



ICI Pakistan Limited is now part of the AkzoNobel Group

Grounds for Growth



ICI Pakistan Limited Annual Report 2011

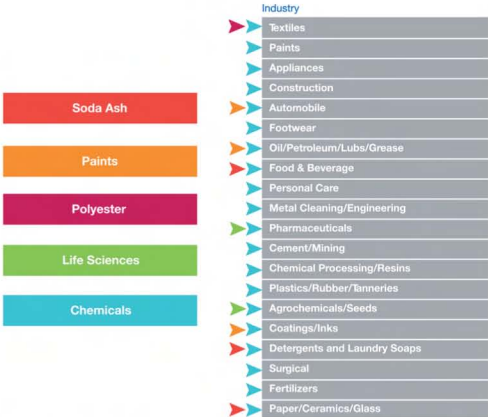
AkzoNobel
Tomorrow's Answers Today



ICI at a glance

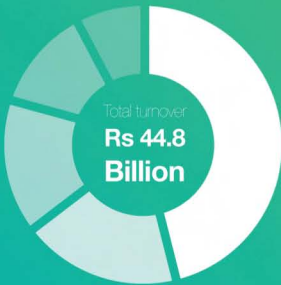
ICI Pakistan manufactures and trades in a diversified range of products including Polyester Staple Fiber, Soda Ash, Decorative, Refinish and Industrial Paints and Specialty Chemicals. The company also markets Pharmaceuticals, Animal Health products and Seeds along with a range of imported Industrial Chemicals and Seeds. In addition, the Paints portfolio also offers reputable brands such as Dulux, Sikkens and Paintex. ICI Pakistan's long history dates back to 1944 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.

ICI Pakistan was acquired by AkzoNobel in 2008. AkzoNobel is the largest global paints and coatings company and a major producer of specialty chemicals. A Global Fortune 500 company, it has operations in more than



80 countries with 57,000 people around the world committed to excellence and delivering 'Tomorrow's Answers Today'. We are proud to be part of a group that is committed to innovation, introducing new ideas and developing sustainable answers for our customers every day.

Turnover by business



- Polyester
- Soda Ash
- Paints
- Life Sciences
- Chemicals

1326
employees





Grounds for Growth

**We are inspired for tomorrow,
gaining strength from our past.**

Our history of reliable operations, building relationships and delivering on commitment helps us meet the unique challenges of today.

While our ability to invest in the right people, technology and businesses ahead of market trends ensures our leadership through the challenges we will face tomorrow.

Investing in our businesses today, for tomorrow, requires leadership and courage. And yes, we have it. We have it because of the capabilities we have built over the years, the talent we have nurtured, the bonds we have built and the promises we have kept. We are confident that by leveraging our strengths today and making the right bets on tomorrow, we are definitely on solid grounds for growth.

Key Performance Indicators

Statement of income

NSI			
in Rs Million			
2010	35,130		
2011	40,115	+14%	

Operating result			
in Rs Million			
2010	3,713		
2011	2,843	-23%	

Profit before tax			
in Rs Million			
2010	3,732		
2011	2,912	-22%	

Profit after tax			
in Rs Million			
2010	2,429		
2011	1,936	-20%	

EBITDA			
in Rs Million			
2010	4,656		
2011	3,909	-16%	

EBITDA margin			
% of NSI			
2010	13.3		
2011	9.7	-27%	

Dividend and earnings per share

Earnings per share			
in Rs			
2010	17.50		
2011	13.95	-20%	

Dividend per share (proposed)			
in Rs			
2010	17.50		
2011	9.00	-49%	

* Based on year end market value

Ratios

Equity			
in Rs Million			
2010	14,548		
2011	14,355	-1.3%	

Operating working capital turnover			
in times			
2010	35		
2011	45	+29%	

Return on capital employed			
in %			
2010	22.4		
2011	16.4	-27%	

Return on fixed assets			
% of revenue			
2010	40.9		
2011	29.1	-29%	

Dividend yield*			
in %			
2010	12.1		
2011	7.5	-38%	

Operating result per employee			
in Rs Million			
2010	2.8		
2011	2.1	-25%	

Cash flows

Net cash from operating activities			
in Rs Million			
2010	2,334		
2011	2,939	+26%	

Capital expenditures			
in Rs Million			
2010	854		
2011	694	-19%	

Operating result and EBITDA

2009	3,028		3,899	19.4
2010	3,713		4,657	22.4
2011	2,843		3,909	16.4

Operating result EBITDA

ROCE

Shareholders' equity and EBITDA

2009	97.14			28.1
2010	104.81			33.6
2011	103.42			28.2

Shareholders' equity per ordinary share

EBITDA per ordinary share

Operating cash flows

2010	(854)		2,334	
2011	(694)		2,939	

Capital expenditure

Operating cash flows

Net debt and equity

2009			13,483	
2010			14,548	
2011			14,355	

Equity Debt

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What excites us is asking the unasked question. And what drives us is knowing that what is good for our customers today is not necessarily good enough for them tomorrow. Our focus is to become bigger and better than ever, and to continue to touch lives as we have for the past sixty eight years.

Overview & Strategy

The Coming of Spring

This section provides an overview of our strategic priorities, highlights key performance areas and core values. You will also find the Chief Executive's statement along with a quick snapshot of what happened during the year.

Our Vision

Tomorrow's Answers Today

Often people achieve only incremental progress, because their view of tomorrow is determined by what they see today.

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

Tomorrow's answers, delivered today.

What drives us is knowing that what is good for our customers today is not necessarily good enough for them tomorrow. What excites us is asking the unasked question. What inspires us is seeing the opportunity others cannot. What unites us is the intelligence to deliver where others have not.

This benefits our customers because we sustain their future competitiveness and meet the consumers' unspoken needs. This ambition defines us. This is the way we work. This is why we come to work.

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

Code of Conduct & Values

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

Our values

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



Statement from our Chief Executive

A man with dark hair and a mustache, wearing a light blue button-down shirt and dark trousers, is sitting on a white chair. He is smiling and looking towards the camera. His hands are clasped in his lap. The background is a bright, modern interior with large windows and some potted plants.

Dear Stakeholders,

Change is everywhere around us. It always was and always will be. We know this because we experience it every day. In the times that we live in today, the pace of change has become rather accelerated with shifting global trends, changing economic scenarios and uncertain operational conditions. In such times, the fundamentals are more important than ever. It is the enduring character of an organization – its self identity that remains consistent, transcending time and individuals.

With the close of 2011, ICI Pakistan completes 68 years and behind these decades of presence and progress is a deeply cherished core ideology that has held the organization together in the face of challenge and change. An ideology based on a solid value system and a sense of purpose beyond just making money.

The year 2011 brought with it many interesting

challenges with a major shift in the strategic direction. In April 2011, our Board received a proposal from AkzoNobel to restructure their interest in Pakistan by separating the Paints Business and subsequently divesting their shareholding in the company. In May, the Board approved the proposal to separate the Paints Business into a listed entity through a process of demerger.

Business continued as usual and our teams further bolstered their efforts to build the business and deliver on target. The debilitating energy crisis worsened and continued to hamper operations and this year the Board of ICI Pakistan decided upon a long-term solution for the issue. We undertook a major investment to improve production capacity of our Soda Ash plant with a PKR two billion project to install boilers for steam generation based on state of the art Coal Fired Technology.

In 2011 however, the impact of gas outages on operating result was over PKR 825 million, affecting margins of our Soda Ash and Polyester Businesses and consequently marring an otherwise great set of results comparable to the record performance of 2010. Our manufacturing teams took this challenge to heart and dedicated their energies to come up with alternate self-help solutions such as aggressive resource conservation and cost cutting drives, careful margin management and innovative process improvements to cushion the impact of undersupply of gas. This alternative thinking is helping us to not only rise to emerging business challenges but also to translate them into opportunities.

Our other businesses, which are not directly affected by energy shortage, achieved commendable growth with Life Sciences delivering highest ever sales and bottom-line profits, Chemicals posting a 48% increase in operating profit and Paints showing a manifold increase in operating result.

Three years ago, we began the discipline of reporting on our sustainability performance and this year we are raising our reporting standards by application of a GRI B+ standard. I am happy to report that sustainability is now being strategically integrated in all our business operations and decision-making processes.

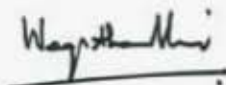
Ensuring safety in our operations is a cornerstone of our sustainability agenda and we continued to embed safety as a permanent value. Our Chemicals Business achieved 15 years and our Polyester Business achieved 15 million man-hours without lost-time injury.

Our people are our pride and we believe in building strong and engaged leaders. Our diverse operations offer a multitude of opportunities for people to grow and our commitment to developing talent helps them maximize their potential. Our engagement score for 2011 stands at 4.14 out of 5, putting us amongst the top scorers across AkzoNobel business units in 2011. I congratulate all my colleagues for these excellent results. Thank you for your contribution and relentless commitment to the company.

I also thank all our stakeholders who have helped us, and continue to do so in our efforts of taking this wonderful company forward and helping us set solid grounds for growth and build a better and stronger company today, for tomorrow.

I wish you the very best.

Warm regards,



Waqar A Malik

Financial Highlights

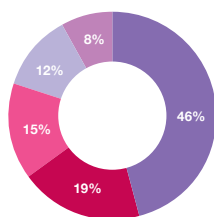
Our results at a glance

- 2011 turnover growth at 13 percent
- 2011 gross profit down at 4 percent
- 2011 profit after tax down at 20 percent
- 2011 earnings per share: Rs 13.95 (2010: Rs 17.50)
- Total dividend per share for 2011: Rs 9.00 (2010: Rs 17.50) proposed

Turnover by business

Total turnover Rs 45.4 Billion

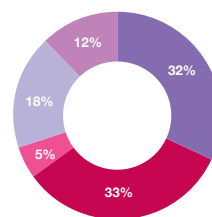
	%
Polyester	46
Soda Ash	19
Paints	15
Life Sciences	12
Chemicals	8



Operating result by business

Total Operating result Rs 2.8 Billion

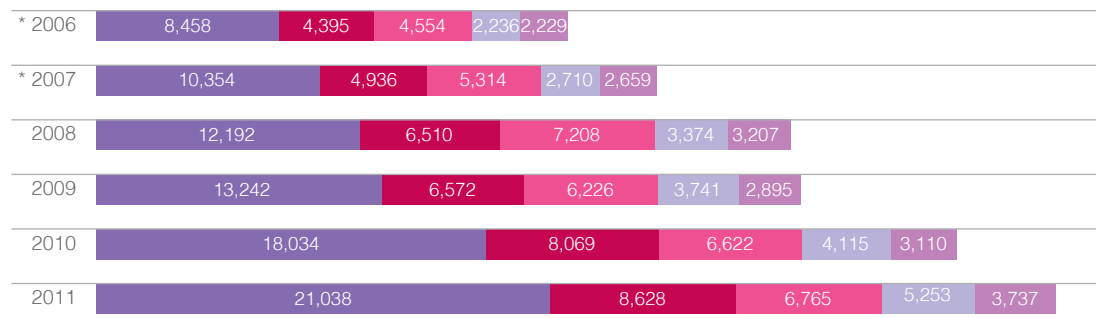
	%
Polyester	32
Soda Ash	33
Paints	5
Life Sciences	18
Chemicals	12



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

Turnover

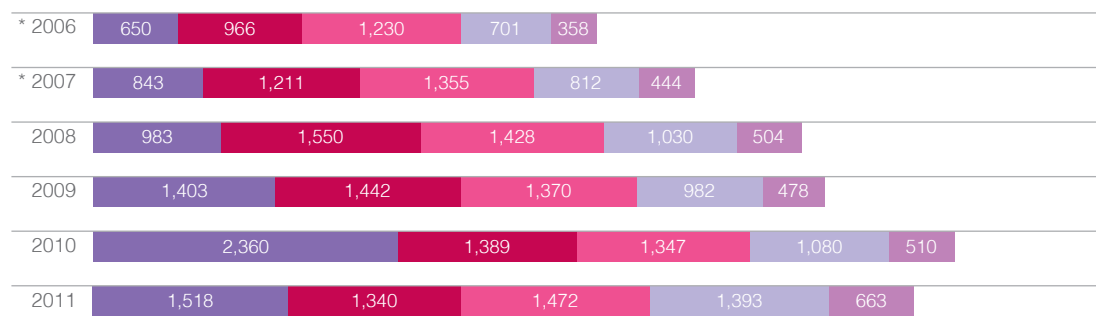
Rs Million



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

Gross Profit

Rs Million

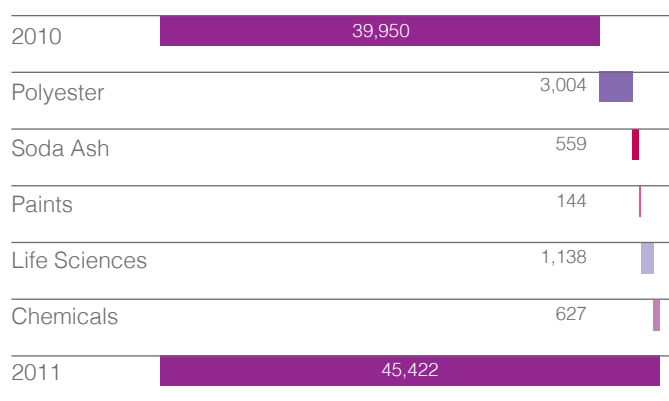


■ Polyester ■ Soda Ash ■ Paints ■ Life Sciences ■ Chemicals

* Excluding discontinued Kansai business

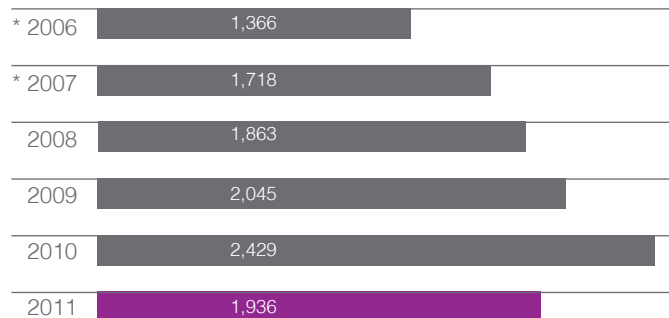
Revenue Development (Business-wise)

Rs Million



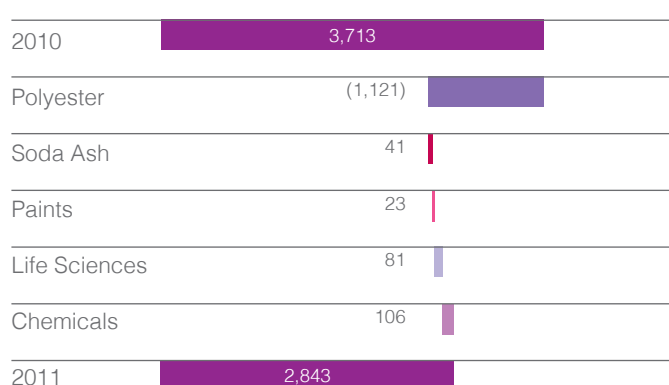
Profit after tax

Rs Million



Operating Result Development (Business-wise)

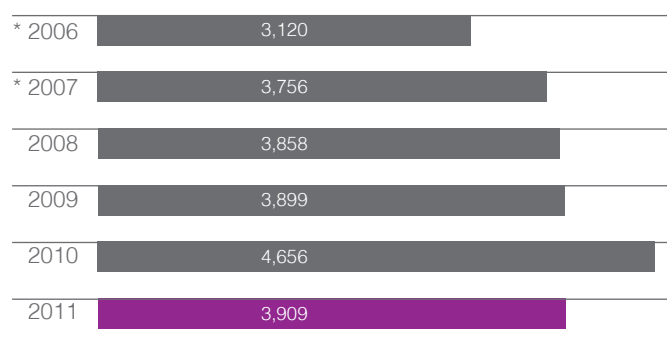
Rs Million



* Excluding discontinued Kansai business

EBITDA

Rs Million



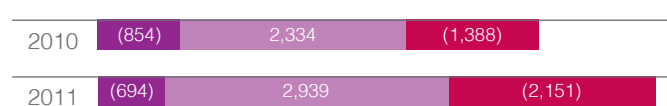
Earnings per share

Rs



Operating Cash flows

Rs Million



Capital Expenditure Operating Cashflows
Dividend paid

Profitability ratios

Gross margin (%)

2006	20.85
2007	20.93
2008	19.77
2009	19.96
2010	19.03
2011	15.92

Operating result margin (%)

2006	12.66
2007	12.96
2008	10.98
2009	10.65
2010	10.57
2011	7.09

Profit before tax margin (%)

2006	10.82
2007	12.02
2008	10.12
2009	10.81
2010	10.62
2011	7.26

Profit after tax margin (%)

2006	7.44
2007	7.75
2008	6.70
2009	7.19
2010	6.91
2011	4.83

Return on assets (%)

2006	8.60
2007	9.51
2008	10.08
2009	9.54
2010	11.02
2011	8.25

Return on equity (%)

2006	14.18
2007	15.70
2008	14.96
2009	15.17
2010	16.70
2011	13.48

Return on capital employed (%)

2006	21.57
2007	23.87
2008	21.77
2009	19.38
2010	22.43
2011	16.39

Revenue per employee (Rs Million)

2006	15.30
2007	17.95
2008	21.04
2009	21.85
2010	26.88
2011	30.25

Net income per employee (Rs Million)

2006	1.14
2007	1.39
2008	1.41
2009	1.57
2010	1.86
2011	1.46

Excluding discontinued Kansai business from 2006 - 2007

Price earning ratio (Rs)

2006	11.01
2007	15.29
2008	5.12
2009	11.44
2010	8.24
2011	8.62

Cost ratios

Administration costs as % of sales

2006	3.71
2007	3.30
2008	4.05
2009	4.14
2010	3.70
2011	4.22

Operating cost as a % of net sales*

2006	87.34
2007	87.04
2008	89.02
2009	89.35
2010	89.43
2011	92.91

Liquidity & other ratios

Current ratio

2006	1.29
2007	1.44
2008	1.81
2009	1.92
2010	2.17
2011	2.10

Stockholders' equity per common share (Rs)

2006	73.95
2007	81.91
2008	89.68
2009	97.14
2010	104.81
2011	103.42

Market value per share (Rs)

2006	115.50
2007	196.65
2008	68.71
2009	168.49
2010	144.24
2011	120.27

Efficiency ratios

Inventory days

2006	73.67
2007	59.85
2008	52.43
2009	58.00
2010	51.19
2011	50.60

Debtor days

2006	12.84
2007	13.65
2008	11.81
2009	11.08
2010	8.90
2011	6.42

Creditor days

2006	75.90
2007	78.24
2008	50.52
2009	41.00
2010	40.06
2011	36.71

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

Operating and Financial Highlights

Ratios		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Profitability Ratios											
Gross margin	%	19.04	14.70	15.62	18.14	20.85	20.93	19.77	19.96	19.03	15.92
Gross profit turnover	%	15.44	15.16	13.21	15.92	18.00	18.54	17.22	17.52	16.91	14.25
Operating result margin	%	8.82	6.00	7.64	9.97	12.66	12.96	10.98	10.65	10.57	7.09
Net profit margin	%	15.18	4.23	6.00	8.51	7.44	7.75	6.70	7.19	6.91	4.83
Profit markup	%	23.53	17.23	18.51	22.16	26.34	26.47	24.64	24.94	23.51	18.94
Profit before tax margin	%	5.92	4.45	6.30	8.73	10.82	12.02	10.12	10.81	10.62	7.26
Return on equity	%	40.40	14.03	13.13	16.56	14.18	15.70	14.96	15.17	16.70	13.48
Return on capital employed	%	15.71	17.50	15.44	18.28	21.57	23.87	21.77	19.38	22.43	16.39
Return on assets	%	13.45	5.42	7.59	9.85	8.60	9.51	10.08	9.54	11.02	8.25
Return on fixed assets	%	18.76	19.68	25.01	25.18	29.46	34.92	32.61	32.82	40.91	29.14
Growth Ratios											
Net sales	%	15.60	48.35	(2.69)	4.74	5.94	17.63	20.74	2.27	23.57	14.19
Operating results	%	(23.00)	0.98	23.82	36.81	34.54	20.37	2.29	(0.81)	22.62	(23.42)
EBITDA	%	(15.42)	1.61	16.80	25.34	28.27	18.40	0.00	1.04	19.45	(16.04)
Profit after tax	%	227.33	(58.69)	38.06	48.63	(7.42)	22.61	4.37	9.77	18.78	(20.30)
Operating working capital	%	(11.43)	53.16	(104.67)	(324.96)	(199.82)	(118.86)	218.10	(82.19)	320.64	(9.01)
Efficiency Ratios											
Asset turnover	Times	0.89	1.28	1.27	1.16	1.16	1.23	1.51	1.33	1.59	1.71
Fixed asset turnover	Times	2.13	3.28	3.28	2.52	2.33	2.69	2.97	3.08	3.87	4.11
Inventory turnover	Times	4.14	5.73	4.16	4.73	5.07	6.24	6.39	6.08	6.71	6.59
Current asset turnover	Times	2.65	3.42	2.45	2.84	2.79	2.55	3.46	2.56	2.96	3.12
Capital employed turnover	Times	2.20	2.83	2.39	2.09	1.91	2.08	2.28	2.07	2.39	2.58
Operating working capital turnover	Times	21.85	21.16	(440.62)	(108.61)	(38.38)	(20.62)	21.09	121.06	35.56	44.63
Inventory turnover ratio	Days	91.37	60.06	76.94	81.77	73.67	59.85	52.43	58.00	51.19	50.60
Debtor turnover ratio	Days	19.07	13.25	15.09	14.44	12.84	13.65	11.81	11.08	8.90	6.42
Creditor turnover ratio	Days	79.58	56.35	75.62	78.70	75.90	78.24	50.52	41.00	40.06	36.71
Operating cycle	Days	30.86	16.96	16.41	17.52	10.62	(4.74)	13.72	28.08	20.03	20.32
Revenue per employee	Rs'000	9,264	13,568	13,434	14,137	15,304	17,946	21,044	21,852	26,878	30,253
Net Income per employee	Rs'000	1,406	574	806	1,203	1,138	1,391	1,410	1,572	1,858	1,460
Capex to sales	%	4.09	2.53	3.12	7.77	5.53	4.65	5.45	2.91	2.43	1.73
Cost Ratios											
Operating costs (% of sales)	%	91.18	94.00	92.36	90.03	87.34	87.04	89.02	89.35	89.43	92.91
Administration costs (% of sales)	%	4.20	3.26	3.77	3.75	3.71	3.30	4.05	4.14	3.70	4.22
Selling costs (% of sales)	%	8.03	5.43	4.22	4.41	4.48	4.67	4.74	5.17	4.77	4.61
Interest cost (% of sales) *	%	3.44	2.11	1.44	1.50	1.45	0.44	0.32	-	-	-
Equity Ratios											
Price earnings ratio	Rs	4.04	15.40	11.76	12.40	11.01	15.29	5.12	11.44	8.24	8.62
Earnings per share	Rs	13.36	5.52	7.62	10.80	9.84	12.38	13.42	14.73	17.50	13.95
Dividend per share	Rs	2.25	2.50	4.00	5.00	5.50	6.00	6.50	8.00	17.50	9.00
Dividend cover	Times	5.94	2.21	1.91	2.27	1.91	2.14	2.06	1.84	1.00	1.55
Dividend (declared for the year) yield	%	4.17	2.94	4.46	3.56	4.76	3.05	9.46	4.75	12.13	7.48
Dividend (declared for the year) payout	%	16.84	45.29	52.48	44.14	52.45	46.66	48.43	54.31	100.01	64.52
Market value per share	Rs	53.95	85.00	89.66	140.50	115.50	196.65	68.71	168.49	144.24	120.27
Break-up value per share with surplus on revaluation	Rs	48.81	44.25	62.25	71.95	82.06	89.20	96.62	103.85	111.35	115.77
Break-up value per share excluding surplus on revaluation	Rs	33.08	39.35	58.02	68.39	73.95	81.91	89.68	97.14	104.81	103.42
Liquidity Ratios											
Current ratio	Ratio	0.67:1	0.67:1	1.38:1	1.10:1	1.29:1	1.44:1	1.81:1	1.92:1	2.17:1	2.10:1
Quick / Acid test ratio	Ratio	0.32:1	0.33:1	0.69:1	0.56:1	0.73:1	0.97:1	1.02:1	1.27:1	1.39:1	1.26:1
Cash ratio	Ratio	0.07:1	0.13:1	0.33:1	0.29:1	0.33:1	0.58:1	0.44:1	0.77:1	0.85:1	0.79:1
Leverage Ratios											
Debt to equity	%	7.44	-	1.39	-	0.04	-	-	-	-	-
Total debt to capital ratio	Ratio	33.67	40.60	1.99	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Interest cover *	Times	2.72	3.11	5.36	6.82	8.44	28.42	32.29	-	-	-
Summary of Cash Flows											
Cash generated from operations	Rs Million	1,819	2,140	1,917	2,667	3,554	4,312	1,188	4,938	3,716	4,039
Net cash generated from operating activities	Rs Million	1,027	1,933	1,824	2,522	3,477	4,094	970	4,476	2,334	2,939
Net cash used in investing activities	Rs Million	(33)	(103)	3,379	(1,421)	(1,040)	(1,397)	(1,781)	(938)	(753)	(593)
Net cash used in financing activities	Rs Million	(966)	(1,262)	(4,542)	(1,118)	(2,337)	(869)	(833)	(1,041)	(1,388)	(2,151)
Cash and cash equivalents at December 31	Rs Million	476	1,044	1,705	1,688	1,788	3,615	1,971	4,468	4,662	4,856

* 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 and discontinued Kansai business in 2005-2007.

