy industry commercialized, our offerings in the Diversey Portfolio have enriched substantially.

Successful trials of Polyurethanes were conducted in the footwear segment, which is a segment regained after eight years by the business. Additionally, successful trials were also conducted in the mattress industry for PPG and TDI. Commercialization of flexible polyurethanes took place in the two wheeler segment and one of the largest customers in the sector was taken on board.

Interactive sessions were conducted with our customers to train them regarding the HSE&S aspects of product usage. Trainings were conducted at PEL Industries and Treet Corporation. To further improve understanding of our products, seminars were conducted on the various uses of cleaning solvents for customers in the surgical instruments industry.

Challenges

Year 2012 was a trying time for all industries as a whole with a slowdown in economic growth rate. Key industries performed less than expected due to the overall conditions in the country. One of the key challenges this year was to maintain the momentum of transition of supplier in the Polyurethanes segment which was handled successfully.

Prices of key chemicals and raw materials went down substantially in the later part of the year squeezing margins for us. Unavailability of MMA at competitive price for the local market was an issue that should subside by this year. With PPG and TDI on allocation, the results of our successful trials in the mattress industry are yet to be realized.

Future Plans

Despite the challenges that seem eminent, the business is all set to grow. With commercialization to begin from the three new suppliers brought on board in 2012, we hope to enrich the overall product mix. In the Polyurethanes



Chemicals annual business conference, Thailand



Calabond Carpenters Club

segment, exports to the construction sector, MEA region should commence. This will augment the segment vision of becoming one of the largest trading houses in the MEA region. It is expected that the raw material prices will be increasing globally, which in addition to the local energy crisis will consequence into production being a key challenge.

Specialty Chemicals

Market Overview

Our Specialty Chemicals portfolio caters to a wide variety of segments of our economy. We serve the construction industry through our wood working adhesives range and Corian® solid surfaces, while our range of solvents, procured from international principles, caters to the oil and gas industry. Top quality auxiliaries are provided to the textiles industry for fabric processing and crop protection emulsifiers used by pesticides manufacturers are given to the agriculture segment.

During the year in review, all of these industries witnessed changing requirements in line with changing market dynamics and were supported by our teams by providing innovative solutions. Overall market conditions remained tough throughout the year with no relief for the economy. Law and order concerns combined with political instability and energy shortages led to mixed investor relations putting pressure on rupee value. This resulted the rupee to touch a new low against dollar thereby spiking the cost of raw materials and affecting business activity.

2012 Highlights

Specialty Chemicals segment performed well in 2012 despite dismal market conditions. Textiles segment made inroads in printing segment of the industry with the introduction of technologically advanced binders solution. Large scale manufacturing units were taken from competition and penetration was achieved in the

lucrative lawn finishing segment. Textile auxiliaries added five new products with improved recipes strengthening our product solutions. Adhesives new introduction of Corian® surfaces was successfully commercialized with new fabricator/distributor development. This segment exhibits very good future prospects due to its versatile nature and widespread applications in the market. Sales team incentive structures for both Textiles and Adhesives were improved resulting in higher employee motivation and increased productivity levels.

As a whole Specialty Chemicals remained close to its customers to adapt to their needs and focused on relationship development to outperform competition in these trying times.

Developments

In-house development of coating and printing binders for the textiles range by our R&D team is a proud achievement for the entire business which will provide sustainable results. Our venture of targeting large textiles concerns yielded great results with a majority of biggest textiles manufacturers now using our range.

The game changing marketing campaign of Calabond Carpenter Club was taken to new levels of customer engagement putting continued focus on relationship building with not only the retailers but also the end consumers. This year the campaign engaged over 900 carpenters on this forum to impart knowledge to the participants and also gain valuable insights to make our product more customer centric.

Fabricator trainings were held throughout the year to pass on technical skills to carpenters who are now equipped to work on Corian® and Montelli® surfaces. This gave our customers an opportunity to expand their business horizons for the cumulative benefit for themselves and the society.

Challenges

Year 2012 was a trying time for all industries as a whole with a slowdown in economic growth rate. Construction industry witnessed a continued downturn resulting from high cost of construction coupled with deteriorating law and order situation of the country. Demand for our wood working adhesives remained low over all as a result.

Textiles exports saw a significant drop compared to last year in terms of volumes due to power shortages reaching critical levels throughout the country. North region being the most affected caused serious strain on the textile chemicals market with production interruptions at large textile export based units. The year 2012 however proved to be a better agricultural year for the economy with good crop yields and low pest attacks.

Market impediments faced in 2012 were taken as a challenge and the business overcame such conditions with continued customer focus and sensitivity to changing customer requirements. These challenges are expected to continue in 2013 but the business is all geared up to overcome such obstacles.

Future Plans

Despite the expectation of all challenges to continue, the year 2013 is going to be full of exciting new opportunities for Specialty Chemical business. Even with the power shortage expected to continue in 2013, our textiles segment is all set to grow by tapping new industries with technologically innovative products for finishing. Enhancement of the adhesives portfolio is already underway with help from technology partners to expand the portfolio both horizontally and vertically. Overall, the year 2013 looks promising with development plans in place for Specialty Chemicals segments.

Polyester

Scrunch it, stretch it, wash it – without any wear and wrinkles. That's what polyester is famous for. Used in the manufacturing of all kinds of clothes and home furnishings, polyester became the fabric of choice in a changing economy of speed, efficiency and convenience. Invented by British Chemists, John Whinfield and James Dickson, the first polyester fiber, Terylene, was introduced to the world by ICI in 1941. From the disco clothing of the 1970s with all its jazz and flash, to today's stretchy sportswear and outdoor gear, polyester has been popular through the ages.

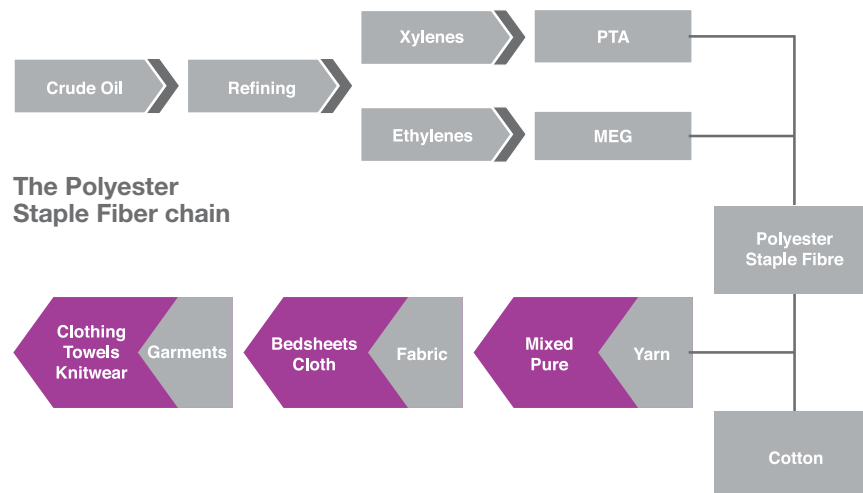


Customers First

We're constantly striving to make breakthroughs that add valuable benefits to our customers. To meet their diverse and developing needs, our Polyester Business has been introducing a number of variants of Polyester in the market as well as offering customized products.

The latest in line of these advancements is the launch of a new variant 'Trilobal Fiber'. Trilobal fiber is a trilobally cross-sectioned fiber known for its super bright luster. Used in the manufacturing of high quality dress materials and furnishing fabrics, the super fine filaments of Trilobal polyester fiber combine to give the end product greater durability and softness. Due to its many reflective surfaces, it also gives the fiber a very sparkly and superior luster and its dye ability in a wide range of colors, is sure to give our end products the added shine they truly deserve.





Pakistan's PSF industry is the fifth largest in the world representing an investment of over USD 500 million plus and forms the backbone of the domestic textile industry, which in turn accounts for around 60 percent of total exports of the country. PSF is sold to the spinning industry where it is spun into yarn which is then woven into fabric used to manufacture goods such as clothing and home textile products.

PSF is a key value adder as more than 50 percent of PSF consumed locally is eventually exported in one form or the other. The two major raw materials in PSF production are Pure Terephthalic Acid (PTA) and Mono-Ethylene Glycol (MEG).

Market Overview

PTA and MEG are derivatives of crude oil and in 2012 crude prices remained volatile amidst mega macroeconomic events including the Euro-Zone debt crises and later the uncertainties around the US fiscal cliff. Furthermore, the volatility was also reflective of supply uncertainties evolving out of a series of crises in the Middle East. Consequently, the petrochemical chain followed crude's volatility in the first half of the year, whereas in the second half there was some strength on the back of speculative trading in PTA and MEG markets.

International and domestic cotton prices remained weak throughout the year in the absence of buying interest and an expected oversupply in 2012 and 2013, rendering blend economics favorable towards cotton and cotton-rich blends. Global polyester market sentiment remained cautious amidst the volatility in raw material prices as well as due to macroeconomic uncertainties.

During the first half, stock levels increased along the entire supply chain in the absence of demand leading to curtailed production. However, domestic PSF sales picked up in the second half due to improved export demand in the PC segment and seasonal demand for finer counts in the PV segment.

Energy shortage and soaring costs continued to impact the entire value chain with pressure on margins due to the use of more expensive alternate energy.

Business Performance

The domestic textile industry mirrored the dynamics of the global economic slowdown, only to be rescued by improved export demand and a local seasonal upsurge in the second half of the year. These market factors coupled with the severe energy shortage impacted volumes and we were able to sell 110,396 MT of PSF which was 14,604 MT less than budget and 7,774 MT less than SPLY.



Hands-on fire fighting training



Pakistan's first grid-tied solar power project at our Polyester site



Aerial view of our Polyester site

Key Initiatives

Imposition of anti-dumping duties - For a number of years, the domestic PSF industry faced unfair trade in the form of dumped imports of PSF from producers in countries including China, Korea, Thailand and Indonesia. As a result, it suffered material losses and was forced to file two separate applications with the National Tariff Commission. In the case of dumped PSF imports from China, the NTC in its Preliminary Determination in December 2012 imposed provisional anti-dumping duties against exporters that were deemed to be dumping.

This outcome is expected to provide a relief from unfair trade to the domestic industry against anti-market activities like dumping. The NTC is also expected to conclude its investigations in the "Sunset Review" Application of dumped imports of PSF from Korea, Thailand and Indonesia in January 2013.

Challenges

While, the second half of 2012 saw PSF demand improve both from domestic consumers and from international buyers, the expected rebound in demand will continue to be challenged by global macroeconomic uncertainties and the domestic energy crisis which is worsening every year causing damage to the performance of the domestic industry in general and the textile value chain in particular.

Future outlook

Going forward, trade flows in China and effective start-ups of new planned capacities are likely to determine PTA prices. While, on the other hand, MEG prices could get a boost in demand from the new polyester capacities coming online in China next year. In the downstream, energy availability to the textile industry will prove to be the key driver of downstream textile export competitiveness and performance.

With planned new PSF capacities coming on line during 2013, the domestic PSF market is expected to go into an oversupply situation. We are well placed to take advantages of the domestic market growth and poised to harness the synergies that come from linkages with different businesses of the YB Group, the new majority shareholders of ICI Pakistan.



Sustainability is no longer a 'fancy word' or a good thing to do. It's a matter of survival. For sustained, long-term growth, we believe it's important to operate responsibly, manage resources and constantly innovate. And while doing it, we make sure our stakeholders know all about it.

Sustainability Report

willful reflections

The Sustainability Report covers our sustainability strategy, Key Performance Indicators, our annual and long-term targets and the work we have done so far.

Leadership Statement

Dear Stakeholders,

Welcome to the ICI Pakistan 2012 Sustainability Report. In the changing world of today with resources depleting every minute, sustainability is no longer a 'nice to have'; it's a matter of survival. Sustainability reporting thereby is an integral part of doing business, as stakeholders need to be informed of the measures and initiatives taken to ensure future organizational sustainability.

At ICI Pakistan, we are committed to reducing our impact on the planet and delivering more sustainable products and solutions to our customers. 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.

Sustainability is not merely a futuristic approach to business management, it is a sensible way to conduct business and any smart and outward looking organization realizes that. Thinking ahead is how we do things at ICI Pakistan and we began reporting progress on our sustainability journey five years ago. We are now forerunners in sustainability reporting in Pakistan; a fact well recognized by leading professional bodies in Pakistan through the ICAP Award and the ACCA WWF award.

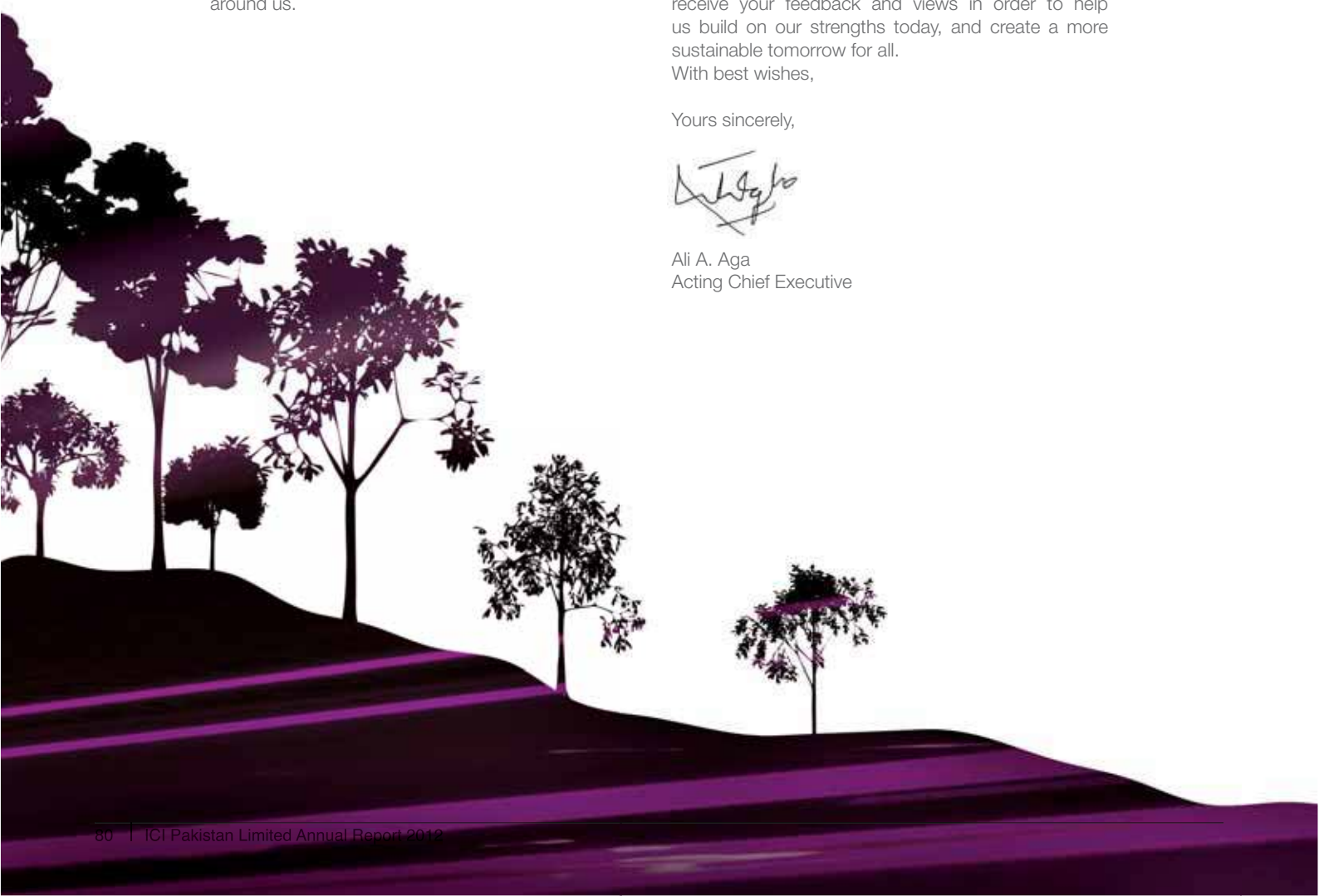
In this report you will read about our sustainability performance during the year 2012, as well as the challenges we faced. In our case studies, we share some key economic, environment and social initiatives that we undertook during the last year. We hope to receive your feedback and views in order to help us build on our strengths today, and create a more sustainable tomorrow for all.

With best wishes,

Yours sincerely,



Ali A. Aga
Acting Chief Executive



Sustainability Strategy

During 2010 we put in place a framework built around the triple bottom line concept of economic, social and environmental factors. Based on the framework we conducted a stakeholder engagement program and developed KPIs for each segment in complete alignment with our parent company. A companywide awareness of the sustainability framework was created to unify understanding of the sustainability agenda. The next steps were to restructure the Sustainability Council broadening the base and extending the scope and functionality within the organization to bring about a more defined action based approach.

Due to strategic changes within the organization including demerger of the Paints Business, leadership changes and change of majority shareholders of the company, we have not yet achieved our objective of restructuring the Sustainability Council. While smaller groups within each Business are working to develop plans to achieve our 2015 goals, the broad base of decision makers to be inducted in the Sustainability Council has not happened and we continue on the structure established previously. This council was made up of a multi-disciplinary team representing each segment of our operations.

Sustainability Framework

Economic Performance

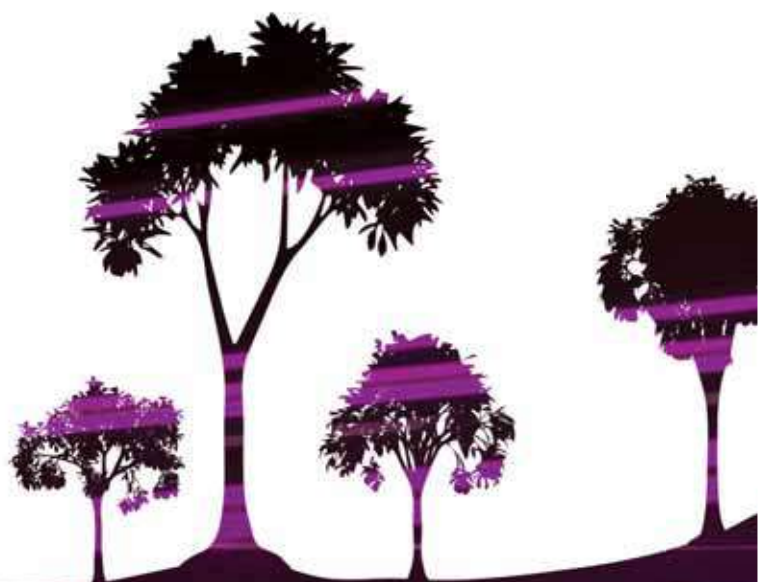
Integrity Management
Sourcing

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 fifth 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 four regional/business offices.

The text and statistics in this Report cover sites owned and operated wholly by ICI Pakistan Limited during the period 1 January 2012 to 31 December 2012. 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

The reporting period is January 01, 2012 to December 31, 2012 and 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 organization 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 which till December 28, 2012 was centrally managed by our Corporate Headquarters in Amsterdam. A quarterly reporting cycle is in practice 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 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 recognize 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 organization 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 program, please e-mail us at: 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. If you are unable to access these resources or need further information, please contact:

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5 West Wharf, Karachi, Pakistan. E: seemi.saad@ici.com.pk

Muhammad Zafar Farid – Manager Corporate HSE
ICI House, 63 Mozang, Lahore, Pakistan. E: zafar.farid@ici.com.pk

Stakeholder Engagement

Sustainability is a shared journey and engaging with our stakeholders systematically and proactively is an essential part of being a responsible company.

In 2010, we conducted a formal stakeholder engagement process where we conducted a dialogue with our customers, suppliers, contractors, regulatory agencies and local communities. During 2011, we addressed the issues and concerns that emerged from these dialogues and provided an update in our Sustainability Report 2011 on the actions taken. We try to engage our key stakeholders such as our shareholders, regulators, suppliers, customers, employees and the community on a regular basis by listening to their ideas, concerns and advice. Some examples of our stakeholder engagements in 2012 are:

Analyst briefing

Following the announcement of our Q1 2012 financial results, we held an Analyst Briefing on 27th April, 2012 at our Head Office in Karachi. The invitees included financial analysts, bankers and select media personnel.

Public Hearing for the Installation of Coal Fired Boilers

More than 125 participants including representative of regulatory authorities, environment consultants and members of the community attended the hearing. The participants appreciated our community development efforts for the area and were in agreed to the implementation of the project.

Employee Engagement Survey

Engaged teams produce better results and for the past three years, we have been conducting a Q12 survey for all employees to gauge their engagement level. Conducted by Gallup, the survey is open to all and in 2012, 94.72 % of our employees participated in the survey giving us feedback on their work and work environment. Much more than just a survey, it is a long-term program that will help empower employees to make a difference and give them a tool to improve productivity and performance of their teams.

Extra Ordinary General Meeting of shareholders

Before finalizing the proposed demerger and divestment of the company, an Extra Ordinary General Meeting of our shareholders was held. Attended by our minority shareholders, we received their complete consensus before embarking upon the restructuring.

HSE Training for PU customers of our Chemicals Business

In September 2012, we conducted HSE awareness sessions for our customers. The sessions comprised coaching and training on the safe Handling and usage of MDI- Isocyanate a raw material used in PU manufacturing. Six sessions were conducted with customers at their locations. These customers included:

- Amjad Sports Pvt Limited Sialkot
- New Spall Impex Pvt Limited Sialkot
- Force Five Industries Pvt Limited
- Penna Overseas Industries Pvt Limited



Key Performance Indicators

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

* Number of Management and Non-Management Employees.

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

Sourcing		2009	2010	2011	2012	2015
						Target
Vendor Policy signed by key suppliers	%	88	83.8	85	92	96
Vendor Policy signed by Central NPR Suppliers*	%	x	x	28**	28	0
Supportive Supplier Visits since 2007	Number	21	79	31	59	146

*Major Public Sector Utility suppliers not included in this analysis.

** Monitoring started in 2011 only by Polyester Business.

Employment Practices		2009	2010	2011	2012	2015
						Target
Women executives*	%	0	0	0	0	12
On-line P&D Dialog Participation	%	77	80	83	**	90
Management Development Program	No of managers	34	121	211	**	338
Employee Engagement Index	% favorable		75	82	87	80

* Functional and Business Head positions ** Data not available due to divestment

Community Investment		2009	2010	2011	2012	2015
						Target
Community Program Investment	PKR Million	16.5	42.5*	24.3	6	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	2015
						Target
Fatalities	number	0	0	0	1	0
Total reportable injury rate employees/supervised contractors	/million hours	0.28	0.28	0.28	0.27	0
Occupational Illness Rate employees	/million hours	0	0	0	0	0
Total illness absence rate employees	%	1.79	1.92	1.76	1.72	1.76
Fatalities contractors (supervised and independent)	numbers	1	0	0	0	0
Total reportable injury rate independent contractors	/million hours	0.52	0	0	0	0
Lost time injury independent contractors	numbers	1	0	0	0	0
% sites with BBS program	%	0	100	100	100	100
Distribution incidents	numbers	1	1	1	0	0
Motor vehicle incident with injury	numbers	0	1	2	0	0

Water Usage		2009	2010	2011	2012	2015
						Target
Total Fresh water use	million m ³	6.49	4.59	4.12	3.48	4.36
Per ton production	m ³ /te	9.8	9.9	9.7	8.53	8.9
% of sites with sustainable fresh water	%	25	25	25	25	100

Emissions Control		2009	2010	2011	2012	2015
						Target
Total COD emissions	te	105.37	52.59	53.78	39.52	49.96
Per ton production	kg/te	0.15	0.11	0.13	0.10	0.1
Total VOC emissions	te	161.25	81.81	72.34	57.12	77.72
Per ton production	kg/te	0.23	0.18	0.17	0.14	0.16
Total NOx emissions	te	422.42	430.70	422.93	420.28	409
Per ton production	kg/te	0.61	0.93	0.99	1.03	0.83
Total SOx emissions	te	1431.4	2209.1	2672.9	2590.15	2430
Per ton production	kg/te	2.05	4.76	6.29	6.35	4.95
Total Direct CO ₂ emissions (Scope 1)	million te	0.47	0.39	0.35	0.35	0.37
Per ton production	kg/te	676.1	834.7	829.5	847.95	753
Total Indirect CO ₂ emissions (Scope 2)	te	39907	2447	5642	3235.61	2324
Per ton production	kg/te	57.3	5.3	13.3	7.93	4.7

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

Product Stewardship		2009	2010	2011	2012	2015
						Target
Product Eco-premium solutions	% sales			15.7	*	30

* Data not available due to demerger of Paints Business

Energy Usage		2009	2010	2011	2012	2015
						Target
Total Energy Consumption	1000Tj	6.5	4.8	4.3	4.3	4.6
Per ton production	GJ/Te	9.3	10.4	10.1	10.4	9

Economic Performance

Management Approach

We are very clear that only through a strict focus on ethics and responsible care, can we deliver long-term business value and be the partner of choice for our customers and suppliers. Integrity and responsibility in our actions is one of our core values and defines how we operate as a business.

We aim for the highest standards of performance and behavior in all our operations and aim to do business with partners who also endorse our ethical values and our social and environmental standards. Our suppliers are integral to our operations and we choose to work with those whose actual working practices should meet our requirements.



In the business of being ‘in business’

The goal of economic sustainability is to establish profitability over the long term. A profitable business is much more likely to remain stable and continue to operate from one year to the next and continue to contribute to the financial welfare of its owners, employees, community and the overall economy. At the end of the day, it is about being in the business of being ‘in business’.

With an abundant supply, natural gas had been the only source of fuel for industries and domestic consumers in Pakistan for a long time. However, for the last few years the country is facing a large gap between demand and supply that is growing each year. Gas curtailments that were previously restricted to a month or so during winters have now become a year round phenomenon. A forecast by Oil & Gas Regulatory Authority (OGRA) shows a reduction of almost 80% in local gas supply by 2027-28 compared to 2010-11.

Our Soda Ash plant in Khewra, with a capacity of 350,000 tons per year, is the fourth largest Soda Ash plant in South Asia. Apart from catering to about 70% of Pakistan’s Soda Ash requirements, it also earns precious foreign exchange for the country through exports of soda ash. The plant provides employment

and economic activity to the remote town of Khewra and its surrounding areas. The business has been a valuable contributor of cash for the company as well as the country through its contribution to the national exchequer. However, severe gas shortages over the last three years have affected profitability, severely impacting margins due to forced usage of more expensive alternate fuels and hindering full capacity utilization.

The enormity of the challenge required finding a sustainable solution to ensure economic viability of the business. In 2011, the Board of Directors of the company approved a PKR 2 billion investment in the installation of two coal fired boilers for the plant to safeguard margin erosion and help optimum utilization of the plant.

The project is now in its final stages with commissioning expected in the middle of 2013. Two coal fired boilers, each with a nameplate capacity of 45 tons per hour (tph) are being installed along with auxiliary equipment including the latest state of the art emission control technology. We are hopeful that the investment shall soon put our Soda Ash business back on track to add value to the company and the country.



Integrity Management

We aim for the highest standards of performance and behavior in all our operations. There is also company-wide awareness on compliance. Our Values and Business Principles are reflected in our Code of Conduct. Compliance is embedded in our businesses and there are clear monitoring and reporting lines. We have an open dialog with employees and keep them updated on the latest standards through training.

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

* Number of Management and Non-Management Employees.

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

2012 Overview:

2012 Management Audits included audit of our 4 Businesses, Head Office, IT and a Coal Fired Boilers Project audit. For 2012, 5 Speak Up (Code of Conduct Incidents) cases were logged which were all appropriately investigated and reported.

A serious incident of Level 3 occurred on August 2012 at our Polyester Batch Polymer Plant when an explosion occurred inside Thermex Heater causing the heater top cover to detach and lift. The Instrument Officer, who was standing on this cover, lost his balance, tumbled over the hand rail and fell to the ground below. He was immediately shifted to nearby hospital where he expired; according to the doctor cause of death was head injury. The incident was thoroughly investigated and a action plans were developed to avoid any reoccurrence.

Future Plans:

We aim to continue our focus on code of conduct training and awareness for all employees. The 'Speak-up' system was a global helpline and post divestment, we are in the process of setting up a local complaint management system

Sourcing

In order to achieve sustainable growth, it is essential for us to build strong business relationships with suppliers whose actual working practices meet our requirements. We aim to do business with partners who endorse our ethical values and our social and environmental standards. Traditional dimensions like price, cost, time, delivery, punctuality and product quality no longer define a sustainable business. Our vendor partnerships are linked to suppliers and vendors accepting a code of behavior similar to ours. Non-alignment with our code of conduct jeopardizes future relationships and agreements.

Sourcing		2009	2010	2011	2012	2015
						Target
Vendor Policy signed by key suppliers	%	88	83.8	85	92	96
Vendor Policy signed by Central NPR Suppliers*	%	x	x	28**	28	0
Supportive Supplier Visits since 2007	Number	21	79	31	59	146

*Major Public Sector Utility suppliers not included in this analysis.

** Monitoring started in 2011 only by Polyester Business.

2012 Overview:

We are happy to report an increase of 7% in signing of vendor policies by our key supplies. Thanks to the efforts of our teams, at 92%, we are now very close to our 2015 target. Non-product related suppliers sign-off started in 2011 with our Polyester Business. However, no progress was achieved on this end in 2012. Our program of on-site visits to Critical Suppliers aims to identify and develop critical suppliers as sustainable business partners. Through formal feed-back and follow-up visits, we work together with our suppliers to improve their overall sustainability. The number increased nearly doubled from last year; however, we still have a long way to go to reach our 2015 target.

Future Plans:

Our future plans aim to bring all our direct suppliers both product and non-product related into our umbrella of sustainability efforts. Being mainly government institutions of mass scale, like before, it will be difficult to bring in major public sector suppliers.

Social Performance

Management Approach

For us, the safety and health of our employees and communities is both a business and personal value and we therefore have systems and practices in place that help us work towards our ultimate goal of zero harm.

As a responsible company, we seek to develop and empower our employees and people from the communities that surround us. We embrace diversity and are committed to fair and equitable treatment of all, irrespective of origin, race or gender in an environment that fosters performance and personal growth for employees. We practice and endorse equal opportunity employment and ensure adherence to all labor legislations. We encourage mutually beneficial relationships with our communities and support them through economic development and corporate social investment initiatives.



Drop by Drop

The mortality rate for children under five in Pakistan is among the highest in the world, with 101 deaths per 1000 children. Water and sanitation-related diseases are responsible for 60% of the country's disease burden in children under five. It is estimated that diarrheal disease kills more than 200,000 children under the age of five each year. According to UNICEF, 40% of hospital beds are occupied by patients with water borne diseases.

Near the end of 2011, a tsunamic deluge of monsoon rains hit Pakistan once again and floods devastated the lives of another 7.4million people. Millions who were already displaced because of the 2010 floods once again lost their livelihoods, crops and livestock. Heavy monsoon rains caused widespread damage over a million acres of land, primarily in the southern province of Sind. As the water collected, water borne diseases began to spread as the stagnant water became breeding ground for swarms of insects. Lack of availability of clean drinking water became a major health hazard.

To provide relief, we set up medical camps across Sind and after treating hundreds of patients mostly children, we realized that a more sustainable solution was required. To help the victims, in 2012 we put together a 'Clean Drinking Water' program and installed water purification plants in five locations across Sindh. Each plant has a capacity of 2000 gallons per hour and a

five step cleaning process comprising pre chlorination, sand filter, post filter, carbon purifier and UV sterilizer. With stainless steel vessels, each unit is a standalone plant customized for each area depending upon quality of water.

We adopted a community self-help model whereby we trained the local community to run and manage the plant on their own. Every day, more than 20,000 people now have access to clean drinking water and we hope to go forward with this program in other parts of the country as well.

Employment Practices

We take a thorough approach to providing skills and value to employees while our policies and employment practices ensure an environment that encourages diversity and engagement and room for personal growth and development. We need to ensure that all employees are knowledgeable about and engaged in the business and we measure our progress in this area using the Gallup Q12 survey. The results of the survey provide a comparison against a database of approximately 500 organizations.

To attract, retain and bring out the best in its people, we invest in leadership and development training and offer rewarding careers where employees are able to continuously learn. We are also committed to providing safe and healthy working conditions. We prohibit exploitation of labor or harassment of any kind and ensure adherence to the minimum legal age requirements.

Total Number of Employees: 1107

Management: 664

Non Management: 443

Employment Practices		2009	2010	2011	2012	2015
						Target
Women executives*	%	0	0	0	0	12
On-line P&D Dialog Participation	%	77	80	83	**	90
Management Development Program	No of managers	34	121	211	**	338
Employee Engagement Index	% favorable		75	82	87	80

* Functional and Business Head positions ** Data not available due to divestment

2012 Overview:

In 2010 we started measuring our engagement scores and we are proud that this year with survey participation rate of 94.72 % we scored 4.35 out of 5. This reflects an increase of 0.21 points over 2011 making us once again one of the highest scorers across all AkzoNobel business units globally in 2012.

The P&D Dialog is an AkzoNobel tool for performance review and development planning and we are in the process of developing an independent online system. For 2012, we continued with the P&D Dialogue for our mid-year evaluations and post the divestment on December 28, 2012, we conducted the full year appraisal through a paper based approach in synch with the previous system. We are therefore unable to report online numbers for 2012 however as we are in the process of developing another local online system, we will continue with our target and report online participation next year.

The Management Development Program is a global standardized best practice with AkzoNobel. In 2011 we completed elaborate training for 211 managers across the company. We did not initiate a new series of MDP trainings in light of the upcoming divestment. However, we continued to train our managers with other leadership and development programs.

Our KPI on female executives is defined as Business or Functional Heads. While females constitute 7% of our senior management positions however, so far, we have no female executives. This year however, our Board of Directors, the highest management body, constitutes of a female Director. We intend to continue to further support diversity within our Businesses and Functions and increase the percentage to at least 12% for Women Executives by 2015.

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 audited every year 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.

Community Investment		2009	2010	2011	2012	2015
						Target
Community Program Investment	PKR Million	16.5	42.5*	24.3	6	30

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

2012 Overview:

In 2012, we completed our 'Clean Drinking Water' project across five districts of Sind as part of our rehabilitation program for affectees of the 2011 floods. Earlier in 2011, we built two villages in the affected areas of Munda Headworks in Khyber Pakhtoon Khuwa and Rajanpur Village of Rahim Yar Khan in Punjab. Both villages were completed and handed over to the communities in 2011.

Our contribution of PKR 6 million is not reflective of the funds released by the ICI Pakistan Foundation for community development initiatives as the Foundation funded many of these through return from investments made over the past years. Also, due to the strategic transition, no large-scale projects were initiated and contribution to the Foundation by the company remained in line with the requirements.

This year, our staff took on many projects on a personal level devoting both time and resources to start various initiatives. They built a village in Thar through personal resources and funds, set up water facility for the community, donated paint through personal contributions and continued to assist individual cases through informal efforts.

Future Plans:

With the strategic changes completed, we aim to renew the ICI Pakistan Foundation activities and are putting together plans to build on our existing projects as well as finding new community investment avenues. We will also continue to focus on encouraging our employees to participate in community development activities and are very proud of their energy and generosity to the cause.



Health, Safety & Security

We take pride in ensuring that our company manages its operations in a manner that sustains the environment and protects the health and safety of its employees. Potential exposures are mitigated through assertive risk management and training.

Zero harm in terms of health, safety and security in our workplace remains our underlined philosophy of conducting sustainable business.

People and asset security is ensured by assessing each new security threat and defining appropriate controls, review and monitor previous assessments and recommended actions to ensure their completeness.

Health, Safety & Security		2009	2010	2011	2012	2015
						Target
Fatalities	number	0	0	0	1	0
Total reportable injury rate employees/supervised contractors	/million hours	0.28	0.28	0.28	0.27	0
Occupational Illness Rate employees	/million hours	0	0	0	0	0
Total illness absence rate employees	%	1.79	1.92	1.76	1.72	1.76
Fatalities contractors (supervised and independent)	numbers	1	0	0	0	0
Total reportable injury rate independent contractors	/million hours	0.52	0	0	0	0
Lost time injury independent contractors	numbers	1	0	0	0	0
% sites with BBS program	%	0	100	100	100	100
Distribution incidents	numbers	1	1	1	0	0
Motor vehicle incident with injury	numbers	0	1	2	0	0

Overview 2012:

The count for million man hours without Injury to Employees and Supervised Contractors at our respective site for 2012 was Soda Ash 2.0 Polyester 0.91 Chemicals 6.2 Life Sciences 0.83

In 2012, there one fatality of an employee and an injury to a supervised contractor:

- On 15th Feb 2012, a senior machine fitter of Soda Ash Site received a minor cut on the little finger of his left hand while performing a pump installation job that required stitches.
- On 1st August 2012 at Polyester Batch Polymer Plant, an explosion occurred inside Thermex Heater causing the heater top cover to detach and lift. Instrument Officer,

who was standing on this cover, lost his balance, tumbled over the hand rail and fell to the ground below. He was immediately shifted to nearby hospital where he expired; according to the doctor cause of death was head injury.

Both the incidents were thoroughly investigated and action plans were developed to avoid reoccurrences. There were no Reportable Injuries to Independent Contractors.

Our Health and Hygiene assessment and monitoring program was robustly practiced across the company resulting in zero reportable occupational illness. Behavior Based Safety Program continued in 2012 and HSE&S improvement plans at sites and locations level remained a key strategic item on the corporate planning. This year all plans were reviewed by the Corporate function as an independent auditor.



Future Plans:

We aim to continue the excellent standards and practices of health and safety at all our sites. Continued follow-up of Behavior Based Safety program and conclusion of residual actions relating to Group Engineer Procedures (GEPs) implementation shall be our focus during 2013. Following the divestment from AkzoNobel, we plan to get external accreditation of our HSE&S Management System.



Environmental Performance

Management Approach

In line with global charters on sustainable development and our internal environmental management systems, we aim to reduce impact of our operations on the environment covering all eco systems, land, air and water. We achieve this by striving for resource efficiency by seriously looking at renewable resource and actively offer resistance to climate change by improving energy efficiency and reducing our greenhouse emissions.

Our strategic thrust clearly is to align our financial performance with our sustainability goals. Despite having to use high sulphur furnace oil for the production of our energy and steam requirements in view of the prevalent energy crises in the country, we aim to reduce our carbon footprint per ton of production by 10% by 2015 in relation to 2010 baseline.

Environmental objectives are integrated into our Corporate and Business operational strategies and plans. The company remains wholeheartedly committed to provide the resources, training, consultancy and auditing to ensure that we comply with National Environmental legislation.

Reducing our OEE Footprint

The world is running out of natural resources. Global climate change is not something that awaits us in the future; it is already happening.

We understand that our business operations have an impact on the environment and we're working hard to reduce it. Our aim is to improve efficiency in the use of resources we employ for our operations and have defined this as "Operational Eco Efficiency" (OEE). It is measured in terms of carbon emissions impacting the environment and we call it the OEE footprint. The parameters that significantly impact OEE footprint are Carbon Oxygen Demand (COD), Volatile Organic Compounds (VOC), total NOx, total Sox, Carbon Dioxide (CO2), all types of waste, water consumption and energy usage

Taking 2009 as the baseline, we decided to monitor and put together plans to reduce all of these key performance indicators. The challenge was taken up at every level within the company and our teams came up with innovative ideas and initiatives such as switching to alternate energy sources, mass-scale recon drives and operational improvements.

Despite significant adverse impact on the footprint because of non-availability of natural gas and our need to use eco unfriendly HFO as a substitute, we are proud to report a drop in our OEE footprint by 1.8% in 2011 and 3.7% in 2012.

Sustainability starts with small adjustments, finding new ways of improving, doing more by using less. But above all, it is about a mindset change. It is about understanding the magnitude of the issue and taking the responsibility to heart. We are proud of the commitment of our people towards sustainability and we hope together we will be able to make a much larger difference.

Emissions Control

Conservation of energy and natural resources is an area of continuous focus. Performance on parameters that impact our carbon footprint is discussed across the organization and initiatives to overcome these are planned and implemented every year.

Our ambition on environmental management is to minimize the impact of our operations on the environment and responsibly

manage the depleting resources of our planet. We seek innovative methods to reduce energy consumption and minimize waste through source reduction, recycling and disposal in an environmentally sound manner.

Key Performance Indicators

Emissions Control		2009	2010	2011	2012	2015
						Target
Total COD emissions	te	105.37	52.59	53.78	39.52	49.96
Per ton production	kg/te	0.15	0.11	0.13	0.10	0.1
Total VOC emissions	te	161.25	81.81	72.34	57.12	77.72
Per ton production	kg/te	0.23	0.18	0.17	0.14	0.16
Total NOx emissions	te	422.42	430.70	422.93	420.28	409
Per ton production	kg/te	0.61	0.93	0.99	1.03	0.83
Total SOx emissions	te	1431.4	2209.1	2672.9	2590.15	2430
Per ton production	kg/te	2.05	4.76	6.29	6.35	4.95
Total Direct CO ₂ emissions (Scope 1)	million te	0.47	0.39	0.35	0.35	0.37
Per ton production	kg/te	676.1	834.7	829.5	847.95	753
Total Indirect CO ₂ emissions (Scope 2)	te	39907	2447	5642	3235.61	2324
Per ton production	kg/te	57.3	5.3	13.3	7.93	4.7

2012 Overview:

In 2012, again our atmospheric emissions were hit by natural gas curtailment periods and our need to use high sulphur heavy furnace oil instead. Due to emission control projects our OEE footprint is 3.7% down in comparison to 2011. Reduction in other parameters are; SOx (3% reduction), NOx (1% reduction). COD (Chemical Oxygen Demand) (23% reduction) VOC (Volatile Organic Compounds) (18% reduction). Energy usage slightly increased (3%) which resulted in an increase in CO₂ emissions (3%).

**Future Plans:**

Energy shortages specifically natural gas in the country has forced us to look at alternate fuels. Coal being the fuel of the future, it figures prominently in our development strategy. The work on the Soda Ash Coal Fired Boiler Project is in-progress. We shall ensure that the desulphurization technology we have incorporated in the project scope adequately mitigates the adverse impact of the CO₂ / SO_x and NO_x emissions on the environment.

Taking into account the energy crisis our Polyester Business has also planned to convert its DOW heaters and boilers on Coal. We will also continue to dig deep into the possibilities of employing renewable energy for our own requirements. Each site will continue focusing on projects that contribute in the overall carbon footprint reduction.

Water Usage

We recognize the value of fresh water as a fundamental environment resource. As users of this critical natural resource, we try our best to ensure responsible management of the use of fresh water. This includes improving our water use efficiency and continued efforts on use of recycled waste water.

Water Usage		2009	2010	2011	2012	2015
						Target
Total Fresh water use	million m ³	6.49	4.59	4.12	3.48	4.36
Per ton production	m ³ /te	9.8	9.9	9.7	8.53	8.9
% of sites with sustainable fresh water	%	25	25	25	25	100

2012 Overview:

The total fresh water use dropped to 8.53 M³ per ton in 2012 from 9.7 M³ per ton in 2011 which is a 12% reduction in use. Initiatives leading to this drop were:

- Every drop counts Campaign
- Condensate Recovery Projects
- Casting water recycle

Future Plans:

The improvement plans based upon the water management tool will be acted upon to achieve 100% sustainable water sites by 2015 with the following ongoing initiatives:

- Conserve our use of fresh water by reusing, reducing and/or recycling waste water
- Integrating fresh water conservation and efficiency drivers into our operational management

Waste Management

We continue to employ the “3Rs” 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
- Convert Waste to Energy
- Dispose

Our sites across the country are actively involved in the promotion of good practices that include waste sorting.

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

2012 Overview:

Compared to 2011, there has been a 12% this year improvement in waste reduction projects this year. The improvement can mainly be attributed to recycling. Reduction initiatives taken in 2011 were continued in 2012.

Future Plans:

We have carefully analyzed and developed mitigation measures for the waste generated from our Coal Fired Boiler operations and shall implement them comprehensively.

Product Stewardship

We as a company continue to strive towards the possibility whereby our products are made safely with minimal risks to health and environment while safeguarding longer term resources security by their efficient use and waste minimization. This can only happen if all those involved in the life cycle of a product take responsibility to reduce the risk of adverse environmental, health and safety impacts to gain the most value from a product. Through product stewardship, we ensure that HSE is integrated at every phase of the product life cycle.

We have made significant improvement in the management of our raw material suppliers and in our product quality system. Our product stewardship programs ensure product security from raw material supplies to eventual product delivery at the customers end and sharing of best HSE&S practices with them is our top priority

Product Stewardship		2009	2010	2011	2012	2015
						Target
Product Eco-premium solutions	% sales			15.7	*	30

* Data not available due to demerger of Paints Business

2012 Overview:

Last year we reported progress on developing product eco-premium solutions. We achieved half of our target for 2015 mainly through the efforts of our Paints Business which was a direct consumer business. Due to the demerger of our Paints business, we are unable to report progress on this however; in 2012 our Polyester business converted 33% of its packaging (bale wrappers) to biodegradable packaging.

Future Plans:

We will continue to enact our product stewardship programs across all our businesses and work towards our 2015 targets.



Energy Efficiencies

We strive to make use of energy as efficiently as possible. The rising cost and scarce availability due to the prevalent energy crisis in the country further reinforces the requirement of both short and long term strategic planning, employing various methodologies designed to reduce total energy use. Through our “Energy & Innovation Forum”

we continue to explore best practices and commit appropriate resources and tools to implement energy efficiency conservation programs across all our manufacturing sites and office locations.

Energy Usage		2009	2010	2011	2012	2015
						Target
Total Energy Consumption	1000TJ	6.5	4.8	4.3	4.3	4.6
Per ton production	GJ/Te	9.3	10.4	10.1	10.4	9

2011 Overview:

In 2012 energy usage per ton reflects a 3% increase over 2011. This increase is because our manufacturing sites of Polyester and Soda Ash have, on an average, operated on less than optimum levels of production rates throughout 2012 due to the prevalent natural gas and power shortages in the country.

However, we continued with our efforts to find solutions to conserve energy and some of our key initiatives of 2012 are:

- Pakistan’s first ever grid tied solar power project at Polyester Business.
- Sky lights installed in CP product warehouse at Polyester Business.
- Fire alarm panel and street light on solar energy.
- Installation of Glycol ejectors at Polyester
- Boilers major refurbishment at Soda Ash

Future Plans:

Our site level energy conservation plans will continue to be looking at technology upgrades, equipment modernization and asset maintenance to realize our objective.

G3 Content Index

STANDARD DISCLOSURES PART 1

Profile Disclosure	Description	Cross-Reference
Strategy and Analysis		
1.1	Statement from the most senior decision-maker of the organisation	Overview & Strategy; CE Message
1.2	Description of key impacts, risks, and opportunities	Governance & Compliance; Risk Management
Organisational Profile		
2.1	Name of the organisation	Cover Page
2.2	Primary brands, products, and/or services	Cover Page; Business Performance
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	Snapshot page. Overview & Strategy; Year in Review
2.9	Significant changes during the reporting period regarding size, structure, or ownership	Governance & Compliance; Director's Report
2.10	Awards received in the reporting period	Overview & Strategy; Awards & Achievements
Report Parameters		
3.1	Reporting period (e.g., fiscal/calender year) for information provided	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)	NA

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 Mission
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, OICCI, MAP, KCC, PBC
4.14	List of stakeholder groups engaged by the organisation	Sustainability Performance; Stakeholder Dialogue

4.15	Basis of identification and selection of stakeholders with whom to engage	Sustainability Performance; Stakeholder Dialogue
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Sustainability Performance; Stakeholder Dialogue
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 Dialogue

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. Case Study environmental performance
EC4	Significant financial assistance received from the government	None
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

Environmental Performance

EN2	Percentage of materials used that are recycled input materials.	Sustainability Performance;
EN3	Direct energy consumption by primary energy source.	Sustainability Performance; Environmental Performance
EN4	Indirect energy consumption by primary source.	Sustainability Performance; Environmental Performance
EN5	Energy saved due to conservation and efficiency improvements.	Sustainability Performance; Environmental Performance
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Case Study environmental performance
EN8	Total water withdrawal by source.	Sustainability Performance; Environmental Performance
EN16	Total direct and indirect greenhouse gas emissions by weight.	Sustainability Performance; Environmental Performance
EN17	Other relevant indirect greenhouse gas emissions by weight.	Sustainability Performance; Environmental Performance
EN19	Emissions of ozone-depleting substances by weight.	Sustainability Performance; Environmental Performance
EN20	NOx, SOx, and other significant air emissions by type and weight.	Sustainability Performance; Environmental Performance

EN22	Total weight of waste by type and disposal method.	Sustainability Performance; Environmental Performance
EN23	Total number and volume of significant spills.	None
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	None
Social: Labor Practice and Decent Work		
LA1	Total workforce by employment type, employment contract, and region broken down by gender	Sustainability Performance; Social Performance
LA4	Percentage of employees covered by collective bargaining agreements	Sustainability Performance; Social Performance
LA7	Rates of injury, occupational diseases, lost days and absenteeism and number of work related fatalities by region and gender	Sustainability Performance; Social Performance
LA10	Average hours of training per year per employee by gender and by employee category	Your passion, Our promise
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	N/A
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 Dialogue
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

The ICI Pakistan Limited Annual Report 2012 (the Report) has been prepared by the management of ICI Pakistan, which is responsible for the collection and presentation of the information it contains. Our responsibility, in accordance with management's instructions, is to carry out the following assurance activities:

Assurance Scope	Level of Assurance	Assurance Criteria
ICI Pakistan's application of the principles of Inclusivity, Materiality & Responsiveness as described in the Report	Reasonable Assurance	The best practice standards of Inclusiveness, Materiality and Responsiveness reporting
Progress against objectives	Limited Assurance	Objectives set in 2010 Sustainability Report
Reliability of performance data for 2012	Not included	Completeness and accuracy of selected reported performance data
ICI Pakistan's self-declared GRI 3 application level	Reasonable Assurance	G3 Sustainability Reporting Guidelines and application level requirements

Our responsibility in performing our assurance activities is to the management of ICI Pakistan only and in accordance with the terms of reference agreed with them.

Observations from our work

Our observations and areas for improvement will be raised in a report to ICI Pakistan management. These observations do not affect our conclusions on the Report.

Progress against objectives

ICI Pakistan's reports clearly and accurately on its annual sustainability goals and progress and communicate these clearly to a range of stakeholders. ICI Pakistan can consider including a strategy and subsequent objective for its Product Life Cycle.

Health and safety

ICI Pakistan had processes in place to improve the management and reporting of safety performance. We saw examples of programmes targeting areas of high risk such as distribution incidents, lost time injury and occupational illness. ICI Pakistan needs to continue its focus on developing a safety culture across its contractor base.

Stakeholder engagement

ICI Pakistan continues to have a wide ranging stakeholder engagement programme at Group

and local market level. The opinions of stakeholders including governments, NGOs and employees are sought to inform and challenge sustainability programmes. ICI Pakistan should demonstrate to its stakeholders how it has used the engagement processes to influence the scope and direction of its sustainability activities.

Environmental data

This year, ICI Pakistan's commitment to Reducing its OEE Footprint is a welcome addition. Other Environmental data is clearly and accurately presented. With respect to Waste Management, ICI Pakistan can consider including packaging waste reduction to the Future Plans mentioned in the report.

Conclusion

Based on our work described in this assurance letter, nothing has come to our attention that causes us to believe that the subject matter disclosed in ICI Pakistan's Annual Report 2012 does not give a fair picture of ICI Pakistan's sustainable development performance. Furthermore, nothing has come to our attention causing us to believe that ICI Pakistan does not adhere to the principles of Inclusivity, Materiality and Responsiveness.

What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with ISAE30004 and to meet the requirements of a Type 2 assurance engagement. The assurance principles of Inclusivity, Materiality and Responsiveness have been used as criteria against which to evaluate the Report.

In order to form our conclusions we undertook the steps outlined below:

1. Interviewed ICI Pakistan's executives and senior managers to understand the current status of social, ethical, environmental and health and safety activities, and progress made during the reporting period.
2. Reviewed ICI Pakistan's processes for determining material issues to be included in the Report.
3. Conducted media analysis, reviewed selected relevant internal documents and the outputs of stakeholder engagement activities to enable us to test the coverage of topics within the Report.
4. Reviewed information or explanations supporting ICI's reporting of progress against objectives; we also reviewed drafts of the Report for statements or assertions for consistency with the findings from our work.
5. Reviewed selected environmental and safety data collection, consolidation and reporting processes at Group level described in the report to assess accuracy of reporting.

The opinions expressed in this external assurance statement and commentary are intended to extend understanding of ICI Pakistan's non-financial performance and should not be used or relied upon to form any judgments, or take any decisions, of a financial nature.

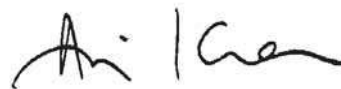
Our independence

We have provided no other services relating to ICI Pakistan's approach to sustainability reporting.

Our assurance team

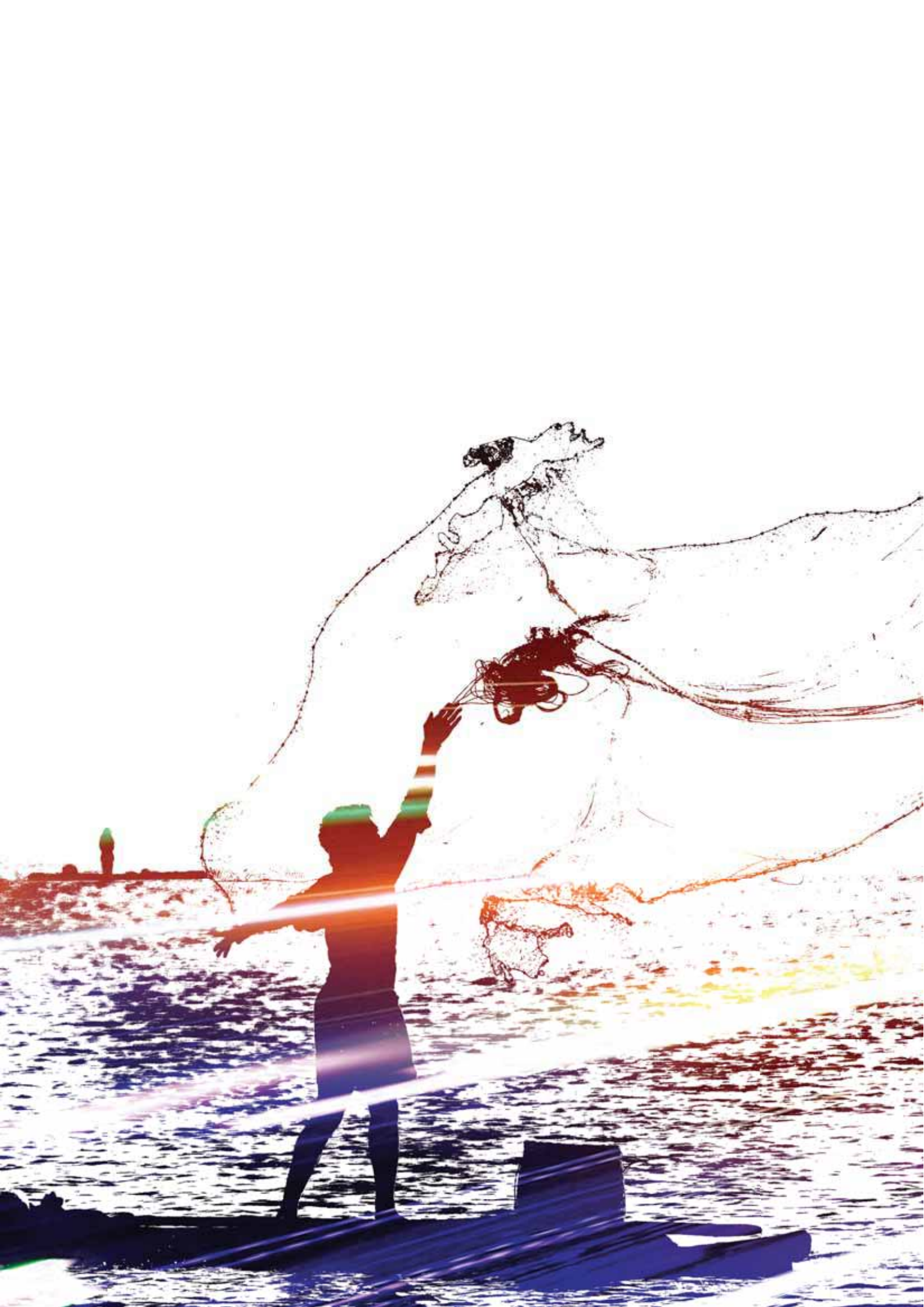
Our assurance team has been drawn from our global environment and sustainability network, which undertakes engagements similar to this with a number of significant local and international businesses. The work has been led and reviewed by a Lead Sustainability Assurance Practitioner.

On behalf of United Registrar of Systems,



Ali Khan, Chief Executive
Karachi, March 2013







Financial Performance

Netting value

This section provides a comprehensive record of all our financial activities in 2012.



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 31 December 2012 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 balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated 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 31 December 2012 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: 21 February, 2013

Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

Unconsolidated Balance Sheet

As at December 31, 2012

Amounts in Rs '000

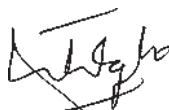
	Note	2012	2011
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital 1,500,000,000 ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid-up capital	3	923,591	923,591
Capital reserves	4	309,643	309,643
Unappropriated profit		8,184,240	8,294,690
Total Equity		9,417,474	9,527,924
Surplus on Revaluation of Property, Plant and Equipment	5	740,656	824,207
Liabilities			
Non-Current Liabilities			
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	6	298,766	255,094
Long-term loan	7	290,270	-
Deferred tax liability - net	8	1,091,743	1,186,234
		1,680,779	1,441,328
Current Liabilities			
Trade and other payables	9	6,692,001	8,927,951
Short-term borrowings and running finance	10	2,332,057	-
Contingencies and Commitments	11		
Total Equity and Liabilities		20,862,967	20,721,410

	Note	2012	2011
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	10,121,710	8,262,888
Intangible assets	13	40,992	69,118
		10,162,702	8,332,006
Long-term investments	14	502,976	502,976
Long-term loans	15	191,508	287,084
Long-term deposits and prepayments	16	40,891	32,372
		735,375	822,432
		10,898,077	9,154,438
Current Assets			
Stores and spares	17	542,117	482,710
Stock-in-trade	18	5,381,340	3,838,856
Trade debts	19	570,251	357,699
Loans and advances	20	188,482	455,149
Trade deposits and short-term prepayments	21	250,664	265,719
Other receivables	22	1,007,619	711,788
Taxation recoverable		1,157,952	821,729
Cash and bank balances	23	866,465	4,633,322
		9,964,890	11,566,972
Total Assets		20,862,967	20,721,410

The annexed notes 1 to 48 form an integral part of these financial statements.