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

Vertical and Horizontal Analysis

Vertical Analysis	2006	2006	2007	2007	2008	2008	2009	2009	2010	2010	2011	2011
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Profit and Loss Account												
Net sales, commission & toll income	19,574.1	100.0	23,024.1	100.0	27,798.9	100.0	28,429.9	100.0	35,130.0	100.0	40,114.9	100.0
Cost of Sales	15,492.6	79.1	18,205.4	79.1	22,303.1	80.2	22,754.0	80.0	28,443.7	81.0	33,728.4	84.1
Gross profit	4,081.5	20.9	4,818.8	20.9	5,495.8	19.8	5,675.9	20.0	6,686.3	19.0	6,386.5	15.9
Selling & Distribution Expenses	876.1	4.5	1,074.5	4.7	1,317.3	4.7	1,470.2	5.2	1,674.7	4.8	1,851.3	4.6
Administration & General Expenses	726.4	3.7	760.2	3.3	1,126.2	4.1	1,178.1	4.1	1,299.0	3.7	1,692.1	4.2
Operating Result	2,479.0	12.7	2,984.0	13.0	3,052.4	11.0	3,027.7	10.6	3,712.6	10.6	2,843.2	7.1
Financial Charges	319.3	1.6	146.4	0.6	219.3	0.8	167.5	0.6	163.9	0.5	137.2	0.3
Other Operating Charges	171.1	0.9	222.3	1.0	233.7	0.8	247.6	0.9	303.4	0.9	253.3	0.6
Other Operating Income	129.2	0.7	153.3	0.7	213.4	0.8	460.0	1.6	486.3	1.4	459.5	1.1
Profit before taxation	2,117.8	10.8	2,768.5	12.0	2,812.8	10.1	3,072.5	10.8	3,731.5	10.6	2,912.2	7.3
Taxation	662.2	3.4	983.7	4.3	950.0	3.4	1,027.8	3.6	1,302.7	3.7	976.4	2.4
Profit after taxation	1,455.6	7.4	1,784.8	7.8	1,862.7	6.7	2,044.7	7.2	2,428.8	6.9	1,935.7	4.8
Balance Sheet												
Total Equity and Revaluation Reserve	11,389.2	67	12,381.0	66	13,410.9	73	14,414.6	67	15,455.4	70	16,068.6	68
Non Current Liability	104.1	1	119.6	1	613.0	3	1,208.1	6	1,093.2	5	1,282.7	5
Current Liability	5,436.3	32	6,263.8	33	4,446.8	24	5,799.9	27	5,482.0	25	6,113.9	26
Total Equity and Liabilities	16,929.6	100	18,764.4	100	18,470.7	100	21,422.7	100	22,030.7	100	23,465.3	100
Non Current Assets	9,905.7	59	9,741.6	52	10,435.3	56	10,297.5	48	10,152.4	46	10,618.4	45
Current Assets	7,023.9	41	9,022.8	48	8,035.4	44	11,125.2	52	11,878.3	54	12,846.9	55
Total Assets	16,929.6	100	18,764.4	100	18,470.7	100	21,422.7	100	22,030.7	100	23,465.3	100
Horizontal Analysis	2006	2006	2007	2007	2008	2008	2009	2009	2010	2010	2011	2011
	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%	Rs M	%
Profit and Loss Account												
Net sales, commission & toll income	19,574.1	5.9	23,024.1	17.6	27,798.9	20.7	28,429.9	2.3	35,130.0	23.6	40,114.9	14.2
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Total Assets	16,929.6	6	18,764.4	11	18,470.7	-2	21,422.7	16	22,030.7	3	23,465.3	7

Year in Review

Q1



Launch of Elite OPV Seeds by Life Sciences

Board Meeting - February 16

Launch of ICI Pakistan Foundation's skill development program "Ilm-o-Hunar", with a "Painter Training Program" in Islamabad.

Polyester Employee Long Service Awards

Soda Ash Customer Convention - Italy

Launch of White Corn HC-8080W by Life Sciences

Polyester Customer Conference - South Africa

Life Sciences Annual Business Conference - Bhurban

Launch of Paints "Year of Excellence in Service" program across Pakistan

Q2



Paints Annual Family Get-Together - Lahore

Launch of ICI Dulux Weathershield Sun Reflect Paint

Annual General Meeting - April 27

Board Meetings - April 28 and April 29

Inauguration of Munda Headworks Village built by ICI Pakistan Foundation as part of the Flood Rehabilitation program

Launch of micro nutrient Ferti-Bio by Life Sciences

Launch of ICI Dulux Premier - a premier consultancy service for key customers.

Paints Customer Convention - Uzbekistan

Paints sponsored "Building Materials Exhibition" in Karachi

A new pouch-filling system was inaugurated at the Chemicals plant

Board Meeting - May 11

Soda Ash Employee Long Service Awards

Soda Ash Distributors Conference - Uzbekistan

Paints sponsored Interior Design Roadshow Exhibition "SPACES" in Karachi

Q3



Life Sciences celebrates HSE Week 2011

Board Meeting - August 24

AkzoNobel Global Safety Day celebrated across the company

Launch of Calf Starter Feed (an LNB Cargill product) by Life Sciences

Launch of 4 Livestock products: Anthelmintic (Benvet and Deworm boluses), Restorative (Dayfos Injection) and Antibiotic (Genton Injection) by Life Sciences

Launch of Probact, the world's first probiotic for mouth and throat health by Life Sciences

ICI Pakistan Foundation launched a "Basic Household Electrical Wiring Program" at Polyester, under the banner of "Ilm-o-Hunar"

Q4



Board Meeting - October 26

Executive Management Team HSE Training

Launch of a nationwide "Animal Handling" campaign by Life Sciences

Board Meeting - November 10

Polyester achieved 15 million recordable injury-free man-hours.

Launch of Regnum, a daily energizer by Life Sciences

Launch of Poultry Antibiotics Neocolicin, Doxityl and Lincamox-S by Life Sciences

Chemicals celebrated 15 years without Lost Time Injury (LTI).

Paints celebrated Lets Colour Week 2011 across Pakistan.

Paints Industrial Coatings Annual Sales Conference - Murree

Our Passion for People

It is clear to us that developing our people is the way to grow our business for the long term, making it more sustainable and more competitive. We aim to develop people who are guardians of our culture, champions of our legacy and drivers of our growth ambition.

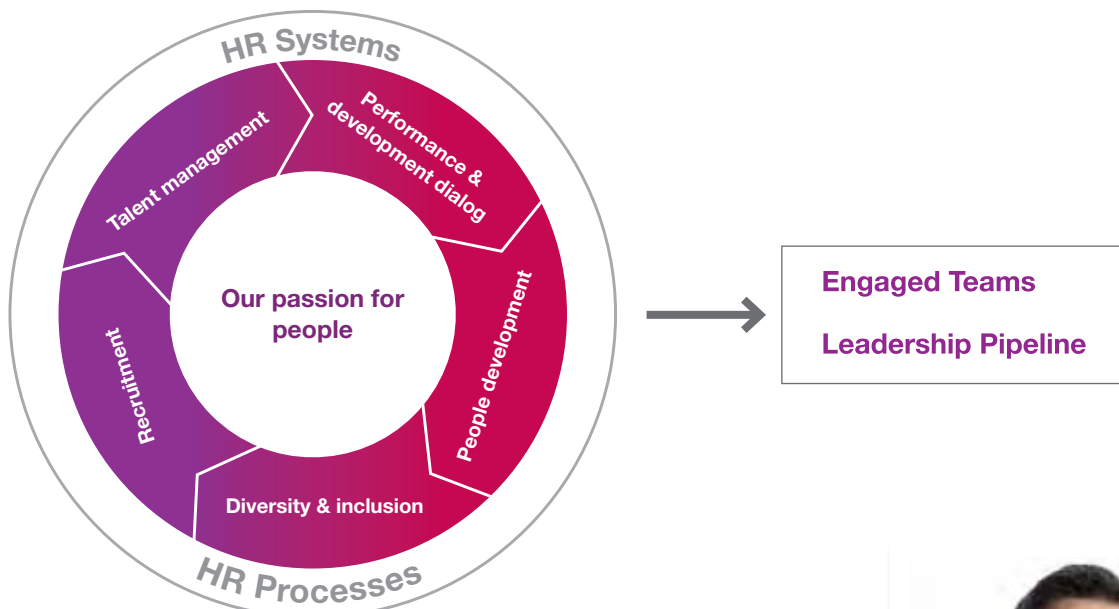
We develop and train our people enabling them to excel and then of course, we take care of our people. We harness their energies, cultivate their talent, manage their wellbeing and, very importantly, ensure they have a work environment conducive for development and growth. In short, we simply have a Passion for People, a passion that motivates us to bring out the best in our people, creating stronger grounds for sustainable growth.

In Pursuit of our Passion!

Our "Passion for People" is not just a value statement. For us, it translates into a comprehensive paradigm built on solid development programs, elaborate tools and efficient processes, the combination of which helps us achieve our objective of a committed and engaged workforce and developing a leadership pipeline of talent who can achieve sustainable business growth.

Performance & Development Dialog

Through regular dialog, review and candid feedback, our aim is to achieve better business results and reward our employees for their achievements. The P&D Dialog makes our evaluation process simpler and more transparent and incorporates both performance review and development planning. Our Values and Success Factors (behavioral competencies) are an integral part of all development discussions and have been integrated into the system.



The Financial Trainee Officer program running at ICI attracts many bright and young ACCA trainees who have the potential to deliver the best. The recruitment process in place at ICI Pakistan ensures that equal opportunity is provided to everyone who has the right talent to work as part of their Finance team. The work environment at ICI offers ACCA trainees opportunities to develop their potential and skills on their way towards achieving ACCA membership.

Arif Masud Mirza, Head of ACCA Pakistan



Talent Management

We aim to drive higher quality talent decisions by ensuring that opportunity for growth and challenging varied career experiences are provided to all employees.

Capability Groups:

To achieve this, our Capability Groups in the areas of Commercial, Technical, Finance and Human Resource are a critical link of the overall Talent Management Process. The purpose of the Capability Groups is to add value to the capability of the organization through Succession Planning and Talent Development. This is done through identification, development and movement of talent to ensure that the right talent is available to the organization for sustainable value creation.

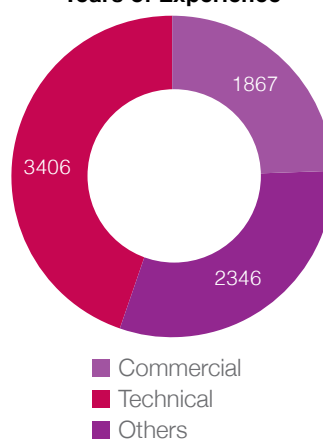
Cross Business and Functional Opportunities:

Learning and growth opportunities for our people are endless. With such a diverse portfolio of businesses, we offer unique cross-functional exposure across disciplines. Talent movement across Businesses/Functions was recorded at 22% for 2011, widening development opportunities and career progression for managers.

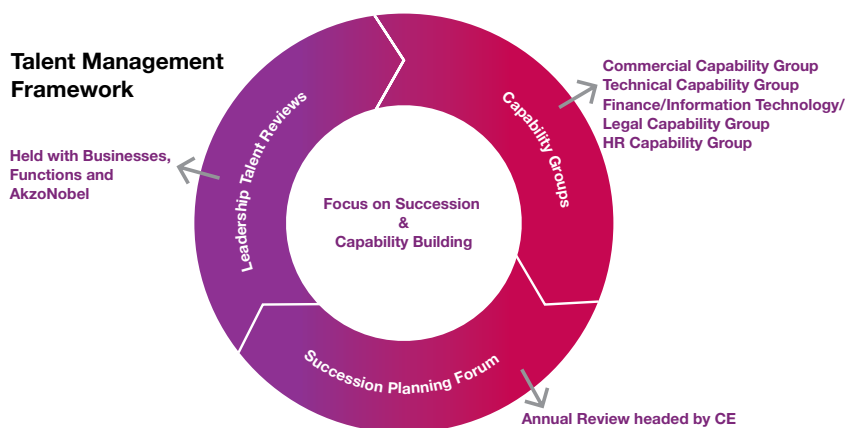
Talent Pipeline:

Our employees' wealth of experience in areas of commercial, technical, finance and human resource ensures a strong line of succession within the organization.

Years of Experience



Talent Management Framework



Since my first interaction with HR team at ICI Pakistan, in 2010, I have found them to be professional and courteous. In 2011, their recruitment drive at GIK resulted in short listing candidates who possessed the capability to be successful and right for the job. For this reason I consider ICI as being one of the most preferred employers of choice by GIK Graduates in the past so many years. I would like acknowledge the time and effort invested by ICI Recruitment Team in their success at GIK campus drive. It is a pleasure liaising with ICI.

Mohsin H. Akhtar, Deputy Director, GIKI



People Development

Improving skills and behavioral aspects based on our values, strategic intent and operational excellence forms a key focus area in the training roadmaps of our employees. These programs ensure a certain set of expertise are built which are required by the company and also assist our employees in career advancement. For the year 2011 we had 3,848 man days of training completed. In addition "Our Continuing Education at ICI Program" provides ongoing opportunities to managers to excel at their functional and leadership skills.

Diversity & Inclusion

Diversity is about embracing the human attributes that make us unique and Inclusion is the foundation that makes Diversity possible. An inclusive environment is one where these differences are valued and where everyone has the opportunity to develop their skills and talents. We aim to create a work place where everyone has the opportunity to develop skills and talents consistent with our company values and objectives, a place where we harness the power of all the ways in which we are different.

Recruitment

It is just as important for us to attract, develop and retain great people with strong leadership skills, as it is for us to develop, produce and distribute great products and services. The market for talented individuals is competitive and we are proud to be an Employer of Choice in Pakistan. We hire young talent through our structured Trainee programs in the Commercial, Technical, Finance and IT career streams and groom them to become future leaders ensuring talent

availability across the organization. In the year 2011 we hired 28 people through our Trainee Programs.

The Outcome of our Passion!

A pipeline of talented and engaged people, committed to taking this company to new heights. That is the goal we have set for ourselves and a good measure of how far we have reached is our employee engagement index.

Employee Engagement

Employee engagement is not just something that's nice to have. It is vital in helping us achieve our company's strategic ambitions and is a key driver of profitable performance.

The most significant achievement of 2011 was an increase in our engagement score. We scored 4.14 out of 5, with an increase of 0.4 points over 2010. This indicates a step change in employee engagement levels across our teams and places us at the 63rd percentile within the Gallup global database, compared with 35th percentile last year. Our survey participation rate of 97% and our engagement score this year have been marked as the highest across all AkzoNobel business units in 2011. Our aim continues to be to benchmark and provide managers a high performance work environment, fostering talent engagement and development.

ICI and LUMS share a rich, multi-faceted history that is deep-rooted beyond recruitment; sponsorships, financial collaborations, guest speaker participations, training partnerships etc. Particularly along recruitment, ICI continues to be a Recruiter of Choice for LUMS Business graduates. The exposure and experience that comes their way at the beginning of their ICI careers complements their academic training and satiates their leadership, multitasking, rigor intensive and managerial nature developed at LUMS; a perfect fit which select Recruiters enjoy. Without exception, every ICI Graduate Trainee that I have met shares the feedback that the major responsibilities entrusted to them from day one, rigorous work schedule, competitive yet independent environment and persistent investment ICI makes in their training, career growth and development not only makes their ICI journey a joy ride but it ranks ICI as a much desired Recruiter that they plan to stay with for a long time. No wonder the turnover at ICI for LUMS graduates is almost nil!

Sarah Karim, Unit Head, MBA Placement Office, LUMS



Technology Developments

Vision

“Proactively partner the businesses and functions of ICI Pakistan, in order to help them achieve their key strategic objectives through innovative and cost effective IT solutions.”

Highlights of 2011

Deployment of SAP at Paints – “Go Live” March 2011

Our focus at the beginning of the year was to complete the SAP implementation at the Paints business. After months of hard work, effort, planning, testing, meetings and presentations, SAP went live at Paints on March 7, 2011. A combined team of Corporate IT, business personnel and implementation partners IBM, delivered the project on time and within budget. The implementation of SAP at Paints is a milestone achievement and will enable processes in line with best business practices, delivering value, efficiency and effective controls, leading to sustainable business operations.

Intranet Portal Launch

The SharePoint portal went live in the first quarter of 2011, enabling better communication and collaboration among employees. “OneWebPakistan” is a vital step in improving communication within the organization and makes the exchange and sharing of information easier, more interactive and more uniform across the company. To celebrate the launch, OneWeb-branded intranet kiosks were set up at all our major locations, along with competitions to encourage participation. The migration of our non-ERP applications to SharePoint is in progress.

A special thanks goes out to the project management team, who successfully arranged a series of well-received events, some to de-stress and some to celebrate!



IT Disaster Planning Testing

A disaster drill was carried out to test the functioning of our remote disaster site.

Leveraging on SAP Business Intelligence

Printing “Green”

A new outsourced printing service was introduced at the Head Office in Karachi, which has enabled us to reduce our printers substantially. This not only saves our printing and paper costs, but also significantly reduces our carbon footprint.

Initiating Paints IT Separation Project

A major project underway is the Paints IT separation project, which will enable the Paints business to function as an independent entity.

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 innovation that enable our businesses to work smarter and faster. We will need to leverage on the investments that have been made in our applications, continue focus on the development of our people, and ensure business continuity and sustainability are strengthened.



Health, Safety, Environment and Security

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 will be accomplished 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.
- Our goals can only be achieved and the business maintained by the continuous improvement of our HSE&S performance through leadership of line management, the dedication of our staff and the application of the highest professional standards in our work. Continuous improvement in HSE, Security and Product Stewardship will provide business value, 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 and Product Stewardship performance is integral to sustainability, as well as providing business value, opportunities and competitive advantages. The implementation of the HSE&S policy across all operations, sites and businesses, is through the ICI Pakistan Health, Safety, Environment & Security Management System, which is fully integrated into the company's organization scheme. The key elements are the policy, directives, standards, guidelines, local management system & training management, self-assessment & audit, 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 HSE&S Policy, Directives and Standards.

Implementation is by means of:

Equipment – Designed and Maintained. “Fit for Purpose”.

Procedures/Systems – Locally Developed and Documented. “Robust”.

People – Trained and Involved, Contributing to HSE&S Improvement “Competent & Motivated”.



- A. Policy, Beliefs & Principles
- B. Directives, Standards & Performance Objectives
- C. Guidance
- D. Business Interpretation
- E. Local Management Systems & Training
- F. Measure Self-assess & Audit
- G. Performance Reporting
- H. Policy Review



Chemicals on Safety Day 2011



Safety equipment



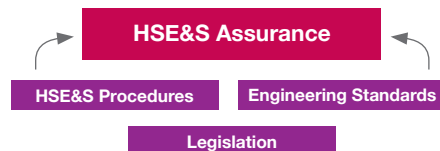
Safety Day 2011 at Soda Ash



Safety awareness sessions at Polyester

HSE&S Assurance Processes

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/Locations HSE Committee
Competence	Specialist HSE&S Forum
Procedures Compliance	Executive HSE&S Management Team
Management of Change	Site Communication Sessions
HSE Communications	
Auditing	

Our Performance

Health

There was no reportable occupation illness to our employees or supervised contractors. In 2011 we had 100% HAPI (Health Assessment Performance Index)

/ HYPI (Hygiene Performance Index) compliance at all sites.