Muhammad Yunus Tabba
Chairman / Director



Ali A Aga
Acting Chief Executive



Muhammad Nasir Jamal
Acting Chief Financial Officer

Unconsolidated Profit and Loss Account

For the year ended December 31, 2012


Amounts in Rs '000

	Note	2012	2011
Turnover	25	37,809,433	38,348,591
Sales tax, excise duty, commission and discounts	24	(3,127,870)	(2,832,477)
Net sales, commission & toll income		34,681,563	35,516,114
Cost of sales	25	(30,748,177)	(30,910,029)
Gross profit		3,933,386	4,606,085
Selling and distribution expenses	28	(1,087,169)	(1,012,821)
Administration and general expenses	29	(1,346,185)	(1,214,815)
Operating result		1,500,032	2,378,449
Financial charges	30	(294,160)	(260,909)
Other operating charges	31	(132,632)	(206,653)
		(426,792)	(467,562)
Other operating income	32	298,381	383,766
Profit before taxation		1,371,621	2,294,653
Taxation	33	(478,952)	(763,223)
Profit after taxation from continuing operations		892,669	1,531,430
Profit from discontinued operation (net of tax)	26	-	216,602
Profit for the year		892,669	1,748,032
		(Rupees)	(Rupees)
Basic and diluted earnings per share - Continuing operations	34	9.67	13.25
Basic and diluted earnings per share - Discontinued operation	34	-	1.87

The annexed notes 1 to 48 form an integral part of these financial statements.



Muhammad Yunus Tabba
Chairman / Director



Ali A Aga
Acting Chief Executive



Muhammad Nasir Jamal
Acting Chief Financial Officer

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2012

Amounts in Rs '000

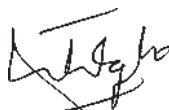
	2012	2011
Profit for the year	892,669	1,748,032
Other comprehensive income	-	-
Total comprehensive income for the year	892,669	1,748,032

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

The annexed notes 1 to 48 form an integral part of these financial statements.



Muhammad Yunus Tabba
Chairman / Director



Ali A Aga
Acting Chief Executive



Muhammad Nasir Jamal
Acting Chief Financial Officer

Unconsolidated Cash Flow Statement

For the year ended December 31, 2012

Amounts in Rs '000

	2012	2011 (Represented)
Cash Flows from Operating Activities		
Profit before taxation from continuing and discontinued operations	1,371,621	2,627,199
Adjustments for:		
Depreciation and amortisation	1,077,952	999,176
(Gain) / loss on disposal of property, plant and equipment	(16,640)	3,365
Impairment of investment in subsidiary	-	209,524
Provision for non-management staff gratuity and eligible retired employees' medical scheme	63,946	65,086
Mark-up on bank deposits and loan to subsidiary	(167,662)	(342,667)
Interest / mark-up expense	200,966	197,759
	2,530,183	3,759,442
Movement in:		
Working capital	(4,664,039)	425,409
Long-term loans	(37,758)	(57,646)
Long-term deposits and prepayments	(8,519)	(101)
Cash generated from operations	(2,180,133)	4,127,104
Payments for :		
Non-management staff gratuity and eligible retired employees' medical scheme	(20,274)	(15,566)
Taxation	(909,666)	(1,297,854)
Interest / mark-up	(186,236)	(197,759)
Profit / mark-up received on bank deposits	119,595	259,095
Net cash generated from operating activities	(3,176,714)	2,875,020
Cash Flows from Investing Activities		
Payments for capital expenditure	(2,258,851)	(611,438)
Proceeds from disposal of property, plant and equipment	25,369	6,026
Profit / mark-up received on loan to subsidiary	63,245	73,376
Loan / standby finance facility to subsidiary company - net - note 15.1	44,444	22,222
Net cash used in investing activities	(2,125,793)	(509,814)

Amounts in Rs '000

	2012	2011 (Represented)
Cash Flows from Financing Activities		
Long-term borrowings	290,270	-
Dividend paid	(1,086,677)	(2,151,436)
Net cash used in financing activities	(796,407)	(2,151,436)
Net (decrease) / increase in cash and cash equivalents	(6,098,914)	213,770
Cash and cash equivalents transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	-	(242,270)
Cash and cash equivalents at January 1	4,633,322	4,661,822
Cash and cash equivalents at December 31 - note 10 & note 23	(1,465,592)	4,633,322

Movement in Working Capital

(Increase) / Decrease in current assets

Stores and spares	(59,407)	(52,257)
Stock-in-trade	(1,542,484)	(772,441)
Trade debts	(212,552)	7,891
Loans and advances - note 15.1	(60,777)	157,261
Trade deposits and short-term prepayments	15,055	125,779
Other receivables	(311,009)	(131,277)
	(2,171,174)	(665,044)

Increase / (Decrease) in current liabilities

Trade and other payables	1,116,910	(2,519,322)
(Paid) / Payable to Akzo Nobel Pakistan Limited	(3,609,775)	3,609,775
	(4,664,039)	425,409

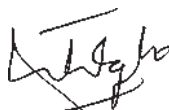
Cash and cash equivalents at December 31 comprise of:

Cash and bank balances - note 23	866,465	4,633,322
Running finances utilised under mark-up arrangements - note 10	(2,332,057)	-
	(1,465,592)	4,633,322

The annexed notes 1 to 48 form an integral part of these financial statements.



Muhammad Yunus Tabba
Chairman / Director



Ali A Aga
Acting Chief Executive



Muhammad Nasir Jamal
Acting Chief Financial Officer

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2012

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
Balance as on January 1, 2011	1,388,023	465,845	12,694,225	14,548,093
Final dividend for the year ended December 31, 2010 @ Rs 12.00 per share	-	-	(1,665,628)	(1,665,628)
Interim dividend for the year 2011 @ Rs 3.50 per share	-	-	(485,808)	(485,808)
Transferred to Akzo Nobel Pakistan Limited pursuant to Scheme - note 3 & 4	(464,432)	(156,202)	(4,018,997)	(4,639,631)
Transactions with owners, recorded directly in equity	(464,432)	(156,202)	(6,170,433)	(6,791,067)
Total comprehensive income for the year ended December 31, 2011	-	-	1,748,032	1,748,032
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the year - net of deferred tax - note 5	-	-	22,866	22,866
	-	-	1,770,898	1,770,898
Balance as on December 31, 2011	923,591	309,643	8,294,690	9,527,924
Final dividend for the year ended December 31, 2011 @ Rs 5.50 per share *	-	-	(763,413)	(763,413)
Interim dividend for the year 2012 @ Rs 3.50 per share **	-	-	(323,257)	(323,257)
Transactions with owners, recorded directly in equity	-	-	(1,086,670)	(1,086,670)
Total comprehensive income for the year ended December 31, 2012	-	-	892,669	892,669
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the year - net of deferred tax - note 5	-	-	83,551	83,551
	-	-	976,220	976,220
Balance as on December 31, 2012	923,591	309,643	8,184,240	9,417,474

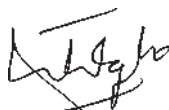
The annexed notes 1 to 48 form an integral part of these financial statements.

* Dividend was declared before the approval of demerger by the High Court of Sindh on 138,802,300 shares.

** Interim dividend was declared post approval of demerger by High Court of Sindh on 92,359,050 shares.



Muhammad Yunus Tabba
Chairman / Director



Ali A Aga
Acting Chief Executive



Muhammad Nasir Jamal
Acting Chief Financial Officer

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

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

The Company was previously also engaged in the manufacture of paints, however, with effect from July 1, 2011 (i.e. "Effective Date") its Paints Business has been demerged under a Scheme of Arrangement ("the Scheme") dated September 16, 2011 approved by the shareholders of ICI Pakistan Limited on February 8, 2012 and sanctioned by the High Court of Sindh vide its order announced on May 17, 2012 and submitted to the registrar on June 1, 2012 (i.e. "Completion Date"). Consequent to the Scheme, the net assets of ICI Pakistan Limited were split into Paints Business and Non-Paints Businesses on the basis of audited special purpose financial statements as of June 30, 2011 as detailed in the re-presented financial statements for the year ended December 31, 2011.

2. Summary of Significant Accounting Policies

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

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except that certain classes of property, plant and equipment (i.e. Freehold Land, Building on Freehold and Leasehold Land and Plant & Machinery) have been included at revalued amounts and certain exchange elements referred to in note 2.8 have been recognised in the cost of the relevant property, plant & equipment.

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 44.

2.3 Staff retirement benefits

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

Defined benefit plans

The Company operates a funded pension scheme and a funded gratuity scheme for management staff. The pension and gratuity schemes are salary schemes providing pension and lump sums, respectively. Pension and gratuity schemes for management staff are invested through two approved trust funds. The Company also operates gratuity scheme for non-management staff and the pensioners' medical scheme which are unfunded. The pension and gratuity plans are final salary plans. The pensioner's medical plan reimburses actual medical expenses to pensioners as per entitlement. The Company recognises expense in accordance with IAS 19 "Employee Benefits".

An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected average remaining working lives of employees as allowed under the relevant provision of IAS 19 "Employee Benefits".

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

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 recognizes the liability for compensated absences in respect of employees in which these are earned up to the balance sheet date. The provision has been recognized on the basis of actuarial valuation.

2.4 Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. The amount recognized as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

2.5 Trade and other payables

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

2.6 Dividend

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

2.7 Taxation

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

Current

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

Deferred

Deferred tax is recognised using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

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

2.8 Property, plant and equipment and depreciation

Property, plant and equipment (except Freehold Land, Buildings on Freehold & Leasehold Land and Plant & Machinery) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, buildings on freehold and leasehold land and plant & machinery are stated at revalued amounts less accumulated depreciation and impairment losses, if any. Capital work-in-progress is stated at cost. Cost of certain property, plant and equipment comprises historical cost, exchange differences recognised in accordance with the previous Fourth Schedule to the Ordinance, cost of exchange risk cover in respect of foreign currency loans obtained for the acquisition of property, plant and equipment upto the commencement of commercial production and the cost of borrowings during construction period in respect of loans taken for specific projects.

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

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

Surplus on revaluation of property, plant and equipment is credited to the surplus on revaluation account. To the extent of the incremental depreciation charged on the revalued assets the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

Maintenance and normal repairs are charged to income as and when incurred. Improvements are capitalised when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably. Assets replaced, if any, are derecognised.

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

2.9 Intangible assets and amortization

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

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

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

2.10 Impairment

Financial assets (including receivables)

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

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

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

Non-financial assets

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

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

Impairment 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.

2.11 Investments

Investments in subsidiary (ICI Pakistan PowerGen Limited) and unquoted equity security classified as available-for-sale are stated at cost less provision for impairment, if any.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

2.12 Stores and spares

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

2.13 Stock-in-trade

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

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

2.14 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized 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 41.6.1).

2.15 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupees, at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the foreign exchange rates at the balance sheet date. Exchange differences are taken to the profit and loss account.

2.16 Functional and presentation currency

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

2.17 Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer. For those products which are often sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

Commission income is recognised on the date of shipment from suppliers.

Profit on short-term deposits and mark-up on loan to subsidiary is accounted for on a time-apportioned basis using the effective interest rate method.

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

Toll manufacturing income is recognised when services are rendered.

2.18 Financial expense and financial income

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

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

2.19 Segment reporting

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax assets, liabilities and related income and expenditure. Segment capital expenditure is the total cost incurred during the 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 risks and rewards of other segments. Segments reported are Polyester, Soda Ash, Life Sciences and Chemicals, which also reflects the management structure of the Company.

2.20 Finance lease

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

2.21 Operating leases / Ijarah contracts

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

Payments made under operating leases / Ijarah contracts are recognised in the profit and loss account on a straight-line basis over the term of the lease.

2.22 Cash and cash equivalents

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

2.23 Borrowings and their cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset as detailed in note 12.7.1 to the financial statements.

2.24 Financial liabilities

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

2.25 Derivative financial instruments

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

2.26 Off-setting

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

2.27 Earnings per share

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

2.28 Discontinued operation

A discontinued operation is a separate major line of business, which is a distinct part of the Company both operationally and for financial reporting purposes and which has been discontinued by the Company. When an operation is classified as a discontinued operation, the comparative income statement is represented as if the operation had been discontinued from the start of the comparative period.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

	2012 (Numbers)	2011		2012	2011
3. Issued, Subscribed and Paid-up Capital					
	83,734,062	125,840,190	Ordinary shares of Rs 10 each fully paid in cash	837,341	1,258,402
	211,925	318,492	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash under scheme of arrangement for amalgamation - note 3.1	2,119	3,185
	16,786	25,227	Ordinary shares of Rs 10 each issued as fully paid bonus shares	168	252
	8,396,277	12,618,391	Ordinary shares issued pursuant to the previous Scheme as fully paid for consideration of investment in associate - note 3.2	83,963	126,184
	-	(46,443,250)	Transferred to Akzo Nobel Pakistan Limited - note 3.4	-	(464,432)
	92,359,050	92,359,050		923,591	923,591

3.1 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.

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

3.3 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 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.

3.4 With effect from July 1, 2011, the share capital was 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. Shares transferred to Akzo Nobel Pakistan Limited has been adjusted against the paid-up capital of the Company on pro rata basis.

4. Capital Reserves

Share premium - note 4.1	309,057	465,259
Capital receipts - note 4.2	586	586
Transferred to Akzo Nobel Pakistan Limited - note 4.3	-	(156,202)
	309,643	309,643

4.1 Share premium includes the premium amounting to Rs 0.902 million received on shares issued for the Company's Polyester Plant installation in 1980 and share premium of Rs 464.357 million representing the difference between nominal value of Rs 10 per share of 12,618,391 ordinary shares issued by the Company and the market value of Rs 590.541 million of these shares corresponding to 25% holding acquired in Lotte Pakistan PTA Limited, an ex-associate, at the date of acquisition i.e. November 2, 2001 and the number of shares that have been issued were determined in accordance with the previous Scheme in the ratio between market value of the shares of two companies based on the mean of the middle market quotation of the Karachi Stock Exchange over the ten trading days between October 22, 2001 to November 2, 2001.

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

4.3 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.

	2012	2011
5. Surplus on Revaluation of Property, Plant and Equipment		
Balance as on January 1	824,207	907,352
Transferred to Akzo Nobel Pakistan Limited as on June 30, 2011	-	(526,560)
Revaluation surplus - note 12.2 & 12.3	-	712,431
Deferred tax liability recognised on surplus - note 8	-	(246,150)
	-	466,281
Transferred to unappropriated profit in respect of incremental depreciation during the year - net of deferred tax	(83,551)	(22,866)
Balance as on December 31	740,656	824,207

6. Provisions for non-management staff gratuity and eligible retired employees' medical scheme - note 6.1	298,766	255,094
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6.1 Staff Retirement Benefits

The amount recognized in the profit and loss account against Defined Benefit Scheme for the year from January 1, 2012 to December 31, 2012 are as follows:

	2012				2011			
	Pension	Funded Gratuity	Unfunded Total		Pension	Funded Gratuity	Unfunded Total	
6.1.1 The amounts recognised in the profit and loss account against defined benefit schemes are as follows:								
Current service cost	40,178	34,511	74,689	10,765	38,178	30,341	68,519	5,365
Interest cost	187,825	74,093	261,918	44,694	191,509	66,604	258,113	50,533
Expected return on plan assets	(183,705)	(52,069)	(235,774)	-	(185,527)	(49,464)	(234,991)	-
Termination cost	59,810	-	59,810	-	-	-	-	-
Recognition of actuarial loss	104,254	11,861	116,115	8,487	108,564	12,544	121,108	9,188
Net charge for the year	208,362	68,396	276,758	63,946	152,724	60,025	212,749	65,086
6.1.2 Movement in the net assets / (liability) recognised in the balance sheet are as follows:								
Opening balance	193,254	15,932	209,186	(255,333)	342,584	19,835	362,419	(223,181)
Balance transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	-	-	-	-	(36,888)	(2,173)	(39,061)	17,368
Net charge - note 6.1.1	(208,362)	(68,396)	(276,758)	(63,946)	(152,724)	(60,025)	(212,749)	(65,086)
Contributions / payments during the year	173,052	43,392	216,444	20,274	40,282	58,295	98,577	15,566
Closing balance	157,944	(9,072)	148,872	(299,005) *	193,254	15,932	209,186	(255,333) *
6.1.3 The amounts recognised in the balance sheet are as follows:								
Fair value of plan assets - note 6.1.5	1,165,492	344,408	1,509,900	-	1,223,627	357,947	1,581,574	-
Present value of defined benefit obligation - note 6.1.4	(1,194,618)	(646,506)	(1,841,124)	(422,886)	(1,426,539)	(508,072)	(1,934,611)	(402,650)
Deficit	(29,126)	(302,098)	(331,224)	(422,886)	(202,912)	(150,125)	(353,037)	(402,650)
Unrecognised actuarial losses	187,070	293,026	480,096	123,881	396,166	166,057	562,223	147,317
Recognised asset / (liability)	157,944	(9,072)	148,872	(299,005) *	193,254	15,932	209,186	(255,333) *

The recognized liability of funded gratuity has been netted off against recognized asset of funded pension as amount is immaterial.

6.1.4 Movement in the present value of defined benefit obligation:

Opening balance	1,426,539	508,072	1,934,611	402,650	1,547,841	553,363	2,101,204	381,842
Balance transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	-	-	-	-	(222,370)	(117,334)	(339,704)	(26,953)
Current service cost	40,178	34,511	74,689	10,765	38,178	30,341	68,519	5,365
Interest cost	187,825	74,093	261,918	44,694	191,509	66,604	258,113	50,533
Benefits paid**	(552,141)	(147,375)	(699,516)	(20,274)	(165,570)	(56,049)	(221,619)	(15,566)
Termination cost	59,810	-	59,810	-	-	-	-	-
Actuarial loss	32,407	177,205	209,612	(14,949)	36,951	31,147	68,098	7,429
Closing balance	1,194,618	646,506	1,841,124	422,886	1,426,539	508,072	1,934,611	402,650

* The unfunded liability included in the above table includes Rs 0.239 million (2011: Rs 0.239 million) pertaining to ICI Pakistan PowerGen Limited.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

	2012				2011			
	Funded		Unfunded		Funded		Unfunded	
	Pension	Gratuity			Pension	Gratuity		
6.1.5 Movement in the fair value of plan assets:								
Opening balance	1,223,627	357,947	1,581,574	-	1,380,173	391,304	1,771,477	-
Balance transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	-	-	-	-	(196,534)	(81,149)	(277,683)	-
Expected return	183,705	52,069	235,774	-	185,527	49,464	234,991	-
Contributions**	173,052	43,392	216,444	-	40,282	58,295	98,577	-
Benefits paid**	(552,141)	(147,375)	(699,516)	-	(165,570)	(56,049)	(221,619)	-
Actuarial (loss) / gain	137,249	38,375	175,624	-	(20,251)	(3,918)	(24,169)	-
Closing balance	1,165,492	344,408	1,509,900	-	1,223,627	357,947	1,581,574	-
Contributions**	-	-	-	-	4,071	6,133	10,204	-
Benefits paid**	-	-	-	-	(54,414)	(17,391)	(71,805)	(12)

** Contributions and benefits paid in respect of funded pension, funded gratuity and unfunded gratuity and medical benefits of Paints Business have been recorded in the books of ICI Pakistan Limited and have been transferred to Akzo Nobel Pakistan Limited after the Completion date (June 1, 2012).

6.1.6 Historical Information***

As at December 31	2012	2011	2010	2009	2008
Present value of defined benefit obligation	2,264,010	2,337,261	2,483,046	2,088,882	1,819,786
Fair value of plan assets	1,509,900	1,581,574	1,771,477	1,354,469	1,126,062
Deficit	754,110	755,687	711,569	734,413	693,724

*** Prior year figures are inclusive of staff retirement benefits of Paints Business (from 2008 to 2010).

Experience adjustment on plan liabilities	4%	3%	7%	3%	13%
Experience adjustment on plan assets	12%	(1%)	5%	13%	(27%)

2012 2011

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

Debt instruments	73%	67%
Equity at market value	27%	31%
Cash	0%	2%

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.

The return on plan assets was assumed to be equal to the discount rate. Actual (loss) / return on plan assets during 2012 was Rs 411.398 million (2011: Rs 217.028 million).

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

Discount rate	11.50%	13.00%
Expected return on plan assets	11.50%	13.00%
Future salary increases - Management	13.00%	10.75%
Future salary increases - Non-Management	6.00%	10.75%
Future pension increases	7.00%	7.50%

On and from the Completion Date, proportionate amounts in the ICI Pakistan Management Staff Gratuity Fund and the ICI Pakistan Management Staff Pension Fund relating to the Paints employees, has been transferred from the ICI Pakistan Management Staff Gratuity Fund and the ICI Pakistan Management Staff Pension Fund and have vested in the trustees of similar funds established by Akzo Nobel Pakistan Limited for the benefit of its employees.

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

	2012	Increase	Decrease
	6.25%	7.25%	5.25%
Effect on the aggregate of the current service cost and interest cost	44,950	52,070	39,771
Effect on the defined benefit obligation	350,500	400,373	313,642

These figures are based on the actuarial valuation as at December 31, 2012. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortized over the expected future service life of current members.

6.1.10 The Company contributed Rs 57.829 million (2011: Rs 63.896 million) and Rs 34.929 million (2011: Rs 37.431 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

	2012	2011
7. Long-Term Loan		
From banking companies / financial institutions:	290,270	-

The Company has obtained Long-Term Finance Facility (LTFF) for imported and locally manufactured plant and machinery from Faysal Bank Limited, of Rs 290.27 million (limit: Rs 500 million) for a period of 7 years (including 2 year grace period), with the principal repayable on semi-annual basis. The Company also has Long-Term Finance Facility (LTFF) available from Habib Bank Limited aggregating to Rs 1,000 million for a period of 7 years (including 2 year grace period), with the principal repayable on semi-annual basis. The mark-up is chargeable at fixed rate of 9.65% payable on quarterly basis. These facilities are secured against first pari passu hypothecation charge of Rs 1,875 million on the Property, Plant and Equipment (PPE) of the Company's Soda Ash Business. The loans have been refinanced by the State Bank of Pakistan under Long-Term Finance Facility (LTFF) for Export Oriented Projects.

	2012			2011				
	Opening	Reversal (note - 33)	Closing	Opening	Transferred to ANPL (note - 26)	Reversal (note - 33 & note - 8.1)	Recognised in Surplus on revaluation (note 5)	Closing
8. Deferred Tax (Liability) / Asset - net								
Deductible temporary differences								
Provisions for retirement benefits, doubtful debts and others	286,493	43,583	330,076	470,105	(262,871)	79,259	-	286,493
Taxable temporary differences								
Property, plant and equipment	(1,472,727)	50,908	(1,421,819)	(1,340,353)	50,127	63,649	(246,150)	(1,472,727)
	(1,186,234)	94,491	(1,091,743)	(870,248)	(212,744)	142,908	(246,150)	(1,186,234)

8.1 Last year reversal included Rs 44.086 million pertaining to discontinued operation.

	2012	2011
9. Trade and Other Payables		
Trade creditors - note 9.1, 9.1.1 & 9.1.2	1,407,341	655,610
Bills payable	3,187,853	2,631,096
Sales tax, excise and custom duties	35,627	86,128
Mark-up accrued on short term borrowings	14,731	-
Accrued interest on long-term loans - note 9.2	36,110	-
Accrued expenses	770,626	1,028,108
Technical service fee / royalty	665	608
Workers' profit participation fund - note 9.3	75,192	148,183
Workers' welfare fund	28,141	53,616
Distributors' security deposits - payable on termination of distributorship - note 9.4	111,497	95,473
Contractors' earnest / retention money	9,589	9,344
Advances from customers - note 9.5	469,015	402,641
Unclaimed dividends	4,537	4,544
Payable for capital expenditure	216,402	76,267
Provision for compensated absences - note 9.6	31,249	20,000
Payable to Akzo Nobel Pakistan Limited - note 9.7	-	3,609,775
Payable to ICI Pakistan PowerGen Limited (subsidiary) - note 9.8	102,057	-
Others	191,369	106,558
	6,692,001	8,927,951

9.1 The above balances include amounts due to the following associated undertakings (January 1, 2012 to December 27, 2012):

Akzo Nobel NV	-	44,591
Akzo Nobel Functional Chemicals BV	-	11,998
Akzo Nobel Functional Chemicals Pte Limited	-	1,619
Akzo Nobel Surface Chemistry Pte Limited	-	1,074
	-	59,282

9.1.1 This includes an amount of Rs 115.8 million (2011: Rs Nil) payable to ICI Pakistan PowerGen Limited on account of purchase of electricity.

9.1.2 This amount includes Rs 52.5 million on account of exchange gain / loss on forward exchange contracts.

9.2 This liability pertains to long-term loan obtained for Coal Fired Boiler project. Interest charge on this loan is part of capital work-in-progress.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

	2012	2011
9.3 Workers' profit participation fund		
Balance as on January 1	148,183	204,104
Allocation for the year - note 31	72,336	128,168
Allocation relating to discontinued operation	-	10,314
	220,519	342,586
Interest on funds utilised in the Company's businesses at 67.5 % (2011: 131.25 %) per annum - note 30	2,755	7,471
Interest on funds utilised in the discontinued operation	-	1,786
	2,755	9,257
Less:		
- Paid to the Fund	148,082	203,660
Balance as on December 31	75,192	148,183
9.4 Interest on security deposits from certain distributors is payable at 11.9 % (2011: 11.6 %) per annum as specified in the respective agreements.		
9.5 The above balances include amounts due to the following associated undertakings (December 28, 2012 to December 31, 2012):		
Gadoon Textile Mills	3,179	-
Fazal Textile Mills	6,374	-
	9,553	-
9.6 This figure is based on actuarial valuation and estimation.		
9.7 This amount has been paid to Akzo Nobel Pakistan Limited.		
9.8 A set off agreement was entered between the Company and ICI Pakistan PowerGen Limited on December 31, 2012. According to the agreement, long-term loan of Rs 133 million and standby running finance of Rs 283 million provided to ICI Pakistan PowerGen Limited has been adjusted against payable balance of Rs 518 million to ICI Pakistan PowerGen Limited in respect of purchase of Gas Turbine and the balance of Rs 102 million is outstanding.		
10. Short-Term Borrowings and Running Finance	2,332,057	-
Short-term borrowings and running finance facility available from various banks aggregated to Rs 4,075 million (December 31, 2011: Rs 2,721 million) and carry mark-up during the period ranging from relevant KIBOR + 0.5% to 1.0% per annum with an average mark-up rate of relevant KIBOR + 0.83% per annum as at December 31, 2012 (December 31, 2011: relevant KIBOR + 0.5% to 1.5% per annum with an average mark-up rate of relevant KIBOR + 1.00% per annum). The facilities are secured by hypothecation charge over the present and future stock-in-trade and book debts of the Company.		
	Tenure	
	Mark up rate	From To
10.1 Short-term borrowings - secured		
Samba Bank Limited	KIBOR + 0.5%	3-Dec-12 2-Jan-13
United Bank Limited	KIBOR + 0.5%	10-Dec-12 9-Jan-13
Standard Chartered Bank Limited	KIBOR + 0.5%	12-Dec-12 11-Jan-13
		494,000
		300,000
		200,000
		994,000
		-
The above short term borrowings are secured by first pari passu hypothecation charge as mentioned above.		
10.2 Short-term running finance - secured	1,338,057	-
The above short term running finance is secured by first pari passu hypothecation charge as mentioned above.		

	2012	2011
11. Contingencies and Commitments		
11.1 Claims against the Company not acknowledged as debts are as follows:		
Local bodies - note 11.1.1	12,735	63,135
Sales Tax authorities	-	492
Others	30,389	137,201
	43,124	200,828
11.1.1 The Company was served notice by Punjab Employees Social Security Institution's 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 filed petition in High Court Lahore on July 20, along with stay application, the court granted stay order on July 25, 2012. The outcome of the case cannot be determined yet.		
11.2 Guarantees issued by the Company in respect of financial and operational obligations of Lotte Pakistan PTA Limited pursuant to the previous Scheme of Arrangement, amounting to Rs 2,010 million (2011: Rs 2,100 million) against which Lotte Pakistan PTA Limited and KP Chemical Corporation Limited have issued counter guarantees to the Company.		
11.3 Guarantee issued by the Company to a bank in respect of financing obtained by Senior Executives amounted to Rs Nil (2011: Rs 35 million), in accordance with the terms of employment.		
11.4 Guarantee issued by the Company of Rs 133 million (2011: Rs 133 million) to a bank on behalf of its subsidiary ICI Pakistan PowerGen Limited for availing funded facility.		
11.5 Commitments in respect of capital expenditure (including Coal Fired Boiler Project of the Soda Ash Business) amounted to Rs 492.036 million (2011: Rs 118.77 million).		
11.6 The Board of ICI Pakistan Limited reviewed the cost escalation of the Polymer Filter project and approved the revised cost of Rs 324.3 million in August 2012 given the strategic importance of this quality improvement project for the Polyester Business. The Company has signed a Design Services contract with Chemtex International Inc and 20% payment of equipment supply contract value is being processed upon submission of purchase order of polymer filter to related bank. M/s Chemtex has provided equipment loading data which has been passed on to civil design authority for design of civil structure which is expected to be received by first quarter 2013.		
11.7 Commitments for rentals under operating lease / ijarah contracts in respect of vehicles amounting to Rs 125.919 million (2011: Rs 158.102 million) are as follows:		
Year		
2012	-	62,980
2013	52,287	51,029
2014	38,060	31,742
2015	24,937	12,351
2016	10,635	-
	125,919	158,102
Payable not later than one year	52,287	62,980
Payable later than one year but not later than five years	73,632	95,122
	125,919	158,102
11.8 Outstanding foreign exchange contracts as at December 31, 2012 entered into by the Company amounted Rs 2,635.860 million (2011: Rs 720.173 million).		
12. Property, Plant and Equipment		
12.1 The following is a statement of property, plant and equipment:		
Operating property, plant and equipment - note 12.2	8,137,489	8,156,729
Capital work-in-progress - note 12.7	1,984,221	106,159
	10,121,710	8,262,888

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

12.2 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	On	On	machinery	sidings	stock and	and	
	Note 12.3		land	freehold	leasehold			vehicles	equipment	
				land	land					
					Note 12.3					
					2012					
Net carrying value basis										
Year ended December 31										
Opening net book value (NBV)	341,885	-	114,497	339,690	722,701	6,415,262	-	18,487	204,207	8,156,729
Addition/transfer (at cost)	-	-	25,551	32,522	42,997	858,624	-	11,220	66,548	1,037,462
Disposal/transfer (at NBV)	-	-	-	-	(637)	(2,681)	-	(952)	(4,459)	(8,729)
Depreciation charge - note 12.6	-	-	(12,614)	(46,626)	(81,103)	(833,187)	-	(7,745)	(66,698)	(1,047,973)
Closing net book value (NBV)	341,885	-	127,434	325,586	683,958	6,438,018	-	21,010	199,598	8,137,489
Gross carrying value basis										
At December 31										
Cost/Revaluation	341,885	567,799	227,123	2,420,981	1,463,173	19,010,525	297	92,637	577,215	24,701,635
Accumulated depreciation	-	(567,799)	(99,689)	(2,095,395)	(779,215)	(12,572,507)	(297)	(71,627)	(377,617)	(16,564,146)
Net book value	341,885	-	127,434	325,586	683,958	6,438,018	-	21,010	199,598	8,137,489
Depreciation rate % per annum	-	2 to 4	3.33 to 7.5	5 to 10	2.5 to 10	3.33 to 10	3.33	10 to 25	10 to 33.33	
2011										
Net carrying value basis										
Year ended December 31										
Opening net book value (NBV)	864,636	2,765	89,663	234,359	705,235	6,559,004	-	21,443	200,388	8,677,493
Addition/transfer (at cost)	-	-	36,822	8,606	88,075	436,084	-	6,080	63,807	639,474
Revaluation - note 12.3	9,149	-	-	211,917	-	491,365	-	-	-	712,431
Disposal/transfer (at NBV)	-	-	-	-	-	(4,606)	-	-	(4,785)	(9,391)
Transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	(531,900)	-	-	(88,095)	-	(257,752)	-	(323)	(33,687)	(911,757)
Depreciation charge - note 12.6	-	(2,765)	(11,988)	(27,097)	(70,609)	(808,833)	-	(8,713)	(21,516)	(951,521)
Closing net book value (NBV)	341,885	-	114,497	339,690	722,701	6,415,262	-	18,487	204,207	8,156,729
Gross carrying value basis										
At December 31										
Cost/Revaluation	341,885	567,799	201,572	2,388,459	1,429,858	18,322,128	297	127,795	530,472	23,910,265
Accumulated depreciation	-	(567,799)	(87,075)	(2,048,769)	(707,157)	(11,906,866)	(297)	(109,308)	(326,265)	(15,753,536)
Net book value	341,885	-	114,497	339,690	722,701	6,415,262	-	18,487	204,207	8,156,729
Depreciation rate % per annum	-	2 to 4	3.33 to 7.5	5 to 10	2.5 to 10	3.33 to 10	3.33	10 to 25	10 to 33.33	

12.3 Subsequent to revaluation on 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, building 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.

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

	2012	2011
Cost	2,144	2,402
Net book value	1,192	1,419

	2012	2011
12.5 Had there been no revaluation, the net book value of specific classes of operating property, plant and equipment would have amounted to:		
Net Book Value		
Freehold land	42,604	42,604
Buildings	829,661	850,473
Plant and machinery	5,895,803	5,779,194
	6,768,068	6,672,271

12.6 The depreciation charge for the year has been allocated as follows - note 12.6.1:

Cost of sales - note 27	983,031	845,297
Selling and distribution expenses - note 28	12,440	12,645
Administration and general expenses - note 29	52,502	30,466
Depreciation charge relating to discontinued operation	-	63,113
	1,047,973	951,521

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

12.7 The following is a statement of capital work-in-progress - note 12.7.1:

Civil works and buildings	160,508	17,463
Plant and machinery	1,628,511	51,488
Miscellaneous equipment	140,379	29,655
Advances to suppliers / contractors	15,630	7,553
Designing, consultancy and engineering fee	39,193	-
	1,984,221	106,159

12.7.1 This includes interest charge on long-term loan obtained for Coal Fired Boiler project amounting to Rs 66 million (2011: Rs Nil).

12.8 The Company purchased Gas Turbine from ICI Pakistan PowerGen Limited on April 11, 2012 together with all related equipments including stores and spares for Rs 668.4 million. Out of which plant, machinery and building of Rs 594.3 million have been classified as operating property, plant and equipment and Rs 48.75 million has been classified as capital work-in-progress. Spares amounting to Rs 25.32 million have been classified as stores and spares.

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

2012						
	Mode of sale	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
Plant and machinery						
Boiler Coil	Scrap	1,584	1,515	69	70	Shahid Hanif Ghouri, House # 7, Mandi Bahauddin
Rolling stock and vehicles						
Kia sportage, Toyota Corolla and others	Tender	1,478	592	886	3,467	Muhammad Farooq Ahmed, House No.28, Jamal Street, Lahore and Shafiqur Rehman, Sultan Ali, Shah Jehan etc
Furniture and equipment						
Central heating and hot water system and others	Tender	2,975	1,795	1,180	1,024	Owner Of Miranjani House - Samad A Khan, Alpine Hotel, Manshera Road, Abbottabad, and Anjum Wood Craft, Khewra Distt Jhelum etc
Diesel generator and others	BOD approval	3,563	714	2,849	2,818	Waqar A Malik, Ex- Chief Executive Officer
2011						
Plant and machinery						
Conveyor System & others	Tender	6,817	4,738	2,079	205	Muhammad Akram Ghouri House # 142 Mohallah New Kashmir Colony Mandi Bahauddin
Furniture and equipment						
Computers	Insurance Claim	256	50	206	247	Adamjee Insurance Limited.

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For the year ended December 31, 2012

Amounts in Rs '000

13. Intangible Assets

	2012			
	Software	Licenses	Under development	Total
Net carrying value basis Year ended December 31				
Opening net book value (NBV)	27,791	41,327	-	69,118
Additions at cost	-	1,853	-	1,853
Amortisation charge - note 13.1	(8,676)	(21,303)	-	(29,979)
Closing net book value (NBV)	19,115	21,877	-	40,992
Gross carrying amount At December 31				
Cost	230,213	103,417	-	333,630
Accumulated amortisation	(211,098)	(81,540)	-	(292,638)
Net book value	19,115	21,877	-	40,992
Rate of amortisation % per annum	20	20 to 50	-	
	2011			
Net carrying value basis Year ended December 31				
Opening net book value (NBV)	48,759	65,991	65,352	180,102
Additions at cost	4,068	14,428	-	18,496
Transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	(7,748)	(8,725)	(65,352)	(81,825)
Amortisation charge - note 13.1	(17,288)	(30,367)	-	(47,655)
Closing net book value (NBV)	27,791	41,327	-	69,118
Gross carrying amount At December 31				
Cost	230,213	101,564	-	331,777
Accumulated amortisation	(202,422)	(60,237)	-	(262,659)
Net book value	27,791	41,327	-	69,118
Rate of amortisation % per annum	20	20 to 50	-	
			2012	2011

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

Cost of sales - note 27	10,828	14,053
Selling and distribution expenses - note 28	2,303	3,813
Administration and general expenses - note 29	16,848	26,448
Amortization charge relating to discontinued operation	-	3,341
	29,979	47,655

14. Long-Term Investments

Unquoted

Subsidiary

- ICI Pakistan PowerGen Limited (wholly owned)
7,100,000 ordinary shares (2011: 7,100,000) of Rs 100 each - note 14.1
Less: Provision for impairment loss - note 14.2 & 29

710,000
209,524

710,000
209,524

500,476

500,476

Others

Equity security available for sale

- Arabian Sea Country Club Limited

2,500

2,500

502,976

502,976

14.1 The value of the Company's investment on the basis of net assets of the Subsidiary as disclosed in its audited financial statements for the year ended December 31, 2012 amounted to Rs 569.148 million (2011: Rs 467.818 million).

	2012	2011		
14.2	In 2011, the Company reviewed the future economic benefits of the Subsidiary based on its estimated future cashflows. The recoverable amount of investment was estimated based on its value in use using a discount rate of 18.0%. Based on the assessment, the carrying amount of investment was determined to be Rs 209.524 million higher than the recoverable amount. Further, no provision is required in the current year as the expected discounted cashflows from investment exceeds its recoverable amount.			
15. Long-Term Loans - Considered good				
Due from Subsidiary - Unsecured				
- Long term portion - note 15.1	-	133,334		
Due from Directors, Executives and Employees - note 15.2	191,508	153,750		
	191,508	287,084		
15.1	This represents loan given to ICI Pakistan PowerGen Limited (wholly owned subsidiary) of Rs 200 million carrying mark-up at 3 months KIBOR + 2%. This loan was repayable in nine equal semi annual installments commencing from October 1, 2011. A set off agreement was entered between the Company and ICI Pakistan PowerGen Limited on December 31, 2012. According to the agreement, long-term loan of Rs 133 million and standby running finance of Rs 283 million provided to ICI Pakistan PowerGen Limited has been adjusted against payable balance of Rs 518 million to ICI Pakistan PowerGen Limited in respect of purchase of Gas Turbine and the balance of Rs 102 million is outstanding.			
15.2 Due from Directors, Executives and Employees	Motor car	House building	Total	Total
Due from Directors and Executives - note 15.3	113,881	65,617	179,498	151,262
Less: Receivable within one year - note 20	19,717	23,790	43,507	25,521
	94,164	41,827	135,991	125,741
Due from Employees			78,845	57,003
Less: Receivable within one year - note 20			23,328	28,994
			55,517	28,009
			191,508	153,750
Outstanding for period:				
- less than three years but over one year			113,785	65,850
- more than three years			77,723	87,900
			191,508	153,750
15.3 Reconciliation of the carrying amount of loans to Directors and Executives:				
Opening balance at beginning of the year			151,262	153,415
Transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme			-	(50,382)
Disbursements			113,349	114,819
Repayments			(85,113)	(66,590)
Balance at end of the year			179,498	151,262
15.4	Loans for purchase of motor cars and house building are repayable between two to ten years. These loans are interest free and granted to the employees including executives of the Company in accordance with their terms of employment.			
15.5	The maximum aggregate amount of loans due from the Executives at the end of any month during the year was Rs 179.498 million (2011: Rs 157.347 million).			
16. Long-Term Deposits and Prepayments				
Deposits			26,799	25,190
Prepayments			14,092	7,182
			40,891	32,372

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

	2012	2011
17. Stores and Spares		
Stores (include in-transit Rs 14.026 million; 2011: Rs 12.134 million)	43,069	37,861
Spares	594,789	547,796
Consumables	88,942	79,152
	726,800	664,809
Less: Provision for slow moving and obsolete items - note 17.1	184,683	182,099
	542,117	482,710

17.1 Movement of provision in stores and spares

Provision as at January 1	182,099	170,327
Charge for the year - note 29	2,625	11,772
Write-off	(41)	-
Provision as at December 31	184,683	182,099

18. Stock-in-Trade

Raw and packing material (include in-transit Rs 822.110 million; 2011: Rs 192.658 million) - note 18.3	2,471,023	1,613,447
Work-in-process	147,963	220,246
Finished goods (include in-transit Rs 195.149 million; 2011: Rs Nil) - note 18.3	2,850,782	2,069,205
	5,469,768	3,902,898
Less: Provision for slow moving and obsolete stocks - note 18.1		
- Raw material	12,730	9,018
- Finished goods	75,698	55,024
	88,428	64,042
	5,381,340	3,838,856

18.1 Movement of provision in stock-in-trade

Provision as at January 1	64,042	160,969
Transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	-	(134,745)
Charge for the year - note 29	29,435	48,831
Charge relating to discontinued operation	-	9,887
Reversal	-	(1,962)
Write-off	(4,572)	(18,938)
Payment	(477)	-
Provision as at December 31	88,428	64,042

18.2 Stock amounting to Rs 280.249 million (2011: Rs 30.024 million) is measured at net realisable value and has been written down by Rs 16.461 million (2011: Rs 70.917 million) to arrive at its net realisable value.

18.3 Raw and packing materials include Rs 243.227 million (2011: Rs 282.610 million) which are held with toll manufacturers namely Searle Pakistan Limited, Maple Pharmaceutical (Private) Limited, Epla Laboratories (Private) Limited, Breeze Pharma (Private) Limited, NovaMed Pharmaceuticals and Polymers International Pvt. Ltd. Finished goods include Rs Nil (2011: Rs 5.107 million) which are held with toll manufacturer, My Plan Pharmaceuticals.

	2012	2011
19. Trade Debts		
<i>Considered good</i>		
- Secured	317,764	244,664
- Unsecured	453,818	265,923
	771,582	510,587
<i>Considered doubtful</i>	95,384	92,339
	866,966	602,926
Less: Provision for:		
- Doubtful debts - note 41.4	95,384	92,339
- Discounts payable on sales	201,331	152,888
	296,715	245,227
	570,251	357,699

19.1 The above balances include amounts due from the following associated undertakings (December 28, 2012 to December 31, 2012):

Yunus Textile Mills Limited	11,795	-
Lucky Textile Mills Limited	6,975	-
	18,770	-

20. Loans and Advances

<i>Considered good</i>		
Loans due from:		
Directors and Executives - note 15.2	43,507	25,521
Employees - note 15.2	23,328	28,994
Due from Subsidiary:		
- Current portion of long-term loan - note 15.1	-	44,444
- Unsecured - note 15.1 & 20.1	-	283,000
	66,835	381,959
Advances to:		
Directors and Executives - note 20.2	6,314	12,831
Employees	1,559	1,493
Contractors and suppliers	110,024	54,644
Others	3,750	4,222
	121,647	73,190
	188,482	455,149
<i>Considered doubtful</i>	7,292	7,292
	195,774	462,441
Less: Provision for doubtful loans and advances - note 41.4	7,292	7,292
	188,482	455,149

20.1 A standby finance facility of Rs 300 million (2011: Rs 300 million) was provided to ICI Pakistan PowerGen Limited (wholly owned subsidiary) which was repayable on demand at a mark-up rate of 3 months KIBOR + 1.65% (2011: 3 months KIBOR + 1.65%). The standby finance facility has been adjusted against payable balance to ICI Pakistan PowerGen Limited in respect of purchase of Gas Turbine, as disclosed in note 15.1.

20.2 The maximum aggregate amount of advances due from the Directors and Executives at the end of any month during the year was Rs 9.646 million and Rs 14.137 million (2011: Rs 8.633 million and Rs 15.137 million) respectively.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

	2012	2011
21. Trade Deposits and Short-Term Prepayments		
Trade deposits	15,074	18,262
Short-term prepayments	235,590	247,457
	250,664	265,719
22. Other Receivables		
<i>Considered good</i>		
Duties, sales tax and octroi refunds due	227,469	156,227
Due from Associate - note 22.1 & 22.2	-	82,237
Commission and discounts receivable	51,696	21,427
Interest income receivable from subsidiary	11,240	16,077
Interest income receivable	5,099	15,440
Others - note 22.4	712,115	420,380
	1,007,619	711,788
<i>Considered doubtful</i>	57,312	18,185
	1,064,931	729,973
Less: Provision for doubtful receivables - note 22.3	57,312	18,185
	1,007,619	711,788
22.1 The maximum aggregate amount due from ICI Omicron B.V. at the end of any month during the year was Rs Nil (2011: Rs 84.291 million).		
22.2 The above balances include amounts due from the following associated undertakings (January 1, 2012 to December 27, 2012):		
ICI Omicron B.V. wholly owned subsidiary of AkzoNobel N.V.	-	82,083
Akzo Nobel Functional Chemicals	-	154
	-	82,237
22.3 Movement of provision for doubtful receivables		
Provision as at January 1	18,185	16,982
Charge for the year - note 29	40,796	1,203
Write-off	(1,669)	-
Provision as at December 31	57,312	18,185
22.4 This amount includes Rs 10.8 million on account of exchange gain / loss on forward exchange contracts.		
23. Cash and Bank Balances		
Short term deposits - note 23.1	102,000	2,783,000
Current accounts	483,081	1,551,388
In hand		
- Cheques	275,066	292,255
- Cash	6,318	6,679
	866,465	4,633,322
23.1 These are placed with various banks with terms ranging from one week to one year. The mark-up on these deposits ranges between 9.50% to 11.50% (2011: 9.60% to 11.60%) and these term deposits are readily encashable without any penalty. The current year short term deposits pertain to security deposits from customers.		

24. Operating Segment Results

	Note	Polyester		Soda Ash		Life Sciences		Chemicals		Company	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Sales											
Afghanistan		-	-	3,614	-	-	-	2,917	2,500	6,531	2,500
Bangladesh		-	-	-	-	-	-	-	6,960	-	6,960
India		-	-	305,719	262,171	-	-	-	-	305,719	262,171
South Africa		-	-	-	-	-	-	-	-	-	-
United Arab Emirates		-	-	-	-	-	-	-	2,059	-	2,059
Others		-	-	-	-	-	-	1,562	4,205	1,562	4,205
		-	-	309,333	262,171	-	-	4,479	15,724	313,812	277,895
Sales to Akzo Nobel		-	-	-	-	-	-	-	311,578	-	311,578
Pakistan Limited		-	-	-	-	-	-	40,969	307,972	40,969	307,972
Inter-segment		-	-	-	-	-	-	-	-	-	-
Local		18,354,064	21,037,756	8,909,826	8,366,287	6,251,234	5,253,251	3,918,729	3,021,958	37,433,853	37,679,252
		18,354,064	21,037,756	9,219,159	8,628,458	6,251,234	5,253,251	3,964,177	3,657,232	37,788,634	38,576,697
Commission / Toll income		-	-	-	-	-	-	61,768	79,866	61,768	79,866
Turnover - note 24.11		18,354,064	21,037,756	9,219,159	8,628,458	6,251,234	5,253,251	4,025,945	3,737,098	37,850,402	38,656,563
Sales tax		-	-	1,363,618	1,458,191	15,281	8,071	374,555	368,763	1,753,454	1,835,025
Excise Duty		-	-	-	63,352	-	-	-	12,335	-	75,687
Commission and discounts to distributors and customers		150,037	18,406	251,283	252,976	743,712	471,599	229,384	178,784	1,374,416	921,765
		150,037	18,406	1,614,901	1,774,519	758,993	479,670	603,939	559,882	3,127,870	2,832,477
Net sales, commission & toll income		18,204,027	21,019,350	7,604,258	6,853,939	5,492,241	4,773,581	3,422,006	3,177,216	34,722,532	35,824,086
Cost of sales	27	17,777,075	19,501,286	6,287,067	5,513,936	3,977,745	3,380,378	2,747,259	2,514,429	30,789,146	30,910,029
Gross profit		426,952	1,518,064	1,317,191	1,340,003	1,514,496	1,393,203	674,747	662,787	3,933,386	4,914,057
Selling and distribution expenses	28	79,728	65,633	92,994	110,604	712,345	648,656	202,102	187,928	1,087,169	1,012,821
Administration and general expenses	29	492,724	551,582	421,208	293,304	254,105	224,825	178,148	145,104	1,346,185	1,214,815
Operating result - note 24.12		(145,500)	900,849	802,989	936,095	548,046	519,722	294,497	329,755	1,500,032	2,686,421
24.1 Segment assets - note 24.5		7,522,751	6,848,365	12,423,985	11,613,572	5,362,519	4,655,834	2,032,361	2,144,167	19,100,039	16,531,468
24.2 Unallocated assets										1,762,928	4,189,942
										20,862,967	20,721,410
24.3 Segment liabilities - note 24.5		9,395,428	8,974,429	4,565,397	5,760,434	2,857,922	3,000,564	802,748	1,359,779	9,379,920	10,364,735
24.4 Unallocated liabilities										1,324,917	4,544
										10,704,837	10,369,279
24.5	Inter-unit current account balances of respective business have been eliminated from the total and the comparatives have been restated.										
24.6 Non-cash items											
(Provision for non-management staff gratuity and eligible retired employees' medical scheme) - note 6.1		26,894	13,319	23,210	35,152	8,856	6,550	4,986	7,205	63,946	62,226
- Relates to Paints										-	2,860
										63,946	65,086
24.7 Depreciation & amortization											
- note 12.6 & 13.1		430,004	353,980	589,142	523,474	19,366	19,523	39,440	35,745	1,077,952	932,722
- Relates to Paints										-	66,454
										1,077,952	999,176
24.8 Capital expenditure		956,464	117,223	1,911,095	368,708	14,805	12,669	35,014	35,427	2,917,378	534,027
- Relates to Paints										-	12,507
										2,917,378	546,534
24.9 Inter-segment pricing											
Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.											
24.10	There was no major customer of the Company which formed part of 10% or more of the Company's revenue.										
24.11	Astra Zeneca (a supplier contributing about 40% turnover of Life Sciences Business) has decided to discontinue its relationship with the Company.										
24.12	Reconciliation of operating result for the year 2011 is as follows:										
Operating results											2,686,421
Elimination of inter-segment sales to Paints Business (discontinued operations - note 26)											(307,972)
											2,378,449

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

	2012	2011
25. Reconciliations of reportable segment turnover, cost of sales, assets and liabilities		
25.1 Turnover		
Total turnover for reportable segments - note 24	37,850,402	38,656,563
Elimination of inter-segment turnover - note 24	(40,969)	(307,972)
Total turnover	37,809,433	38,348,591
25.2 Cost of sales		
Total cost of sales for reportable segments - note 27	30,789,146	30,910,029
Elimination of inter-segment purchases - note 27	(40,969)	-
Total cost of sales	30,748,177	30,910,029
25.3 Assets		
Total assets for reportable segments	19,100,039	16,531,468
Taxation recoverable	1,157,952	821,729
Bank deposits - note 23	102,000	2,783,000
Due from associates - note 22.2	-	82,237
Long-term investments - note 14	502,976	502,976
Total assets	20,862,967	20,721,410
25.4 Liabilities		
Total liabilities for reportable segments	9,379,920	10,364,735
Short-term loan	994,000	-
Long-term loan	290,270	-
Accrued interest on long-term loan - note 9	36,110	-
Unclaimed dividends - note 9	4,537	4,544
Total liabilities	10,704,837	10,369,279

26. Discontinued Operation due to Demerger of Paints Business

As disclosed in Note 1, the detail of assets and liabilities, profit and loss account and cash flow statement of discontinued operation are given below:

Profit and loss of Paints Business for the period ended June 30, 2011**Period ended
Jan 1, 2011 to
Jun 30, 2011**

Net sales, commission and toll income	2,463,964
Cost of sales (*)	(1,531,405)
Gross profit	932,559
Selling and distribution expenses	(411,946)
Administration and general expenses	(206,983)
Operating result	313,630
Financial charges	(8,547)
Other operating charges	(17,213)
Other operating income (*)	44,676
Profit before taxation	332,546
Taxation - current	160,030
Taxation - deferred	(44,086)
	115,944
Profit after taxation	216,602

(*) The following inter-unit transactions have been eliminated which has resulted in the variance of results reported in the special purpose financial statements for the six months period ended June 30, 2011.

Cost of goods sold - inter-unit purchases	307,972
Other operating income - inter-unit interest income	169,721

Balance sheet of Paints Business as at June 30, 2011 transferred to Akzo Nobel Pakistan Limited**As at June
30, 2011****ASSETS****Non-Current Assets**

Property, plant and equipment	953,747
Intangible assets	81,825
	1,035,572
Deferred tax asset	212,744
Long-term loans	50,382
Long-term deposits and prepayments	8,187
	271,313
	1,306,885

Current Assets

Stores and spares	25,587
Stock-in-trade	714,486
Trade debts	427,277
Loans and advances	534
Trade deposits and short-term prepayments	52,176
Other receivables	35,965

1,256,025

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

	As at Jun 30, 2011
Assets excluding cash and cash equivalents transferred from ICI Pakistan Limited	2,562,910
Allocated share capital, allocated capital reserves and unappropriated profit transferred from the Company as at June 30, 2011	(4,639,631)
Surplus on revaluation of property, plant and equipment	(526,560)
LIABILITIES	
Non-Current Liabilities	
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	17,368
Current Liabilities	
Short-term financing	67,743
Trade and other payables	991,317
	1,059,060
Liabilities transferred from the Company	(1,076,428)
Net Amount of transfers from the Company to Akzo Nobel Pakistan Limited	(3,679,709)
Cash and cash equivalents and inter-company receivable transferred from the Company to Akzo Nobel Pakistan Limited pursuant to the Scheme as at June 30, 2011.	3,679,709
	-
Cash and cash equivalents and inter-company receivable transferred from the Company pursuant to the Scheme include:	
Cash and bank balances	310,013
Inter-company receivables	3,369,696
	3,679,709
Cash Flow Statements of the Paints Business for the six months period ended June 30, 2011	
Net cash flows from operating activities	657,106
Net cash flows from investing activities	(204,054)
Net cash flows from financing activities	(228,109)
Net increase in cash and cash equivalents	224,943

27. Cost of Sales

	Polyester		Soda Ash		Life Sciences		Chemicals		Company	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Raw and packing materials consumed										
Opening stock	880,001	867,612	177,745	203,975	457,248	282,021	89,435	85,070	1,604,429	1,438,678
Purchases										
Inter-segment	8,127	-	32,842	-	-	-	-	-	40,969	-
Others	15,484,417	16,853,794	2,073,403	1,904,504	1,389,353	1,262,928	1,428,892	1,119,475	20,376,065	21,140,701
	15,492,544	16,853,794	2,106,245	1,904,504	1,389,353	1,262,928	1,428,892	1,119,475	20,417,034	21,140,701
	16,372,545	17,721,406	2,283,990	2,108,479	1,846,601	1,544,949	1,518,327	1,204,545	22,021,463	22,579,379
Closing stock - note 18	(1,394,859)	(880,001)	(359,582)	(177,745)	(588,355)	(457,248)	(115,497)	(89,435)	(2,458,293)	(1,604,429)
Raw material consumed	14,977,686	16,841,405	1,924,408	1,930,734	1,258,246	1,087,701	1,402,830	1,115,110	19,563,170	20,974,950
Salaries, wages and benefits - note 27.1	404,849	382,518	666,968	605,098	3,957	4,287	53,001	45,940	1,128,775	1,037,843
Stores and spares consumed	140,603	103,888	94,919	121,096	-	-	5,878	4,576	241,400	229,560
Conversion fee paid to contract manufacturers	-	-	-	-	287,189	268,329	9,261	3,332	296,450	271,661
Oil, gas and electricity	1,834,515	1,803,969	2,848,687	2,234,191	-	-	8,428	7,096	4,691,630	4,045,256
Rent, rates and taxes	1,035	993	929	1,536	-	-	12,156	9,911	14,120	12,440
Insurance	22,911	19,599	21,612	15,612	-	3	1,100	1,398	45,623	36,612
Repairs and maintenance	1,155	1,426	85	57	-	2	4,245	3,406	5,485	4,891
Depreciation & amortization charge - note 12.6 & 13.1	405,568	332,264	565,851	506,635	443	503	21,997	19,948	993,859	859,350
Technical fees	-	-	-	-	703	1,450	2,597	2,402	3,300	3,852
Royalty	-	-	-	-	1,592	1,769	-	8,134	1,592	9,903
General expenses	130,350	123,801	147,642	87,213	1,007	658	14,547	12,513	293,546	224,185
Opening stock of work-in-process	188,491	24,388	-	-	28,376	12,464	3,379	725	220,246	37,577
Closing stock of work-in-process - note 18	(74,987)	(188,491)	-	-	(71,700)	(28,376)	(1,276)	(3,379)	(147,963)	(220,246)
Cost of goods manufactured	18,032,176	19,445,760	6,271,101	5,502,172	1,509,813	1,348,790	1,538,143	1,231,112	27,351,233	27,527,834
Opening stock of finished goods	669,745	725,027	47,148	58,912	896,220	774,839	401,068	233,838	2,014,181	1,792,616
Finished goods purchased	84,950	244	352,328	-	2,697,903	2,193,565	1,093,070	1,458,782	4,228,251	3,652,591
	18,786,871	20,171,031	6,670,577	5,561,084	5,103,936	4,317,194	3,032,281	2,923,732	33,593,665	32,973,041
Closing stock of finished goods - note 18	(1,009,796)	(669,745)	(383,510)	(47,148)	(1,102,849)	(896,220)	(278,929)	(401,068)	(2,775,084)	(2,014,181)
Provision for obsolete stocks - note 29	-	-	-	-	(23,342)	(40,596)	(6,093)	(8,235)	(29,435)	(48,831)
	17,777,075	19,501,286	6,287,067	5,513,936	3,977,745	3,380,378	2,747,259	2,514,429	30,789,146	30,910,029

27.1 Staff retirement benefits

Salaries, wages and benefits include Rs 171.103 million (2011: Rs 151.481 million) in respect of staff retirement benefits.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

28. Selling and Distribution Expenses

	Polyester		Soda Ash		Life Sciences		Chemicals		Company	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Salaries and benefits - note 28.1	59,827	47,068	22,001	26,738	287,212	253,165	81,383	87,397	450,423	414,368
Repairs and maintenance	20	-	1,893	1,365	3,118	2,282	1,775	1,371	6,806	5,018
Advertising and publicity expenses	141	799	6,847	13,828	130,639	110,283	6,420	5,411	144,047	130,321
Rent, rates and taxes	46	-	2,098	1,316	7,872	7,780	1,110	741	11,126	9,837
Insurance	-	-	669	633	7,340	6,571	4,635	4,624	12,644	11,828
Lighting, heating and cooling	8	15	1,162	1,281	3,018	2,773	2,978	2,707	7,166	6,776
Depreciation & amortization charge - note 12.6 & 13.1	-	-	146	244	9,735	12,702	4,862	3,512	14,743	16,458
Outward freight and handling	2,945	5,718	43,307	47,238	45,487	52,291	48,734	35,379	140,473	140,626
Travelling expenses	6,774	5,872	3,247	3,681	99,282	86,807	13,016	14,612	122,319	110,972
Postage, telegram, telephone and telex	782	714	1,351	1,445	16,083	13,525	4,431	3,661	22,647	19,345
General expenses	9,185	5,447	10,273	12,835	102,559	100,477	32,758	28,513	154,775	147,272
	79,728	65,633	92,994	110,604	712,345	648,656	202,102	187,928	1,087,169	1,012,821

28.1 Staff retirement benefits

Salaries and benefits include Rs 54.378 million (2011: Rs 56.179 million) in respect of staff retirement benefits.