Safety

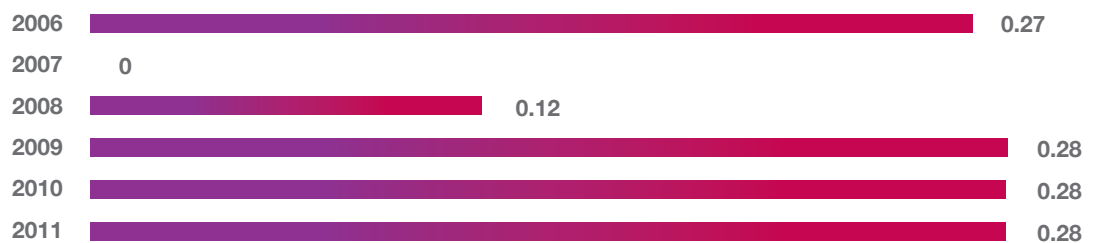
The company continues to demonstrate its strong commitment to HSE. Unfortunately there were two reportable injuries reported by Life Sciences and Paints Businesses. Both were road driving incidents. The safety performance at other sites remained well controlled. Soda Ash achieved 25.64 million man hours, Polyester achieved 21.84 million man hours, Chemicals achieved 5.8 million man hours and Life Sciences achieved 6.6 million man hours without LTI (Lost Time Injury) for employees and supervised contractors. There was no LTI for Independent Contractors.

Environment

We showed improvements in 2011 compared to the previous year with energy usage per ton (2.88% reduction) and CO₂ per ton (1.36% reduction). SOx numbers (21% higher) are adverse due to greater natural gas curtailment periods and our need to use high sulphur HFO instead. Despite long periods of HFO fuel plant operations in Soda Ash and Polyester, our OEE footprint is 1.8% less in comparison with 2010.

There were also improvements in water usage (1.82% reduction) and in waste reduction (-32.35%) through various projects initiated at the Soda Ash and Polyester sites.

Total Reportable Injury Rate





Emergency Drill at the Head Office



Defense driving training at Polyester

What Happened in 2011

Global Safety Day

Global Safety Day 2011 was celebrated with enthusiasm across the organization, with excellent participation from all employees. "Safety Flags" were hoisted at all sites, with CE message on safety broadcasted. Sites came up with interesting and innovative activities for the day to reiterate the importance of safety and the priority it deserves. Special presentations and lectures were given by Company Medical Officers on various medical issues, in particular dengue fever.

Security

The security of people and company assets is one of our top priorities. A third-party security audit of all businesses and locations was carried out to identify gaps. The recommendations given by the auditor have been incorporated on some sites, while the rest have been planned for the coming years.

HSE&S Improvement Plan Review

To monitor performance every year, a comprehensive review of businesses' and locations is being conducted. In 2011, businesses and locations plans were prepared on the basis of the 2010 review and self assessment. All manufacturing sites achieved 90% completion level.

Behavior Based Safety (BBS)

While 2010 was the year in which BBS was launched, 2011 saw the system firmly ingrained into the HSE culture. Validation and confirmation by external consultant and our Corporate Technical team further underlined the sustainability of the system.

Trainings

Our Executive Management Team spent a day at the Polyester Business site February for a training program on HSE leadership, the purpose being to create HSE&S awareness, the need to understand responsibilities, to improve safety performance and apply safety measures in their own activities on a daily basis.

The idea was to enlighten the top management on their role as leaders for safety and have a closer look at what is required by them to improve our safety performance, as well as raising the HSE&S profile across the company.

Managers from Soda Ash, Polyester, Paints, Chemicals, Life Sciences and Corporate Offices attended the following courses:

Course Name	No. of Sessions	No. of Participants
HSE Leadership Training	1	7
HSE Awareness Course	4	56
Leading in HSE (Non-Manufacturing & Manufacturing)	2	35
Crisis Management	7	84
CP BBS Training	5	110

Awards and Achievements

Environmental Excellence Award:

For the third year in a row, we won the 'Environmental Excellence Award' by the National Forum for Environment & Health.

ICAP Best Corporate Report Award:

For the last 11 years, ICAP and ICMAP are jointly organizing awards with an objective to encourage and give recognition to companies for showing excellence in their annual corporate reports. This award seeks to promote corporate accountability and transparency through the publication of timely, informative, factual and reader friendly annual reports. Our Annual Report 2010 was once again 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 Best Corporate Report Award.

ICAP Best Sustainability Report Award:

This year, we also clinched the Best Sustainability Report Award for our 2010 Sustainability Report. A new award namely, 'Best Sustainability Report Award' has been introduced based on the internationally

recognized Framework; G3 Guidelines of Global Reporting Initiative (GRI), an international reporting standard that has also been recognized by the International Federation of Accountants (IFAC). Last year, for the first time, we produced a GRI Compliant Sustainability Report and are one of the few corporate entities who have adopted these globally accepted standards.

Brands of the Year Award 2011:

Our Paints Business won the "Brand of the Year" award in the Decorative Paints category, in 2011. The Brands of the Year Award was launched in 2006 by the Brands Foundation, with the objective of identifying and promoting brand excellence in Pakistan.

Consumers Choice Award 2011:

Our Paints Business won the Consumers Choice Award, held by the Consumer Association Pakistan. Approximately 85 awards were presented in different categories in 2011, the aim being to encourage consumer friendly products and companies.



Jehanzeb Khan receiving Brands for the Year award for Decorative Paints



ICAP and ICMAP award for Best Annual and Sustainability Report

Community Investment

We're as committed to our communities as we are to our customers, shareholders and employees. Social responsibility is a way of life at ICI Pakistan. We recognize that we cannot have a healthy and growing business unless the communities we serve are healthy and sustainable.

We have a rich history of community investment that has evolved to meet the complexities and challenges of a developing society. 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.

Disaster Relief and Rehabilitation

After the success of ICI Pakistan's Flood Relief Campaign in 2010, the Foundation shifted its focus towards the rehabilitation of flood victims. In collaboration with Karachi Relief Trust, we rebuilt a village in Rahim Yar Khan, Punjab and another at Munda Headworks, Khyber Pakhtun Khwa. Both these villages were completed in 2011 and houses were handed over to the affectees. These houses have brought immeasurable relief to victims of the floods that hit the country in 2010 leaving millions deprived of homes and livelihoods.

Following the excessive monsoon rains in August 2011, floods affected another 7.4 million people, mainly in the province of Sind. Millions who were already displaced because of the floods in 2010, once again lost their livelihoods,

crops and livestock. The Foundation, along with the Life Sciences team, put together a relief program for over 7000 flood victims in eight areas, including Nawabshah, Umerkot, Badin, Mirpurkhas and T. M. Khan. These areas were especially chosen as there was little or no access to medical facilities. This was made possible by excellent planning and management from our Pharmaceuticals team, based in Hyderabad. Along with this, four veterinary camps at T. M. Khan, Umarkot, Badin and Kario were set up, where approximately 12,000 animals were treated.

The Foundation also organized a medical and veterinary health camp for villagers at the Foundation's rebuilt village at Rahim Yar Khan. 400 people were treated for various diseases, including anemia, chest and throat infections, worm infestation and joint pain.

Education

With education being a core development issue in Pakistan, the Foundation supports schools across Pakistan.

As part of the rehabilitation efforts for victims of the devastating 2005 earthquake, one of the worst disasters to hit Pakistan, we funded and built a primary



and middle girls school in Bararkot Kashmir. This school is now run by government authorities with our active involvement and we continued our support this year as well.

To assist the community of Tibbi Harya near our Polyester Plant in Sheikhpura, we adopted the local government primary school in 2004. In 2009, we invested in infrastructure for the school and have built more classrooms, upgrading the school from a primary to a middle school. This year we signed an agreement with an established non-profit, Child Care Foundation, to better run and manage the school.

Other than this, we also continued to support the Kakapir Government Boys School in Karachi and the Institute of Behavioral Psychology (IBP), an institute for special children.

This year, we expanded the scope of our Education program and with the aim of enabling communities to be self-sufficient by providing them employable skills, we launched a skill development program, Ilm-o-Hunar. The first program under the aegis of Ilm-o-Hunar was a Painter Training Program conducted in alliance with CTTI (Construction Technology Training Institute), Islamabad.

February 2011 marked the beginning of the program with our Paints team volunteering to train building painters in paint application techniques, issue identification, color selection, safety and environmental practices. By March 2011, 25 students were enrolled in this course, learning the latest painting techniques from qualified teachers, which would enable them to set higher standards in their work, and eventually in the industry.

A second vocational training program was then initiated in July with our Polyester Business starting technical training on "Basic Household Electrical Wiring" in July. The purpose of this training was to provide technical skill development opportunities to members of the local community, thereby increasing their chances of employability. This program is now recognized by TEVTA and a second phase has already initiated.

Health

Our monthly free eye clinic program was started in 1991 at Khewra. Every month, this camp provides free eye check ups to at least 500 people from the community and nearly 55 surgeries are carried out at our Winnington Hospital in Khewra. Our free eye camps are now an established practice for the past 20 years and people from far and wide come to our Winnington Hospital for assistance. Last year, we expanded the scope of this program and launched it for the community near our Polyester factory at Sheikhpura. 13 Free Eye Clinics were held during the year (11 at Khewra and 2 at Sheikhpura). A total of 6084 OPDs, 514 major surgeries, 133 minor surgeries and 1227 refractions were done for the Khewra and Sheikhpura Communities in 2011.

The Foundation liaised with the Environmental Protection Agency, Punjab, to facilitate a "Hematology Analyzer" for the public service dengue camp in Lahore, in order to counter the outbreak of the dengue virus for poor and needy patients in Lahore.

Volunteering

Launched in 2009, our volunteer program has completed its third year. Employees from across the company volunteered in a variety of initiatives ranging from taking students out on field trips, to visiting hospitals and organizing relief efforts. This year, a total of 3675 hours were spent by 197 employees and their families during the year on the various activities such as tree plantation drives, Universal Childrens Day celebration, medical and veterinary camps and community painting activity. An interesting initiative was a skill development workshop conducted by our HR Department for members of SOCH (Save Our Civil Hospital). These aspiring doctors from Dow Medical College are helping improve Karachi's largest public service facility, the Civil Hospital and we helped them with team and capacity building training.





Integrity and responsibility in our actions is one of the core values that defines how we operate. 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 choose to take tomorrow.

Governance & Compliance

A Plan for all Seasons

In this section we introduce our Board of Directors and present their Report for 2011, 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.

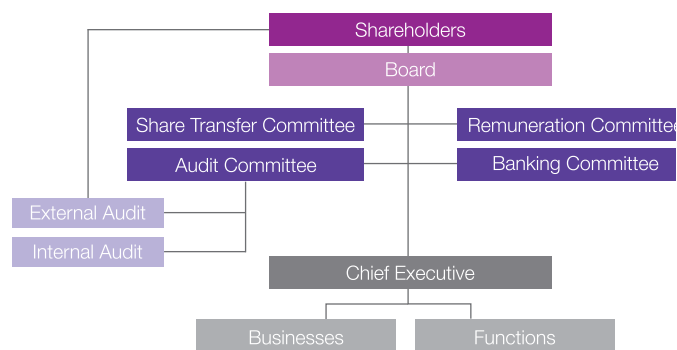
Corporate Governance and Compliance

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
- Group corporate directives and authority schedules

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. Whole of this process is being looked after by Board Audit Committee.

Board Composition

The present Board of ICI Pakistan comprises a well balanced mix of executive and non-executive directors. It has 8 directors which include three executive directors (including the Chief Executive) and 5 non-executive directors out of whom 3 are independent directors and 2 represent the majority shareholders, ICI Omicron B.V. The Chairman of the Board is an independent, non-executive director. The positions of Chairman and Chief Executive are held by separate individuals with clearly defined roles and responsibilities.

ICI Pakistan has had an Audit Sub Committee and a Remuneration Sub Committee of the Board much before the introduction of the Code of Corporate Governance comprising all 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-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 in the Code of Corporate Governance) 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. ICI Omicron B.V. holds 75.81 percent shares in the company. 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 (NFLOR)

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

The respective Business and Function Heads submit an annual representation to the Chief Executive. A consolidated version is sent to the Group. No exceptions were reported in the NFLOR 2011 process.

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 carried out across all businesses and functions 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, reviews 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, the performance of the internal audit function, and compliance with the Code of Conduct.

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 regulations.

Risk Management

Risk Management

The Board has an overall responsibility for the risk management process. 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 2011 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 corrective action is timely taken for the effective functioning of controls.

Enterprise Risk Management

The Enterprise Risk Management (ERM) methodology is part of AkzoNobel's effort to clearly and structurally prioritize the risks affecting our operations and organizations, in order to focus the 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 & 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 take, treat or transfer (3T's) 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; and
- Risk of disruption to business operations due to worsening law & 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 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. Management continues to engage principles and partners in value chain to align strategic views and cement long term partnerships.

Risk

Attraction and retention of talent.

- Our ambitious growth and sustainability 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 2011 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.

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, the Board of Directors have approved a Rs 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.

Further, in order to partially mitigate the financial impact, the business continuously remains engaged in various cost saving, energy and efficiency related projects. One of the most notable initiatives was the launch of a coke briquetting project at our Soda Ash business. Designed to reduce waste, it involves converting coke dust into usable briquettes. Risk of lower downstream demand due to energy shortages is partially managed through technical and commercial support to improve downstream efficiencies.

Operational

Internal

Risk Corrective Action

For us, compliance with HSE&S standards is a license for doing business. Our safety performance remains one of the best in AkzoNobel Group companies. The Company continues to focus on energy conservation, waste and Operational & Eco-Efficiency (OEE) footprint reduction. Company has shown improvements over 2010 in energy usage per ton (2.9% reduction), waste produced per ton (32% reduction), water usage (2.0% reduction) and CO₂ per ton (1.4% reduction).

A detailed report on HSE performance and development in 2011 is available on page 22 of the annual report.

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.

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 framework 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 the compliance 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 'Speak Up!' 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.

External

Risk

Stringent documentation requirements for customer invoices by FBR

- New requirement by FBR for addition of CNICs on invoices is affecting customer base of Paints business.

Risk Corrective Action

The impact of more stringent FBR documentation requirements for addition of CNICs on invoices is expected to dampen market off take in Paints business in short term.

The Company continues to engage with policy makers to emphasize that lack of documentation and absence of uniform implementation in the informal sectors creates an environment that penalizes organized players and additionally results in significant revenue leakages to the Government. We remain engaged with policy makers for improvement in the capacity and effectiveness of implementing the existing policies on documentation across both formal and informal sectors.

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 whom are nonexecutive directors including the Chairman. 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 CFO or the internal auditors being present. It further meets at least once a year, the internal auditors without the CFO being present. The Audit Committee met four times during the year under review.

Remuneration Committee

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

The Committee consists of two Non-Executive Directors. The Vice President Human Resources acts as the Secretary of the

Committee whereas the Chief Executive attends by invitation only. The Committee meets at least once a year.

Banking Committee

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

Share transfer Committee

The Share transfer Committee consists of two Executive 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 the Chief Financial Officer, four Vice Presidents and two General Managers. 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 Company wide practices. It oversees the health, safety & environment functions of our Company and is also responsible for ensuring that all our operations are environment-friendly and complaint with regulatory and Group 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

HR, finance and IT capability group

Supply chain network

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

Company Information

Board of Directors

M J Jaffer	Chairman (Non-Executive)	Bart Kaster	Non-Executive
Waqar A Malik	Chief Executive	Feroz Rizvi	Executive
Mueen Afzal	Non-Executive	M Nawaz Tiwana	Non-Executive
Ali A Aga	Executive	Derek W Welch	Non-Executive

Audit & Remuneration Sub Committees of the Board

Audit Sub Committee

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

Remuneration Sub Committee

M Nawaz Tiwana	Chairman (Non-Executive)
Derek W Welch	Non-Executive

Chief Financial Officer

Feroz Rizvi

Acting Company Secretary

Nasir Jamal

Executive Management Team

Waqar A Malik	Chairman	Jehanzeb Khan	Vice President, Paints
Ali A Aga	Vice President, Soda Ash	Suhail Aslam Khan	Vice President, Polyester
Faisal Akhtar	General Manager, Chemicals	M Asif Malik	Vice President, Corporate HR & Life Sciences
Syed Iqbal Haider	General Manager, Corporate Technical Function	Feroz Rizvi	Chief Financial Officer

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
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
Web: www.icipakistan.com
E-mail: ccpa_pakistan@ici.com

Share

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Tel : (021) 32427012, 32426597,
32420755, 32475606 & 32425467
Fax : (021) 32426752

Our Board of Directors



M J Jaffer
Chairman (Non-Executive)

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



Waqar A Malik
Chief Executive

Appointed as the Chief Executive of ICI Pakistan Limited on October 1, 2005, Waqar Malik has over 26 years of extensive experience with the Group in senior management positions. He is also the Chairman of ICI Pakistan PowerGen Limited and Akzo Nobel Pakistan Limited.

His other engagements outside ICI Pakistan Limited are: Director on the Central Board of the State Bank of Pakistan, Director Pakistan Business Council, non-executive Director on the Boards of Engro Polymer & Chemicals Limited and IGI Insurance Limited. A former President of Overseas Investors Chamber of Commerce & Industry (OICCI), Waqar is also a member of the Board of Governors of LUMS along with being a trustee of Duke of Edinburgh's Award Foundation.

An alumnus of Harvard Business School and INSEAD, Waqar is a Chartered Accountant by profession and a Fellow of the Institute of Chartered Accountants in England & Wales.



Feroz Rizvi
Director & CFO

Appointed to the Board of Directors of ICI Pakistan Limited in October 2006, Feroz is the Chief Financial Officer and has been with ICI Pakistan for over 28 years, during which he has held various senior positions. He is also a Non-Executive Director of ICI Pakistan PowerGen Limited, Faysal Asset Management Limited and Akzo Nobel Pakistan Limited.



M Nawaz Tiwana
Director
(Non-Executive)

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



Ali A Aga
Director & Vice President
Soda Ash Business

Appointed to the Board of Directors of ICI Pakistan Limited in January 2009, Ali is Vice President Soda Ash Business and has been with ICI Pakistan for the last 23 years. He has diverse experience in commercial, human resources and general management roles. Ali is also a Non-Executive Director on the Board of ICI Pakistan PowerGen Limited and Akzo Nobel Pakistan Limited.



Mueen Afzal
Director
(Non-Executive)

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

Mueen is also the Chairman of Pakistan Tobacco Company Limited and Director of Murree Brewery Co. Limited, Rawalpindi. He is a Director of the Pakistan Centre for Philanthropy and a member of the Board of Governors of Aitchison College, Lahore. He chairs the Sanjan Nagar Public Education Trust which is a charity, imparting quality school education to children of low income families in Lahore.



Bart Kaster
Director
(Non-Executive)

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

Bart is also a Director of Akzo Nobel UK Limited, Akzo Nobel Decorative Coatings Limited and ICI Limited.



Derek W Welch
Director
(Non-Executive)

Elected to the Board of Directors of ICI Pakistan Limited in June 2009, Derek has been associated with the AkzoNobel Group since 1998 during which he has held senior executive positions. He retired during 2011 but continues to undertake work for AkzoNobel including directorships of some companies of the AkzoNobel Group.

Our Executive Management Team (EMT)



1 **Iqbal Haider**
General Manager
Corporate Technical

2 **Faisal Akhtar**
General Manager
Chemicals Business

3 **Suhail A Khan**
Vice President
Polyester Business

4 **Waqar A Malik**
Chief Executive &
Chairman EMT

5 **Jehanzeb Khan**
Vice President
Paints Business

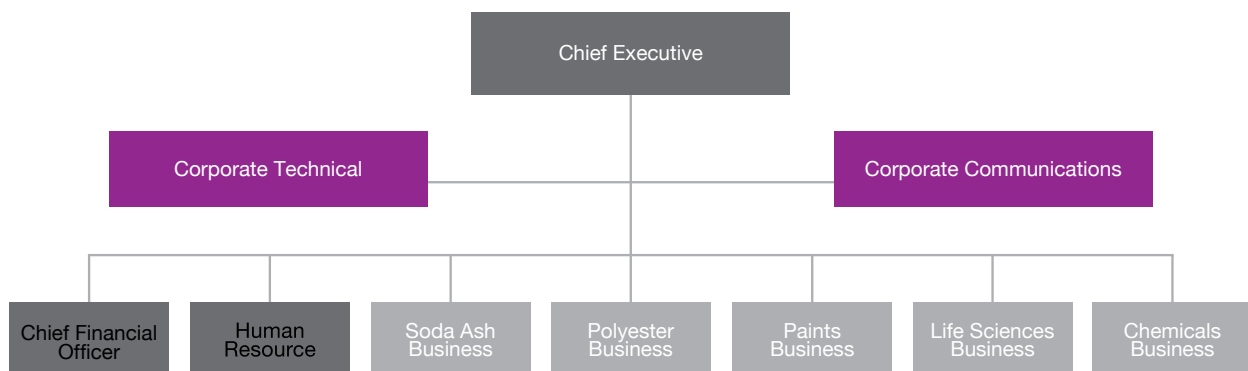
6 **M Asif Malik**
Vice President
Human Resource &
Life Sciences Business

7 **Feroz Rizvi**
Chief Financial Officer

8 **Ali A Aga**
Vice President
Soda Ash Business



Organizational Structure



Report of the Directors

for the year ended December 31, 2011

The Directors are pleased to present their report together with the audited financial statements of the Company for the year ended December 31, 2011.

Overview

Net sales income (NSI) was up 14 percent over last year. The operating result was 23 percent lower than last year due almost entirely to a further deterioration in the availability of gas by SNGPL to the Soda Ash and Polyester Staple Fibre plants. During the year, the number of days gas was not available to our Soda Ash and Polyester Staple Fibre plants were 174 days and 186 days respectively, compared to 143 days and 108 days in 2010.

The consequent financial impact on the operating result of using alternative expensive fuel was over Rs 825 million in 2011 compared to 2010. The operating result also includes an impairment charge of Rs 210 million, relating to the investment in ICI Pakistan PowerGen Limited, a 100 percent owned captive power company in accordance with International Financial Reporting Standards. This impairment has occurred due to the deterioration in the future prospects of the economic benefits of investment on account of severe gas undersupply to ICI Pakistan PowerGen Limited. In addition, your Company also incurred one off demerger expenses amounting to Rs 170 million.