29. Administration and General Expenses

Salaries and benefits - note 29.1	323,829	218,700	307,190	192,627	166,114	119,584	127,776	91,899	924,909	622,810
Repairs and maintenance	5,424	4,751	3,455	3,448	2,777	2,248	795	975	12,451	11,422
Advertising and publicity expenses	1,752	2,700	2,016	3,114	652	1,065	495	760	4,915	7,639
Rent, rates and taxes	5,868	4,425	5,954	2,967	1,422	960	948	637	14,192	8,989
Insurance	2,236	1,861	2,675	2,228	2,704	2,834	577	478	8,192	7,401
Lighting, heating and cooling	5,678	5,771	5,159	5,328	4,295	5,394	1,112	1,144	16,244	17,637
Depreciation & amortization charge - note 12.6 & 13.1	24,436	21,716	23,145	16,595	9,188	6,318	12,581	12,285	69,350	56,914
Provision for doubtful debts										
- trade - note 41.6	672	-	-	-	123	-	2,250	-	3,045	-
- others - note 22.3	37,000	-	2,348	-	1,448	1,203	-	-	40,796	1,203
Provision for obsolete stocks - note 18.1	-	-	-	-	23,342	40,596	6,093	8,235	29,435	48,831
Provision for obsolete spares - note 17.1	-	5,154	2,625	6,618	-	-	-	-	2,625	11,772
Travelling expenses	8,259	7,294	4,686	4,800	4,875	5,885	4,807	4,213	22,627	22,192
Postage, telegram, telephone and telex	3,351	3,266	3,089	3,063	2,669	2,526	1,446	1,552	10,555	10,407
General expenses	74,219	66,420	58,866	52,516	34,496	36,212	19,268	22,926	186,849	178,074
Provision for impairment in investment - note 14.2	-	209,524	-	-	-	-	-	-	-	209,524
	492,724	551,582	421,208	293,304	254,105	224,825	178,148	145,104	1,346,185	1,214,815

29.1 Staff retirement benefits

Salaries and benefits include Rs 207.980 million (2011: Rs 144.904 million) in respect of staff retirement benefits.

29.2 Demerger cost

Administration and general expenses includes demerger and divestment cost amounting to Rs 373.8 million (2011: Rs 111.4 million).

	2012	2011
30. Financial Charges		
Mark-up on short-term financing	55,773	-
Interest on workers' profit participation fund - note 9.3	2,755	7,471
Discounting charges on receivables	55,841	75,310
Exchange losses	81,758	47,235
Guarantee fee and others	1,670	914
Interest on loan due to Akzo Nobel Pakistan Limited	96,363	129,979
	294,160	260,909
31. Other Operating Charges		
Auditors' remuneration - note 31.1	10,234	6,745
Donations - note 31.2	22,070	18,860
Workers' profit participation fund - note 9.3	72,336	128,168
Workers' welfare fund	27,992	49,515
Loss on disposal of property, plant and equipment	-	3,365
	132,632	206,653
31.1 Auditors' remuneration		
Audit and group reporting fee	3,400	3,436
Half yearly review and other certifications	1,231	1,103
Demerger related charges	5,500	1,996
Out of pocket expenses	103	210
	10,234	6,745
31.2	Donations include Rs 6 million (2011: Rs Nil) to ICI Pakistan Foundation (Head office, Karachi). Mr. Ali A Aga, Acting Chief Executive; Mr. Suhail Aslam Khan, Mr. Asif Malik and Ms. Seemi Saad, Executives of the Company are amongst the Trustees of the Foundation.	
32. Other Operating Income		
Income from related party		
Return on loan due from Subsidiary	58,408	72,648
Service fees from related parties - note 32.1	1,980	1,980
Return from other financial assets		
Profit on short-term and call deposits	109,254	236,760
Income from non-financial assets		
Scrap sales	58,556	41,337
Gain on disposal of property, plant and equipment	16,640	-
Others		
Provisions and accruals no longer required written back	7,786	-
Exchange gain	18,338	-
Sundries	27,419	31,041
	298,381	383,766
32.1	This represents amount charged by the Company for certain management and other services rendered to its subsidiary, ICI Pakistan PowerGen Limited, in accordance with the Service Agreement based on commercial terms between the companies.	

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

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	2012	2011
33. Taxation		
Current	573,443	862,046
Deferred - note 8	(94,491)	(98,823)
Net tax charged - note 33.1	478,952	763,223

33.1 Tax reconciliation

Profit before taxation	1,371,621	2,294,653
Tax @ 35%	480,068	803,129
Tax impact on income under FTR of the current year	(2,806)	(3,597)
Flood relief surcharge	-	60,450
Tax impact on repayment of Mortar Loan	-	(98,350)
Others	1,690	1,591
Net tax charged	478,952	763,223

34. Earnings Per Share - Basic and Diluted

34.1 Continuing operations

Profit after taxation from continuing operations for the year	892,669	1,531,430
Number of shares		
Weighted average number of ordinary shares (allocated) in issue during the year	92,359,050	115,580,675
Rupees		
Earnings per share from continuing operations	9.67	13.25

34.2 Discontinued operation

Profit after taxation from discontinued operation for the period	-	216,602
Number of shares		
Weighted average number of ordinary shares (allocated) in issue during the period / year	-	115,580,675
Rupees		
Earnings per share from discontinued operation	-	1.87

35. Remuneration of Directors and Executives

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

	Chairman		Chief Executive		Directors		Executives		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Managerial remuneration	3,687	1,236	134,484	31,643	50,516	38,523	521,731	525,121	710,418	596,523
Retirement benefits	-	-	68,564	7,487	9,909	8,588	134,244	135,361	212,717	151,436
Group insurance	-	-	64	64	128	128	7,000	5,913	7,192	6,105
Rent and house maintenance	-	-	2,927	6,835	-	-	149,643	154,345	152,570	161,180
Utilities	-	-	983	953	-	-	37,115	38,071	38,098	39,024
Medical expenses	-	-	359	139	165	205	26,179	22,546	26,703	22,890
	3,687	1,236	207,381	47,121	60,718	47,444	875,912	881,357	1,147,698	977,158
Number of persons	1	1	2	1	3	4	370	347	376	353

- 35.1** In addition to above, an amount of Rs 257.7 million (2011: Rs 233.07 million) on account of variable pay, to employees, has been recognised in the current year out of which Rs 139.01 million (2011: Rs Nil) has been paid based on achievements of Half year 2012 targets. The remaining amount is payable in the year 2013 after verification of achievements against target. Further, a special and demerger bonus of Rs 269.89 million (2011: Rs Nil) has been paid during the year.

Variable and special bonus paid during the year includes the following:

	Paid in 2012 relating to 2011	Paid in 2011 relating to 2010
Chief Executive	103,366	17,814
Directors	78,026	14,896
Executives	416,422	166,251
Other employees	79,092	23,362
	676,906	222,323

- 35.2** 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 Company car.

- 35.3** Aggregate amount charged in the financial statements for remuneration to three Non-executive Directors was Rs 9.813 million (2011: Rs 3.483 million). This includes fees paid to directors amounting to Rs 0.400 million (2011: Rs 0.270 million) for attending board and other meetings which is not included above.

- 35.4** The above balances include an amount of Rs 595.114 million (2011: Rs 179.900 million) on account of remuneration of key management personnel out of which Rs 30.648 million (2011: Rs 29.073 million) relates to post employment benefits.

- 35.5** Managerial remuneration to Chief Executive includes Rs 94.1 million paid on his early departure from the Company which include retirement benefits. The normal retirement benefits were paid from the respective retirement funds.

36. Transactions with Related Parties

The related parties comprise parent company (ICI Omicron B.V.), ultimate parent company (Akzo Nobel N.V.) (from January 1, 2012 to December 27, 2012) and Lucky Holdings Limited (from December 28, 2012 to December 31, 2012), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key employees (note 35) and staff retirement funds (note 6). Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2012	2011
<i>Subsidiary Company</i>		
Purchase of goods, materials and services	922,878	958,179
Provision of services and other receipts	1,980	1,980
Return on loan to Subsidiary - note 32	58,408	72,648
<i>Associated companies</i>		
Purchase of goods, materials and services	13,526	7,075
Provision of services and other receipts	3,639	999
Sale of goods and materials	641,967	448,587
Allocated expenses to Akzo Nobel Pakistan Limited	-	102,500
Dividends	823,804	1,631,051
Donations	6,000	-

37. Plant Capacity and Annual Production

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

	2012		2011	
	Annual Name Plate Capacity	Production	Annual Name Plate Capacity	Production
Polyester - note 37.1	122,000	111,727	122,000	117,174
Soda Ash - note 37.1	350,000	255,610	350,000	258,420
Chemicals - note 37.2	-	11,065	-	8,852
Sodium Bicarbonate	20,000	25,700	20,000	24,340
Paints (discontinued operations)	-	-	-	16,759

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

- 37.2** The capacity of Chemicals is indeterminable because these are multi-product plants.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

38. Fair Value of Financial Assets and Liabilities

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

39. Financial Risk Management

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

39.1 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.

40. 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.

40.1 Interest Rate Risk

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

	Carrying Amount	
	2012	2011
Fixed rate instruments		
Financial assets - note 23	102,000	2,783,000
Financial liabilities - note 7 & 9.4	(401,767)	(95,473)
	(299,767)	2,687,527
Variable rate instruments		
Financial assets - note 15 & 20	-	460,778
Payable to Akzo Nobel Pakistan Limited - note 9	-	(3,609,775)
Financial liabilities - note 10	(2,332,057)	-
	(2,332,057)	(3,148,997)

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis for variable rate instruments

If KIBOR had been 1% higher / lower with all other variables held constant, the impact on the profit before tax for the year would have been Rs 23.32 million (2011: Rs 31.50 million).

40.2 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. To hedge this risk the Company has entered 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.

	SGD	EURO	USD	GBP	JPY
2012					
Trade debts	-	-	8,743	-	-
Cash and bank balances	-	-	138,226	-	-
	-	-	146,969	-	-
Trade and other payables	-	195,508	2,090,032	976,469	-
Due to Associates - note 9.1	-	-	-	-	-
	-	195,508	2,090,032	976,469	-
Gross balance sheet exposure	-	(195,508)	(1,943,063)	(976,469)	-
2011					
Trade debts	-	-	2,572	-	-
Other receivables	-	1,571	19,701	-	-
Due from Associates - note 22.2	-	-	154	82,083	-
Cash and bank balances	-	-	130,723	-	-
	-	1,571	153,150	82,083	-
Trade and other payables	-	58,702	1,743,548	712,773	-
Due to Associates - note 9.1	-	44,591	14,691	-	-
	-	103,293	1,758,239	712,773	-
Gross balance sheet exposure	-	(101,722)	(1,605,089)	(630,690)	-

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at December 31	
	2012	2011	2012	2011
Rupees per	Rupees		Rupees	
EURO	120.09	120.16	128.18	116.13
USD	93.40	86.30	97.15	89.94
GBP	148.03	138.42	157.07	138.63
JPY	1.17	1.08	1.13	1.16
SGD	74.78	68.69	79.55	69.15

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 31.2 million (2011: Rs 23.4 million).

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

	2012	2011
41. 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 reporting date is as follows:		
41.1 Financial Assets		
Long-term investments - note 14	502,976	502,976
Long-term loans - note 15	191,508	287,084
Long-term deposits - note 16	26,799	25,190
Trade debts - note 19	570,251	357,699
Loans and advances - note 20	188,482	455,149
Trade deposits - note 21	15,074	18,262
Other receivables - note 22	780,150	555,561
Bank balances - note 23	860,147	4,626,643
	3,135,387	6,828,564
41.2 The Company has placed its funds with banks which are rated A-1 by Standard & Poor's and P-1 by Moody's.		
41.3 Financial Assets		
- Secured	583,980	467,253
- Unsecured	2,551,407	6,361,311
	3,135,387	6,828,564
41.4 The ageing of bank balances, trade debts and loans and advances at the reporting date is as follows:		
Not past due	1,578,947	5,421,260
Past due but not Impaired:		
Not more than three months	46,098	25,415
Past due and Impaired:		
More than three months and not more than six months	3,628	2,600
More than six months and not more than nine months	-	-
More than nine months and not more than one year	-	-
More than one year	92,883	89,847
	142,609	117,862
Less: Provision for:		
- Doubtful debts - note 19	95,384	92,339
- Doubtful loans and advances - note 20	7,292	7,292
	102,676	99,631
	1,618,880	5,439,491

	2012	2011
41.5 The maximum exposure to credit risk for past due and impaired at the reporting date by type of counter-party was:		
Wholesale customers	12,405	14,102
Retail customers	10,136	2,689
End-user customers	120,068	101,071
	142,609	117,862
Less: Provision for:		
- Doubtful debts - note 19	95,384	92,339
- Doubtful loans and advances - note 20	7,292	7,292
	102,676	99,631
	39,933	18,231

41.5.1 The balance between wholesale, retail and end-user customers have been reclassified for better presentation.

41.6 Movement of provision for trade debts and loans and advances

	Trade Debts	Loans and Advances	Total	Total
Opening balance	92,339	7,292	99,631	354,110
Transfer to Akzo Nobel Pakistan Limited pursuant to Scheme	-	-	-	(275,872)
Additional provision	3,045	-	3,045	23,240
(Write off) / Provision utilised against write-offs	-	-	-	(828)
Provision no longer required	-	-	-	(1,019)
	95,384	7,292	102,676	99,631

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

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

41.7 Concentration Risk

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

Textile and Chemicals	364,229	260,022
Glass	33,081	6,846
Paper and Board	15,233	20,492
Pharmaceuticals	21,327	19,675
Paints	35,772	6,135
Bank	860,147	4,626,643
Subsidiary - note 15.1	-	283,000
Others	391,767	316,309
	1,721,556	5,539,122
Less: Provision for:		
- Doubtful debts - note 19	95,384	92,339
- Doubtful loans and advances - note 20	7,292	7,292
	102,676	99,631
	1,618,880	5,439,491

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

42. 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
	2012		
Financial liabilities			
Trade creditors - note 9	1,407,341	(1,407,341)	(1,407,341)
Bills payable - note 9	3,187,853	(3,187,853)	(3,187,853)
Mark-up accrued on short-term financing - note 9	14,731	(14,731)	(14,731)
Accrued interest on secured/unsecured loans - note 9	36,110	(36,110)	(36,110)
Accrued expenses - note 9	770,626	(770,626)	(770,626)
Technical service fee / Royalty - note 9	665	(665)	(665)
Distributors' security deposits - payable on termination of distributorship - note 9 & 9.4	111,497	(124,765)	(124,765)
Contractors' earnest / retention money - note 9	9,589	(9,589)	(9,589)
Unclaimed dividends - note 9	4,537	(4,537)	(4,537)
Payable for capital expenditure - note 9	216,402	(216,402)	(216,402)
Payable to ICI Pakistan PowerGen Limited - note 9	102,057	(102,057)	(102,057)
Others - note 9	191,369	(191,369)	(191,369)
Long-term loan - note 7	290,270	(400,281)	(23,176)
Short-term borrowings - note 10.1	994,000	(1,002,408)	(1,002,408)
Short-term running finance - note 10.2	1,338,057	(1,338,057)	(1,338,057)
	8,675,104	(8,806,791)	(8,429,686)

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

	2011		
Financial liabilities			
Trade creditors - note 9	655,610	(655,610)	(655,610)
Bills payable - note 9	2,631,096	(2,631,096)	(2,631,096)
Accrued interest / return on unsecured loan - note 9	-	-	-
Accrued expenses - note 9	1,028,108	(1,028,108)	(1,028,108)
Technical service fee / Royalty - note 9	608	(608)	(608)
Distributors' security deposits - payable on termination of distributorship - note 9 & 9.4	95,473	(106,548)	(106,548)
Contractors' earnest / retention money - note 9	9,344	(9,344)	(9,344)
Unclaimed dividends - note 9	4,544	(4,544)	(4,544)
Payable for capital expenditure - note 9	76,267	(76,267)	(76,267)
Payable to Akzo Nobel Pakistan Limited - note 9	3,609,775	(3,609,775)	(3,609,775)
Others - note 9	106,558	(106,558)	(106,558)
	8,217,383	(8,228,458)	(8,228,458)

43. Capital Risk Management

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

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

44. 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 earlier set aside the assessment for the assessment year 1998-99 on the issues of date of commissioning of PTA plant & depreciation thereon, restriction of cost of capitalisation of PTA plant and addition to income in respect of trial production stocks. The re-assessment was finalised by the department on June 29, 2010 giving rise to an additional tax demand. The Company has filed an appeal against the said order before the CIR(Appeals), hearing of appeal has been completed and the order is awaited.

The tax department reopened the income tax assessment for the assessment year 2001-2002 on the ground that demerger of PTA business from ICI Pakistan Limited. was effective from the completion date i.e. August 6, 2001. This was challenged by the Company in the High Court which upheld the Company's contention that the department did not have the right to reopen this finalised assessment. The department 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 Courts' 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 Courts' 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 Appellate Tribunal Inland Revenue which has decided the case in Company's favour on the basis that order issued on May 7, 2012 was time barred.

For the assessment year 2002-2003 on receipt of notice u/s 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 Tax Department has taken certain action in the order, considered by the department as "protective assessment" on the matter of unabsorbed depreciation carried forward. It is the Company's contention that such an action is unwarranted. An appeal before the CIR (Appeals), on the matter has been filed, which is pending. The very basis of such an action has also been challenged before the High Court of Sindh 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 Tax 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 filed which is pending.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2012

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 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 depreciation loss is available to the Company.

Pension and Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 6 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect gains and losses in those years.

Property, Plant and Equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuer and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. The future cash flows used in the impairment testing of assets is based on management's best estimates which may change in future periods. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

45. Standards or Interpretations not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2013:

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments would reduce the equity of the Company by Rs 603.7 million which is required to be recognized in other comprehensive income in first quarter of 2013.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. These amendments may impact the financial statements of the Company.

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

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

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment may impact the financial statements of the Company.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments may impact the financial statements of the Company.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations which may impact the financial statements of the Company:

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendment is not likely to have any material impact on the financial statements of the Company.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for period taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

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

46. Post Balance Sheet Events

46.1 Dividend

The Directors in their meeting held on February 21, 2013 have recommended a final dividend of Rs 2.00 per share (2011: Rs 5.50 per share) in respect of year ended December 31, 2012. The financial statements for the year ended December 31, 2012 do not include the effect of the above dividend which will be accounted for in the period in which it is approved.

46.2 Staff Retirement Benefits

Changes in IAS 19 are disclosed in note 45.

47. Date of Authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on February 21, 2013.

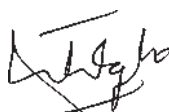
48. General

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

48.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure and this has been disclosed in relevant notes.



Muhammad Yunus Tabba
Chairman / Director



Ali A Aga
Acting Chief Executive



Muhammad Nasir Jamal
Acting Chief Financial Officer

Comparison of Results for Ten Years

As at December 31

		2003*	2004*	
Balance Sheet				
Equity and Revaluation Reserve		6,141,682	8,641,044	
Non - Current Liability		74,568	82,601	
Current Liability		7,915,577	5,205,018	
Total Equity and Liabilities		14,131,827	13,928,663	
Non - Current Assets		8,825,935	6,738,979	
Current Assets		5,305,892	7,189,684	
Total Assets		14,131,827	13,928,663	
Profit and Loss Account				
Turnover		17,572,075	20,865,798	
Net sales, commission & toll income		18,127,295	17,639,480	
Cost of Sales		15,462,928	14,883,771	
Gross profit		2,664,367	2,755,709	
Operating Result		1,087,681	1,346,788	
Profit before taxation		806,552	1,110,450	
Profit after taxation		766,244	1,057,868	
Summary of Cash Flows				
Cash generated from operations		2,139,564	1,916,503	
Net cash generated from operating activities		1,933,065	1,823,927	
Net cash used in investing activities		(103,226)	3,379,171	
Net cash used in financing activities		(1,261,623)	(4,542,451)	
Cash and cash equivalents at December 31		1,044,028	1,704,675	
Ratios				
Profitability Ratios				
Gross margin	%	14.70	15.62	
Gross profit turnover	%	15.16	13.21	
Operating result margin	%	6.00	7.64	
Net profit margin	%	4.23	6.00	
Profit markup	%	17.23	18.51	
Profit before tax margin	%	4.45	6.30	
Return on equity	%	14.03	13.13	
Return on capital employed	%	17.50	15.44	
Return on assets	%	5.42	7.59	
Return on fixed assets	%	19.68	25.01	
Growth Ratios				
Net sales	%	48.35	(2.69)	
Operating results	%	0.98	23.82	
EBITDA	%	1.61	16.80	
Profit after tax	%	(58.69)	38.06	
Operating working capital	%	53.16	(104.67)	

*Excluding turnover over of furnace oil and coal business. Also excluding oneoff profit on sale of PPTA shares in 2004.

**Excluding recognition of deferred tax credit in 2005.

2005** Restated	2006	2007 Restated	2008 Restated	2009	2010	2011	2012
9,987,387	11,389,230	12,380,997	13,410,921	14,414,642	15,455,445	10,352,131	10,158,130
90,604	104,079	119,571	612,954	1,208,117	1,093,190	1,441,328	1,680,779
5,891,930	5,436,275	6,263,805	4,446,810	5,799,898	5,482,037	8,927,951	9,024,058
15,969,921	16,929,584	18,764,373	18,470,685	21,422,657	22,030,672	20,721,410	20,862,967
9,469,783	9,905,729	9,741,603	10,435,258	10,297,489	10,152,415	9,154,438	10,898,077
6,500,138	7,023,855	9,022,770	8,035,427	11,125,168	11,878,257	11,566,972	9,964,890
15,969,921	16,929,584	18,764,373	18,470,685	21,422,657	22,030,672	20,721,410	20,862,967
21,054,298	21,947,688	25,988,351	31,921,873	32,399,181	39,532,506	38,348,591	37,809,433
18,476,457	19,574,118	23,024,123	27,798,915	28,429,897	35,129,980	35,516,114	34,681,563
15,124,759	15,492,648	18,205,369	22,303,138	22,754,005	28,443,690	30,910,029	30,748,177
3,351,698	4,081,470	4,818,754	5,495,777	5,675,892	6,686,290	4,606,085	3,933,386
1,842,542	2,479,018	2,984,004	3,052,360	3,027,654	3,712,566	2,378,449	1,500,032
1,612,401	2,117,797	2,768,523	2,812,778	3,072,506	3,731,516	2,294,653	1,371,621
1,572,257	1,455,628	1,784,800	1,862,738	2,044,738	2,428,826	1,531,430	892,669
2,666,900	3,554,048	4,312,406	1,188,392	4,938,310	3,716,187	4,127,104	(2,180,133)
2,521,959	3,477,093	4,093,537	969,809	4,476,231	2,334,428	2,875,020	(3,176,714)
(1,420,757)	(1,040,183)	(1,397,436)	(1,780,969)	(938,043)	(752,830)	(509,814)	(2,125,793)
(1,118,221)	(2,337,028)	(868,583)	(832,815)	(1,041,018)	(1,388,027)	(2,151,436)	(796,407)
1,687,656	1,787,538	3,615,056	1,971,081	4,468,251	4,661,822	4,633,322	(1,465,592)
18.14	20.85	20.93	19.77	19.96	19.03	12.97	11.34
15.92	18.60	18.54	17.22	17.52	16.91	12.01	10.40
9.97	12.66	12.96	10.98	10.65	10.57	6.70	4.33
8.51	7.44	7.75	6.70	7.19	6.91	4.31	2.57
22.16	26.34	26.47	24.64	24.94	23.51	14.90	12.79
8.73	10.82	12.02	10.12	10.81	10.62	6.46	3.95
16.56	14.18	15.70	14.96	15.17	16.70	16.07	9.48
18.28	21.57	23.87	21.77	19.38	22.43	20.17	12.67
9.85	8.60	9.51	10.08	9.54	11.02	7.39	4.28
25.18	29.46	34.92	32.61	32.82	40.91	28.55	14.76
4.74	5.94	17.63	20.74	2.27	23.57	1.10	(2.35)
36.81	34.54	20.37	2.29	(0.81)	22.62	(35.94)	(36.93)
25.34	28.27	18.40	-	1.04	19.45	(28.89)	(22.14)
48.63	(7.42)	22.61	4.37	9.77	18.78	(36.95)	(41.71)
(324.95)	(199.82)	(118.86)	218.10	(82.19)	320.64	(408.72)	150.99

Comparison of Results for Ten Years

As at December 31

		2003	2004	
Efficiency Ratios				
Asset turnover	Times	1.28	1.27	
Fixed asset turnover	Times	3.28	3.28	
Inventory turnover	Times	5.73	4.16	
Current asset turnover	Times	3.42	2.45	
Capital employed turnover	Times	2.83	2.39	
Operating working capital turnover	Times	21.16	(440.62)	
Debtor turnover ratio	Days	13.25	15.09	
Creditor turnover ratio	Days	56.35	75.62	
Inventory turnover ratio	Days	60.06	76.94	
Operating cycle	Days	16.96	16.41	
Revenue per employee	Rs'000	13,568	13,434	
Net Income per employee	Rs'000	574	806	
Capex to sales	%	2.53	3.12	
Cost Ratios				
Operating costs (%of sales)	%	94.00	92.36	
Administration costs (%of sales)	%	3.26	3.77	
Selling costs (% of sales)	%	5.43	4.22	
Financial charges/Interest cost (%of sales) *	%	2.11	1.44	
Equity Ratios				
Price earnings ratio	Rs	15.40	11.76	
Earnings per share	Rs	5.52	7.62	
Dividend per share	Rs	2.50	4.00	
Dividend cover	Times	2.21	1.91	
Dividend yield	%	2.94	4.46	
Dividend payout	%	45.29	52.48	
Market value per share	Rs	85.00	89.65	
Break-up value per share with surplus on revaluation	Rs	44.25	62.25	
Break-up value per share excluding surplus on revaluation	Rs	39.35	58.02	
Liquidity Ratios				
Current ratio	Ratio	0.67:1	1.38:1	
Quick ratio	Ratio	0.33:1	0.69:1	
Cash ratio	Ratio	0.13:1	0.33:1	
Leverage Ratios				
Debt to equity	%	-	1.39	
Total debt to capital ratio	Ratio	40:60	1:99	
Interest cover *	Times	3.11	5.36	

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

The comparative (2002-2004) have not been resated due to change in accounting policy on adoption of IFRIC 4.

2005 Restated	2006	2007 Restated	2008 Restated	2009	2010	2011	2012
1.16	1.16	1.23	1.51	1.33	1.59	1.71	1.66
2.52	2.33	2.69	2.97	3.08	3.87	4.26	3.41
4.73	5.07	6.24	6.39	6.08	6.71	7.15	5.19
2.84	2.79	2.55	3.46	2.56	2.96	3.07	3.48
2.09	1.91	2.08	2.28	2.07	2.39	3.25	3.19
(108.61)	(38.38)	(20.62)	21.09	121.06	35.56	(11.65)	22.30
14.44	12.84	13.65	11.81	11.08	8.90	5.91	4.88
78.70	75.90	78.24	50.52	41.00	40.06	37.17	46.78
81.77	73.67	59.85	52.43	58.00	51.19	50.53	60.81
17.52	10.62	(4.74)	13.72	28.08	20.03	19.28	18.91
14,137	15,304	17,946	21,044	21,852	26,878	32,025	31,644
1,203	1,138	1,391	1,410	1,572	1,858	1,381	814
7.77	5.53	4.65	5.45	2.91	2.43	1.72	6.51
90.03	87.34	87.04	89.02	89.35	89.43	93.30	95.67
3.75	3.71	3.30	4.05	4.14	3.70	3.42	3.88
4.41	4.48	4.67	4.74	5.17	4.77	2.85	3.13
1.50	1.45	0.44	0.32	-	-	-	0.36
12.40	11.01	15.29	5.12	11.44	8.24	9.08	17.98
11.33	10.49	12.86	13.42	14.73	17.50	13.25	9.67
5.00	5.50	6.00	6.50	8.00	17.50	9.00	5.50
2.27	1.91	2.14	2.06	1.84	1.00	1.47	1.76
3.56	4.76	3.05	9.46	4.75	12.13	7.48	3.16
44.14	52.45	46.66	48.43	54.31	100.01	81.57	56.91
140.50	115.50	196.65	68.71	168.49	144.24	120.27	173.89
71.95	82.05	89.20	96.62	103.85	111.35	89.57	109.99
68.39	73.95	81.91	89.68	97.14	104.81	103.16	101.97
1.10:1	1.29:1	1.44:1	1.81:1	1.92:1	2.17:1	1.30:1	1.10:1
0.56:1	0.73:1	0.97:1	1.02:1	1.27:1	1.39:1	0.81:1	0.45:1
0.29:1	0.33:1	0.58:1	0.44:1	0.77:1	0.85:1	0.52:1	0.10:1
-	0.04	-	-	-	-	-	27.85
0:100	0:100	0:100	0:100	0:100	0:100	0:100	21:79
6.82	8.44	28.42	32.29	-	-	-	11.84

Pattern of Shareholding

as at December 31, 2012

No. of Shareholders	Categories		No. of Shares
	From	To	
6,564	1	100	219,607
2,847	101	500	672,579
706	501	1,000	509,851
610	1,001	5,000	1,285,991
89	5,001	10,000	646,823
29	10,001	15,000	354,929
11	15,001	20,000	186,997
8	20,001	25,000	177,013
3	25,001	30,000	80,076
1	30,001	35,000	30,876
6	45,001	50,000	286,981
3	50,001	55,000	155,126
2	65,001	70,000	134,840
1	85,001	90,000	89,857
1	95,001	100,000	97,900
1	115,001	120,000	119,687
1	165,001	170,000	170,000
1	190,001	195,000	191,112
1	200,001	205,000	200,300
1	220,001	225,000	221,653
1	290,001	295,000	295,000
1	305,001	310,000	307,281
1	310,001	315,000	310,550
1	505,001	510,000	507,923
1	730,001	735,000	732,805
1	1,085,001	1,090,000	1,085,727
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	70,100,001	70,105,000	70,100,281
10,896			92,359,050

Categories of Shareholding

as at December 31, 2012

S.No.	Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children.	1	1	0.00
2	Associated Companies, undertakings and related parties.	4	81,189,254	87.91
3	Banks Development Financial Institutions, Non Banking Financial Institutions.	23	144,622	0.16
4	Insurance Companies	14	2,997,530	3.25
5	Modarabas and Mutual Funds	30	874,857	0.95
6	Share holders holding 10%	1	70,100,281	75.90
7	General Public : a. Local b. Foreign	10,663	3,953,006	4.28
8	Others	161	3,199,780	3.45
	Total. (Excluding share holders holding 10%)	10,896	92,359,050	100.00

Pattern of Shareholding

(Under clause (j) of sub-regulation (XVI) of Regulation 35 of chapter (XI) of the Listing Regulations of Karachi Stock Exchange Limited)
As at December 31, 2012

ADDITIONAL INFORMATION

Shareholder's Category	Number of Shareholders / folios	Number of Shares Held
i. Associated Companies, Undertakings and Related Parties (name wise details)		
Lucky Holdings Limited	2	70,131,157
Gadoon Textile Mills Limited	1	5,980,917
Lucky Textile Mills Limited	1	5,077,180
	4	81,189,254
ii. Mutual Funds (name wise details)		
CDC - Trustee Akd Index Tracker Fund	1	5,338
CDC - Trustee Faysal Asset Allocation Fund	1	200,300
CDC - Trustee Faysal Balanced Growth Fund	1	50,000
CDC - Trustee Hbl IpF Equity Sub Fund	1	4,990
CDC - Trustee Hbl Pf Equity Sub Fund	1	4,990
CDC - Trustee Kse Meezan Index Fund	1	15,648
CDC - Trustee Ubl Sharia Stock Fund	1	170,000
CDC - Trustee United Stock Advantage Fund.	1	295,000
CDC - Trustee Hbl Islamic Stock Fund	1	92
CDC - Trustee Meezan Capital Protected Fund-II	1	2,641
Confidence Mutual Fund Ltd	1	7
Dominion Stock Fund Limited	1	182
First Capital Mutual Fund Limited	1	7,500
Golden Arrow Selected Stocks Fund	1	7
Growth Mutual Fund Limited	1	17
MCBFSL - Trustee Pak Oman Advantage Asset Allocation Fund	1	3,000
MCBFSL - Trustee Pak Oman Islamic Asset Allocation Fund	1	68,300
MCBFSL - Trustee Uirsf-equity Sub Fund	1	12,600
MCBFSL - Trustee Uirsf-equity Sub Fund	1	11,100
Safeway Mutual Fund Limited	1	256
Security Stock Fund Limited	1	36
	21	852,004
iii. Directors and their spouse(s) and minor children (name wise details)		
Mr. Ali Asrar Hossain Aga	1	1
iv. Executives	26	10,887
v. Public Sector Companies and Corporations	5	2,437,840
vi. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	45	745,561
vii. Shareholders Holding five percent or more Voting Rights in the Listed Company (name wise details)		
Lucky Holdings Limited	1	70,100,281
Gadoon Textile Mills Limited	1	5,980,917
Lucky Textile Mills Limited	1	5,077,180
	3	81,158,378

Notice of Meeting

Notice is hereby given that the Sixty-First Annual General Meeting of ICI PAKISTAN LIMITED will be held on Monday, April 22, 2013 at 10.00 a.m. at the Registered Office of the Company, ICI House, 5 West Wharf, Karachi, to transact the following business:

Ordinary Business

1. To receive, consider and adopt the accounts of the Company for the year ended December 31, 2012, the report of the Auditors thereon and the report of the Directors.
2. To declare and approve Final cash dividend @ 20% i.e., Rs.2/- per ordinary share of Rs 10/- each for the year ended December 31, 2012 as recommended by the Directors, payable to the Members whose names appear in the Register of Members as at April 15, 2013.
3. To appoint the Auditors of the Company and to fix their remuneration. The Company has received from its Principal shareholder, a notice under section 253(1) of the Companies Ordinance 1984 proposing Messrs Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants for appointment as auditors of the company in place of Messrs KPMG Taseer Hadi & Co., the retiring auditors of the company.

Special Business

4. To change the financial year of the company from January 01 - December 31 to July 01 - June 30

By Order of the Board



Nasir Jamal
Acting Company Secretary

March 20, 2013
Karachi

A Statement under section 160(1)(b) in respect of the special business is annexed.

Notes:

1. Share Transfer Books of the Company will remain closed from April 16, 2013 to April 22, 2013 (both days inclusive). Transfers received in order at the office of our Shares Registrar, FAMCO Associates (Pvt) Ltd, State Life Building 1-A, 1st Floor, I. I. Chundrigar Road, Karachi-74000, by the close of business on April 15, 2013 will be in time to entitle the transferees to the final dividend and to attend the Meeting.
2. All Members are entitled to attend and vote at the Meeting.
3. A Member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend, speak and vote for him/her. A proxy must be a Member of the Company.
4. An instrument of proxy applicable for the Meeting 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
5. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of such power or authority, must, to be valid, be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
6. Members are requested to submit a copy of their Computerize National Identity Card (CNIC), if not already provided and Notify immediately changes, if any, in their registered address to our Shares Registrar, FAMCO Associates (Pvt) Ltd.
7. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies:

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- (iii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iv) The proxy shall produce his original CNIC or original passport at the time of the Meeting.
- (v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Statement under section 160(1)(b) of the Companies Ordinance, 1984

The change in the financial year of the Company has become necessary as a consequence of the recent acquisition of the Company by the YB Group. The YB Group as of today holds an aggregate of 87.91% shares of which Lucky Holdings Limited holds 75.93%. ICI Pakistan Limited is thus a subsidiary of Lucky Holdings Limited. Since the financial year of the YB Group companies including Lucky Holdings Limited is from July 1 to June 30, it is desirable that the financial year of ICI Pakistan Limited be also changed from January 1 - December 31 to July 1 - June 30 to align it with the financial year of the parent company. This change is also required to comply with the International Accounting Standards.

For this purpose, it is proposed that the following resolutions be considered and passed as an ordinary resolution:

RESOLVED THAT the financial year of the Company be and is hereby changed from December 31 to June 30 such that the financial year of the Company will commence on July 1 each year and will end on June 30 of the next calendar year, and that accordingly the next audited annual accounts of the Company be prepared for the six months period from January 1, 2013 to June 30, 2013.

FURTHER RESOLVED THAT the Chief Executive and the Company Secretary of the Company be and are hereby authorized jointly and severally to take all necessary steps to obtain necessary permissions, sanctions and approvals in order to give effect to the above resolution.



ICI Pakistan Limited
and its Subsidiary Company
Consolidated Financial Statements

Report of the Directors for the Year Ended December 31, 2012

The Directors are pleased to present their report together with the audited Group results of ICI Pakistan Limited for the year ended December 31, 2012. The ICI Pakistan Group comprises of ICI Pakistan Limited and ICI Pakistan PowerGen Limited, a wholly owned subsidiary.

The Directors report, giving a commentary on the performance of ICI Pakistan Limited for the year ended December 31, 2012 has been presented separately.

Electricity sales volume for the year was 21 percent lower compared to 2011. This was due to lower demand from the Polyester plant after the sale of Gas Turbines to ICI Pakistan Limited. Despite lower revenue, Company was able to earn an Operating result of Rs. 160 million in 2012 which was 56 percent higher compared to same period last year owing to higher selling prices and lower depreciation due to sale of Gas Turbines as mentioned above.



Muhammad Yunus Tabba
Chairman / Director

February 21, 2013
Karachi



Ali A Aga
Acting Chief Executive

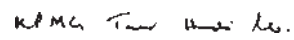
Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **ICI Pakistan Limited** and its subsidiary company as at 31 December 2012 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 **ICI Pakistan Limited** and its subsidiary company **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 **ICI Pakistan Limited** and its subsidiary company as at 31 December 2012 and the results of their operations for the year then ended.

Date: 21 February, 2013
Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

Consolidated Balance Sheet

As at December 31, 2012

Amounts in Rs '000

	Note	2012	2011
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital 1,500,000,000 ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid-up capital	4	923,591	923,591
Capital reserves	5	309,643	309,643
Unappropriated profit		8,102,675	8,116,876
Total Equity		9,335,909	9,350,110
Surplus on Revaluation of Property, Plant and Equipment	6	884,867	967,863
Liabilities			
Non-Current Liabilities			
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	7	299,005	255,333
Long-term loans	8	290,270	-
Deferred tax liability - net	9	1,091,743	1,186,234
		1,681,018	1,441,567
Current Liabilities			
Trade and other payables	10	6,536,184	9,001,789
Short-term borrowings and running finance	11	2,332,057	-
Contingencies and Commitments	12		
Total Equity and Liabilities		20,770,035	20,761,329

Amounts in Rs '000

	Note	2012	2011
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	10,310,313	8,979,355
Intangible assets	14	40,992	69,118
		10,351,305	9,048,473
Long-term investment	15	2,500	2,500
Long-term loans	16	194,432	158,663
Long-term deposits and prepayments	17	40,891	32,372
		237,823	193,535
		10,589,128	9,242,008
Current Assets			
Stores and spares	18	597,360	552,848
Stock-in-trade	19	5,411,611	3,868,551
Trade debts	20	595,693	383,169
Loans and advances	21	193,848	128,970
Trade deposits and short-term prepayments	22	254,803	271,245
Other receivables	23	1,065,523	754,603
Taxation recoverable		1,157,952	821,730
Cash and bank balances	24	904,117	4,738,205
		10,180,907	11,519,321
Total Assets		20,770,035	20,761,329

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



Muhammad Yunus Tabba
Chairman / Director



Ali A Aga
Acting Chief Executive



Muhammad Nasir Jamal
Acting Chief Financial Officer

Consolidated Profit and Loss Account

For the year ended December 31, 2012

Amounts in Rs '000

	Note	2012	2011
Turnover	26	37,809,433	38,348,591
Sales tax, excise duty, commission and discounts	25	(3,251,671)	(2,968,402)
Net sales, commission and toll income		34,557,762	35,380,189
Cost of sales	26	(30,460,513)	(30,667,178)
Gross profit		4,097,249	4,713,011
Selling and distribution expenses	29	(1,087,169)	(1,012,821)
Administration and general expenses	30	(1,347,587)	(1,007,269)
Operating result		1,662,493	2,692,921
Financial charges	31	(294,527)	(265,149)
Other operating charges	32	(140,107)	(207,710)
		(434,634)	(472,859)
Other operating income	33	240,566	309,469
Profit before taxation		1,468,425	2,529,531
Taxation	34	(478,952)	(763,223)
Profit after taxation from continuing operations		989,473	1,766,308
Profit from discontinued operation (net of tax)	27	-	216,602
Profit for the year		989,473	1,982,910
		(Rupees)	(Rupees)
Basic and diluted earnings per share - Continuing operations	35	10.71	15.28
Basic and diluted earnings per share - Discontinued operation	35	-	1.87

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



Muhammad Yunus Tabba
Chairman / Director



Ali A Aga
Acting Chief Executive



Muhammad Nasir Jamal
Acting Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2012

Amounts in Rs '000

	2012	2011
Profit for the year	989,473	1,982,910
Other comprehensive income	-	-
Total comprehensive income for the year	989,473	1,982,910

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

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



Muhammad Yunus Tabba
Chairman / Director



Ali A Aga
Acting Chief Executive



Muhammad Nasir Jamal
Acting Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended December 31, 2012

Amounts in Rs '000

	2012	2011 (Represented)
Cash Flows from Operating Activities		
Profit before taxation continuing and discontinued operations	1,468,425	2,862,077
Adjustments for:		
Depreciation and amortisation	1,119,171	1,092,938
(Gain) / loss on disposal of property, plant and equipment	(16,640)	2,961
Provision for non-management staff gratuity and eligible retired employees' medical scheme	63,946	65,086
Mark-up on bank deposits	(109,254)	(270,019)
Interest / mark-up expense	201,327	197,982
	2,726,975	3,951,025
Movement in:		
Working capital	(4,788,888)	417,298
Long-term loans	(35,769)	(60,780)
Long-term deposits and prepayments	(8,519)	(101)
Cash generated from operations	(2,106,201)	4,307,442
Payments for :		
Non-management staff gratuity and eligible retired employees' medical scheme	(20,274)	(15,566)
Taxation	(909,665)	(1,297,854)
Interest / mark-up	(184,690)	(197,982)
Profit / mark-up received on bank deposits	119,595	259,095
Net cash generated from operating activities	(3,101,235)	3,055,135
Cash Flows from Investing Activities		
Payments for capital expenditure	(2,298,465)	(669,209)
Proceeds from disposal of property, plant and equipment	29,954	6,428
Net cash used in investing activities	(2,268,511)	(662,781)

Amounts in Rs '000

	2012	2011 (Represented)
Cash Flows from Financing Activities		
Long-term borrowings	290,270	-
Dividend paid	(1,086,669)	(2,151,436)
Net cash used in financing activities	(796,399)	(2,151,436)
Net (decrease) / increase in cash and cash equivalents	(6,166,145)	240,918
Cash and cash equivalents transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	-	(242,270)
Cash and cash equivalents at January 1	4,738,205	4,739,557
Cash and cash equivalents at December 31 - note 11 & 24	(1,427,940)	4,738,205
Movement in Working Capital		
(Increase) / Decrease in current assets		
Stores and spares	(44,512)	(54,013)
Stock-in-trade	(1,543,060)	(771,801)
Trade debts	(212,524)	7,905
Loans and advances	(64,878)	157,151
Trade deposits and short-term prepayments	16,442	131,811
Other receivables	(321,261)	(131,975)
	(2,169,793)	(660,922)
Increase / (Decrease) in current liabilities		
Trade and other payables	990,680	(2,531,555)
(Paid) / Payable to Akzo Nobel Pakistan Limited	(3,609,775)	3,609,775
	(4,788,888)	417,298
Cash and bank balances - note 24	904,117	4,738,205
Running finances utilised under mark-up arrangements - note 11	(2,332,057)	-
	(1,427,940)	4,738,205

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.



Muhammad Yunus Tabba
Chairman / Director



Ali A Aga
Acting Chief Executive



Muhammad Nasir Jamal
Acting Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended December 31, 2012

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
Balance as on January 1, 2011	1,388,023	465,845	12,279,401	14,133,269
Final dividend for the year ended December 31, 2010 @ Rs 12.00 per share	-	-	(1,665,628)	(1,665,628)
Transferred to Akzo Nobel Pakistan Limited pursuant to Scheme of Arrangement - Note 4 & 5	(464,432)	(156,202)	(4,018,997)	(4,639,631)
Interim dividend for the year 2011 @ Rs 3.50 per share	-	-	(485,808)	(485,808)
Transactions with owners, recorded directly in equity	(464,432)	(156,202)	(6,170,433)	(6,791,067)
Total comprehensive income for the year ended December 31, 2011	-	-	1,982,910	1,982,910
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the year - net of deferred tax - note 6	-	-	24,998	24,998
	-	-	2,007,908	2,007,908
Balance as on December 31, 2011	923,591	309,643	8,116,876	9,350,110
Final dividend for the year ended December 31, 2011 @ Rs 5.50 per share *	-	-	(763,413)	(763,413)
Interim dividend for the year 2012 @ Rs 3.50 per share **	-	-	(323,257)	(323,257)
Transactions with owners, recorded directly in equity	-	-	(1,086,670)	(1,086,670)
Total comprehensive income for the year ended December 31, 2012	-	-	989,473	989,473
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the year-net of deferred tax - note 6	-	-	82,996	82,996
	-	-	1,072,469	1,072,469
Balance as on December 31, 2012	923,591	309,643	8,102,675	9,335,909

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

* Dividend was declared before the approval of demerger by the High Court of Sindh on 138,802,300 shares.

** Interim dividend was declared post approval of demerger by High Court of Sindh on 92,359,050 shares.



Muhammad Yunus Tabba
Chairman / Director



Ali A Aga
Acting Chief Executive



Muhammad Nasir Jamal
Acting Chief Financial Officer

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

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.

The Company was previously also engaged in the manufacture of paints, however, with effect from July 1, 2011 ("Effective Date") its Paints Business has been demerged under a Scheme of Arrangement ("the Scheme") dated September 16, 2011 approved by the shareholders of ICI Pakistan Limited on February 8, 2012 and sanctioned by the High Court of Sindh vide its order announced on May 17, 2012 and submitted to the registrar on June 1, 2012 ("Completion Date"). Consequent to the Scheme, the net assets of ICI Pakistan Limited were split into Paints Business and Non-Paints Businesses on the basis of audited special purpose financial statements of the Company as of June 30, 2011 as detailed in the re-presented financial statements for the year ended December 31, 2011.

2. Basis of Preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of, or directives issued under the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except that certain classes of property, plant and equipment (i.e. Freehold Land, Buildings on Freehold and Leasehold Land and Plant & Machinery) have been included at revalued amounts and certain exchange elements referred to in note 3.7 have been recognised in the cost of the relevant property, plant & equipment.

The preparation of 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 financial statements in subsequent years are discussed in note 45.

3. Summary of Significant Accounting Policies

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

3.1 Consolidation

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

3.2 Staff retirement benefits

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

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 amortised over the expected average remaining working lives of employees as allowed under the relevant provision of IAS 19 "Employee Benefits".

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

Defined contribution plans

The 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 liability for compensated absences in respect of employees in which these are earned up to the balance sheet date. The provision has been recognized on the basis of actuarial valuation.

3.3 Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. 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.

3.4 Trade and other payables

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

3.5 Dividend

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

3.6 Taxation

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

Current

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

Deferred

Deferred tax is recognised using balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the enacted or substantively enacted rates of taxation.

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

3.7 Property, plant and equipment and depreciation

Property, plant and equipment (except Freehold Land, 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 & machinery are stated at revalued amounts less accumulated depreciation and impairment losses, if any. Capital work-in-progress is stated at cost. Cost of certain property, plant and equipment comprises historical cost, exchange differences recognised in accordance with the previous Fourth Schedule to the Ordinance, cost of exchange risk cover in respect of foreign currency loans obtained for the acquisition of property, plant and equipment up to the commencement of commercial production and the cost of borrowings during construction period in respect of loans taken for specific projects.

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

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

Surplus on revaluation of property, plant and equipment is credited to the surplus on revaluation account. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of property, plant and equipment (net of deferred taxation) is transferred directly to unappropriated profit.

Maintenance and normal repairs are charged to income as and when incurred. Improvements are capitalised when it is probable that respective future economic benefits will flow to the 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 retained earnings (unappropriated profits).

3.8 Intangible assets and amortization

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 or loss as incurred.

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

3.9 Impairment

Financial assets (including receivables)

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

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

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

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax 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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

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.

3.10 Investment

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

3.11 Stores and spares

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

3.12 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.

3.13 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized 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 42.6.1).

3.14 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupees, at the foreign exchange rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the foreign exchange rates at the balance sheet date. Exchange differences are taken to the profit and loss account.

3.15 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.

3.16 Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer. For those products which are often sold with a right of return, accumulated experience is used to estimate and provide for such returns at the time of sale.

Commission income is recognised on date of shipment from suppliers.

Profit on short-term deposits is accounted for on a time-apportioned basis using the effective interest rate method.

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

Toll manufacturing income is recognised when services are rendered.

3.17 Financial expense and financial income

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

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

3.18 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 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 risks 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.

3.19 Finance lease

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

3.20 Operating leases / Ijarah contracts

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

Payments made under operating leases / Ijarah contracts are recognised in the profit and loss account on a straight-line basis over the term of the lease.

3.21 Cash and cash equivalents

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

3.22 Borrowings and their cost

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing 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 as detailed in note 13.7.1 to the financial statements.

3.23 Financial liabilities

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

3.24 Derivative financial instruments

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

3.25 Off-setting

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

3.26 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.

3.27 Discontinued operation

A discontinued operation is a separate major line of business, which is a distinct part of the Group both operationally and for financial reporting purposes and which is in the process of being discontinued by the Group. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

	2012 (Numbers)	2011		2012	2011
4. Issued, Subscribed and Paid-up Capital					
	83,734,062	125,840,190	Ordinary shares of Rs 10 each fully paid in cash	837,341	1,258,402
	211,925	318,492	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash under scheme of arrangement for amalgamation - note 4.1	2,119	3,185
	16,786	25,227	Ordinary shares of Rs 10 each issued as fully paid bonus shares	168	252
	8,396,277	12,618,391	Ordinary shares issued pursuant to the previous Scheme as fully paid for consideration of investment in associate - note 4.2	83,963	126,184
	-	(46,443,250)	Transferred to Akzo Nobel Pakistan Limited - note 4.4	-	(464,432)
	92,359,050	92,359,050		923,591	923,591

- 4.1** 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.
- 4.2** With effect from October 1, 2000 the Pure Terephthalic Acid (PTA) Business of the Company was demerged under a Scheme of Arrangement ("the previous Scheme") dated December 12, 2000 approved by the shareholders and sanctioned by the High Court of Sindh.
- 4.3** 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) Regulation, 2008. Thus, Lucky Holdings Limited and two other companies of the Yonus 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.
- 4.4** With effect from July 1, 2011, the share capital was 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. Shares transferred to Akzo Nobel Pakistan Limited has been adjusted against the paid-up capital of the Company on pro rata basis.

5. Capital Reserves

Share premium - note 5.1	309,057	465,259
Capital receipts - note 5.2	586	586
Transferred to Akzo Nobel Pakistan Limited - note 5.3	-	(156,202)
	309,643	309,643

- 5.1** Share premium includes the premium amounting to Rs 0.902 million received on shares issued for the Company's Polyester Plant installation in 1980 and share premium of Rs 464.357 million representing the difference between nominal value of Rs 10 per share of 12,618,391 ordinary shares issued by the Company and the market value of Rs 590.541 million of these shares corresponding to 25% holding acquired in 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.
- 5.2** Capital receipts represent the amount received from various ICI PLC group companies overseas for the purchase of property, plant and equipment. The remitting companies have no claim to their repayments.
- 5.3** 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.

	2012	2011
6. Surplus on Revaluation of Property, Plant and Equipment		
Balance as on January 1	967,863	917,380
Transferred to Akzo Nobel Pakistan Limited as on June 30, 2011	-	(526,560)
Revaluation surplus - note 13.2 & 13.3	-	848,191
Deferred tax liability recognised on surplus note 9	-	(246,150)
	-	602,041
Transferred to unappropriated profit in respect of incremental depreciation during the year - net of deferred tax	(82,996)	(24,998)
Balance as on December 31	884,867	967,863

7. Provisions for non-management staff gratuity and eligible retired employees' medical scheme - note 7.1	299,005	255,333
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7.1 Staff Retirement Benefits

The amount recognised in the profit and loss account against defined benefit scheme for the year from January 1, 2012 to December 31, 2012 are as follows:

	2012				2011			
	Funded		Unfunded		Funded		Unfunded	
	Pension	Gratuity	Total		Pension	Gratuity	Total	
7.1.1 The amounts recognised in the profit and loss account against defined benefit schemes are as follows:								
Current service cost	40,178	34,511	74,689	10,765	38,178	30,341	68,519	5,365
Interest cost	187,825	74,093	261,918	44,694	191,509	66,604	258,113	50,533
Expected return on plan assets	(183,705)	(52,069)	(235,774)	-	(185,527)	(49,464)	(234,991)	-
Termination Cost	59,810	-	59,810	-	-	-	-	-
Recognition of actuarial loss	104,254	11,861	116,115	8,487	108,564	12,544	121,108	9,188
Net charge for the year	208,362	68,396	276,758	63,946	152,724	60,025	212,749	65,086

7.1.2 Movement in the net assets / (liability) recognised in the balance sheet are as follows:

Opening balance	193,254	15,932	209,186	(255,333)	342,584	19,835	362,419	(223,181)
Balance transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	-	-	-	-	(36,888)	(2,173)	(39,061)	17,368
Net charge for the year - note 7.1.1	(208,362)	(68,396)	(276,758)	(63,946)	(152,724)	(60,025)	(212,749)	(65,086)
Contributions / payments	173,052	43,392	216,444	20,274	40,282	58,295	98,577	15,566
Closing Balance	157,944	(9,072)	148,872	(299,005)	193,254	15,932	209,186	(255,333)

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

Fair value of plan assets - note 7.1.5	1,165,492	344,408	1,509,900	-	1,223,627	357,947	1,581,574	-
Present value of defined benefit obligation - note 7.1.4	(1,194,618)	(646,506)	(1,841,124)	(422,886)	(1,426,539)	(508,072)	(1,934,611)	(402,650)
Deficit	(29,126)	(302,098)	(331,224)	(422,886)	(202,912)	(150,125)	(353,037)	(402,650)
Unrecognised actuarial losses	187,070	293,026	480,096	123,881	396,166	166,057	562,223	147,317
Recognised asset / (liability)	157,944	(9,072)	148,872	(299,005)	193,254	15,932	209,186	(255,333)

The recognized liability of funded gratuity has been netted off against recognized asset of funded pension as amount is immaterial.

7.1.4 Movement in the present value of defined benefit obligation:

Opening balance	1,426,539	508,072	1,934,611	402,650	1,547,841	553,363	2,101,204	381,842
Balance transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	-	-	-	-	(222,370)	(117,334)	(339,704)	(26,953)
Current service cost	40,178	34,511	74,689	10,765	38,178	30,341	68,519	5,365
Interest cost	187,825	74,093	261,918	44,694	191,509	66,604	258,113	50,533
Benefits paid*	(552,141)	(147,375)	(699,516)	(20,274)	(165,570)	(56,049)	(221,619)	(15,566)
Termination cost	59,810	-	59,810	-	-	-	-	-
Actuarial loss/ (gain)	32,407	177,205	209,612	(14,949)	36,951	31,147	68,098	7,429
Closing balance	1,194,618	646,506	1,841,124	422,886	1,426,539	508,072	1,934,611	402,650

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	2012				2011			
	Funded		Unfunded		Funded		Unfunded	
	Pension	Gratuity	Total		Pension	Gratuity	Total	
7.1.5 Movement in the fair value of plan assets:								
Opening balance	1,223,627	357,947	1,581,574	-	1,380,173	391,304	1,771,477	-
Balance transferred to Akzo Nobel Pakistan Ltd pursuant to the Scheme	-	-	-	-	(196,534)	(81,149)	(277,683)	-
Expected return	183,705	52,069	235,774	-	185,527	49,464	234,991	-
Contributions*	173,052	43,392	216,444	-	40,282	58,295	98,577	-
Benefits paid*	(552,141)	(147,375)	(699,516)	-	(165,570)	(56,049)	(221,619)	-
Actuarial (loss) / gain	137,249	38,375	175,624	-	(20,251)	(3,918)	(24,169)	-
Closing balance	1,165,492	344,408	1,509,900	-	1,223,627	357,947	1,581,574	-
Contributions *	-	-	-	-	4,071	6,133	10,204	-
Benefits paid *	-	-	-	-	(54,414)	(17,391)	(71,805)	(12)

* Contributions and benefits paid in respect of funded pension, funded gratuity and unfunded gratuity and medical benefits of Paints Business have been recorded in the books of ICI Pakistan Limited and have been transferred to Akzo Nobel Pakistan Limited after the Completion date (June 1, 2012).

7.1.6 Historical Information**

As at December 31	2012	2011	2010	2009	2008
Present value of defined benefit obligation	2,264,010	2,337,261	2,483,046	2,088,882	1,819,786
Fair value of plan assets	1,509,900	1,581,574	1,771,477	1,354,469	1,126,062
Deficit	754,110	755,687	711,569	734,413	693,724

** Prior year figures are inclusive of staff retirement benefits of Paints Business (from 2008 to 2010).

Experience adjustment on plan liabilities	4%	3%	7%	3%	13%
Experience adjustment on plan assets	12%	(1%)	5%	13%	(27%)

2012 2011

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

Debt instruments	73%	67%
Equity at market value	27%	31%
Cash	0%	2%

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.

The return on plan assets was assumed to equal to the discount rate. Actual (loss) / return on plan assets during 2012 was Rs 411.398 million (2011: Rs 217.028 million).