The Paints, Chemicals and Life Sciences businesses recorded strong growth in margins and operating result.

The coal fired boiler project already approved by the Board, at a cost of over Rs 2 billion, is expected to be commissioned in Q2 2013. It will significantly improve the energy economics of the Soda Ash Business.

Earnings per share at Rs 13.95 was lower by 20 percent compared with 2010.

On a group basis (including the result of the wholly owned subsidiary ICI Pakistan PowerGen Limited) profit after tax for the year at Rs 2.17 billion was 12 percent lower compared with 2010.

Financial Performance

	2011	2010	Increase/ (Decrease) Percentage
Rs m			
Turnover	44,802	39,533	13
Net Sales Income	40,115	35,130	14
Gross Profit	6,387	6,686	(04)
Operating Result	2,843	3,713	(23)
Profit Before Tax	2,912	3,732	(22)

	2011	2010	Increase/ (Decrease) Percentage
Rs m			
Profit After Tax	1,936	2,429	(20)
Earnings Per Share (Rs)	13.95	17.50	(20)

Dividends

Your Directors are pleased to announce a final dividend of 55 percent i.e. Rs 5.5 per share of Rs. 10 each of the issued and paid up capital of Rs 1,388,023,000/-. This, including the interim dividend of 35 percent, makes a total dividend of 90 percent for 2011.

Board Changes

At the Fifty-Ninth Annual General Meeting of the Company held on April 27, 2011, an eight-member Board was elected by the shareholders for a three-year term commencing from April 29, 2011 namely, Messrs M J Jaffer, Waqar Malik, Mueen Afzal, Ali A Aga, Bart Kaster, Feroz Rizvi, M Nawaz Tiwana and Derek W Welch.

At the said meeting the shareholders also authorized the holding of offices of profit by the Chief Executive and the Executive Directors as per their respective contracts of service. The three Executive Directors serving on the Board are: Messrs Waqar A Malik, Ali A Aga and Feroz Rizvi.

Subsequently, at a meeting of directors held on April 29, 2011, Mr M J Jaffer was appointed as Chairman and Mr Waqar A Malik as Chief Executive of the Company each for a term of three years commencing from April 29, 2011.

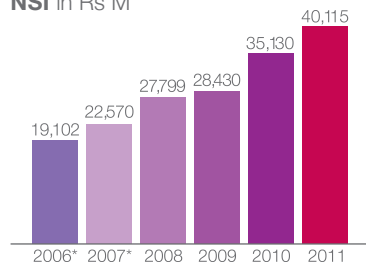
The Directors also reconstituted the sub-committees of the Board with effect from April 29, 2011.

Earlier Mr James R Rees and Mr Rogier M G Roelen retired from the Board upon expiry of their terms of office as Non-Executive Directors. The Board places on record its appreciation for the valuable contribution made by the two outgoing Directors.

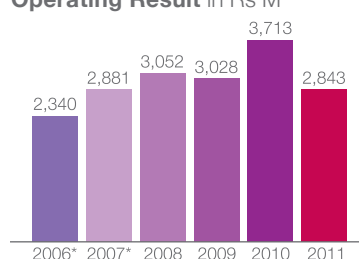
Health, Safety and Environment – HSE

Safety performance in 2011 remained one of the best in AkzoNobel group companies. Soda Ash achieved 25.64 million man hours, Polyester Staple Fibre achieved 21.84 million man hours, Chemicals achieved 5.8 million man hours and Life Sciences achieved 6.6 million man hours without LTI (lost time injury) to employees and supervised contractors. There were no reportable injuries to independent contractors. During the year, there were two reportable injuries (road accidents) to our supervised contractors.

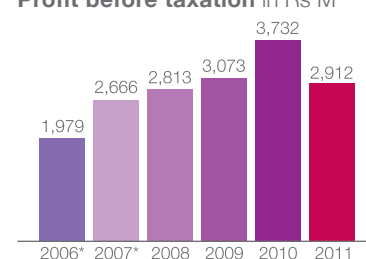
NSI in Rs M



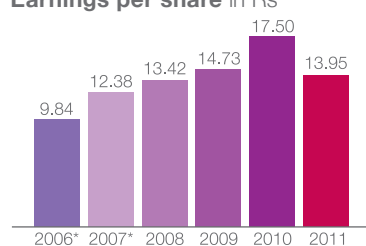
Operating Result in Rs M



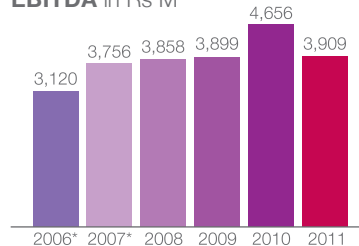
Profit before taxation in Rs M



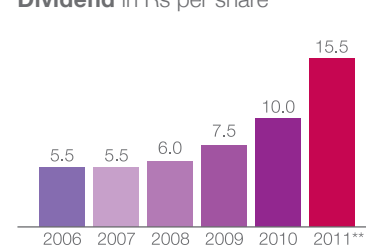
Earnings per share in Rs



EBITDA in Rs M

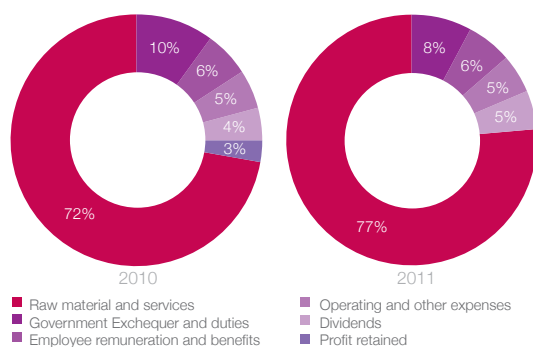


Dividend in Rs per share



* Excluding discontinued Kansai business

** 2011 dividend includes final dividend of Rs 12.5 per share relating to the financial year 2010



Value Addition and its distribution	Rs '000			
	2011	%	2010	%
Net Sales including sales tax	42,866,886	99%	37,585,986	99%
Other operating Income	459,494	1%	486,256	1%
	43,326,380	100%	38,072,242	100%
Raw Material and Services	33,155,342	77%	27,478,606	72%
Government Exchequer and duties	3,385,862	8%	3,996,318	10%
Employee remuneration & benefits	2,676,947	6%	2,179,396	6%
Operating and Other expenses	2,172,516	5%	1,962,456	5%
Dividends	2,151,436	5%	1,388,023	4%
Profit Retained	(215,723)	-1%	1,067,443	3%
	43,326,380	100%	38,072,242	100%

In 2011, your Company's focus remained on energy conservation, waste and Operational Eco-Efficiency (OEE) footprint reduction. The Company has shown improvements over 2010 in energy usage per ton (2.9% reduction), waste produced per ton (32% reduction), water usage (2.0% reduction) and CO₂ per ton (1.4% reduction). SO_x per ton (21% higher) was adverse due to the use of furnace oil as a result of limited gas supply from the utility companies. Despite long periods of furnace oil use, our OEE footprint in Soda Ash and Polyester Staple Fibre plants was lower by 1.8% in comparison to 2010.

A detailed report on HSE performance and development in 2011 is available on page 22 of the annual report.

Corporate Social Responsibility – CSR

Your Company's community investment activities are managed through the ICI Pakistan Foundation which is 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 and infrastructural development and disaster relief and rehabilitation projects. In 2011, a total of Rs 25.9 million was assigned to various projects for community development inclusive of a monetary value of 2,195 employee hours spent on different volunteer programs.



Global Safety Day 2011



School children with bags made from our used Panaflex skins

Disaster Relief & Rehabilitation:

Flood Relief: Following the extended monsoon rains in 2011, flood affected another 7.4 million people mainly in the province of Sindh. Millions of internally displaced people because of the floods in 2010, once again lost their livelihoods, crops and livestock.

The ICI Pakistan Foundation along with the ICI Pakistan Life Sciences team put together a relief program for the flood affectees. The segment held eight camps in total treating over 7,000 patients in far-flung areas of Nawabshah, Umerkot, Badin, Mirpurkhas and T.M. Khan. These areas were especially chosen for affectees had little or no access to medical facilities. Along with these, four veterinary camps (T.M. Khan, Umarkot, Badin, Kario) were set up, and approximately 12,000 animals were treated.

The Foundation is now deliberating over a rehabilitation project for flood affectees in Sindh. Focus is on providing solutions for clean drinking water as serious ailments have spread because of the contaminated water supply.

Flood Rehabilitation:

Munda Headworks (Swat – Khyber Pakhtoon Khwa) ICI Pakistan Foundation's first rehabilitation project in collaboration with Karachi Relief Trust for the 2010 flood affectees was completed and inaugurated in April 2011. The construction of 13 houses and a community centre was mainly funded by ICI Pakistan Limited employees. Each house has two bedrooms, one bathroom, a kitchen and front yard.

Rajan Pur (Rahim Yar Khan – Punjab) ICI Pakistan Foundation's second rehabilitation project in collaboration with Karachi Relief Trust for the flood affectees of Rahim Yar Khan was also completed. This project comprises of 40 houses and is funded by AkzoNobel's Community Program. The project is ready and families are now moving in.

Education:

In the sphere of education the Foundation continued to support the Government Girls School in Bararkot Kashmir, Government Primary School in Tibbi Haria Sheikhpura, Kakapir Government Boys School in Karachi and the Institute of Behavioral Psychology (IBP), an institute for special children.

The Foundation launched its 'Ilm-o-Hunar', a skill development program to empower communities with the skills for sustainable development. Painter Training program was organized by 'Ilm-o-Hunar' in tandem with the Construction Technology Training Institute (CTTI) Islamabad. This was followed by technical training program on 'Basic House-

hold Electrical Wiring' at our Polyester site in Sheikhpura.

This program has gained recognition from TEVTA (Technical Education & Vocational Training Authority) Punjab.

Health:

Since 1991, your Company had been conducting eye care programs at Khewra in collaboration with the Layton Rahmatulla Benevolent Trust (LRBT). Last year, the program was extended to Sheikhpura and 13 free eye camps were held during the year (11 at Khewra and 2 at Sheikhpura). A total of 6,084 out patients were treated, 514 major surgeries, 133 minor surgeries and 1,227 refractions were performed for the Khewra and Sheikhpura Communities.

ICI Pakistan Volunteer Program:

The ICI Pakistan Volunteer program was launched in 2009 and since then our staff and their families have generously contributed their time and energies to assist deprived communities. A total of 3,675 hours were spent by 197 employees and their families during the year on a variety of activities.

Environment:

Tree Plantation Drive: To create awareness for conservation and protection of nature, Polyester Business planted 10,000 sapling trees in Lahore.

Bio-Degradable Plastic Envelopes: Corporate Communications and Public Affairs department introduced Recyclable Oxo bio-degradable plastic bags in place of normal paper envelopes. So far 30,000 bags have been replaced. Oxo bio-degradable technology is a "green" technology that is helping to reduce the chemical impact on environment at the point of disposal compared to conventional plastic.

A detailed report on CSR performance in 2011 is available on page 26 of the annual report.

Human Resource

In line with the ambition to be recognized as a Company which offers opportunity to its people, learning and development and talent movement across Businesses and Functions remained strategic priorities. Your Company imparted training of 31,452 man hours in 2011 compared to 27,982 man hours in 2010, focusing on improving managerial, personal and functional effectiveness. Learning opportunities for managers were also provided through leadership development programs. The Succession Planning forum along with the collective efforts of the Capability Groups assessed bench strength critical to managing succession planning and structuring development plans for key talent. Talent movement across



Career Fair held at LUMS University



The Munda Headworks rehabilitation project for flood affectees



CE sessions held across the country

Businesses/Functions was recorded at 22 percent for the year 2011, widening development opportunities for managers. During 2011 six managers from your Company have moved to International position within the AkzoNobel world.

Our Gallup Viewpoint engagement survey score, stands at 4.14 on a 5-point scale. This showed remarkable improvement over 2010 results, bringing your Company to 63rd percentile within the Gallup global database. Our aim is to bring ourselves amongst the world class companies, above the 75th percentile, in the Gallup database by enhancing our efforts in providing managers a high performance work environment fostering talent engagement and development.

Our Performance and Development Dialog (P&DD) is a global performance management and development process which continues to be an essential tool to provide regular feedback to managers in addition to aligning performance with Business strategy. The P&DD process for 2011 was concluded as per timeline and company guidelines ensuring that employees continue to benefit from clear and credible assessment systems.

A detailed report on human resource performance and development in 2011 is available on page 18 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 33 of the annual report.

Polyester Staple Fibre (PSF)

In Q1 2011, feedstock prices remained firm on the back of strong crude oil prices and supply interruptions resulting from unplanned plant outages. In the second quarter downstream demand registered a sudden decline and market conditions remained subdued during the rest of the year, buyers all around remained cautious of the volatilities in upstream feedstock prices and changing blend economics leading to cautious buying and destocking along the entire textile chain.

The domestic market was affected due to issuance of an SRO by the Federal Board of Revenue (FBR) in March 2011

whereby 17 percent sales tax was levied on local sales by textile units to unregistered persons and resistance by the downstream industry.

In 2011 the business witnessed one of the worst gas outages with more than half year spent (186 days) using expensive alternative energy resources. This resulted in additional cost

Net sales, commission & toll income (Rs M)		
2011		21,019
2010		17,981
Operating result (Rs M)		
2011		901
2010		2,022

of Rs 425 million compared to last year which would have been even higher had the business not taken the initiative to convert half the plant to WAPDA power supply during gas outages and other energy conservation measures.

Sales volume at 118,171 tons for the year was 9 percent lower compared to last year due to the reduced downstream demand as explained above. Lower sales volumes, lower margins and impairment of investment resulted in 55 percent lower operating result at Rs 901 million, compared to 2010. Operating result includes an impairment charge of Rs 210 million for investment in ICI Pakistan PowerGen Limited, a 100 percent owned Captive Power Company in accordance with International Financial Reporting Standards. This impairment has occurred due to the deterioration in the prospects of future economic benefits of investment on account of severe gas supply issues to ICI Pakistan PowerGen Limited.

Weak global PSF demand and bumper cotton crop has put regional margins under severe pressure. Q1 2012 regional margin over feedstock is expected to be around \$ 157/ton compared to the average margin of \$ 217/ton during 2011. Domestic PSF demand is weak due to energy supply issues to the textile industry and slowdown in exports.

Soda Ash

Global demand for Soda Ash remained firm in 2011, with positive reports from all major regions. Demand in the emerging Asian markets China and India also remained







Training the EMT members on Behaviour Based Safety



In-house training session

strong with reports of a double digit growth in China. However, signs of a global slowdown in the fourth quarter and excess capacity in China remained a concern for all.

The domestic market continues to be deeply affected due to severe energy shortages. Industrial segments are facing the dual challenge of weak downstream demand and eroding margins due to higher costs of expensive alternative fu-

Net sales, commission & toll income (Rs M)		
2011		6,854
2010		6,463
Operating result (Rs M)		
2011		936
2010		895

els. As a result, the domestic market contracted by about 2 percent compared to last year and continues to remain in an oversupply situation.

Overall sales volume were 10 percent lower than last year, mainly due to reduced exports on account of gas shortages and resultant lower production. Gas outages increased from 143 days in 2010 to 174 days in 2011 and business had to incur an additional cost of over Rs 400 million on alternate fuels compared with 2010. Various cost saving initiatives were undertaken to mitigate the adverse impact of higher fuel costs. Optimizing operational efficiencies and strict cost controls remained top priorities throughout the year and major work done in the area of energy and water conservation resulted in significant gains for the Business. Operating result at Rs 936 million was 5 percent higher than 2010 on the back of better unit margins.





The National Tariff Commission had reinitiated the anti-dumping investigation against the Kenyan company after the Lahore High Court set aside a petition against the investigation. The exporting company from Kenya has now filed a petition in the Islamabad High Court, asking for a restraining order against NTC. The matter is being pursued by the business as well as by the NTC.

The coal fired boiler project approved earlier by Board of Directors is on track. Going forward, energy shortages and their management is

a significant challenge for the business as well as for the downstream industries. The global economic slowdown is also likely to affect the regional Soda Ash market.

Paints

Decorative paints market remained affected due to liquidity issues in the market, inflation and depressed construction activity as indicated by lower local demand for cement and decline in housing construction. Focus during the year has been on product innovation, enhanced customer service and better sales product mix. Launch of "Weathershield Sun Reflect" during the year was well received in the market. The Business has introduced new formulations that are environment-friendly and also provide improved consumer value. Market channels have been streamlined, and SAP implementation has significantly improved business's ability to effectively manage margins and credit risk. Industrial segment continued its focus on margin manage-

Net sales, commission & toll income (Rs M)		
2011		4,910
2010		4,681
Operating result (Rs M)		
2011		157
2010		133

ment in wake of sluggish market conditions as energy shortages became acute and floods in Thailand disrupting supply chains for OEM thus constraining manufacturing volumes. Further, imposition of general sales tax on the previously exempt tractors segment also resulted in a 40-45 percent decline in volumes, particularly after April 2011, when GST was imposed.

Selective price adjustments during the year have not only restored lost margins to compensate for significant cost push in raw materials but also helped to improve them over previous levels. With higher unit margins and improved sales product mix the business achieved 18 percent higher operating result compared to same period last year despite lower volumes.

Higher GDP growth, stronger customer engagement, product innovation and brand management will drive growth going forward. However, the impact of more stringent FBR



Free eye camps held in collaboration with LRBT



Livestock and poultry being treated at our camp for flood-affected farmers



Let's Colour Week 2011

documentation requirements for addition of CNICs on invoices is expected to dampen market off take in Q1 2012 and this along with the Business's decision to discontinue tokens in paint cans may affect volumes temporarily. An inadequate policy enforcement on Intellectual Property (IP) rights as well as lack of documentation creates an environment that penalizes organized players such as your Company and additionally results in very significant revenue leakages. The Government of Pakistan (GOP) is requested to improve the capacity and effectiveness in implementing the existing policies on IP and documentation of the paints manufacturers in the informal sector.

Life Sciences

All segments posted double digit growth in sales. The growth was mainly driven by volume growth across all segments.

Net sales, commission & toll income (Rs M)		
2011		4,774
2010		3,761
Operating result (Rs M)		
2011		520
2010		439

Sales in the pharmaceutical segment grew by 15 percent over last year through volume growth. Animal health and vegetable seeds segment demonstrated strong double digit growth in sales compared to last year on the back of both higher price and volume growth, whereas, vegetable seeds segment growth was driven by product expansion and aggressive marketing.

With highest ever NSI at Rs 4,774 million, operating result at Rs 520 million was 18 percent higher compared to last year.

Chemicals

Operating result for the year at Rs 330 million was higher by 48 percent compared to last year on the back of improved unit margins despite a marginal decrease in sales volume by 1 percent due to lower demand on account of extensive energy crises and the resultant economic slowdown in the country.

Finance

Company's Balance sheet remained strong in line with last

Net sales, commission & toll income (Rs M)		
2011		3,177
2010		2,661
Operating result (Rs M)		
2011		330
2010		223

year with a current ratio of 2.1 (2010: 2.2) and liquidity ratio of 1.3 (2010: 1.4).

Net sales income was higher by 14 percent compared to last year. Gross profit was lower by 4 percent due to lower volumes across all businesses excluding Life Sciences business and extended gas outages resulting in additional cost of over Rs 825 million compared to 2010. Selling and distribution expenses for the year were 11 percent (Rs 177 million) higher on account of general inflation. The increase was also attributable to higher advertisement and sales promotion to support new products launched in 2011. The increase in selling and distribution expenses was partially offset by lower outward freight and handling cost in Soda Ash business because of significantly lower exports. Administration and general expenses for the year were 30 percent (Rs 393 million) higher than last year mainly due to one off demerger expenses amounting to Rs 170 million and Rs 210 million on account of impairment in investment made in ICI Pakistan PowerGen Limited.

Financial charges for the year were lower by 16 percent. Other operating income was lower by 6 percent due to decrease in interest income on bank deposits as a result of lower interest rates.

Consequently, profit after tax amounting to Rs 1,936 million was 20 percent lower compared to last year. The consolidated profit after tax amounting to Rs 2,171 million was 12 percent lower compared to last year.

Earnings per share at Rs 13.95 for the year was lower by 20 percent compared to last year.

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 effec-



Employee engagement via in-house training



Employees volunteer activity

tive from the completion date i.e. August 6, 2001. This was challenged by the Company in the High Court which upheld the Company's contention that the department did not have the right to reopen this finalised assessment. The department filed an appeal in the Supreme Court against the High Court's order. The appeal was dismissed by the Supreme Court. After the Supreme Court's decision on retrospectivity, a notice has been issued under section 66 of the repealed Ordinance by tax department on June 20, 2011, which was challenged by the Company in High Court on the basis of Supreme Court's decision. The Company is of the view that in light of Supreme Court's decision and the fact that such notice is time barred under the repealed Ordinance, it is expected to be quashed by High Court.

For the assessment year 2002-2003 on receipt of notice under section 62 of the Income Tax Ordinance, 1979, the Company had filed a writ petition in the Supreme Court challenging the tax department's notice that the effective date of PTA's demerger was August 6, 2001 being the completion date 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 the 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 decision relating to assessment year 2001-2002 it is unlikely that the department can take an adverse action.

As mentioned in note 43 on page F 43 the tax department continues to issue what is being referred to as "protective assessment" seeking to disallow unabsorbed depreciation relating to PTA assets. The Company's contention is that these are unwarranted actions and have filed appeals in High Court of Sindh against this highhanded action of the department.

Update on Status of Demerger of Paints Business

In pursuance of the decision of the Board of Directors in its meeting held on May 11, 2011, the Company is currently in the process of a reconstruction by way of demerger of its Paints Business into a separate legal entity. In this respect, a petition has been filed in the High Court of Sindh at Karachi. The Scheme of Arrangement was approved by the shareholders of the Company at the Extraordinary General Meeting convened on February 8, 2012 under an order of the Court. The petition is currently pending with the Honorable Sindh High Court for its approval.

Future Outlook

The domestic energy supply issues run deeper into the

industrial sector, causing the cost of production to increase substantially and simultaneously decreasing the downstream demand hence affecting both the margins and volumes in the Soda Ash and Polyester Businesses. The Euro Zone crisis and weak growth in the US will also negatively affect the regional margins, thus putting additional pressure on profitability of the Soda Ash and Polyester Businesses.

In addition, dumping of polyester and soda ash at uneconomical prices remains a major concern. Your Company is aggressively pursuing the matter with National Tariff Commission.

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 and service providers.

Company Secretary

Ms Saira Nishtar resigned as Company Secretary and General Counsel with effect from July 14, 2011. Ms Sakina Sibtain was appointed as Company Secretary and General Counsel with effect from July 15, 2011 in place of Saira Nishtar. She later resigned with effect from October 20, 2011. Mr Nasir Jamal was appointed as Acting Company Secretary with effect from October 26, 2011.

Auditors

The present auditors KPMG Taseer Hadi & Co., Chartered Accountants retire and being eligible have offered themselves for reappointment with their partner in charge of audit, Mr Amir Jamil Abbasi.

Compliance with the Code of Corporate Governance

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

- The financial statements prepared by the management of the Company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of 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



Prize Distribution at Winnington



SAP go live!

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 F 48.
- 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 audited financial statements for the year ended December 31, 2010, are as follows:

	Value in Rs '000
1. ICI Pakistan Management Staff Provident Fund	772,592
2. ICI Pakistan Management Staff Gratuity Fund	393,359
3. ICI Pakistan Management Staff Pension Fund	1,412,803
4. ICI Pakistan Management Staff Defined Contribution Superannuation Fund	322,081
5. ICI Pakistan Non-Management Staff Provident Fund	412,478

Directors' Attendance

During the year, 7 (seven) Board of Directors, 4 (four) Audit Committee and 1 (one) Remuneration Committee meetings were held. Attendance by each Director/CFO/Company Secretary was as follows.

Name of Director	Board of Directors Attendance	Audit Committee Attendance	Remuneration Committee Attendance
1. Mr. M J Jaffer	7	4	-
2. Mr. Waqar A Malik	7	-	-
3. Mr. Mueen Afzal	7	4	-
4. Mr. Nawaz Tiwana	7	-	1
5. Mr. Ali A Aga	7	-	-
6. Mr. Derek W Welch	6	-	-
7. Mr. Feroz Rizvi (CFO)	7	4	-
8. Mr. Bart Kaster	6	4	-
9. Mr. James R Rees (i)	1	-	1
10. Mr. Rogier M G Roelen (ii)	-	-	-

w.e.f. October 20, 2011

11. Ms. Saira Nishtar (iii)	4	-	-
Company Secretary			
12. Ms Sakina Sibtain (iv)	-	-	-
Company Secretary			
13. Mr Nasir Jamal (v)	3	-	-
Acting Company Secretary			
14. Mr. Zia U Syed			
Secretary Audit Committee	-	4	-

(i) Retired w.e.f. April 28, 2011

(ii) Retired w.e.f. April 28, 2011

(iii) Resigned w.e.f. July 14, 2011

(iv) Appointed w.e.f. July 15, 2011 and resigned w.e.f. October 20, 2011

(v) Appointed w.e.f. October 26, 2011

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

Pattern of Shareholding

A statement showing the pattern of shareholding in the Company along with additional information as at December 31, 2011 appears on page numbers F 50 to F 52.

ICI Omicron B.V. (an AkzoNobel group company) continues to hold 75.81% shares, while Institutions held 11.52%, and individuals and others held the balance 12.67%.

The highest and lowest market prices during 2011 were Rs 172.00 and Rs 120.91 per share respectively.

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

Group Financial Statements

The audited financial statements of the ICI Group for the year ended December 31, 2011 are attached. The ICI Pakistan Group comprises of ICI Pakistan Limited and ICI Pakistan PowerGen Limited, a wholly owned subsidiary.

M J Jaffer
Chairman

Waqar A Malik
Chief Executive

Karachi
March 15, 2012

Statement of Compliance

with the Code of Corporate Governance for the year ended December 31, 2011

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

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

1. The Company encourages representation of independent, non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five non-executive directors and three executive directors.
2. The directors voluntarily confirmed that none of them is serving as a director in more than ten listed companies, including ICI Pakistan Limited.
3. The Directors have voluntarily declared that all the resident directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the directors is a member of a stock exchange.
4. No casual vacancy occurred on the Board during the year under review.
5. The Board of Directors of the Company, in its meeting held on February 23, 2001, adopted a Statement of Ethics and Business Practices. This statement under its title 'The Way We Do Things Around Here' and then 'ICI Way' had been regularly circulated within the Company since 2001. On October 23, 2008, the Directors adopted a new Code of Conduct which was circulated among all employees of the Company. Training sessions were held at various locations in order to apprise all employees about the revised Code of Conduct. In 2011, the employees and the directors of the Company signed a statement on the Code of Conduct reaffirming their pledge that they are aware of the Code and abide by it at all times.
6. The Board of Directors at its meeting held on February 25, 2005 approved and adopted a mission statement which has been circulated to the employees of the Company. A separate vision statement under the title of 'ICI Pakistan - Our Ambition' was approved by the Board on February 18, 2010. The Board of Directors has also approved and adopted a corporate strategy for the Company and significant policies. The corporate strategy is reviewed by the Board from time to time as appropriate.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors, have been taken by the Board.
8. During the year four regular and three extraordinary meetings of the Board were held which were all presided over by the Chairman. Written notices of the regular Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of all seven meetings were appropriately recorded and circulated in time.
9. The Directors have been provided with copies of the Listing Regulations of the Stock Exchange, the Company's Memorandum and Articles of Association and the Code of Corporate Governance. Orientation courses, both in-house and external, were also arranged for the Board in 2003 & 2006. Besides a comprehensive paper on 'Roles and Responsibilities of Directors' was also circulated to the directors for their perusal in November 2006. In April 2008, another booklet titled, "A Handbook of Directors" was circulated amongst the Directors. The directors are, therefore, well conversant with their duties and responsibilities.
10. No new appointment of CFO or Head of Internal Audit has been made during the year. New Company Secretary, Ms Sakina was appointed by the Board on July 15, 2011. After her resignation, the Board appointed Mr Nasir Jamal as Acting Company Secretary with effect from October 26, 2011.
11. The Report of the Directors for the year ended December 31, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board. The 2nd quarterly and annual accounts were also initialed by the external auditors before presentation to the Board.
13. The Company maintains a list of related parties which is updated on a regular basis. All transactions with related parties are placed before the Audit Committee on a quarterly basis and is approved by the Board along with the methods for pricing.
14. 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.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Audit Sub Committee of the Board has been in existence since 1992. It comprises three members, all of whom are non-

Review Report

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

executive directors including the chairman of the committee. ICI Pakistan also has a Remuneration Committee comprising two non-executive Directors, which has also been in operation since 1997.

17. There have been four Audit Committee meetings during the year under review.
18. ICI Pakistan has an effective internal audit function in place. 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.
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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants of Pakistan.
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. We confirm that all other material principles contained in the Code have been complied with.

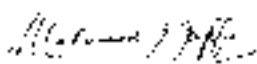
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of ICI Pakistan Limited to comply with the listing regulations of the respective Stock Exchanges, where the Company is listed.

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

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

Further sub-regulation (xiii) of Listing Regulations 35 (previously Regulation No. 37) notified by the Karachi Stock Exchange (Guarantee) Limited vide circular no. KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price 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 2011.



M J Jaffar
Chairman



Waqar A Malik
Chief Executive

Karachi
March 15, 2012

Date: February 25, 2012
Karachi



KPMG Taseer Hadi & Co.
Chartered Accountants



What makes us different is the versatility of the Company. It's not any one business, one industry, one year of performance, or one leader – the variety of our businesses and the people who run them, is what sets us apart. As a whole, we are equal to more than the sum of our parts.

Business Performance

"Stalk"ing success

The following section gives a detailed summary of how each of our Business Areas performed during 2011. Information on market characteristics and key brands is also provided.



Soda Ash

It would be hard to go anywhere in today's world without being close to a product produced with or containing Soda Ash. Picking up 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 this versatile chemical compound is the baking soda tin in your kitchen used as a baking ingredient.

From awareness campaigns for water conservation to utilizing creative solutions like solar energy and waste recycling initiatives, we managed to save 240 million liters of water, reduce waste by 57% and save 76,000 MMBTU of energy

Change has always been a constant in the business world. Yet in recent years it has hit us with an unprecedented speed and intensity. The forces shaping our world today are immense, complex, surprising and challenging. More than ever, our prosperity — as organizations, societies and individuals — depends on the extent to which we can adapt to these forces and deploy them to our advantage.

Our Soda Ash business predates the formation of this country. With over 67 years of successful presence, ICI is the largest Soda Ash producer in the country. Our Soda Ash Plant in Khewra was established in the 1940s, even before the creation of Pakistan. Since then, starting with a small capacity of 18,000 tons per annum, we have made huge investments in growing this business in line with the growth of the downstream industry in Pakistan. Our current annual capacity of 350,000 tons per annum provides assurance to our customers that ICI Soda Ash can be relied upon as a trusted and reliable supplier for high quality Soda Ash.

The growing energy crisis in Pakistan has been our biggest challenge this year as well, with limited gas being available throughout the year. The team decided to embark upon an aggressive “Resource Conversation” agenda and I am proud to state that each and every member of the Soda Ash business took up this challenge personally. From awareness campaigns for water conservation to utilizing creative solutions like solar energy and waste recycling initiatives, we managed to save 240 million liters of water, reduce waste by 57% and save 76,000 MMBTU of energy, as compared to 2010.

This year we have taken an important step to ensure business sustainability and improve production capacity through a major investment in the plant to install boilers for steam generation based on state of the art Coal Fired Technology.

Globally, 2012 is expected to be an uncertain year for Soda Ash demand. Our long-term relationship with our customers is an asset that we cherish, in line with our value of “focusing on our customer’s future first”, and we are proud to provide customer centric solutions, by delivering consistently high quality products.

Our team has its eye on the economic as well as socio-political challenges that the Business will face over the year, and we are ever more committed to overcome the challenges of 2012 by leveraging our solid experience in the Soda Ash Business of 67 years, the talent of our people, and the support of our loyal customer base.



Ali A Aga
Vice President
Soda Ash Business



First solar geyser at Soda Ash site



Glass, one of the many uses of Soda Ash

Market Overview

Global demand for Soda Ash remained firm in 2011; however, there are signs of a global slowdown in the fourth quarter, and excess capacity in China remains a concern for all.

Business Development

Our focus remains to service the domestic demand for Soda Ash, and to be the supplier of choice for downstream industries. In addition to that, over the past few years, we have successfully established our product internationally.

In order to tackle the major challenge of the energy crisis, the Business has signed a contract to install Coal Fired Boilers for steam generation. The boilers, expected to come online by mid-2013, will allow us to fully utilize our 350,000 tons per annum capacity and better serve our customers.

Major Highlights of the Year

To overcome the major challenges of energy shortages, the Soda Ash team put in a tremendous effort throughout the year to achieve the overall goal of "Resource Conservation". Several teams were put together to come up with viable solutions and action plans, which resulted in awareness campaigns such as "Every Drop Counts" to save on water utilization by reusing water through the design and implementation of a water recycling system.

The "Save Every Joule of Energy" was to cut back on our power utilization. As is the case, the success of these initiatives lies in the hands of those who initiate it, and the response thus far to these ongoing activities has been enthusiastic and measurable. Through these various creative and innovative ideas, which involved hardware changes as well as process optimization, the Business has managed to save 240 million liters of water, achieved a 2.3% (equivalent to 76,000 MMBTUs) reduction in energy utilization and a 57% reduction in waste.

In August 2012 we will be celebrating the 5th anniversary of our cooperation with ICI. Why celebrate? Because we find this period in Weglohut's history as one of the best. As ICI is a very demanding partner, we have to develop all the time. Due to this relationship, from a European based company, we became a global trader. Logistic solutions and business standards which we had to initiate due to ICI are now commonly used in the business with Japan, Indonesia, South Africa, Gulf and Mediterranean Countries.

Relationship between ICI & Weglohut is not a "wrestling: Buyer vs. Seller". It is not just standard bargaining, as ICI is not just a standard client – ICI is our Partner and one of our most reliable customers. That is why our relationships are far, far deeper and stronger than with other companies. It is not a simple supply of coke any more. We are supplying solutions - we are supplying quality, stability, security and flexibility.

I believe that despite global changes, our cooperation will last for a long time. I believe that our business and personal relationships will grow, as our children do.

PHU Weglohut, Suppliers of Metallurgical Coke, Poland





Celebrating Teacher's Day at Winnington School



Winnington Hospital achieved multiple milestones during the year

Challenges

The Soda Ash Business has a history of accepting challenges and overcoming adversity. The year 2011 was a case in point in this regard. Over the course of the year, Pakistan was plagued by the worst ever energy crisis, and poor law and order conditions.

The biggest challenge in 2011, from a manufacturing standpoint, has been managing spiralling variable costs owing to increased dependence on alternative fuels as a result of the worsening gas supply situation in the country. Consequently, growth in the domestic soda ash market remained stunted as all major downstream industries suffered due to the energy crisis.

However, despite the adverse circumstances, the Business was able to overcome the odds and meet the targets that it had set for 2011. This was accomplished through the dedicated efforts of our people who developed new and innovative ideas, and implemented several energy and cost reduction initiatives aimed at mitigating these challenges, while keeping a strong focus on cost control.

Furthermore, the Business built upon existing strong partnerships with its customers, and ensured that we continue to focus on "customer's future first" by providing customer-centric solutions and high quality products in full and on time.

Future Outlook

2012 is expected to be another tough year for business in Pakistan. Energy crisis, depreciation of the Pak Rupee and the security situation of the country will be the key issues to look out for. The Soda Ash team has its eye on the economic, as well as socio-political challenges, that the Business will face over the year.

In order to tackle the challenge of the worsening energy crisis going forward, a contract has been signed for Coal Fired Technology for our plant which will reduce the plant's dependency on natural gas and ensure higher operating rates.

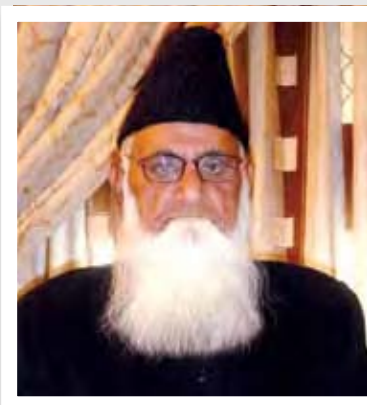
Strength of Relationship: It has been a privilege to be a business partner of ICI Soda Ash for the past 36 years. Over the years, our relationship with ICI has strengthened owing to their sound business processes and value for building strong and long-lasting relationships. Our association now spans over 3 generations!

Efficiency/Followup: ICI's team is very cooperative, friendly and helpful on all fronts. We value our relationships with the team.

Reliability: ICI's reliability is sound. Product is delivered on time, as per the agreed specifications and terms of sale. We have not had issues with this aspect of our business relationship with ICI. This factor being a critical aspect in commodity trading has led us to value and cherish our long association with ICI Soda Ash.

Sound and Ethical Business Practices: ICI Soda Ash has a long and proud history spanning over 65 years, which has enabled them to develop sound systems and processes. ICI's "way of doing business" has become a benchmark for others (particularly in terms of service levels), and is an unofficial industry standard that others aspire to follow.

Sheikh Abdul Sattar, Soda Ash Distributor, Multan Region





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.

It gives me immense pleasure to share with you that the Business has delivered highest ever sales and bottom-line profits in the year 2011

The Life Sciences Business is all about people. We have over 350 people dedicated to our core objective of “improving the quality of life”. People who work with the belief that we don’t simply sell our products, we provide our customers with sustainable solutions to their needs.

We have a strong portfolio of well-researched leading brands, and we keep expanding our product range so that whether you need advanced pharmaceuticals for healthcare, or superior seeds to improve the quality of essential crops or solutions for livestock or poultry management, we can ensure that you get the best.

It gives me immense pleasure to share with you that the Business delivered the highest ever sales and bottom-line profits in the year 2011. All our business segments except vegetable seeds delivered higher than budgeted performance with some star performances from Animal Health and Seeds segments and some solid results from our Pharmaceutical Business. Vegetable Seeds segment did not do well this year and remained much behind budget; however, we have firmed up our plans for 2012 to bring it back on track.

We started 2011 with an Annual Business Conference that provided us an opportunity to develop and agree a five year strategic plan for the Business and build engagement & ownership amongst the team. We achieved the second highest Viewpoint engagement score across ICI Pakistan, an excellent improvement over 2010. We are clear in our belief that engagement has a direct impact on performance and

we are geared to double our efforts to score higher in 2012.

Successful launches of new products to our portfolio in all the segments, further added color to our diversified product portfolios, a key to our success. This year we continued to add our “own products” and I am happy to report that they were very well received by our customers.

Our journey to a High Performance Organization culture continues. We have taken firm steps this year to address low performances and at the same time, opportunities in the form of higher reward and recognition, promotions, moves, and incentives, have been given to our high performers and high potential employees. The focus on performance management and associated accountability measures will be further embedded in 2012.

The year 2012 will be another challenging year for the business and ICI at large. We have a much bigger responsibility to sustain and further grow our business in 2012. We will be required to stretch ourselves more, take on higher risks & challenges, explore new business opportunities and continuously outperform our competitors in order to significantly grow our business.

I am confident that we will live up to the expectations from us as a team and surpass our strategic targets for the year. Our reach is our pride, and our footprint speaks of our potential.



Asif Malik
Vice President,
Human Resource &
Life Sciences Business



Probiact, the first probiotic for mouth and throat



Knowing your Life Sciences Business campaign

People at Life Sciences

Human Resources plays an important role in ensuring our sustainable growth at Life Sciences. It remains a fundamental strength on which our strategies are based, with employee engagement being the topmost priority. We value the importance of our growing organization to continuously adapt to the dynamically changing global environment. The Life Sciences Business houses a population of about 400 (including third-party contract employees). Our employees are our organization's most important asset. In 2011 alone, Rs. 8 million was spent on local and international training and development of our employees, whereas various business segments were restructured to become more futuristic and aligned with our five-year business strategy. As per the Gallup Survey 2011, the engagement score of Life Sciences remained at 69th percentile worldwide.

Our prime focus is to nurture a winning culture, based on a high level of engagement, flawless execution of HR processes, talent development and retention, while ensuring ownership and accountability at all levels. We strongly believe in applying our values to all aspects of the business, and continuously strive to add value to the communities where we operate.

Pharmaceuticals

Market Overview

Pakistan's pharmaceutical market is growing at CAGR of 15.9%. Prescription medicine sales account for 78% of total sales, out of which 85% sales account to generic medicines, while patented medicines account for the rest. The national companies represent 56% of the total pharmaceuticals market. According to the World Health Organization (WHO), Pakistan spends under 3% of its GDP on Healthcare.

Our Pharmaceutical Business markets a strong portfolio of leading and innovative brands of prescription medicines from AstraZeneca, a leading multinational healthcare company, as well as marketing its own brands.

Business Development

We have expanded into Multi-Vitamin, Mineral and Probiotic segments by launching new exciting brands. We are also actively expanding our business through

collaboration with local and multinational partners for further developing our portfolio, to provide quality medicine through ethical business practices and focusing on patient welfare.

Major Highlights of the Year

Our Pharmaceuticals Business is ranked 26th with retail sales value of Rs. 1.78 billion and a growth rate of 16.4%. Out of 13 AstraZeneca brands that we market in Pakistan, 9 are ranked as number one in their respective segments, while 11 out of these 13 brands are ranked in the top three. As a pharmaceuticals concern, we are ranked number one in Cardiology and number three in Oncology in terms of retail sales.

Challenges

Our Pharmaceutical Segment operates in a hyper-competitive market and difficult regulatory environment with over 600 companies operating in the country, resulting in higher prices, customer expectations and low brand loyalty.



UDL Distribution is proud to be associated with ICI Pakistan since 1983. We started our relationship with ICI in the pharmaceuticals business and soon we were inducted as partners for the Animal Health portfolio. Ever since the initial day, 29 years ago, we have not looked back in our association with ICI Life Sciences. The business has grown many-fold over the years and we have worked hard to meet and exceed ICI Pakistan's expectations. Over the years, we have invested in new branches to ensure proximity to the market and make products available at the retail level. We have also invested continuously in our IT infrastructure to ensure an information flow for better decision making. New product launches are warmly welcomed by us, and our whole team jointly works with ICI counterparts to make new products a success. We appreciate the professionalism and commitment to customer service which is a positive culture nurtured at ICI. By the grace of Allah, we are confident to quote ICI Pakistan as being one of our 'premium' principals. We have confidence in the vision of ICI Pakistan for the future, and we hope that together we will realize our ambitions.

Nasir Abdulla, Executive Director, UDL Distribution Pvt Ltd.





Safe medication for livestock



Launch of Own Brands



Life Sciences Business EMT

Future Outlook

We have a history of posting solid results, and we will continue to maintain the leadership positions of our brands in the therapeutic classes where we operate. We intend to diversify our portfolio by launching six new innovative brands in 2012 and to further strengthen our footprint in the pharmaceutical industry, we intend to expand our operations to meet our aggressive growth plans.

Animal Health

Market Overview

The agriculture sector of Pakistan comprises about 22% of the national GDP, and employs nearly 45% of the country's labor force. Within agriculture, the livestock sector dominates, with a 55% share in the value addition of agriculture and 11.5% share in the country's GDP. This sector employs approximately 35-40 million of the rural population. Pakistan is the fifth largest global milk producer; however, the livestock market is still primarily disorganized and technology adoption is a challenge, since the livestock population is scattered with an average farm holding of one to six animals. Despite these challenges, an increased demand for livestock products through population growth, higher per capita income, remittances, export proceeds and general immunity from weather related problems make this sector a promising avenue for consistent growth.

The poultry sector is the second largest industry in Pakistan after textiles. It is the largest consumer of grains, especially maize. Poultry makes up 25% of the total meat production in the country, and is growing

at an annual rate of 8-10%. Some key features of the poultry industry are its rapid mechanization, the introduction of integrated farming systems, improving bio-security & processing, and value addition through sizeable investments reaching about Rs. 200 billion in 2010-2011.