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

Discount rate	11.50%	13.00%
Expected return on plan assets	11.50%	13.00%
Future salary increases - Management	13.00%	10.75%
Future salary increases - Non-Management	6.00%	10.75%
Future pension increases	7.00%	7.50%

On and from the Completion Date, proportionate amounts in the ICI Pakistan Management Staff Gratuity Fund and the ICI Pakistan Management Staff Pension Fund relating to the Paints employees, has been transferred from the ICI Pakistan Management Staff Gratuity Fund and the ICI Pakistan Management Staff Pension Fund and have vested in the trustees of similar funds established by Akzo Nobel Pakistan Limited for the benefit of its employees.

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

	2012	Increase	Decrease
	6.25%	7.25%	5.25%
Effect on the aggregate of the current service cost and interest cost	44,950	52,070	39,771
Effect on the defined benefit obligation	350,500	400,373	313,642

These figures are based on the actuarial valuation as at December 31, 2012. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortized over the expected future service life of current members.

7.1.10 The Group contributed Rs 58.328 million (2011: Rs 64.210 million) and Rs 35.286 million (2011: Rs 37.764 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

	2012	2011
8. Long-Term Loan		
From banking companies / financial institutions:	290,270	-

The Group has obtained Long-Term Finance Facility (LTFF) for imported and locally manufactured plant and machinery from Faysal Bank Limited, of Rs 290.27 million (limit: Rs 500 million) for a period of 7 years (including 2 year grace period), with the principal repayable on semi-annual basis. The Group also has Long-Term Finance Facility (LTFF) available from Habib Bank Limited aggregating to Rs 1,000 million for a period of 7 years (including 2 year grace period), with the principal repayable on semi-annual basis. The mark-up is chargeable at fixed rate of 9.65% payable on quarterly basis. These facilities are secured against first pari passu hypothecation charge of Rs 1,875 million on the Property, Plant and Equipment (PPE) of the Group's Soda Ash Business. The loans have been refinanced by the State Bank of Pakistan under Long-Term Finance Facility (LTFF) for Export Oriented Projects.

	2012			2011				
	Opening	Reversal (note - 34)	Closing	Opening	Transferred to ANPL (note - 27)	Reversal (note - 34 & note - 9.1)	Recognised in Surplus on revaluation (note 6)	Closing
9. Deferred Tax (Liability) / Asset - net								
Deductible temporary differences								
Provisions for retirement benefits, doubtful debts and others	286,493	43,583	330,076	470,105	(262,871)	79,259	-	286,493
Taxable temporary differences								
Property, plant and equipment	(1,472,727)	50,908	(1,421,819)	(1,340,353)	50,127	63,649	(246,150)	(1,472,727)
	(1,186,234)	94,491	(1,091,743)	(870,248)	(212,744)	142,908	(246,150)	(1,186,234)

9.1 Last year reversal included Rs 44.086 million pertaining to discontinued operation.

	2012	2011
10. Trade and Other Payables		
Trade creditors - note 10.1 & 10.1.1	1,315,497	683,954
Bills payable	3,190,094	2,631,879
Sales tax, excise and custom duties	35,640	86,128
Mark-up accrued on short-term financing	16,645	1,904
Accrued interest on long-term loans - note 10.2	36,110	-
Accrued expenses	774,026	1,040,765
Technical service fee / royalty	665	608
Workers' profit participation fund - note 10.3	81,887	150,223
Workers' welfare fund	31,716	54,788
Distributors' security deposits - payable on termination of distributorship - note 10.4	111,497	95,473
Contractors' earnest / retention money	9,589	9,344
Advances from customers - note 10.5	469,015	402,642
Unclaimed dividends	4,537	4,544
Payable for capital expenditure	216,972	80,120
Provision for compensated absences - note 10.6	31,249	20,000
Payable to Akzo Nobel Pakistan Limited - note 10.7	-	3,609,775
Others	211,045	129,642
	6,536,184	9,001,789

10.1 The above balances include amounts due to the following associated undertakings (January 1, 2012 to December 27, 2012):

Akzo Nobel NV	-	44,591
Akzo Nobel Functional Chemicals BV	-	11,998
Akzo Nobel Functional Chemicals Pte Limited	-	1,619
Akzo Nobel Surface Chemistry Pte Limited	-	1,074
	-	59,282

10.1.1 This amount includes Rs 52.5 million on account of exchange gain / loss on forward exchange contracts.

10.2 This liability pertains to long-term loan obtained for Coal Fired Boiler project. Interest charge on this loan is part of Capital work-in-progress.

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	2012	2011
10.3 Workers' profit participation fund		
Balance as on January 1	150,223	206,645
Allocation for the year	77,673	129,526
Allocation relating to discontinued operation	-	10,314
	227,896	346,485
Interest on funds utilised in the Group's businesses at 67.5 % (2011: 131.25 %) per annum - note 31	2,843	7,902
Interest on funds utilised in the discontinued operation	-	1,786
	230,739	356,173
Less:		
- Paid to the Fund	148,852	205,950
Balance as on December 31	81,887	150,223
10.4 Interest on security deposits from certain distributors is payable at 11.9 % (2011: 11.6 %) per annum as specified in the respective agreements.		
10.5 The above balances include amounts due to the following associated undertakings (December 28, 2012 to December 31, 2012):		
Gadoon Textile Mills	3,179	-
Fazal Textile Mills	6,374	-
	9,553	-
10.6 This figure is based on actuarial valuation and estimation.		
10.7 This amount has been paid to AkzoNobel Pakistan Limited.		
11. Short-Term Borrowings and Running Finance	2,332,057	-
Short-term borrowings and running finance facility available from various banks aggregated to Rs 4,100 million (31 December 2011: Rs 3,056 million) and carry mark-up during the period ranging from relevant KIBOR + 0.5% to 1.0% per annum with an average mark-up rate of relevant KIBOR + 0.83% per annum as at December 31, 2012 (December 31, 2011: relevant KIBOR + 0.5% to 1.5% per annum with an average mark-up rate of relevant KIBOR + 1.00% per annum). The facilities are secured by hypothecation charge over the present and future stock-in-trade and book debts of the Group.		
11.1 Short-term borrowings - secured		
	Tenure	
	Mark up rate	From To
Samba Bank Limited	KIBOR + 0.5%	3-Dec-12 2-Jan-13
United Bank Limited	KIBOR + 0.5%	10-Dec-12 9-Jan-13
Standard Chartered Bank Limited	KIBOR + 0.5%	12-Dec-12 11-Jan-13
	994,000	-
The above short term borrowings are secured by first pari passu hypothecation charge as mentioned above.		
11.2 Short-term running finance - secured	1,338,057	-
The above short term running finance is secured by first pari passu hypothecation charge as mentioned above.		
12. Contingencies and Commitments		
12.1 Claims against the Group not acknowledged as debts are as follows:		
Local bodies	30,446	80,846
Sales tax authorities	-	492
Others	30,389	137,201
	60,835	218,539

- 12.1.1** The Company was served notice by Punjab Employees Social Security Institution's 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 payable by the Company 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 Company challenged the notice and filed an appeal with Vice Commissioner Social Security Institution and also filed petition in Lahore High Court on July 20, along with stay application. The court granted stay order on July 25, 2012. The outcome of the case cannot be determined yet.
- 12.2** Guarantees issued by the Group in respect of financial and operational obligations of Lotte Pakistan PTA Limited pursuant to the previous Scheme of Arrangement, amounting to Rs 2,010 million (2011: Rs 2,100 million) against which Lotte Pakistan PTA Limited and KP Chemicals Corporation have issued counter guarantees to the Group.
- 12.3** Guarantee issued by the Group to a bank in respect of financing obtained by Senior Executives amounted to Rs Nil (2011: Rs 35 million), in accordance with the terms of employment.
- 12.4** Guarantee has been issued by the Group of Rs 133 million (2011: Rs 133 million) to a bank on behalf of its subsidiary ICI Pakistan PowerGen Limited for availing funded facility.
- 12.5** Commitments in respect of capital expenditure (including Coal Fired Boiler Project of the Soda Ash Business) amounted to Rs 492.036 million (2011: Rs 133.47 million).
- 12.6** The Board of ICI Pakistan Limited reviewed the cost escalation of the Polymer Filter Project and approved the revised cost of Rs 324.3 million in August 2012 given the strategic importance of this quality improvement project for Polyester Business. The Group has signed a Design Services contract with Chemtex International Inc and 20% payment of equipment supply contract value is being processed upon submission of purchase order of polymer filter to related bank. M/s Chemtex has provided equipment loading data which has been passed on to civil design authority for design of civil structure which is expected by first quarter 2013.
- 12.7** Commitments for rentals under operating lease / ijarah contracts in respect of vehicles amounting to Rs 126.028 million (2011: Rs 158.663 million) are as follows:

	2012	2011
Year		
2012	-	63,429
2013	52,396	51,141
2014	38,060	31,742
2015	24,937	12,351
2016	10,635	-
	126,028	158,663
Payable not later than one year	52,396	63,429
Payable later than one year but not later than five years	73,632	95,234
	126,028	158,663

- 12.8** Outstanding foreign exchange contracts as at December 31, 2012 entered into by the Group amounted to Rs 2,635.860 million (2011: Rs 720.173 million).

13 Property, Plant and Equipment

- 13.1** The following is a statement of property, plant and equipment:

Operating property, plant and equipment - note 13.2	8,303,581	8,837,831
Capital work-in-progress - note 13.7	2,006,732	141,524
	10,310,313	8,979,355

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13.2 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 13.3)			(Note 13.3)						
2012										
Net carrying value basis										
Year ended December 31										
Opening net book value (NBV)	341,885	-	114,497	370,068	722,701	7,065,990	-	18,487	204,203	8,837,831
Addition/transfer (at cost)	-	-	25,551	17,499	42,997	404,441	-	11,220	66,548	568,256
Disposal/transfer (at NBV)	-	-	-	-	(637)	(7,266)	-	(952)	(4,459)	(13,314)
Revaluation - note 13.3	-	-	-	-	-	-	-	-	-	-
Transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	-	-	-	-	-	-	-	-	-	-
Depreciation charge - note 13.6	-	-	(12,614)	(50,192)	(81,103)	(870,839)	-	(7,745)	(66,699)	(1,089,192)
Closing net book value (NBV)	341,885	-	127,434	337,375	683,958	6,592,326	-	21,010	199,593	8,303,581
Gross carrying value basis										
At December 31										
Cost/Revaluation	341,885	567,799	227,123	1,247,089	1,463,173	19,760,021	297	96,994	651,603	24,355,984
Accumulated depreciation	-	(567,799)	(99,689)	(909,714)	(779,215)	(13,167,695)	(297)	(75,984)	(452,010)	(16,052,403)
Net book value	341,885	-	127,434	337,375	683,958	6,592,326	-	21,010	199,593	8,303,581
Depreciation rate % per annum	-	2 to 4	3.33 to 7.5	5 to 10	2.5 to 10	3.33 to 10	3.33	10 to 25	10 to 33.33	
2011										
Net carrying value basis										
Year ended December 31										
Opening net book value (NBV)	864,636	2,765	89,663	251,809	705,235	7,089,005	-	21,443	200,388	9,224,944
Addition/transfer (at cost)	-	-	36,822	9,208	88,075	527,133	-	6,081	63,807	731,126
Disposal/transfer (at NBV)	-	-	-	-	-	(4,604)	-	-	(4,785)	(9,389)
Revaluation - note 13.3	9,149	-	-	225,425	-	613,617	-	-	-	848,191
Transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	(531,900)	-	-	(88,095)	-	(257,752)	-	(323)	(33,687)	(911,757)
Depreciation charge - note 13.6	-	(2,765)	(11,988)	(28,279)	(70,609)	(901,409)	-	(8,714)	(21,520)	(1,045,284)
Closing net book value (NBV)	341,885	-	114,497	370,068	722,701	7,065,990	-	18,487	204,203	8,837,831
Gross carrying value basis										
At December 31										
Cost/Revaluation	341,885	567,799	201,572	1,229,590	1,429,858	19,530,332	297	132,152	604,860	24,038,345
Accumulated depreciation	-	(567,799)	(87,075)	(859,522)	(707,157)	(12,464,342)	(297)	(113,665)	(400,657)	(15,200,514)
Net book value	341,885	-	114,497	370,068	722,701	7,065,990	-	18,487	204,203	8,837,831
Depreciation rate % per annum	-	2 to 4	3.33 to 7.5	5 to 10	2.5 to 10	3.33 to 10	3.33	10 to 25	10 to 33.33	

13.3 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, building 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.

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

	2012	2011
Cost	2,144	2,402
Net book value	1,192	1,419

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

Net Book Value		
Freehold land	42,605	42,804
Buildings	829,863	867,344
Plant and machinery	6,064,516	6,299,773
	6,936,984	7,209,921

	2012	2011
13.6 The depreciation charge for the year has been allocated as follows - note 13.6.1:		
Cost of sales - note 28	1,024,250	939,060
Selling and distribution expenses - note 29	12,440	12,645
Administration and general expenses - note 30	52,502	30,466
Depreciation charge relating to discontinued operation	-	63,113
	1,089,192	1,045,284

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

13.7 The following is a statement of capital work-in-progress - note 13.7.1:

Civil works and buildings	160,948	17,960
Plant and machinery	1,650,582	85,832
Miscellaneous equipment	140,379	29,655
Advances to suppliers / contractors	15,630	8,077
Designing, consultancy and engineering fee	39,193	-
	2,006,732	141,524

13.7.1 This includes interest charge on long-term loan obtained for Coal Fired Boiler project amounting to Rs 66 million (2011: Rs Nil)

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

2012						
	Mode of sale	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
Plant and machinery						
Boiler Coil	Scrap	1,584	1,515	69	70	Shahid Hanif Ghouri, House # 7, Mandi Bahaiddin
Rolling stock and vehicles						
Kia Sportage, Corolla and others	Tender	1,478	592	886	3,467	Muhammad Farooq Ahmed, House No.28, Jamal Street, Lahore and Shafiqur Rehman, Sultan Ali, Shah Jehan etc
Furniture and equipment						
Central heating and hot water system	Tender	2,975	1,795	1,180	1,024	Owner Of Miranjani House - Samad A Khan, Alpine Hotel, Manshera Road, Abbottabad, and Anjum Wood Craft, Khewra Distt Jhelum etc
Diesel generator and others	BOD approval	3,563	714	2,849	2,818	Waqar A Malik, Ex- Chief Executive Officer
2011						
Plant and machinery						
Conveyor System & others	Tender	6,817	4,738	2,079	205	Muhammad Akram Ghouri House # 142 Mohallah New Kashmir Colony Mandi Bahaiddin
Furniture and equipment						
Computers	Insurance Claim	256	50	206	247	Adamjee Insurance Limited.

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14. Intangible Assets

	2012			
	Software	Licenses	Under development	Total
Net carrying value basis				
Year ended December 31				
Opening net book value (NBV)	27,791	41,327	-	69,118
Additions at cost	-	1,853	-	1,853
Amortisation charge - note 14.1	(8,676)	(21,303)	-	(29,979)
Closing net book value (NBV)	19,115	21,877	-	40,992
Gross carrying amount				
At December 31				
Cost	230,212	103,417	-	333,629
Accumulated amortisation	(211,097)	(81,540)	-	(292,637)
Net book value	19,115	21,877	-	40,992
Rate of amortisation % per annum	20	20 to 50	-	
2011				
Net carrying value basis				
Year ended December 31				
Opening net book value (NBV)	48,760	65,991	65,352	180,103
Additions at cost	4,066	14,428	-	18,494
Transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	(7,748)	(8,725)	(65,352)	(81,825)
Amortisation charge - note 14.1	(17,287)	(30,367)	-	(47,654)
Closing net book value (NBV)	27,791	41,327	-	69,118
Gross carrying amount				
At December 31				
Cost	230,212	101,564	-	331,776
Accumulated amortisation	(202,421)	(60,237)	-	(262,658)
Net book value	27,791	41,327	-	69,118
Rate of amortisation % per annum	20	20 to 50	-	
2012				2011

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

Cost of sales - note 28	10,828	14,053
Selling and distribution expenses - note 29	2,303	3,813
Administration and general expenses - note 30	16,848	26,447
Amortization charge relating to discontinued operation	-	3,341
	29,979	47,654

15. Long-Term Investment

Unquoted

Equity security available for sale

- Arabian Sea Country Club Limited

2,500

2,500

	2012	2011		
16. Long-Term Loans - Considered good				
Due from Directors, Executives and Employees - note 16.1	194,432	158,663		
16.1 Due from Directors, Executives and Employees				
	Motor car	House building	Total	Total
Due from Directors and Executives - note 16.2	113,881	68,127	182,008	154,598
Less: Receivable within one year - note 21	19,717	24,562	44,279	25,789
	94,164	43,565	137,729	128,809
Due from Employees			80,492	58,848
Less: Receivable within one year - note 21			23,789	28,994
			56,703	29,854
			194,432	158,663
Outstanding for period:				
- less than three years but over one year			115,755	68,883
- more than three years			78,677	89,780
			194,432	158,663
16.2 Reconciliation of the carrying amount of loans to Directors and Executives:				
Opening balance at beginning of the year			154,598	153,415
Transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	-		(50,382)	
Disbursements			113,348	118,734
Repayments			(85,938)	(67,169)
Balance at end of the year			182,008	154,598
16.3	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.			
16.4	The maximum aggregate amount of loans due from the Executives at the end of any month during the year was Rs 182.008 million (2011: Rs 163.069 million).			
17. Long-Term Deposits and Prepayments				
Deposits			26,799	25,190
Prepayments			14,092	7,182
			40,891	32,372
18. Stores and Spares				
Stores (include in-transit Rs 14.291 million; 2011: Rs 11.97 million)			43,344	37,707
Spares			664,822	627,154
Consumables			94,577	90,786
			802,743	755,647
Less: Provision for slow moving and obsolete items - note 18.1			205,383	202,799
			597,360	552,848

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

	2012	2011
18.1 Movement of provision in stores and spares		
Provision as at January 1	202,799	191,027
Charge - note 30	2,625	11,772
Write-off	(41)	-
Provision as at December 31	205,383	202,799
19. Stock-in-Trade		
Raw and packing material (include in-transit Rs 824.331 million; 2011: Rs 192.615 million) - note 19.3	2,501,294	1,643,142
Work-in-process	147,963	220,246
Finished goods (include in-transit Rs 195.149 million; 2011: Rs Nil) - note 19.3	2,850,782	2,069,205
	5,500,039	3,932,593
Less: Provision for slow moving and obsolete stocks - note 19.1		
- Raw materials	12,730	9,018
- Finished goods	75,698	55,024
	88,428	64,042
	5,411,611	3,868,551
19.1 Movement of provision in stock-in-trade		
Provision as at January 1	64,042	160,969
Transferred to Akzo Nobel Pakistan Limited pursuant to the Scheme	-	(134,745)
Charge - note 30	29,435	48,831
Charge relating to discontinued operation	-	9,887
Reversal	-	(1,962)
Write-off	(4,572)	(18,938)
Payment	(477)	-
Provision as at December 31	88,428	64,042
19.2 Stock amounting to Rs 280.249 million (2011: Rs 30.024 million) is measured at net realisable value and has been written down by Rs 16.461 million (2011: Rs 70.917 million) to arrive at its net realisable value.		
19.3 Raw and packing materials include Rs 243.227 million (2011: Rs 282.610 million) which are held with toll manufacturers namely Searle Pakistan Limited, Maple Pharmaceutical (Private) Limited, Epla Laboratories (Private) Limited, Breeze Pharma (Private) Limited, NovaMed Pharmaceuticals and Polymers International Pvt. Ltd. Finished goods include Rs Nil (2011: Rs 5.107 million) which are held with toll manufacturer, My Plan Pharmaceuticals.		
20. Trade Debts		
Considered good		
- Secured	343,536	270,437
- Unsecured	453,489	265,620
	797,025	536,057
Considered doubtful	95,384	92,339
	892,409	628,396
Less: Provision for:		
- Doubtful debts - note 42.4	95,384	92,339
- Discounts payable on sales	201,332	152,888
	296,716	245,227
	595,693	383,169

	2012	2011
20.1 The above balances include amounts due from the following associated undertakings (December 28, 2012 to December 31, 2012):		
Yunus Textile Mills Limited	11,795	-
Lucky Textile Mills Limited	6,975	-
	18,770	-

21. Loans and Advances**Considered good**

Loans due from:

Directors and Executives - note 16.1	44,279	25,789
Employees - note 16.1	23,789	28,994

	68,068	54,783
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Advances to:

Directors and Executives - note 21.1	6,624	13,143
Employees	1,501	1,442
Contractors and suppliers	113,989	55,449
Others	3,666	4,153

	125,780	74,187
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Considered doubtful

	193,848	128,970
	7,292	7,292

Less: Provision for doubtful loans and advances - note 42.4	201,140	136,262
	7,292	7,292

	193,848	128,970
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21.1 The maximum aggregate amount of advances due from the Directors and Executives at the end of any month during the year was Rs 9.646 million and Rs 14.459 million (2011: Rs 8.633 million and Rs 15.439 million) respectively.

22. Trade Deposits and Short-Term Prepayments

Trade deposits	15,279	18,468
Short-term prepayments	239,524	252,777
	254,803	271,245

23. Other Receivables**Considered good**

Duties, sales tax and octroi refunds due	274,287	200,126
Due from Associate - note 23.1 & note 23.2	-	82,237
Commission receivable	51,696	21,427
Interest income receivable	5,099	15,440
Others - note 23.4	734,441	435,373

	1,065,523	754,603
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	57,312	18,185
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Less: Provision for doubtful receivables - note 23.3	1,122,835	772,788
	57,312	18,185

	1,065,523	754,603
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23.1 The maximum aggregate amount due from ICI Omicron B.V. at the end of any month during the year was Rs Nil (2011: Rs 84.291 million).

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

	2012	2011
23.2	The above balances include amounts due from the following associated undertakings (January 1, 2012 to December 27, 2012):	
ICI Omicron B.V. wholly owned subsidiary of Akzo Nobel N.V.	-	82,083
Akzo Nobel Functional Chemicals	-	154
	-	82,237

23.3 Movement of provision for doubtful receivables

Provision as at January 1	18,185	16,982
Charge for the year - note 30	40,796	1,203
Write-off	(1,669)	-
Provision as at December 31	57,312	18,185

23.4 This amount includes Rs 10.8 million on account of exchange gain / loss on forward exchange contracts.

24. Cash and Bank Balances

Short term deposits - note 24.1	102,000	2,783,000
Current accounts	520,288	1,656,036
In hand		
- Cheques	275,066	292,254
- Cash	6,763	6,915
	904,117	4,738,205

24.1 These are placed with various banks with terms ranging from one week to one year. The mark-up on these deposits ranges between 9.50% to 11.50% (2011: 9.60% to 11.60%) and these term deposits are readily encashable without any penalty. The current year short term deposits pertain to security deposits from customers.

25. Operating Segment Results

	Note	Polyester		Soda Ash		Life Sciences		Chemicals		Others-PowerGen		Group	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Sales													
Afghanistan		-	-	3,614	-	-	-	2,917	2,500	-	-	6,531	2,500
Bangladesh		-	-	-	-	-	-	-	6,960	-	-	-	6,960
India		-	-	305,719	262,171	-	-	-	-	-	-	305,719	262,171
South Africa		-	-	-	-	-	-	-	-	-	-	-	-
United Arab Emirates		-	-	-	-	-	-	-	2,059	-	-	-	2,059
Others		-	-	-	-	-	-	1,562	4,205	-	-	1,562	4,205
Sales to Akzo Nobel Pakistan Limited		-	-	309,333	262,171	-	-	4,479	15,724	-	-	313,812	277,895
Inter-segment		-	-	-	-	-	-	40,969	307,972	897,558	958,179	938,527	1,266,151
Local		18,354,064	21,037,756	8,909,826	8,366,287	6,251,234	5,253,251	3,918,729	3,021,958	-	-	37,433,853	37,679,252
		18,354,064	21,037,756	9,219,159	8,628,458	6,251,234	5,253,251	3,964,177	3,657,232	897,558	958,179	38,686,192	39,534,876
Commission / Toll income		-	-	-	-	-	-	61,768	79,866	-	-	61,768	79,866
Turnover		18,354,064	21,037,756	9,219,159	8,628,458	6,251,234	5,253,251	4,025,945	3,737,098	897,558	958,179	38,747,960	39,614,742
Sales tax		-	-	1,363,618	1,458,191	15,281	8,071	374,555	368,763	123,801	135,925	1,877,255	1,970,950
Excise Duty		-	-	-	63,352	-	-	-	12,335	-	-	-	75,687
Commission and discounts to distributors and customers		150,037	18,406	251,283	252,976	743,712	471,599	229,384	178,784	-	-	1,374,416	921,765
		150,037	18,406	1,614,901	1,774,519	758,993	479,670	603,939	559,882	123,801	135,925	3,251,671	2,968,402
Net sales, commission & toll income		18,204,027	21,019,350	7,604,258	6,853,939	5,492,241	4,773,581	3,422,006	3,177,216	773,757	822,254	35,496,289	36,646,340
Cost of sales	28	17,777,075	19,501,286	6,287,067	5,513,936	3,977,745	3,380,378	2,747,259	2,514,430	611,634	717,067	31,399,040	31,625,357
Gross profit		426,952	1,518,064	1,317,191	1,340,003	1,514,496	1,393,203	674,747	662,786	162,123	105,187	4,097,249	5,020,983
Selling and distribution expenses	29	79,728	65,633	92,994	110,604	712,345	648,656	202,102	187,928	-	-	1,087,169	1,012,821
Administration and general expenses	30	492,724	342,058	421,208	293,304	254,105	224,825	178,148	145,103	1,642	2,219	1,347,587	1,007,269
Operating result - 25.12		(145,500)	1,110,373	802,989	936,095	548,046	519,722	294,497	329,755	160,481	102,968	1,662,493	3,000,893
25.1 Segment assets - note 25.5		7,522,751	6,848,365	12,423,985	11,613,572	5,362,519	4,655,834	2,032,361	2,144,167	407,544	540,394	19,507,583	17,071,862
25.2 Unallocated assets												1,262,452	3,689,467
												20,770,035	20,761,329
25.2.1 Segments assets were grossed up to account for the effects of demerger in these financial statements for 2011, which is resulting in variance in 2012.													
25.3 Segment liabilities - note 25.5		9,167,047	8,974,429	4,565,397	5,760,434	2,857,922	3,000,564	802,748	1,359,779	72,803	74,076	9,224,342	10,438,812
25.4 Unallocated liabilities												1,324,917	4,544
												10,549,259	10,443,356
25.5 Inter-unit current account balances of respective business have been eliminated from the total and the comparatives have been restated.													
25.6 Non-cash items (Provision for non-management staff gratuity and eligible retired employees' medical scheme) - note 7.1 - Relates to Paints		26,894	13,319	23,210	35,152	8,856	6,550	4,986	7,205	-	-	63,946	62,226
												-	2,860
												63,946	65,086
25.7 Depreciation & amortisation charge - note 13.6 & 14.1 - Relates to Paints		430,004	353,980	589,142	523,474	19,366	19,523	39,440	35,745	41,219	93,762	1,119,171	1,026,484
												-	66,454
												1,119,171	1,092,938
25.8 Capital expenditure - Relates to Paints		956,464	117,223	1,911,095	368,708	14,805	12,669	35,014	35,427	26,017	59,254	2,943,395	593,281
												-	12,507
												2,943,395	605,788
25.9 Inter-segment pricing													
Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.													
25.10 There was no major customer of the Group which formed part of 10 per cent or more of the Group's revenue.													
25.11 Astra Zeneca (a supplier contributing about 40% turnover of Life Sciences Business) has decided to discontinue its relationship with the Group.													
25.12 Reconciliation of operating result for the year 2011 is as follows:													
Operating results													3,000,893
Elimination of inter-segment sales to Paints Business (discontinued operations - note 27)													(307,972)
													2,692,921

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

	2012	2011
26. Reconciliations of reportable segment revenues, cost of sales, assets and liabilities		
26.1 Turnover		
Total turnover for reportable segments - note 25	38,747,960	39,614,742
Elimination of inter-segment turnover - note 25	(40,969)	(307,972)
Elimination of inter-segment turnover from subsidiary	(897,558)	(958,179)
Total turnover	37,809,433	38,348,591
26.2 Cost of sales		
Total cost of sales for reportable segments - note 28	31,399,040	31,625,357
Elimination of inter-segment purchases	(40,969)	-
Elimination of inter-segment purchases from subsidiary	(897,558)	(958,179)
Total cost of sales	30,460,513	30,667,178
26.3 Assets		
Total assets for reportable segments	19,507,583	17,071,862
Taxation recoverable	1,157,952	821,730
Bank deposits - note 24	102,000	2,783,000
Due from associates - note 23.2	-	82,237
Long-term investments - note 15	2,500	2,500
Total assets	20,770,035	20,761,329
26.4 Liabilities		
Total liabilities for reportable segments	9,224,342	10,438,812
Short-term loan - note 11.1	994,000	-
Long-term loan - note 8	290,270	-
Accrued interest on long-term loan - note 10	36,110	-
Unclaimed dividends - note 10	4,537	4,544
Total liabilities	10,549,259	10,443,356

27. Discontinued Operation due to Demerger of Paints Business

As disclosed in Note 1, the detail of assets and liabilities, profit and loss account and cash flow statement of discontinued operation are given below:

Profit and loss of Paints Business for the period ended June 30, 2011	Period ended Jan 1, 2011 to Jun 30, 2011
Net sales, commission and toll income	2,463,964
Cost of sales (*)	(1,531,405)
Gross profit	932,559
Selling and distribution expenses	(411,946)
Administration and general expenses	(206,983)
Operating result	313,630
Financial charges	(8,547)
Other operating charges	(17,213)
Other operating income (*)	44,676
Profit before taxation	332,546
Taxation - current	160,030
Taxation - deferred	(44,086)
	115,944
Profit after taxation	216,602

*The following inter-unit transactions have been eliminated which has resulted in the variance of results reported in the special purpose financial statements for the six months period ended June 30, 2011.

Cost of goods sold - inter-unit purchases	307,972
Other operating income - inter-unit interest income	169,721

Balance sheet of Paints Business as at June 30, 2011 transferred to Akzo Nobel Pakistan Limited	As at June 30, 2011
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ASSETS**Non-Current Assets**

Property, plant and equipment	953,747
Intangible assets	81,825
	1,035,572
Deferred tax asset	212,744
Long-term loans	50,382
Long-term deposits and prepayments	8,187
	271,313

Current Assets

Stores and spares	25,587
Stock-in-trade	714,486
Trade debts	427,277
Loans and advances	534
Trade deposits and short-term prepayments	52,176
Other receivables	35,965
	1,256,025

Assets excluding cash and cash equivalents transferred from ICI Pakistan Limited	2,562,910
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Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

**As at June
30, 2011**

Allocated share capital, allocated capital reserves and unappropriated profit transferred from the Company as at June 30, 2011	(4,639,631)
Surplus on revaluation of property, plant and equipment	(526,560)

LIABILITIES

Non-Current Liabilities

Provisions for non-management staff gratuity and eligible retired employees' medical scheme	17,368
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Current Liabilities

Short-term financing	67,743
Trade and other payables	991,317
	1,059,060

Liabilities transferred from the Company	(1,076,428)
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Net Amount of transfers from the Company to Akzo Nobel Pakistan Limited	(3,679,709)
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Cash and cash equivalents and inter-company receivable transferred from the Company to Akzo Nobel Pakistan Limited pursuant to the Scheme as at June 30, 2011.	3,679,709
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Cash and cash equivalents and inter-company receivable transferred from the Company pursuant to the Scheme include:

Cash and bank balances	310,013
Inter-company receivables	3,369,696
	3,679,709

Cash Flow Statements of the Paints Business for the six months period ended June 30, 2011

Net cash flows from operating activities	657,106
Net cash flows from investing activities	(204,054)
Net cash flows from financing activities	(228,109)
Net increase in cash and cash equivalents	224,943

28. Cost of Sales

	Polyester		Soda Ash		Life Sciences		Chemicals		Others-PowerGen		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Raw and packing materials consumed												
Opening stock	880,001	867,612	177,745	203,975	457,248	282,021	89,435	85,070	29,695	30,335	1,634,124	1,469,013
Purchases												
Inter-segment	8,127	-	32,842	-	-	-	-	-	-	-	40,969	-
Others	15,484,417	16,853,794	2,073,403	1,904,504	1,389,353	1,262,928	1,428,892	1,119,475	468,167	513,529	20,844,232	21,654,230
	15,492,544	16,853,794	2,106,245	1,904,504	1,389,353	1,262,928	1,428,892	1,119,475	468,167	513,529	20,885,201	21,654,230
	16,372,545	17,721,406	2,283,990	2,108,479	1,846,601	1,544,949	1,518,327	1,204,545	497,862	543,864	22,519,325	23,123,243
Closing stock - note 19	(1,394,859)	(880,001)	(359,582)	(177,745)	(588,355)	(457,248)	(115,497)	(89,435)	(30,271)	(29,695)	(2,488,564)	(1,634,124)
Raw & Packaging material consumed	14,977,686	16,841,405	1,924,408	1,930,734	1,258,246	1,087,701	1,402,830	1,115,110	467,591	514,169	20,030,761	21,489,119
Salaries, wages and benefits - note 28.1	404,849	382,518	666,968	605,098	3,957	4,287	53,001	45,940	10,222	16,009	1,138,997	1,053,852
Stores and spares consumed	140,603	103,888	94,919	121,096	-	-	5,878	4,576	12,984	23,742	254,384	253,302
Conversion fee paid to contract manufacturers	-	-	-	-	287,189	268,329	9,261	3,332	-	-	296,450	271,661
Oil, gas and electricity	1,834,515	1,803,969	2,848,687	2,234,191	-	-	8,428	7,096	67,583	57,565	4,759,213	4,102,821
Rent, rates and taxes	1,035	993	929	1,536	-	-	12,156	9,911	550	909	14,670	13,349
Insurance	22,911	19,599	21,612	15,612	-	3	1,100	1,398	1,675	1,994	47,298	38,606
Repairs and maintenance	1,155	1,426	85	57	-	2	4,245	3,406	122	125	5,607	5,016
Depreciation and amortisation charge- note 13.6 & 14.1	405,568	332,264	565,851	506,635	443	503	21,997	19,949	41,219	93,762	1,035,078	953,113
Excise duty	-	-	-	-	-	-	-	-	7,852	8,345	7,852	8,345
Technical fees	-	-	-	-	703	1,450	2,597	2,402	-	-	3,300	3,852
Royalty	-	-	-	-	1,592	1,769	-	8,134	-	-	1,592	9,903
General expenses - note 28.2	130,350	123,801	147,642	87,213	1,007	658	14,547	12,513	1,836	447	293,642	222,892
Opening stock of work-in-process	188,491	24,388	-	-	28,376	12,464	3,379	725	-	-	220,246	37,577
Closing stock of work-in-process - note 19	(74,987)	(188,491)	-	-	(71,700)	(28,376)	(1,276)	(3,379)	-	-	(147,963)	(220,246)
Cost of goods manufactured	18,032,176	19,445,760	6,271,101	5,502,172	1,509,813	1,348,790	1,538,143	1,231,113	611,634	717,067	27,961,127	28,243,162
Opening stock of finished goods	669,745	725,027	47,148	58,912	896,220	774,839	401,068	233,838	-	-	2,014,181	1,792,616
Finished goods purchased	84,950	244	352,328	-	2,697,903	2,193,565	1,093,070	1,458,782	-	-	4,228,251	3,652,591
	18,786,871	20,171,031	6,670,577	5,561,084	5,103,936	4,317,194	3,032,281	2,923,733	611,634	717,067	34,203,559	33,688,369
Closing stock of finished goods - note 19	(1,009,796)	(669,745)	(383,510)	(47,148)	(1,102,849)	(896,220)	(278,929)	(401,068)	-	-	(2,775,084)	(2,014,181)
Provision for obsolete stocks - note 30	-	-	-	-	(23,342)	(40,596)	(6,093)	(8,235)	-	-	(29,435)	(48,831)
	17,777,075	19,501,286	6,287,067	5,513,936	3,977,745	3,380,378	2,747,259	2,514,430	611,634	717,067	31,399,040	31,625,357

28.1 Staff retirement benefits

Salaries, wages and benefits include Rs 172.087 million (2011: Rs 152.418 million) in respect of staff retirement benefits.

28.2 Service Charges from subsidiary

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

Amounts in Rs '000

29. Selling and Distribution Expenses

	Polyester		Soda Ash		Life Sciences		Chemicals		Others-PowerGen		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Salaries and benefits - note 29.1	59,827	47,068	22,001	26,738	287,212	253,165	81,383	87,397	-	-	450,423	414,368
Repairs and maintenance	20	-	1,893	1,365	3,118	2,282	1,775	1,371	-	-	6,806	5,018
Advertising and publicity expenses	141	799	6,847	13,828	130,639	110,283	6,420	5,411	-	-	144,047	130,321
Rent, rates and taxes	46	-	2,098	1,316	7,872	7,780	1,110	741	-	-	11,126	9,837
Insurance	-	-	669	633	7,340	6,571	4,635	4,624	-	-	12,644	11,828
Lighting, heating and cooling	8	15	1,162	1,281	3,018	2,773	2,978	2,707	-	-	7,166	6,776
Depreciation and amortisation charge - note 13.6 & 14.1	-	-	146	244	9,735	12,702	4,862	3,512	-	-	14,743	16,458
Outward freight and handling	2,945	5,718	43,307	47,238	45,487	52,291	48,734	35,379	-	-	140,473	140,626
Travelling expenses	6,774	5,872	3,247	3,681	99,282	86,807	13,016	14,612	-	-	122,319	110,972
Postage, telegram, telephone and telex	782	714	1,351	1,445	16,083	13,525	4,431	3,661	-	-	22,647	19,345
General expenses	9,185	5,447	10,273	12,835	102,559	100,477	32,758	28,513	-	-	154,775	147,272
	79,728	65,633	92,994	110,604	712,345	648,656	202,102	187,928	-	-	1,087,169	1,012,821

29.1 Staff retirement benefits

Salaries and benefits include Rs 54.378 million (2011: Rs 56.178 million) in respect of staff retirement benefits.

30. Administration and General Expenses

Salaries and benefits - note 30.1	323,829	218,700	307,190	192,627	166,114	119,584	127,776	91,899	-	-	924,909	622,810
Repairs and maintenance	5,424	4,751	3,455	3,448	2,777	2,248	795	975	-	-	12,451	11,422
Advertising and publicity expenses	1,752	2,700	2,016	3,114	652	1,065	495	760	-	-	4,915	7,639
Rent, rates and taxes	5,868	4,425	5,954	2,967	1,422	960	948	637	-	-	14,192	8,989
Insurance	2,236	1,861	2,675	2,228	2,704	2,834	577	478	-	-	8,192	7,401
Lighting, heating and cooling	5,678	5,771	5,159	5,328	4,295	5,394	1,112	1,144	-	-	16,244	17,637
Depreciation and amortisation charge - note 13.6 & 14.1	24,436	21,716	23,145	16,595	9,188	6,318	12,581	12,284	-	-	69,350	56,913
Provision for doubtful debts - trade - note 42.6	672	-	-	-	123	-	2,250	-	-	-	3,045	-
- others - note 23.3	37,000	-	2,348	-	1,448	1,203	-	-	-	-	40,796	1,203
Provision for obsolete stock - note 19.1	-	-	-	-	23,342	40,596	6,093	8,235	-	-	29,435	48,831
Provision for obsolete spares - note 18.1	-	5,154	2,625	6,618	-	-	-	-	-	-	2,625	11,772
Travelling expenses	8,259	7,294	4,686	4,800	4,875	5,885	4,807	4,213	-	-	22,627	22,192
Postage, telegram, telephone and telex	3,351	3,266	3,089	3,063	2,669	2,526	1,446	1,552	-	-	10,555	10,407
General expenses - note 30.2	74,219	66,420	58,866	52,516	34,496	36,212	19,268	22,926	1,642	2,219	188,251	180,053
	492,724	342,058	421,208	293,304	254,105	224,825	178,148	145,103	1,642	2,219	1,347,587	1,007,269

30.1 Staff retirement benefits

Salaries and benefits include Rs 207.980 million (2011: Rs 135.725 million) in respect of staff retirement benefits.

30.2 Service charges from subsidiary

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

30.3 Demerger cost

Administration and general expenses includes demerger cost amounting to Rs 373.8 million (December 31, 2011: Rs 111.4 million).

	2012	2011
31. Financial Charges		
Mark-up on short-term financing	56,052	333
Interest on workers' profit participation fund - note 10.3	2,843	7,902
Discounting charges on receivables	55,841	49,339
Exchange losses	81,758	51,254
Guarantee fee and others	1,670	26,342
Interest on loan due to Akzo Nobel Pakistan Limited	96,363	129,979
	294,527	265,149
32. Other Operating Charges		
Auditors' remuneration - note 32.1	10,301	7,035
Donations - note 32.2	22,070	18,859
Workers' profit participation fund - note 10.3	77,673	129,526
Workers' welfare fund	30,063	50,031
Loss on disposal of property, plant and equipment	-	2,259
	140,107	207,710
32.1 Auditors' remuneration		
Audit and group reporting fee	3,467	3,726
Half yearly review and other certifications	1,231	1,103
Demerger related expenses	5,500	1,996
Out of pocket expenses	103	210
	10,301	7,035
32.2 Donations include Rs 6 million (2011: Rs Nil) to ICI Pakistan Foundation (Head office, Karachi). Mr. Ali A Aga, Acting Chief Executive; Mr. Suhail Aslam Khan, Mr. Asif Malik and Ms. Seemi Saad, Executives of the Company are amongst the Trustees of the Foundation.		
33. Other Operating Income		
Return from financial assets		
Profit on short-term and call deposits	109,254	236,760
Income from non-financial assets		
Scrap sales	58,949	41,628
Gain on disposal of property, plant and equipment	16,640	-
Others		
Provisions and accruals no longer required written back	7,786	-
Exchange gain	20,519	-
Sundries	27,418	31,081
	240,566	309,469
34. Taxation		
Current tax charge	573,443	862,046
Deferred - note 9	(94,491)	(98,823)
Net tax charged - note 34.1	478,952	763,223

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For the year ended December 31, 2012

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	2012	2011
34.1 Tax reconciliation		
Profit before tax	1,468,425	2,529,531
Tax @ 35%	513,949	885,336
Tax impact on profit of subsidiary - note 34.2	(33,881)	(8,874)
Tax impact on income under FTR of the current year	(2,806)	(8,919)
Flood relief surcharge	-	60,450
Impact of impairment	-	(73,333)
Tax impact on repayment of Mortar Loan	-	(98,350)
Others	1,690	6,913
Net tax charged	478,952	763,223

34.2 The turnover tax at the rate of 0.5% of turnover has been waived under second schedule of the Income Tax Ordinance, 2001 and the income of the Subsidiary company is exempt under the provision of Income Tax Ordinance, 2001.

35. Earnings Per Share - Basic and Diluted

35.1 Continuing operations		
Profit after taxation from continuing operations for the year	989,473	1,766,308

Number of shares

Weighted average number of ordinary shares (allocated) in issue during the year	92,359,050	115,580,675
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Rupees

Earnings per share from continuing operations	10.71	15.28
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35.2 Discontinued operation

Profit after taxation from discontinued operations for the period	-	216,602
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Number of shares

Weighted average number of ordinary shares (allocated) in issue during the period / year	-	115,580,675
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Rupees

Earnings per share from discontinued operation	-	1.87
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36. Remuneration of Directors and Executives

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

	Chairman		Chief Executive		Directors		Executives		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Managerial remuneration	3,687	1,236	134,484	31,643	50,516	38,523	524,559	527,463	713,246	598,865
Retirement benefits	-	-	68,564	7,487	9,909	8,588	134,803	135,841	213,276	151,916
Group insurance	-	-	64	64	128	128	7,025	5,932	7,217	6,124
Rent and house maintenance	-	-	2,927	6,835	-	-	150,497	155,092	153,424	161,927
Utilities	-	-	983	953	-	-	37,305	38,237	38,288	39,190
Medical expenses	-	-	359	139	165	205	26,342	22,546	26,866	22,890
	3,687	1,236	207,381	47,121	60,718	47,444	880,531	885,111	1,152,317	980,912
Number of persons	1	1	2	1	3	4	371	348	377	354

- 36.1** In addition to above, an amount of Rs 257.7 million (2011: Rs 235.8 million) on account of variable pay, to employees, has been recognised in the current year out of which Rs 145.4 million (2011: Rs Nil) has been paid based on achievements of Half year 2012 targets. The remaining amount is payable in the year 2013 after verification of achievements against target. Further, a special and demerger bonus of Rs 269.89 million (2011: Rs Nil) has been paid during the year.

Variable and special bonus paid during the year includes the following:

	Paid in 2012 relating to 2011	Paid in 2011 relating to 2010
Chief Executive	103,366	17,814
Directors	78,026	14,896
Executives	416,827	166,749
Other employees	79,522	23,686
	677,741	223,145

- 36.2** 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 Company car.
- 36.3** Aggregate amount charged in the financial statements for remuneration to three Non-executive Directors was Rs 9.813 million (2011: Rs 3.483 million). This includes fees paid to directors amounting to Rs 0.400 million (2011: Rs 0.270 million) for attending board and other meetings which is not included above.
- 36.4** The above balances include an amount of Rs 595.114 million (2011: Rs 179.900 million) on account of remuneration of key management personnel out of which Rs 30.648 million (2011: Rs 29.073 million) relates to post employment benefits.
- 36.5** Managerial remuneration to Chief Executive includes Rs 94.1 million paid on his early departure from the Company which include retirement benefits. The normal retirement benefits were paid from the respective retirement funds

37. Transactions with Related Parties

The related parties comprise parent company (ICI Omicron B.V.), ultimate parent company (Akzo Nobel N.V.) (from January 1, 2012 to December 27, 2012) and Lucky Holdings Limited (from December 28, 2012 to December 31, 2012), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key employees (note 36) and staff retirement funds (note 7). Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2012	2011
Associated companies		
Purchase of goods, materials and services	13,526	7,075
Provision of services and other receipts	3,639	999
Sale of goods and materials	641,967	448,587
Allocated expenses to Akzo Nobel Pakistan Limited	-	102,500
Dividends	823,804	1,631,051
Donations	6,000	-

38. Plant Capacity and Annual Production

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

	2012		2011	
	Annual Name Plate Capacity	Production	Annual Name Plate Capacity	Production
Polyester - note 38.1	122,000	111,727	122,000	117,174
Soda Ash - note 38.1	350,000	255,610	350,000	258,420
Chemicals - note 38.2	-	11,065	-	8,852
Sodium Bicarbonate	20,000	25,700	20,000	24,340
PowerGen - note 38.3	122,640	36,029	221,978	46,250
Paints (discontinued operations)	-	-	-	16,759

- 38.1** Production was below name plate capacity due to gas curtailment.
- 38.2** The capacity of Chemicals is indeterminable because these are multi-product plants.
- 38.3** Electricity by PowerGen is produced as per demand.

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For the year ended December 31, 2012

Amounts in Rs '000

39. 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.

40. Financial Risk Management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price 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.

40.1 Risk management framework

The Board of Directors has overall responsibility for establishment and over sight 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.

41. 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.

41.1 Interest rate risk

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

	Carrying Amount	
	2012	2011
Fixed rate instruments		
Financial assets - note 24	102,000	2,783,000
Financial liabilities - note 8 & 10.4	(401,767)	(95,473)
	(299,767)	2,687,527
Variable rate instruments		
Payable to Akzo Nobel Pakistan Limited - note 10	-	(3,609,775)
Financial Liabilities - note 11	(2,332,057)	-
	(2,332,057)	(3,609,775)

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 reporting date would not affect profit or loss.

Sensitivity analysis for variable rate instruments

If KIBOR had been 1% higher / lower with all other variables held constant, the impact on the profit before tax for the year would have been Rs 23.32 million (2011: Rs 36.098 million).

41.2 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, purchases and borrowings, which, are entered in a currency other than Pak Rupees. To hedge this risk the Group has entered into forward foreign exchange contracts for imports in 2012 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.

	SGD	EURO	USD	GBP	JPY
2012					
Trade debts	-	-	8,743	-	-
Cash and bank balances	-	-	138,226	-	-
	-	-	146,969	-	-
Trade and other payables	-	195,508	2,090,032	976,469	2,241
Due to Associates - note 10.1	-	-	-	-	-
	-	195,508	2,090,032	976,469	2,241
Gross balance sheet exposure	-	(195,508)	(1,943,063)	(976,469)	(2,241)
2011					
Trade debts	-	-	2,572	-	-
Other receivables	-	1,571	19,701	-	-
Due from Associates - note 23.2	-	-	154	82,083	-
Cash and bank balances	-	-	130,723	-	-
	-	1,571	153,150	82,083	-
Trade and other payables	-	58,702	1,743,548	712,773	-
Due to Associates	-	44,591	14,691	-	-
	-	103,293	1,758,239	712,773	-
Gross balance sheet exposure	-	(101,722)	(1,605,089)	(630,690)	-

Significant exchange rates applied during the year were as follows:

	Average rate for the year		Spot rate as at December 31	
	2012	2011	2012	2011
Rupees per	Rupees		Rupees	
EURO	120.09	120.16	128.18	116.13
USD	93.40	86.30	97.15	89.94
GBP	148.03	138.42	157.07	138.63
JPY	1.17	1.08	1.13	1.16
SGD	74.78	68.69	79.55	69.15

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 31.2 million (2011: Rs 23.38 million).

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	2012	2011
42. 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 reporting date is as follows:		
42.1 Financial Assets		
Long-term investment - note 15	2,500	2,500
Long-term loans - note 16	194,432	158,663
Long-term deposits - note 17	26,799	25,190
Trade debts - note 20	595,693	383,169
Loans and advances - note 21	193,848	128,970
Trade deposits - note 22	15,279	18,468
Other receivables - note 23	791,236	554,477
Bank balances - note 24	897,354	4,731,290
	2,717,141	6,002,727
42.2 The Group has placed its funds with banks which is rated A-1 by Standard & Poor's and P-1 by Moody's.		
42.3 Financial Assets		
- Secured	588,389	472,696
- Unsecured	2,128,752	5,530,031
	2,717,141	6,002,727
42.4 The ageing of bank balances, trade debts and loans and advances at the reporting date is as follows:		
Not past due	1,646,962	5,225,198
Past due but not impaired:		
Not more than three months	46,098	25,415
Past due and Impaired:		
More than three months and not more than six months	3,628	100
More than six months and not more than nine months	-	-
More than nine months and not more than one year	-	-
More than one year	92,883	92,347
	142,609	117,862
Less: Provision for:		
- Doubtful debts - note 20	95,384	92,339
- Doubtful loans and advances - note 21	7,292	7,292
	102,676	99,631
	1,686,895	5,243,429

	2012	2011
42.5 The maximum exposure to credit risk for past due and impaired at the reporting date by type of counter-party was:		
Wholesale customers	12,405	14,102
Retail customers	10,136	2,689
End-user customers	120,068	101,071
	142,609	117,862
Less: Provision for:		
- Doubtful debts - note 20	95,384	92,339
- Doubtful loans and advances - note 21	7,292	7,292
	102,676	99,631
	39,933	18,231

42.5.1 The balance between wholesale, retail and end-user customers have been reclassified for better presentation.

42.6 Movement of provision for trade debts and loans and advances

	Trade Debts	Loans and Advances	Total	Total
Opening	92,339	7,292	99,631	354,110
Transferred to Akzo Nobel Pakistan Limited	-	-	-	(275,872)
Additional provision	3,045	-	3,045	23,240
(Write off) / Provision utilised against write-offs	-	-	-	(828)
Provision no longer required	-	-	-	(1,019)
	95,384	7,292	102,676	99,631

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

42.7 Concentration Risk

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

	2012	2011
Textile and Chemicals	389,673	285,490
Glass	33,081	6,846
Paper and Board	15,233	20,492
Pharmaceuticals	21,327	19,675
Paints	35,772	6,136
Bank	897,354	4,731,290
Others	397,131	273,131
	1,789,571	5,343,060
Less: Provision for:		
- Doubtful debts - note 20	95,384	92,339
- Doubtful loans and advances - note 21	7,292	7,292
	102,676	99,631
	1,686,895	5,243,429

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43. 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. 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
	2012		
Financial liabilities			
Trade creditors - note 10	1,315,497	(1,315,497)	(1,315,497)
Bills payable - note 10	3,190,094	(3,190,094)	(3,190,094)
Mark-up accrued on short-term financing - note 10	16,645	(16,645)	(16,645)
Accrued interest on secured/unsecured loans - note 10	36,110	(36,110)	(36,110)
Accrued expenses - note 10	774,026	(774,026)	(774,026)
Technical service fee / Royalty - note 10	665	(665)	(665)
Distributors' security deposits - payable on termination of distributorship - note 10 & 10.5	111,497	(124,765)	(124,765)
Contractors' earnest / retention money - note 10	9,589	(9,589)	(9,589)
Unclaimed dividends - note 10	4,537	(4,537)	(4,537)
Payable for capital expenditure - note 10	216,972	(216,972)	(216,972)
Others - note 10	211,045	(211,045)	(211,045)
Long-term loan - note 8	290,270	(400,281)	(23,176)
Short-term borrowings - note 11.1	994,000	(1,002,408)	(1,002,408)
Short-term running finance - note 11.2	1,338,057	(1,338,057)	(1,338,057)
	8,509,004	(8,640,691)	(8,263,586)

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

	2011		
Financial liabilities			
Trade creditors - note 10	683,954	(683,954)	(683,954)
Bills payable - note 10	2,631,879	(2,631,879)	(2,631,879)
Mark-up accrued on short term financing - note 10	1,904	(1,904)	(1,904)
Accrued interest / return on unsecured loan - note 10	-	-	-
Accrued expenses - note 10	1,040,765	(1,040,765)	(1,040,765)
Technical service fee / Royalty - note 10	608	(608)	(608)
Distributors' security deposits - payable on termination of distributorship - note 10 & 10.5	95,473	(106,548)	(106,548)
Contractors' earnest / retention money - note 10	9,344	(9,344)	(9,344)
Unclaimed dividends - note 10	4,544	(4,544)	(4,544)
Payable for capital expenditure - note 10	80,120	(80,120)	(80,120)
Payable to Akzo Nobel Pakistan Limited - note 10	3,609,775	(3,609,775)	(3,609,775)
Others - note 10	129,642	(129,642)	(129,642)
	8,288,008	(8,299,083)	(8,299,083)

44. Capital Risk Management

The Group's objective when managing capital is to safe guard 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 dividend paid to shareholders or issue new shares.

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

The Tax Department reopened the income tax assessment for the assessment year 2001-2002 on the ground that demerger of PTA business from ICI Pakistan Limited was effective from the completion date i.e. August 6, 2001. This was challenged by the Group in the High Court which upheld the Group's contention that the department did not have the right to reopen this 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 Courts' 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 Courts' 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 Appellate Tribunal Inland Revenue which has decided the case in Group's favour on the basis that order issued on May 7, 2012 was time barred.

For the assessment year 2002-2003 on receipt of notice u/s 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 Tax Department has taken certain action in the order, considered by the department as "protective assessment" on the matter of unabsorbed depreciation carried forward. It is the Group's contention that such an action is unwarranted. An appeal before the CIR (Appeals), on the matter has been filed which is pending. The very basis of such an action has also been challenged before the High Court of Sindh 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 Tax 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 filed which is pending.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2012

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 depreciation loss is available to the Group.

Pension and Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 7 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 equipments with a corresponding affect on the depreciation charge and impairment.

46. Standards or Interpretations not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2013:

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments would reduce the equity of the Group by Rs 603.7 million which is required to be recognised in other comprehensive income in first quarter of 2013.

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. These amendments may impact on the financial statements of the Group.

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

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

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement. This amendment may impact the financial statement of the Group.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. The amendments may impact the financial statements of the Group.

Annual Improvements 2009–2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations which may impact the financial statements of the Group:

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendment is not likely to have any material impact on the financial statements of the Group.

IAS 32 Financial Instruments: Presentation is amended to clarify that IAS 12 Income Taxes applies to the accounting for period taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

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

47. Post Balance Sheet Events

47.1 Dividend

The Directors in their meeting held on February 21, 2013 have recommended a final dividend of Rs 2.00 per share (2011: Rs 5.50 per share) in respect of year ended December 31, 2012. The consolidated financial statements for the year ended December 31, 2012 do not include the effect of the above dividend which will be accounted for in the period in which it is approved.

47.2 Staff Retirement Benefits

Changes in IAS 19 are disclosed in note 46.

48. Date of Authorization

These consolidated financial statements were authorised for issue in the Board of Directors meeting held on February 21, 2013.

49. General

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

49.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure and this has been disclosed in relevant notes.



Muhammad Yunus Tabba
Chairman / Director



Ali A Aga
Acting Chief Executive



Muhammad Nasir Jamal
Acting Chief Financial Officer

Form of Proxy 61st 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 first Annual General
Meeting of the Company to be held on April 22, 2013 and at any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2013

Signed by the said _____

in the presence of 1. _____

2. _____

Folio / CDC Account No.

Signature on
Revenue Stamp
of Appropriate
Value

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

Important:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, ICI House, 5 West Wharf, Karachi, not less than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he 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 numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
- iv) In case of corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

**The Company Secretary
ICI Pakistan Limited
ICI House
5 West Wharf
Karachi-74000**

**Affix
Correct
Postage**



ICI Pakistan Limited

Admission Slip

The Sixty-First Annual General Meeting of ICI Pakistan Limited will be held on Monday, April 22, 2013 at 10:00 a.m. at ICI House, 5 West Wharf, Karachi.

Company's transport will wait at the corner of Karachi Stock Exchange Road, between 8:45 a.m. and 09:15 a.m. on the date of Meeting. Shareholders desirous of attending the Meeting may avail this facility.

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

Acting 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 Computerized National Identity Card (CNIC) or original passport at the time of attending the Meeting.
- b) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting (unless it has been provided earlier).

This Admission Slip is Not Transferable

Mandate Letter

Dear Shareholder,

DIVIDEND MANDATE (Optional)

We wish to inform you that according to the provisions of the Companies Ordinance 1984, shareholders are also entitled to receive their dividend by way of direct credit 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.

SUBMISSION OF COPY CNIC (Mandatory)

Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants, members' register and other statutory returns. You are therefore requested to submit a copy of your CNIC (if not already provided) to the Shares Department of ICI Pakistan Limited, ICI House, 5 West Wharf, Karachi or FAMCO Associates (Pvt) Limited, 1ST Floor, State Life Building No.1-A, I. I. Chundrigar Road, Karachi.

CDC shareholders are requested to submit their dividend mandate and CNIC directly to their broker (participant)/CDC.

Yours faithfully

Nasir Jamal
Acting Company Secretary

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 number	:	_____
Title of Account	:	_____
Type of Account	:	_____
Name of Bank	:	_____
Bank branch & full mailing address	:	_____ _____
Contact number 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 change in the said particulars in the future

Shareholder's signature

CNIC No. _____
(copy attached)

Date: _____

**A publication of the Corporate Communications
& Public Affairs Department**

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