Customer Focus

"Focusing on our customers' future first" and "enabling our farming communities in sustainable practices" are the drivers behind our approach of serving farmers at the grass-root level across the country. The Animal Health team is periodically trained on product technologies, as well as on generally good farm management practices. Our discussions with customers are, therefore, focused on finding the right "business solutions" to improve "farm economics" through the use of innovative products from our wide range, as well as the adoption of good farm management practices. A significant part of our visits to customers, whether farmers or veterinarians, are aimed towards educating them and enhancing their understanding of animal health and safe farming practices. In line with our values, we organized a nationwide awareness campaign towards the end of 2011, through which we educated our livestock community and veterinary professionals about safe medication for livestock. It was a purely non-commercial endeavor, with the sole objective being to enable our livestock farmers towards sustainable and safe farming practices. About 28 key livestock areas of Pakistan were targeted and around 3,000 individuals benefited directly from these awareness sessions.

ICI Pak Ltd has been Elanco's representative in Pakistan for 10 years now, during which we've had an excellent partnership. During this period, we've had the opportunity to know ICI people and organization very well and to strengthen this relationship. Our experience confirms the high ethical values that ICI holds to and which are identical to Elanco's mother company, Eli Lilly and Co. We have also come to know the professional standards of ICI's people and organization. Elanco considers ICI as one of the best partners in the Middle East and North Africa region and in which we have full confidence. We look forward to grow this partnership more in such an important emerging market.

Akram Saadeh, Regional Director, North Africa & Middle East Area, Geneva, Switzerland





Team building at Bhurban



Awareness session on safe usage of pesticides
Sheikhupura

Building the Business

In 2011, a number of new products were launched to provide more options and solutions to our valued customers. New products launched during 2011 included LNB International Feeds Calf Starter Feed, to promote growth and food intake among calves; Telilac Plus, a milk replacer for the calves and Supervit, a vitamin-based supplement for poultry. Apart from these new additions, Elanco's Somatech, a bovine somatotropin hormone milk enhancer was extensively promoted in the north region.

Under the umbrella of Farmer's Choice, the Animal Health division expanded Own Brands range through the launch of Genton (an antibiotic injection), Dayfos (a metabolic restorative), and two anthelmintics (Benvet and Deworm). For the poultry segment, three powder form antibiotics (Doxityl, Neo-Colicin and Lincamox-S) were launched in December 2011. The division also marketed DuPont's world leading brands, including Virkon S, Biosolve Plus and Hyperox, cleaning and disinfecting solutions for livestock and poultry farmers.

Business Performance

Our Animal Health division reached another milestone in 2011 by crossing NSV of Rs. 1.5 billion, with an impressive growth of 45% over the last year.

Challenges

The devastating floods impacted lives and livelihoods across the country in 2010 and 2011. Our rural population suffered the most, with over 1.31 million hectares of cultivated area destroyed in the four provinces, and an estimated 440,380 animals and 9.94 million poultry lost in the floods. 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 purchase products for their livestock. For the poultry sector, rising costs of production due to high energy costs and increasing grain prices made poultry farmers generally more cost conscious in terms of purchasing medicines and other required products.

Future outlook

Despite many challenges being faced by the livestock and poultry markets, our Animal Health division 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 the expansion of our portfolio by adding new products and technologies from world leading suppliers, including MSD Animal Health, Elanco Animal Health, DuPont and LNB International Feeds (a Cargill Company). The business is also determined to pursue its strategy of growth and innovation by developing newer products from its own brands range, along with business partners to cater to newer and wider segments of the Animal Health market.

Seeds & Vegetable Seeds

Market Overview

The seeds industry, within the agriculture sector, is valued at PKR 41 billion. The Open-Pollinated Variety (OPV) seed market is worth around PKR 36 billion, while the hybrid seed market is PKR 5 billion. Major crops like wheat, sugarcane, cotton and rice comprise 31% of the agriculture sector, whereas minor crops like oilseeds, onion, and potato comprise 11% of the agriculture sector. ICI is predominantly present in the seeds market of minor crops, while we also have a

After more than 30 years of working with ICI Pakistan, Advanta Seeds International and its predecessors have come to rely on the way that ICI goes about bringing its best agronomical and technologically advanced products to the farming public of Pakistan. The supply of agricultural and vegetable seeds by Advanta to ICI has been the basis on which the relationship between these two companies has been built, but it's much more than that, with a seamless system linking Research and Development, Quality Control and Sales and Distribution in the two organizations.

Training of staff on both sides is common, and the way in which the two companies have worked together for many years and in different products is amazing.

With seed produced in many corners of the globe, there are some challenges but the combined team of ICI and Advanta seem up to the task. Now with one of the country's leading hybrid seed brands in Pakistan, there are new products that will be introduced in 2012 for the first time, continuing to help farmers prosper.

Nick Gardner, Regional Business Manager, Advanta & Pacific Seeds





Seeds team visits Australia



Farmer gathering

strong foothold in the hybrid seeds market (with sunflower, corn fodder, canola and grain sorghum). We also have entered into a huge OPV seeds market (with rice and corn fodder varieties); we plan to aggressively grow in this segment by increasing our penetration.

Customer Focus

We take pride in our focus on fulfilling customers' needs and demands. Our team has the capacity to reach out to a wider base of customers and provide best services to cater to their problems. In the wake of the floods, our team set out to affected areas to disseminate sunflower production technology in order to maximize the benefit of flood relief effort.

We have also coordinated with local solvent industry representatives to help farmers sell sunflower produce at attractive prices. Our Seeds team regularly conducts farmer gatherings, where the latest information about good farming practices is given to help farmers, to help improve farm economics as well as provide necessary information regarding farming health and safety issues. We also take pride in our wide range of 61 vegetable seeds products, which cater to the diversified needs of our scattered customer base.

Business Development

Last year has been very instrumental in terms of new business development avenues, as the Seeds division diversified into OPV, micronutrients and bio fertilizer markets. The Seeds division had been operating in the hybrid seeds market for many years, until 2011 when we entered the OPV seeds market with the launch of rice and corn fodder products, under the brand Elite Seeds. A white corn seed product was also introduced to cater to customer demand in Khyber Pakhtun Khwa area.

We identified a gap in the micronutrients market, where customers were dissatisfied with the quality of existing products. We launched four products which catered to customers' demand of high quality and superior performing products. We launched a bio fertilizer product to cater to customers' fertilizer demands, in the wake of dwindling supplies and escalating prices. Ferti-Bio, our bio fertilizer brand has proved to be a good solution for our customers' fertilizer problems. Our newly introduced products have been very well

received by our customers, and the encouraging response has given us the confidence to continuously invest in finding more business avenues.

The Vegetable Seeds division also introduced varieties of peas and onions in order to increase its penetration in the vegetable seeds market.

Business Performance

Seeds revenue has grown by 36% over SPLY, whereas the bottom-line showed an increase of 58%. This strong performance of existing portfolios was backed by the significant contribution of new products, which have quickly gained a 19% volume share in the segment's product portfolio. Strong financial ratios depict a healthy and sustainable future outlook for the Seeds division. Our Vegetable Seeds division grew to PKR 65 million, showing an increase of 16% over SPLY.

Challenges

The floods in Sindh posed difficult conditions for our vegetable seeds products to adjust in the cropping pattern. Keeping a focus on growth in the Vegetable Seeds division would remain a key challenge in the year ahead.

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 continue to be a major challenge for the division. Another key task for 2012 is the utilization of the division's organization, reach and expertise for the Vegetable Seeds division to fully benefit from the synergies.

Future Outlook

We earmarked 2011 as a stepping stone for our diversification plans to take effect in the coming years. We plan to aggressively grow in the micronutrients market by focusing on introductions of new promising products that cater to customer needs. We also plan to increase our market share in the corn market by introducing newly developed varieties. We are very keen to take advantage of restructuring the Seeds and Vegetable Seeds divisions in order to grow in the Vegetable Seeds segment.



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.

We achieved 15 Million Injury Free Man-hours for Employees and Supervised Contract Staff, a record achievement for a manufacturing unit our size

We introduced this wonderful product to our country in the early 1980's. As one of the pioneers of the polyester staple fiber technology in Pakistan, we enabled the cotton rich textile industry to diversify their products and be more competitive in the international arena, where the growth of man made fibers has been phenomenal.

Over the years, our Polyester Business has become recognized for its manufacturing consistency and reliability, product quality, use of best practices and processes and experienced team of professionals. We place the highest emphasis on building strong and lasting relationships with our customers, providing continually rising service levels and continuing investment to expand our product portfolio in order to provide customers with the right product at the right time, in the right place and at the right price.

Polyester is an exciting business to be in, with each day presenting exciting new challenges. Profitability is driven by raw material prices in the upstream and demand in the downstream industry, which results in a continuously changing market scenario. With cotton prices soaring to unprecedented levels in 2010, the polyester market went through explosive growth, and with our quality product and reliable delivery, we capitalized on the opportunity and posted 10.4% growth over the previous year. However, with the changing global economics, the polyester market experienced considerable slowdown in 2011.

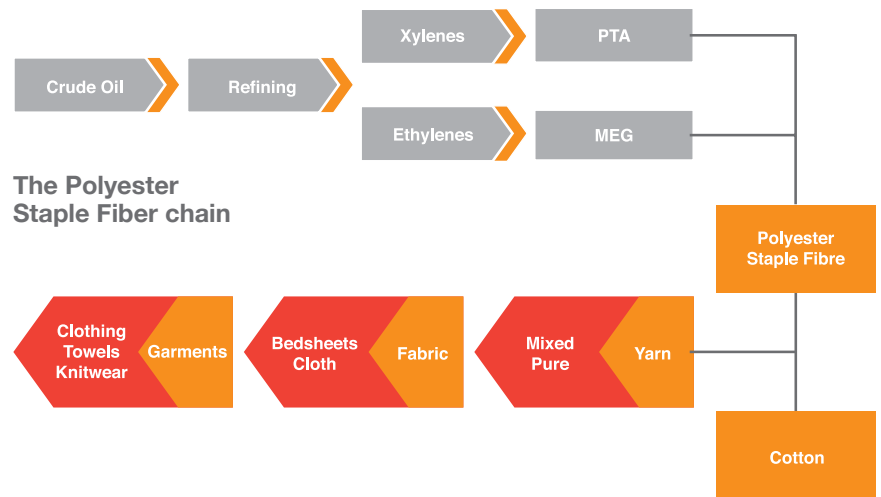
To offset the anticipated slowdown, we busied ourselves in fortifying the business and building capabilities. We re-evaluated our strategy to understand how to be better poised for challenges ahead and how to best capitalize on opportunities presented. The team set itself to task and concentrated their energies on improving efficiencies, conserving resources and setting a new standard of operational excellence.

We achieved 15 million Injury-Free Man-Hours for Employees and Supervised Contract Staff, a record achievement for a manufacturing unit of this size. Following our stakeholder engagement survey last year, we magnified our focus and investment in developing the HSE capabilities of our transporters and conducted elaborate training programs for them. Our R&D teams took up the challenge of further improving product quality and applying greener technologies in manufacturing, enabling the recycling of waste to convert it into marketable products for "green label" usage. On the other hand, the marketing and sales teams focused on transforming business relationships to valuable partnerships, doubling their efforts to engage existing customers and developing new alliances.

This year, we have been able to leverage all of our assets and resources, and come up with a model that adds value to all stakeholders. I think we are poised for some real success in the coming years. We know that polyester will go through another period of explosive growth, and we will be there with a better and bolstered business when it does!



Suhail A Khan
Vice President
Polyester Business



Following our stakeholder engagement survey last year, we magnified our focus and investment in developing the HSE capabilities of our transporters and conducted elaborate training programs for them.

Industry Overview

The Polyester Staple Fiber (PSF) industry in Pakistan is the fifth largest in the world and forms the backbone of the domestic textile industry, which in turn accounts for 60% of total exports. 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% 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

2011 started with firm feedstock prices amid soaring global commodities markets. PTA and MEG prices surged in this bullish environment, but by the start of the second quarter, the market registered a sudden decline, leaving excessive inventory levels along the entire polyester chain. This change in market dynamics was reflective of the fragile global economic environment and deepening Euro Zone crises, which depressed downstream textile demand, leading to a decline in textile exports out of Pakistan as compared to the start of the year.

The domestic market also lost its momentum, and its slowdown coincided with the global downturn. The domestic situation, in fact, was made worse due to the abolition of zero-rating of sales tax for the textiles segment at the beginning of the second quarter as this announcement led to unusual stocking, making conditions worse when the downturn began. Downstream demand also suffered due to worsening energy shortages, as foreign buyers became cautious of placing large orders, anticipating delayed supplies due to energy outages.

Business Performance

In a difficult market environment for the textile industry, due to the fragile global economic environment, worsening domestic energy crises and a surplus cotton scenario globally, which changed the blend economics in favor of cotton, the Business sold 118,170 MT of PSF which was 7,830 MT less than budgeted, and 11,573 MT less than SPLY.

Customer Focus

The Polyester Business held its third Customers Conference in Cape Town, South Africa. The conference provided our customers with the opportunity to meet each other and our team members, as well as to share insights into the challenges facing the textile industry. The event-packed conference also succeeded in providing our customers and employees with an opportunity to engage for a few days away from work!

Business Development

One of the major challenges faced by the domestic industry is the severe energy shortage and thus the need to bring about efficiencies in energy consumption patterns. The Works team has undertaken numerous initiatives to reduce costs to ensure sustainable competitiveness.

1. Waste Management Project:

We are focused on our environmental responsibilities and plans are prepared each year to eliminate, reduce or recycle waste generated during the process. One important project in 2011 was to recycle the waste produced at the pre-polymer stage. Over the years, this waste was collected and stored while methods to re-process this were being investigated. Under the new initiative, this waste was converted into a

In today's fast-moving, competitive business environment, innovation is key to the survival and prosperity of any business. The Monnoo Group takes great pride in being on the forefront of continuous improvement and innovation. Our long-standing partnership with ICI has greatly aided us in this quest for improving our products and services.

Jehangir A. Monnoo, Chairman, Monnoo Group





Polyester Customer Convention in Cape Town



The many uses of Polyester

marketable product that was required by a certain market segment; as a result of this initiative, all the stored waste was consumed. The chips so produced were sold, thereby generating income.

2. Plant Air Wastage and Noise Reduction Project:

In 2011, an initiative was taken to install a special type of condensate traps in the compressed air system. With this change, the air loss has been significantly reduced and noise levels have come down in the area from 97 dB to 84 dB. This has also resulted in trouble-free and maintenance-free draining of the condensate and other foreign matters in the compressed air system.

3. Energy Conservation Project:

In an increasingly competitive market environment and surging energy costs, conservation of energy becomes critically important. Our utility plant generates steam and power for the entire polyester works – the on-line generation/consumption patterns are monitored by the services section who flag variations to relevant users for corrective actions when consumptions increase. This process resulted in a time lag. The project aimed to improve the communication between producers and users of energy, leading to increased ownership and prompt action by end users to eliminate wastage.

This system has resulted in significant reduction in steam consumption by about 7%, resulting in considerable savings during the second half of the year. This project corroborated our resolve of energy conservation and process optimization.

Challenges

The economic slowdown in the EU and the fledgling recovery of the US economy impacted the domestic textiles exports market in 2011, with volumes to the EU and the US declining over the previous year. Domestic demand also suffered due to the severe energy and gas shortage in the country, which adversely impacted industrial activity.

On the demand side, with increased cotton output and lackluster downstream demand, cotton prices plunged globally and domestically, leading to a shift in demand towards pure cotton and cotton rich blends.

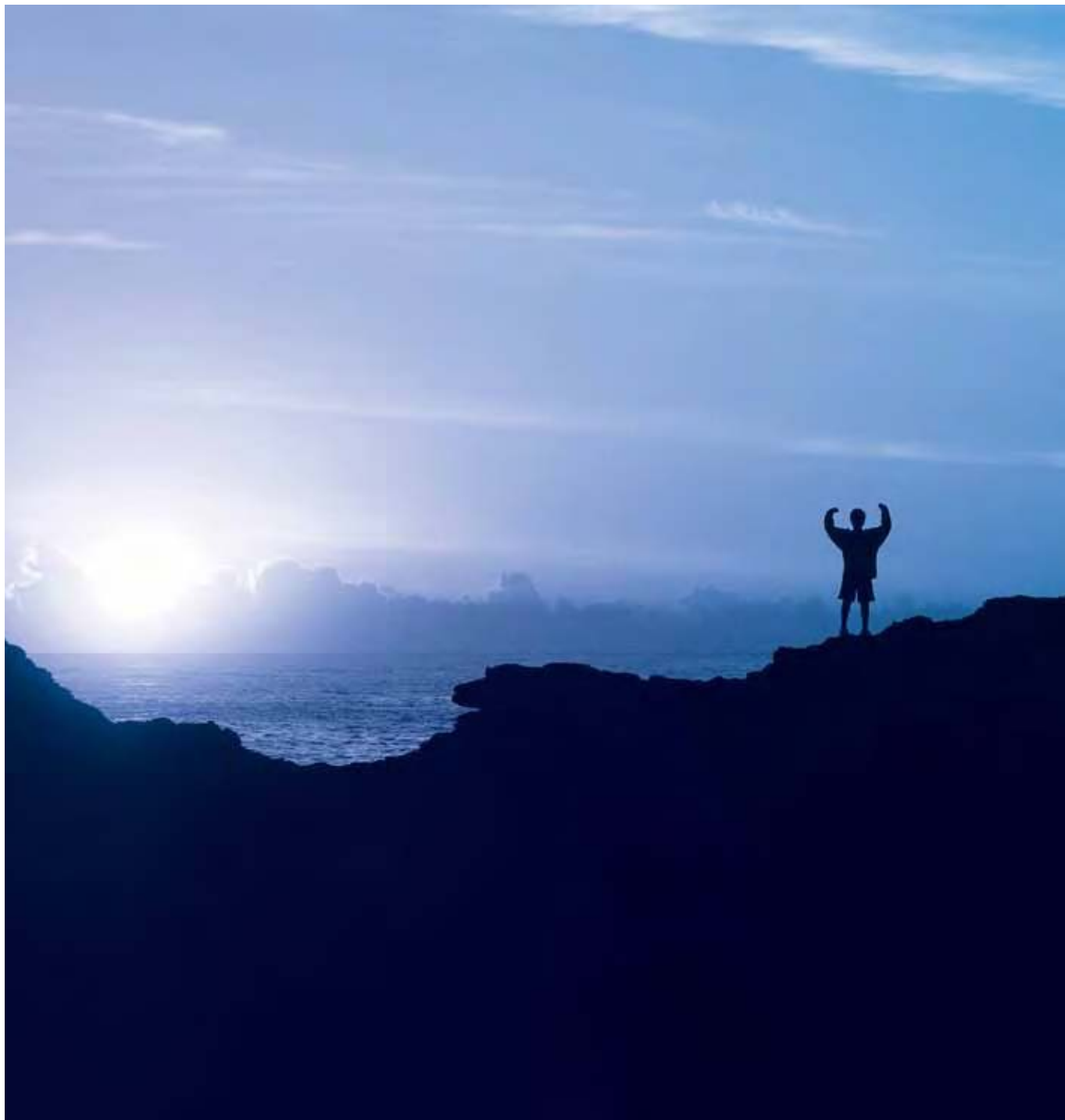
Future Outlook

Going forward, subdued demand from the Eurozone is likely to impact domestic textile exports. In addition, the favoring trend towards man made fibers over the last two years comes to an end with the global surplus in cotton leading to lower prices and improving the viability of cotton rich blends. The price projection for the key raw material PTA is forecasted to remain weak, given that significant new capacities are expected to come online in 2012, whereas MEG prices are expected to remain steady to firm as no new capacities are expected to come online in the next two to three years, bringing MEG demand and supply near equilibrium. The domestic industry is likely to continue to face severe energy shortages, leading to a loss of productivity and an increased cost of production on the back using expensive alternative energy.

We are proud to be associated with ICI Pakistan – our supplier of choice. Together we will strive towards continuous improvement through innovation and sustainable competitive advantage, leading to a mutually beneficial relationship.

Mian Muhammad Nasir, Chief Executive, Ayesha Group





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 year 2011 was groundbreaking for the Chemicals Business in many ways. With a 48% increase in operating profit, we achieved volume and revenue growth and enhanced our position in the market in both specialty and general chemicals segments

We are one of the most versatile business units within ICI Pakistan. We sell and market an extensive diversified portfolio of manufactured and traded products. Manufacturing takes place at our own facility which has been expanded and modernized over the years to keep up with increasing volumes and traded products are from our world renowned principals.

The year 2011 was groundbreaking for the Chemicals business in many ways. With a 48% increase in operating profit, we achieved volume and revenue growth and enhanced our position in the market in both specialty and general chemicals segments, despite difficult market conditions. It was quite an eventful year in terms of organic growth as we set ourselves the task of redefining the business potential to transform it to a forerunner in bottom line contribution.

The team drove ahead with a two pronged strategy of firstly fortifying existing relationships and identifying new business possibilities, and secondly by portfolio expansion through exploring completely new opportunities.

Early in 2011, we fortified the business base of our Polyurethane business which accounts for 40% of turnover, by selecting a world leader in Polyurethane manufacturing based in China. Besides a more efficient product sourcing option, it also offers a wider product range and taking advantage of that, we were able to penetrate into the local footwear and slab foam manufacturing market. In 2010, we signed an agreement with leading global concern Safear for marketing and distributing their cleaning chemicals range in Pakistan. In the year 2011 we experienced phenomenal growth as all beverage manufacturers came on board, including giants like Pepsi and Coca Cola.

In our specialty chemicals range we signed an agreement with DuPont to be the suppliers of their surfacing solution Corian® and Montelli® in Pakistan. The collaboration will draw synergies from both the companies to build upon local needs with the trusted ICI distribution network and innovative solutions from DuPont.

In our textile range we have launched and commercialized over 12 new products developed in-house and also signed distribution agreements with two Turkish companies, Marlteks and Enkimteks, to market their products in Pakistan. Additionally, in order to increase the capacity of producing Textile Auxiliaries, we installed a new glass lined reaction vessel, which will help deliver market demand till 2015.

Safety is of paramount importance, and through aggressive training and relentless focus, we strive to ensure that our factories and workplaces remain safe. This year, we achieved a remarkable record of 15 years without Lost Time Injury (LTI).

We have defined the purpose of our business "to become the most diverse specialty chemicals entity in Pakistan and a value adding partner to business associates and stakeholders through a sharp focus on relentless and sustainable growth". The team is driven towards this purpose and we look forward to an exciting 2012 where we can transform the business and take it to a completely different platform.



Faisal Akhtar,
General Manager
Chemicals Business



Inauguration of new Glass Lined Reaction Vessel

Representing over 30 suppliers and present in almost all industries, at General Chemicals, sky is the limit.

General Chemicals

Business Overview

General Chemicals is predominantly a trading centre; however, we also manufacture some products through the plant. Representing over 30 suppliers and present in almost all industries, at General Chemicals, sky is the limit.

With products going in the cleaning of machinery as well as bottles and ingredients going into ketchup and soups amongst many others, our product portfolio is truly diverse with the following offerings:

- Water Treatment Chemicals
- Key Raw Materials for Paints Industry
- Cleaning Chemicals for the Food & Beverage Industry
- Cleaning Chemicals for Heavy Machinery
- Food Starches
- Polyurethanes – Insulation material for appliances, sports foods and automotive industry

Market Overview

Overall, the production volumes for key industries declined because of increased cost of production due to the global increase in raw material prices and high inflation which weakened the purchasing power of the end user. All key industries that we operate in faced similar issues and produced less than planned.

Customer Focus

To provide customers with more solutions for their needs, not only did we enrich our existing product portfolio but also increased the wide variety of solutions available to the customers in terms of logistics, availability and warehousing.

Multiple recipes were developed keeping in mind the customer's line of production, specifically in the Polyurethanes segment. For water treatment chemicals, where we represent NALCO, knowledge based sessions were conducted for better understanding of product usage.

Business Development

Trading:

The dynamic nature of the trading house ensures that new products and suppliers are continuously added in the pipeline. In 2011, new products were added in the Diversey portfolio, enriching our product range in the cleaning segment. The Water Treatment Chemicals range witnessed a new year on the back of multiple new products added to the portfolio, with our techno commercial staff working very closely with the customers.

Polyurethanes:

At ICI, we are very proud to be the only blending facility in the entire country. The two components, Polyol & MDI are the key ingredients for the final product that goes in appliance sector, car seat manufacturing, construction and sports goods. One of the biggest challenges for us this year was the supplier transition for Polyol which was done seamlessly. We were able to develop new recipes for the entire product range and effectively convert customers to the new supplier.

Challenges

A key challenge this year was the seamless supplier transition for the Polyurethanes segment which was done with the help of close coordination with both the supplier and local customers. Along with this, the decline in production levels at the industries we supply to, posed considerable challenges, requiring aggressive cost controls and effective margin management at our end.

Future Outlook

It is expected that raw material prices will continue to increase globally, making production a key challenge for all industries. Inflation will continue to be on the same levels as last year. This will put a pressure on all business segments that we operate in.



Dawlance and ICI are business partners for over 20 years. This relationship has grown and strengthened over a period of time. With their global experience and good product support, ICI has been providing strong backup, making them a reliable supplier. Their expertise and prompt response to our technical and commercial requirements is worthy of acknowledgement.

Tariq S Quddusi, Director Manufacturing, Dawlance



Calabond – our adhesive range



Corian Surfaces®, now marketed by us



Our chemicals go into all kinds of appliances

We launched a “Calabond Carpenter Club” scheme which allowed us to engage directly with over 300 carpenters, serving as a direct link to the end consumers as well as enabling us to better understand the consumer’s needs.

Specialty Chemicals

Business Overview

Specialty Chemicals segment is predominantly a manufacturing business however it also distributes a variety of products from international sources. Our locally manufactured textile auxiliaries cater to the textile processing industry requirements while adhesives are used for wood working and PVC pipes installation. In addition to that we also produce crop protection emulsifiers for the pesticide manufacturers. The products that we source internationally to distribute in the Pakistan market have synergies with our manufacturing range catering to the textile, agriculture and construction industry needs.

Market Highlights

In 2011 the major challenge faced by the country in general, and the northern region in particular, was the gas shortage, which resulted in a considerable reduction of industrial output especially in the textile processing industry. There were also some changes at the regulatory front, such as imposition of sales tax and SED for our adhesives segment which affected its price viability for the end customer, thereby affecting overall profitability for the segment.

Customer Focus

We have successfully introduced over twelve new products in 2011, all of which were developed in-house. In addition to this we also signed distribution agreements with two research based Turkish companies, enabling us to bring in their high end products to our local customers.

For our adhesive segment, we launched a “Calabond Carpenter Club” scheme which allowed us to engage directly with over 300 carpenters, serving as a direct link to the end consumers as well as enabling us to better understand the consumer’s needs. It also serves the purpose of gaining valuable feedback on products and market. The events took place in Karachi, Lahore and

Islamabad, greatly enhancing our brand awareness. In future, we plan to enhance this scheme even further, reaching more cities and consumers.

Business Development

Textile Segment:

To meet the rapidly changing requirements of the textile industry and to compete both on cost and quality, we modified the recipes of more than ten products. These improvements were received very well by our customers.

Adhesives:

The business planned on expanding its adhesives range and developed a new innovative product for PVC pipes. Having conducted successful trials, we aim to introduce the product in 2012. Along with this, we signed a groundbreaking deal with DuPont for taking over the distribution of its two products, Corian® and Montelli® in Pakistan from 2012. Being a versatile surfacing solution, these products are used in a wide range of architectural and design applications for both indoor and outdoor environments.

Challenges

As the textile industry has been suffering from gas outages for the last two years, many have decided to move to alternative energy sources to become self sufficient. However it may take some time before a significant number can move to alternative energy, hence gas outage will continue to be a major challenge in 2012 as well.

Future Outlook

The currency exchange rate is expected to favor Pakistani exports in 2012. This will, in turn, positively impact the textile business being the front runner in Pakistan’s exports. Energy crises are likely to continue, however if it spreads to the south region, it can have a major impact on the country’s textile exports.

As Marlateks Teknoloji Co., from Turkey, active since 1994, having 134 different problem solving chemicals being produced every month, we are proud to collaborate with ICI Pakistan Limited in partnership approach for focusing into successful products and creative solutions in Pakistan’s Textile, Leather and Speciality Chemicals Industry.

Sinan Gunduz, General Manager, Marlateks Co.





Paints

Everyone wants to be more 'colorful' and paint is the simplest and the most powerful medium of expressing this to yourself and to others. Just like a new tie can make a person feel more confident for an important interview, a newly decorated home or a newly painted car can help them become the more colorful person they want to be. As part of the world's largest coatings company, we believe that color has the power to change people's lives.

We believe that color has the power to change people's lives and we aim to use this transformative power of color to bring about improvement

We have been coloring Pakistan for over four decades with many generations growing up knowing our brands such as Dulux and Paintex as household names. With such extensive experience of knowing our customers' needs, and armed with the sophisticated technology and expertise acquired from being a part of the world's largest paints and coatings company AkzoNobel, we are rightfully considered the "color authority" in Pakistan.

Whether our customers are home decorators or industrial manufacturers, they still want paints and coatings that provide a great color impression and a finish that lasts. Our Decorative segment supplies a full range of interior and exterior paint products while our Automotive and Industrial segments offer specialized applications for industrial and professional use. What sets us apart in the rapidly burgeoning competitive landscape in Pakistan today, are the quality solutions we provide to our customers which come from an in-depth understanding of their needs.

Innovation has always been a priority for us and our R&D teams are continuously engaged in developing solutions and offering what our customers will need, not just today, but also tomorrow. We persistently focus successfully on reducing our carbon footprint, and also bringing new products to the market. Early this year, we introduced yet another breakthrough paint technology in Pakistan with our Decorative segment launching ICI Dulux Weathershield Sun Reflect, an exterior paint that reflects the sun's heat and keeps homes up to five degrees cooler. This was a brilliant step in providing a product that makes homes energy-efficient. Our rich innovation pipeline will continue to anticipate market needs to fuel business growth and delight consumers in the future.

In 2011, our Decorative team continued to engage stakeholders through a series of events like "Let's Colour Week 2011", customer conventions in Cape town, Phuket and Tashkent, nationwide exhibitions like IAPEx organized by the Institute of Architects and "SPACES" by the Pakistan Institute of Interior Designers. These events serve as platforms to exchange ideas with our key stakeholders and inform them about the kaleidoscope of colors on our palette and the state-of-the art technology we offer.

Our Industry Business focused on developing their market by building on the essentials. The team conducted safety, product stewardship and painter skills improvement trainings for key customers while continuing to launch products from AkzoNobel's global Performance Coatings portfolio primarily from the marine, protective and packaging coatings portfolios which were received with enthusiasm by the market.

The main focus of our Car Refinish Business has been to improve customer profitability by developing customized service programs for them. Along with bodyshop profitability programs, we launched two color tools to help painters as well as a new Sikkens shade card that has a collection of over 150 color formulations developed locally.

Overall performance of the Business continued to be affected by the continuing economic slowdown and reduced purchasing power of customers as well as an extended monsoon and tough security situation.

Sales volumes remained subdued compared to last year however margins have improved due to a relentless focus by Businesses to pass on cost increases to preserve product quality by continuing to use the best raw materials and manufacturing processes in order to maintain consumer value.

We believe that color has the power to change people's lives and we aim to use this transformative power of color to bring about improvement. For us, adding color to people's lives is an all encompassing concept. While our products add color to surroundings, our people add color to other people's lives by contributing their time. They go out and paint schools, spend time mentoring students with limited opportunities and most significantly, each business team has skill development programs that equip people with livelihood skills and enable them to be economically empowered.

With the expected demerger, 2012 brings with it a unique set of challenges where we become an independent concern and operate as a separate legal entity. We are confident that the team at Paints has the capabilities and commitment to take the business to new heights and are excited about taking on the challenge and working closely with AkzoNobel to build upon our strong heritage.



Jehanzeb Khan
Vice President,
Paints



Celebrating 'Let's Color Week'



ICI Dulux at IAPEX 2011

Dulux Weathershield Sun Reflect is an exterior paint that reflects the sun's heat and keeps homes up to five degrees cooler

Decorative

Overview

Our mission is to add color to people's lives. We want to educate the world about the transformative power of color, whether it's in factories, homes or with our children. And we want to tell the world what color can do. Our aim is to inspire people to make a decorative change by demonstrating how a splash of color can make a great impact in their home and how they live and feel within it. Our Let's Colour projects are an important part of who we are, whether we go to schools or slums, whether we go to whole streets, we make them more colorful. That's where we start to integrate our social work with our economic work.

Business Performance

Innovation has been the key driver behind the success of Dulux; in April 2011, the business launched an exterior acrylic based paint under the ICI Dulux Weathershield umbrella. The intent was to innovate and revitalize our core product ICI Dulux Weather Shield by offering an added product feature that reflects heat and reduces indoor temperature by up to 5 degrees Celsius. By reflecting solar radiation, it effectively reduces exterior surface temperature, which leads to energy savings. A highly intensive 360 degree campaign was rolled out in April 2011 in line with the onset of the paint season to generate pull.

Challenges

In 2012, the high inflation and low purchasing power of consumers is expected to continue affecting the paint maintenance cycle. Liquidity issues in the market will remain a challenge for the business. Unprecedented increase in raw material prices will remain a challenge through 2012.

Major Highlights of the Year

Let's Colour Week: In 2010, we made a start to spreading our color DNA inside the company; this year we embarked on an initiative to make others experience the transformative power of color. Throughout the week, many activities were carried out to celebrate the color in our lives together with our customers and local communities. We are proud to have been awarded the "Most Colorful Workspace" prize. The launch of our new brand identity was a guiding theme during the week.

IAPEX: ICI Dulux sponsored the "Building Materials Exhibition" held at the Expo Centre Karachi which was organized by the Institute of Architects Pakistan (IAP). The event attracted 250 architects from all over Pakistan, 400 architectural students and around 10,000 general visitors and provided one-stop solutions for homeowners, builders, interior designers on the latest products, ideas and emerging architectural techniques in the field of building and construction. This platform was used to promote ICI Dulux Weathershield Sun Reflect Paint.

SPACES: The Pakistan Institute of Interior Designers (PIID) organized a national Road Show exhibition titled "SPACES" which was a high-quality, one-of-a-kind exhibit in which Interior Design professionals got the opportunity to display their works for viewing by the public from all walks of life. ICI used this platform to share its expertise in color and recent product launches.

Customer Engagement

In line with our core value of "focusing on the customer's future first", 2011 was dedicated as a year of excellence in service for internal and external

We have been doing business with ICI since 1963, and it has been quite an enthralling journey. ICI has been an epitome of good service and operational excellence, and there is no product better than ICI's paint in the market. The level of confidence we share with the company is so strong that we don't even check closed cartons for discrepancies, as is the case with other companies, and trust them literally with our eyes closed.

Muhammad Aleem, Ayub Paints





Most colorful workplace



customers, focusing on customer-centric activities.

We organized a “Developing Customer Centricity through Quality Function Deployment” training at LUMS to help us develop a customer-centric culture and deliver enhanced value to the customer. The cross functional team attending the session played a crucial role in identifying pain points within the organization via various customer driven planning processes, and a task force was assigned to dissect, diagnose and treat each of the key pain points.

Operational Excellence

During 2011, we accomplished the following:

1. Best ever Right First Time (RFT) at 98% for Decorative Business during September and October 2011. RFT is a measure of manufacturing process control – the higher the better.
2. Up-gradation of fire management systems at plant and Islamabad warehouse. Significant reduction of fire risk at plant by shifting highly flammable raw material (falling under DP – Dangerous Petroleum category) to an external warehouse.
3. Savings in manufacturing cost, over the budget, as a result of a number of initiatives related to operational eco-efficiency.

Industrial

Market Overview

Our market comprises a number of distinctly different Industrial customers with very specific performance needs; for this purpose, our broad product range caters to specific solutions for passenger cars, motorcycles, commercial vehicles, tractors, appliances and new, one-off industrial project customers.

Our industrial coatings are of use in virtually all industrial set-ups. This can be gauged by the fact that large-scale industrial players like Indus Motor Company (IMC), Pak Suzuki Motor Company (PSMC), Hinopak Motors, Atlas Honda Limited (AHL), Millat Tractors Limited (MTL), Engro Corp, Fatima Group of Companies, Fauji Fertilizer Company, Pakistan Refinery Limited, National Refinery Limited, as well as numerous medium to small scale industrial units use our wide range of products.

Customer Focus – Investing in Our Stakeholders

Our team focuses on innovation that helps customers improve performance and cut costs, as well as reduce environmental hazards and waste.

In this respect, the business invested time and effort on conducting safety, product stewardship and painter skills improvement trainings at key customers; spent its development-related budgets on products that improved line-related efficiencies, reduced environmental impact, were safer to handle and dispose of than other products offered in the market.

These initiatives to improve energy and line efficiencies and launch eco-premium products in the Pakistani market could not have been successful without an effective partnership and active support of our valuable customers. All our developments were aligned with customers’ needs and they supported us by providing feedback and at times even aligning their development efforts with ours. The team actively implemented actions to further improve service levels and collected feedback through the help of external parties.

I have used ICI Dulux as a preferred paint in all my projects during the 30 years of my practice. ICI not only offers a wide range of color spectrum, but the quality, durability and variety makes it the first choice among paints.

Nayyar Ali Dada, Principal Architect, Nayyar Ali Dada & Associates





Kalma Chowk in Lahore repainted by Industrial segment



Coatings for vehicles

Large-scale industrial players like Indus Motor Company (IMC), Pak Suzuki Motor Company (PSMC), Hinopak Motors, Atlas Honda Limited (AHL), Millat Tractors Limited (MTL), Engro Corp, Fatima Group of Companies, Fauji Fertilizer Company, Pakistan Refinery Limited, National Refinery Limited, as well as numerous medium to small scale industrial units use our wide range of products.

Business Development

Suzuki Motorcycles moves PT Business to ICI:

Suzuki Motorcycles moved to Nihon Parkerizing's PT chemicals for their new motorcycle line. This line is made up of eco-premium chemicals, and is far more environmentally friendlier than any other existing motorcycle PT line in Pakistan.

Mid-Tier Market Development: Through a disciplined approach, the business assessed and developed mutually beneficial commercial and technical proposals for developing business in the mid-tier industrial segment in 2011. The team then developed technical solutions for the mid-tier motorcycle market on this basis. The result was fortified with the addition of a number of new mid-tier customers nationally in 2011 in both the OEM & the maintenance segments.

Leveraging on AkzoNobel's Global Portfolio – Product Development: The Business continues to launch products from AkzoNobel's global Performance Coatings portfolio. The Business has been successful in engaging relevant internal and external stakeholders for the launch and successful ramp-up of these new products. These new products are primarily from the marine, protective and packaging coatings portfolios.

Challenges

An unprecedented increase in raw material and utility prices exerted immense pressure on profitability in an increasingly competitive landscape. The market for industrial coatings remained erratic due to the worsened socio-economic condition, security situation, changes in the regulatory framework and energy crisis.

Automotive & Aerospace Coating

Market Overview

The automotive coatings market size is estimated at 3 million liters, worth approximately Rs. 850 million and represented by 2.2 million road going cars. The market is dominated by the 3 major Japanese manufacturers with no formal approval system for car refinish coatings to their after-sales service network to exercise cost freedom.

Overall, Pakistan's organized after-sales service market is still in its early stages, however high inflation, visible cost push and high accident ratio (mainly due to poor road infrastructure) has led to a growth of the unorganized sector over the last 10 years. This situation is further exacerbated by a lack of technical education and awareness at the end user level.

Due to end user focus on price rather than product quality or reputation, and a sharp focus on costs (a mainstay focus of the unorganized sector), top level paint technology (2-component paint) represents only 18% of the volume sold in the market; the rest of the market is still represented by dated paint technology such as automotive enamels and NC based coatings.

Customer Focus

Over the last two years our main focus has been to improve customer profitability by developing customized service programs for body shop owners. We have successfully developed and launched training programs tailored for OEM manufacturers to assist them in developing successful processes to upgrade their service programs. For body shops, our focus was to help our customers improve costs and profitability through benchmarking and performance enhancement tools. Our main focus throughout the year was to engage painters at OEM dealerships to assist them on color matching and our paint technology.



Ravi Green's relationship with ICI improved and strengthened tremendously with the passage of time and now 95% of Ravi Green's production depends on ICI paints. ICI paint products are the best and have a competitive quality in the market with very reliable and trustworthy service from the ICI team.

M.B. Zahid, Director Technical & BD, Ravi Green Engineering (Pvt.) Limited



Range of Automotive coatings



Wide variety of formulation for car refinishes

We showed remarkable growth in our premier segment brand Sikkens by increasing volume by more than 20% since last year.

We also developed several tools to assist our customers in using our products. This year we launched two colour tools to help painters in the colour matching process. Sikkens mixing machine stickers were installed at each customer site to help increase their understanding of each tinter's behavior. This colour tool organizes each customer's mixing machine, as well as allowing a quick reference guide during the colour matching process.

We also developed and launched our new Sikkens shade cards this year. The new shade card is a collection of over 150 formulations developed locally for the local market, representing all major car manufacturers in Pakistan.

In addition to colour tools, we provided our customers with a problem prevention book to enable them – owners and service managers alike – to understand and trouble-shoot the most commonly occurring errors during car refinishing. The information in this book will help our customers prevent the problems listed in the book as often as possible and if they do occur, identify the problem exactly, know the cause and overcome the problems rapidly and correctly. No longer will our customers need to rely on inaccurate information from “experts” serving their own interests.

Business Development / Building the Business

Our focus this year was to transition our sales team from a pure commercial role to a more techno-commercial function. To enhance the technical capabilities of the team, we carried out sales team benchmark assessment in collaboration with our research and development team. The results of the benchmark test were used to provide customized training to the sales team in order for them to meet the techno-commercial requirements.

Product Development

Key gaps in the product portfolio as well as new additions to the product portfolio were initiated to enable the business to capture opportunities, particularly in the trade market segment. This allowed the business to touch on more counters, hence creating more opportunities for value and volume.

We launched new products in our mid and low tier brand lines. These products were targeted at market space previously not focused upon by the business. These product launches were in line with our initiative to expand our market footprint in the unorganized sector.

Major Highlights of the Year

In 2011, we showed remarkable growth in our premier segment brand Sikkens by increasing volume by more than 20% since last year. This increase was supported by the various initiatives stated above – particularly the mindset to secure the customer's future first.

Challenges

2011 was beset by market shrinkage as body shop economics deteriorated due to high inflation, long credit cycles and stagnant repair rates which made body shop repair unfeasible – further exacerbated by the rampant grey market activity in the unorganized sector. This led to 10 out of 106 operations OEM body shops to discontinue their after-sale service operations. Our challenge during these times was to continue our focus of driving costs down for our customers, with major initiatives taken to improve process efficiency and reduce wastage, driven by user trainings on process, introduction of new product technology and development of user tools that specifically catered to the unique nature of our market.



For 18 years, Honda South has been at the forefront of the automotive repair industry in Pakistan. Built on the “old school” philosophy of creating quality partnerships with customer service oriented people, we chose ICI Pakistan Limited Automotive Coating team as our supplier of choice and haven't looked back since. After all, the best just kept getting better. It's been a story of innovation, support, continuous improvement and growth, but most importantly a story where the ICI team stood behind us throughout. We thank ICI Pakistan's Automotive Coatings team for their contribution in our success and look forward to many more years of their support in our quest for best customer satisfaction.

Jehanbux Gandhi, Chief Executive, Honda South (Pvt.) Limited





We're committed to reducing our impact on the planet and delivering more sustainable products and solutions to our customers. And we can only do this if sustainability is at the heart of everything we do. That's why we aim to integrate sustainability into every area of our business. The Sustainability Report covers our sustainability strategy, Key Performance Indicators, our annual and long-term targets and the work we have done so far.

Sustainability Report

Ever 'Green'

The work we do to create a better future stems from our Economic, Social and Environmental Performance, which form the basis of our sustainability framework.

Statement of the Chief Executive

Dear Stakeholders,

Welcome to the ICI Pakistan 2011 Sustainability Report. This is our fourth effort to report our progress on our journey of sustainable development and as we continue to progress on this journey, we also continue to raise the bar on our reporting standards. From a simple account of our activities in 2008, this year we have applied a GRI B+ standard for a more transparent and compliant report.

Contributing to sustainable development means consciously balancing short and long-term interests; integrating economic, environmental and social considerations into business decisions; and regularly engaging with our many stakeholders. With our diverse portfolio of products, we practically touch every life in the country some way or the other and this is a responsibility we take very seriously. Sustainability is therefore woven into our culture, practices, processes and the products we offer.

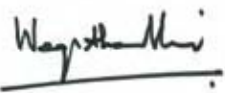
In this report you will read about the many ways in which we integrate sustainability into our operations. Sustainability is no longer a fancy word or a right 'thing to do'. It is a conscious effort to change the way we operate, as individuals and as a company. In our case studies we share with you innovative examples of how our teams have come up with simple but effective ideas to build sustainability into everything they do, and we are truly proud of their efforts. You will see how our innovations are helping to address some of the most pressing problems related to energy, the environment, safety and other issues.

In 2010, we developed Key Performance Indicators relating to economic, social and environmental factors with defined objectives for 2015. This report defines the ambitious goals we've set and our progress toward meeting them. You will also read about our commitment to people; our employees who make this company so diverse and vibrant and the communities in which we operate and how we give back to them.

We approach this report with the same commitment as we approach all our responsibilities, and through it we aim to show you a clear, transparent picture of what we are doing as a company to achieve our economic, social and environmental objectives.

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.

Regards,



Waqar A Malik



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 company wide 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, we did not achieve 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.





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 fourth 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 five Businesses and all our Corporate Functions. ICI Pakistan Limited has four manufacturing sites, three corporate offices and five 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 2011 to 31 December 2011. 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, 2011 to December 31, 2011 and data has mainly been obtained from our financial management reporting systems, corporate HR information management system and the AkzoNobel and former ICI corporate 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 is 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.

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. Like last year, this year, we also had Ernst & Young conducting an independent sustainability audit results of which have been incorporate in our improvement plans.

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@akzonobel.com

A soft copy of this report and additional information on our business units and products is available on our website at www.akzonobel.com/pk. If you are unable to access these resources or need further information, please contact:

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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





The Green Revolution

Oxo-biodegradable technology is a “green” technology that is helping reduce chemical impact on the environment. Regular plastic remains for up to 100 years, posing risks to water sources, soil, wildlife and marine life. When exposed to sunlight or when buried, oxo-biodegradable material degrades like natural materials (such as wood, straw and leaves), without damaging the environment.

This year we decided to try and adopt this technology and as a start, 30,000 paper envelopes used for mailing EOGM Booklets and Annual Calendars were replaced with oxo-biodegradable bags. Little did we know that what was experimental technology for us, would make such a breakthrough in the market. The vendor with whom we had developed the bags started receiving successive orders from other corporate and business entities. Within ICI Pakistan, we are now working on the possibility of introducing this technology for packaging our products.

Besides being biodegradable, there is significant paper saving as well. With just this initiative, we saved 600 kilos of paper; an amount that roughly translates into saving 10 trees! We feel that for a greener planet, it is small steps like this, which when done collectively, can really go a long way.

Stakeholder Dialogue

Although our stakeholder engagement process has been in place over considerable time, being a vital ingredient of any sustainable development model, we embarked on the path of formal stakeholder engagement reporting in 2010. Our stakeholder engagement processes are both formal and informal and are also considered by the company at the operational level covering customers, suppliers and communities (Businesses & Locations) or at the corporate level

(Regulatory Bodies and NGOs).

In the first phase, we started our dialogue with customers, suppliers, contractors, regulatory agencies and local communities as reported in 2010. During 2011, we have been involved in addressing some of the issues and concerns that emerged from these dialogues and the update is provided as follows:

Stakeholder	Target Group	Key Observations	Actions Taken
Community	Community around Soda Ash plant in Khewra	<ul style="list-style-type: none"> - CSR investments around Communities are reactive and based on point requests for local community. - Local CSR strategies to be put in place linked to Corporate CSR strategy defining the purpose of ICI CSR investments. 	Put on hold in view of ICI Pakistan's strategic transition. Corporate CSR strategy to be revisited and local strategies shall be accordingly linked up
Customers	Industrial paints customers	<ul style="list-style-type: none"> - Customers HSE Training. required 	Training of customers completed as per plan.
Contractors	Contractual Services including Manpower Suppliers and Transporters at the Polyester Business	<ul style="list-style-type: none"> - HSE Training for Transporters 	<ul style="list-style-type: none"> - Sessions held with transport drivers in April and September 2011 covering 34 drivers. Training verified by Corporate HSE&S.
		<ul style="list-style-type: none"> - Vendor Recognition Program for Transporters 	<ul style="list-style-type: none"> - Awards given to transporters for HSE&S compliance on 15th November 2011.
Suppliers	Printers and Packagers of Life Sciences Business	<ul style="list-style-type: none"> - HSE Training of Printers and Packagers 	<ul style="list-style-type: none"> - HSE&S Training of Printers and Packagers carried out. This was verified by Corporate HSE on 8 & 9th December 2011.
Regulators	Environmental Protection Agency Pakistan	<ul style="list-style-type: none"> - Mitigation of Fire & Fumes Hazards at Paints site 	<ul style="list-style-type: none"> - Site fire risk brought down by 2 levels (from red - unacceptable to yellow - adequate category). - Installation of fume extraction system and sprinkler system shall be completed in Q4, 2012.

Every Drop Counts

97% of all the water on the earth is salt water which is not suitable for drinking. A mere 3% is fresh water of which 2% is locked in ice caps and glaciers and only 1% percent is available for drinking water.

With all the people on Earth relying on such a small percentage, it only makes sense that we must all do our bit to conserve water because a whole lot of people doing a little bit adds up to a whole lot.

This year, our Soda Ash team managed to save a whopping 240 million liters of water through an aggressive recon drive. The achievement is even more significant given the scarcity of water in Khewra and its adjoining regions.

Change begins at an individual level, and a rigorous communication and awareness campaign regarding the importance of conserving water was organized. The campaign included regular communication through notices and signboards, circulation of monthly newsletters, observation of a Water Conservation Hour and staff training. Families of our employees were also taken on board through informative activities and sessions.

Apart from this there were other projects that were executed, which included modification of the waste water collection and recirculation system, installation of orifices and level transmitters to monitor consumption, and a strict control on leakages.

The consumption of water in 2010 was 9.2 meter cube of water per ton of Soda Ash. In 2011, it was slashed down to 8.2!

Water supply is essential to life – and to the sustainability of our business. We rely on water for manufacturing, power generation, cooling, cleaning, transporting and of course, for living! That's why we make sure we don't take it for granted.



Stakeholder	Target Group	Key Observations	Actions Taken
		- Use of Biodegradable plastic.	- Successful introduction in corporate mailing with 30,000 bags used. Successful trials to use Oxo-biodegradable plastic conducted at Polyester and Soda Ash sites to replace their product packing. - Shopping bag supplied at Soda Ash community departmental store is now made up of Oxobio-degradable plastic
		- involve Pak EPA and other emergency handling agencies in their emergency drills / contingency planning	- A team of Rescue 1122 officials visited Paints site during July and were given the briefing on our HSE and fire management systems.

Identification Basis & Selection Criteria

In our first phase of stakeholder engagement we opted to cover all Businesses. With this perspective, for community interaction we picked the Khewra community neighboring our Soda Ash plant, which is has the longest associated with ICI Pakistan. For Suppliers we identified our Polyester logistic services contractors and Packag-

ing service providers for our Life Sciences Business. To obtain direct end-users feedback from Customers, we selected our Paints business and for Regulators, our corporate level interface with Pakistan Environmental Protection Agency was identified.

Stakeholder	Why	Engagement Targets 2012
Communities	How ICI has improved their lives and their expectations.	Khewra / Sheikhpura Communities
Contractors	What safety and environmental training/ awareness they have gained by working with ICI.	PTA / MEG Transporters
Customers	Benefit from trainings and value added services our Paints Refinish Business provides.	Painters / Body shop Owners / Auto Companies (Paints End Users)
Regulatory Agencies	Environmental performance and what we can do to improve both our own and industry standards.	Pakistan Environmental Protection Agency
Suppliers	Gain feedback on effectiveness of our Supplier Support Program and other sourcing issues	Printers & Packagers of Life Sciences Business

Key Performance Indicators

Integrity Management		2009	2010	2011	2015
					Target
Code of Conduct trained*	% employees	100	100	100	100**
Code of Conduct confirmed incidents	number	10	23	20	0
Management audits including reassurance audits	number	6	11	9	6
Serious incidents - Level 3	number	1	1	1	0
Serious incidents - Level 1,2	number	0	2	0	0
Serious loss of containment - Level 4	number	0	0	0	0
Regulatory actions - Level 3	number	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	2015
					Target
Vendor Policy signed by key suppliers	%	88	84	85	96
Vendor Policy signed by Central NPR Suppliers*	%			28**	0
Supportive Supplier Visits since 2007	Number	21	79	31	146

*Major Public Sector Utility suppliers not included in this analysis

** Monitoring started in 2011 only by Polyester Business.

Employment Practices		2009	2010	2011	2015
					Target
Women executives*	%	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	80

* Functional and Business Head Positions ** Management staff

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

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

Health, Safety & Security		2009	2010	2011	2015
					Target
Fatalities	number	0	0	0	0
Total reportable injury rate employees/supervised contractors	/million hours	0.28	0.28	0.28	0
LTI Rate employees/ supervised contractors	/million hours	0	0.14	0.28	0
Occupational Illness Rate employees	/million hours	0	0	0	0
Total illness absence rate employees	%	1.79	1.92	1.76	1.76
Fatalities contractors (supervised and independent)	numbers	1	0	0	0
Total reportable injury rate independent contractors	/million hours	0.52	0	0	0
Lost time injury independent contractors	numbers	1	0	0	0
% sites with BBS program	%	0	100	100	100
Distribution incidents	numbers	1	1	1	0
Motor vehicle incident with injury	numbers	0	1	2	0

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

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

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

* Total Waste: Reduction in 2011 is due to waste reduction projects initiated at Polyester and Soda Ash.

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

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

Herding Change

We don't just sell products to our customers. We offer complete solutions for their needs; at times going a lot beyond that and using our holistic expertise to perpetuate change that would bring about improvements today and prosperity tomorrow.

Our Animal Health Division decided to launch a unique nationwide training and awareness campaign on 'Animal Handling' in the last quarter of 2011, in collaboration with veterinary officials, hospitals and universities.

From the scenic valleys of Swat to the scorching deserts of Thar, about 28 key livestock areas of Pakistan were targeted. The sole objective of this project was to equip livestock farmers with sustainable and safe farming practices and create awareness amongst them regarding health and safety of their animals and of themselves.

Particular attention was also given to the installation and proper use of Cattle Crush at farms, which is used to restrain the animal for medication, for which the use of Drenching Guns was advocated and demonstrated.

This initiative of our Animal Health Team imparted valuable knowledge to over 3000 farmers, veterinary officials and agricultural academia and was much appreciated by all. It helped bring about a change in animal handling methodologies and develop the skills of our livestock farmers and improve upon their farming practices. It was also about reaching out, strengthening our communities and adding value to a vital sector that provides livelihood to about 36 million people of our nation.



Economic Performance

Management Approach

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 company wide awareness of the sustainability framework was created to unify understanding of the sustainability agenda. The next steps were to re-structure 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, we did not achieve 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.

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.

Key Performance Indicators:

Integrity Management		2009	2010	2011	2015
					Target
Code of Conduct trained*	% employees	100	100	100	100**
Code of Conduct confirmed incidents	number	10	23	20	0
Management audits including reassurance audits	number	6	11	9	6
Serious incidents - Level 3	number	1	1	1	0
Serious incidents - Level 1,2	number	0	2	0	0
Serious loss of containment - Level 4	number	0	0	0	0
Regulatory actions - Level 3	number	0	0	0	0

* Number of Management and Non-Management Employees

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

2011 Overview:

2011 Management Audit included audit of our 5 Businesses, Head Office, IT, a sustainability audit and a production gain/loss audit for our Paints Business. For 2011, 20 Speak Up (Code of Conduct Incidents) cases were logged which were all appropriately investigated and reported. 2015 target is zero.

A serious incident of Level 3 occurred in February in Karachi where a bridge was being painted as a public service project. While the job was in progress, a bus moving on the adjacent road skidded, went out of control and hit the barricades and two ladders resulting in one fatality and serious injuries to two workers. The incident was reported as per Serious Incident 13.4 Protocol. Investigation process involved root cause analysis.

Future Plans:

We aim to continue our focus on code of conduct training and awareness for all employees.

Sourcing

In order to achieve sustainable growth, it is essential for us to build strong business relationships with suppliers whose actual working practices should meet our requirements. We aim to do business with partners who endorse our ethical values and our social and environmental standards.

The two main measures of our progress are signing of the Vendor Policy by suppliers and Supplier Support Visits by our teams. By signing the Vendor Code of Code, our suppliers endorse and agree to follow the

Sourcing		2009	2010	2011	2015
					Target
Vendor Policy signed by key suppliers	%	88	84	85	96
Vendor Policy signed by Central NPR Suppliers*	%			28**	0
Supportive Supplier Visits since 2007	Number	21	79	31	146

*Major Public Sector Utility suppliers not included in this analysis

** Monitoring started in 2011 only by Polyester Business.

Health, Safety, Environmental and Security standards, as formulated in our Code of Conduct and legislative requirements of the country. 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. We also conduct HSE assessments which outline a two year process as to where they are at present and where they need to be and then work them to ensure they get there.

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. Breaking this code of conduct jeopardizes future relationships and agreements.

Key Performance Indicators:

2011 Overview:

We could only sustain the 2010 levels in terms of vendor policy signed by the suppliers. Non-product related suppliers sign-off also showed a beginning in 2011 with the Polyester Business.

Future Plans:

Our future continues to bring all our direct suppliers both product and non-product related into our umbrella of sustainability efforts. Apart from the targets defined for 2015, we would also like to carry out a relook and review of direct level 1 suppliers to ensure we have covered everyone while measuring our above mentioned KPIs.



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.

Employment Practices

Talent is the lifeblood of any organization, and we view our employees as our highest-priority resource.

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 thereby room for personal growth and development. We need to ensure that all employees are knowledgeable about and engaged in the business. 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

1326

Total Number of Employees: 1326

Management: 833

Non Management: 493

Employment Practices		2009	2010	2011	2015
					Target
Women executives*	%	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	80

* Functional and Business Head Positions ** Management staff

2011 Overview:

The most significant achievement of 2011 was an increase in our engagement score. We scored 4.14 out of 5 with an increase of 0.4 points over 2010. This indicates a step change in employee engagement levels across our teams and places us at the 63rd percentile within the Gallup global database, compared with 35th percentile last year. Our survey participation rate of 97% and our engagement score this year have been marked as the highest across all AkzoNobel business units in 2011.

The P&D Dialog incorporates both a performance review and development planning. Our company Values and Success Factors (behavioral competencies) are an integral part of all development discussions and have been integrated into the system and annual performance appraisal process. This is an online tool and for employees who do not have access to computers we have a paper

based process. To ensure a consistent and transparent mechanism for all employees, we aim to increase online participation and this year we had over 83% participation bringing us closer to our 2015 target of 90%.

The Management Development Program is a global standardized best practice with AkzoNobel and is being implemented across 32 countries. This year we doubled the number of managers attending the AMP and MEP programs which aim to create common understanding of leadership and management competencies.

Our KPI on female executives is defined as Business or Functional Heads. While females constitute 6.6% of our senior management positions however, at present; we have no female executives. 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.

Taking 'Weathershielding' to new heights!

Over the years, Alternative Thinking has become a norm with us. It is a shift of consciousness that is transforming us and our relationships with society and the natural world. It is helping us to not only rise to emerging business challenges but translate them into opportunities. This ability to think fresh and develop innovative solutions that enhance resource efficiency is helping us transform many lives in the country.

An interesting example of this is the creative solution we came up with for recycling panaflex skins used for communication material such as standees and banners. We started off with recycling campaign banners to make school bags and earlier this year gave out five hundred bags to deserving students. This led us to think of finding more ways to put these skins to good use.

After the countrywide marketing campaign of our Weather Shield Sun Reflect paint, a group of employees collected all the outdoor signage skins used during the launch campaign and decided to use them for a community uplifting project. Sajawal is a far-flung low-lying town in the province of Sind, subject to much rainfall. It was one of the worst affected areas of Sind in the torrential monsoon and resulting floods which severely affected the country last year. Consequent to the floods, people have rebuilt some of their homes however there are still smaller and deprived communities who live in makeshift houses.

Our team chose a small village with families living in mud houses with makeshift mats for roofs. In the monsoon season, these mats are unable to hold water and the huts become uninhabitable. Our team replaced the makeshift mats with durable panaflex Weather Shield skins on the roofs and sealed them to prevent leakages during rain. A total of ten houses were actually 'Weather Shielded' turning this monsoon into a source of relief rather than distress for the people of this community.



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.

Future Plans:

The Foundation plans to initiate a rehabilitation program for flood affectees of Sind. Due to water stagnation, water borne diseases have spread across the region. We plan to start a project to provide clean drinking water to at least five locations within Sind. Other plans are to expand the scope of Ilm-o-Hunar program and take it to more locations.

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

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

2011 Overview:

In 2011, we completed our rehabilitation program for affectees of the 2010 floods. 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.

In 2011, excessive monsoon rains brought about another series of floods, this time severely affecting the province of Sind. We put together a relief program for over 7000 flood victims in 8 areas, including Nawabshah, Umerkot, Badin, Mirpurkhas and T. M. Khan. These areas were especially chosen as there was little or no access to medical facilities. Along with this, 4 veterinary camps (T. M. Khan, Umarkot, Badin and Kario) were set up, and approximately 12,000 animals were treated.

This year, we launched a skill development program 'Ilm-o-Hunar' with aim of creating opportunities for sustainable development. So far, a painter training course and an electric wiring program has been launched under the program.

Our staff actively contributes their time in giving back to our communities and in 2011 a total of 3675 hours were spent by 197 employees and their families on volunteering.





Health, Safety & Security

Zero harm in terms of health, safety and security in our workplace remains our underlined philosophy of conducting sustainable business. To achieve this, we wholeheartedly practice our HSE&S Management System to remain best in class in terms of health and safety performance indicators mainly reporting injuries to employees and contractors per million man-hours worked and zero reportable occupational illness for the same population.

People 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. Similarly, this assessment, improvement actions and review process is also applied to the security of assets and information. Our Product Stewardship programs ensure Product Security from raw material supplies to eventual product delivery at the customers end.

Health, Safety & Security		2009	2010	2011	2015
					Target
Fatalities	number	0	0	0	0
Total reportable injury rate employees/supervised contractors	/million hours	0.28	0.28	0.28	0
LTI Rate employees/ supervised contractors	/million hours	0	0.14	0.28	0
Occupational Illness Rate employees	/million hours	0	0	0	0
Total illness absence rate employees	%	1.79	1.92	1.76	1.76
Fatalities contractors (supervised and independent)	numbers	1	0	0	0
Total reportable injury rate independent contractors	/million hours	0.52	0	0	0
Lost time injury independent contractors	numbers	1	0	0	0
% sites with BBS program	%	0	100	100	100
Distribution incidents	numbers	1	1	1	0
Motor vehicle incident with injury	numbers	0	1	2	0

Overview 2011:

In 2011, there were two injuries to supervised contractor employees during the year and a distribution incident reported by our Polyester Business. We had a reportable injury rate of 0.28 which is the same as last year actual. There were no Reportable Injuries to Independent Contractors. This performance remained best in class within the Group.

Reportable Injuries

April 2, 2011: A supervised contractor of our Life Sciences was hit by an Auto Rickshaw in Shikarpur, Interior Sind, when he was traveling on his bike, causing a fracture to knee cap.

July 18, 2011: An Interior Decoration Consultant (Supervised Contractor) of Paints received injury to her right ankle while attempting to avoid collision with another car in Islamabad.

Distribution Incident

A distribution incident took place in September when a haulier trailer loaded with 61.6 MT of PTA was set on fire by some miscreants. The trailer, its prime mover and all PTA bags were completely burnt. Fortunately, no injury to trailer staff was reported.

Million Man Hours without LTI (Lost Time Injury) to Employees and Supervised Contractors:

Soda Ash	25.6	Life Sciences	6.6	Head Office	10.6
Polyester	21.8	Chemicals	5.8		

Health & Hygiene assessment and monitoring program was robustly practiced across the company resulting in a zero Reportable Occupational Illness, Occupational Illness absence rate improved by 8% over 2010 driven by our employee engagement process. Launch of Behavior Based Safety Program last year and close monitoring of 2011 HSE&S Improvement Plans at sites and locations level remains a key strategic item on the corporate planning. This year, the emergency handling protocol was reviewed and converted to a standardized template to facilitate better handling of such situations.

Future Plans:

Achieving reference level standards in all the elements of our HSE&S Management System, continued follow-up of Behavior Based Safety program and conclusion of residual actions relating to asset integrity guidelines implementation shall be our focus during 2012.



Making hay while the sun shines

As the search for alternative and more renewable energy resources intensifies, exploiting what nature gives us in abundance is becoming increasingly important. The sun is a classic example. Harnessing its power through the use of solar panels is seen by many as being one of the most realistic options for the future. In fact, entire solar power plants directly connected to electricity grids are expected to be built in increasing numbers over the next few years.

Our team at Polyester took an initiative of installing a 12 KW Grid Tied Solar Power System that harnesses the sun's energy and converts it into useful electric power. What is unique about this system is that it is capable of feeding the electric power directly into the Polyester Fiber Plant's power grid making it more efficient and virtually maintenance free.

The new system installed has a capacity of producing 12000 Watts of power when operating at its peak. It consists of 48 mono-crystalline, high efficiency solar panels which combined give a total output of 460 DC Voltage. This DC supply is then connected through a series of protection devices to a Grid Tied Inverter which converts this DC power to AC power, in synch with the Main Grid's power parameters, and thus feeds this energy directly into the Main Grid.

It is worth mentioning that this 'bright' initiative will lead to the generation of an estimated 24,500 kWh of electric power annually, free of cost. Also, Polyester Fiber Business will be able to slash its carbon dioxide emission by 17,900 kg as compared to past years which will help it reduce its carbon footprint significantly.



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.

Emissions Control

Salient features of our environmental performance system which is derived from Responsible Care Management System (RCMS) are as follows:

- Waste management plans that include the identification and characterization of all waste streams and appropriate reuse, recycling, and disposal routes, as well as minimization opportunities.
- Systems of work to ensure that emissions to water, land and air are identified, characterized, treated and monitored and, if significant, are mitigated.
- Environmental Impact Assessments (EIAs) for all new operations and for significant changes to current operations that are in line with local regulations and international good practice. For all significant projects, Environmental and Social Impact Assessments in line with the Equator Principles are required.
- Impact assessments to identify, characterize and address community health and community nuisance issues.
- Internal and external reporting of impacts to the environment.
- Systems to prevent pollution of land and groundwater arising from operations activities including landfills.

Key Performance Indicators

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

Additional Focus Areas:

Green house gas emissions are calculated on the basis of fuel consumption.

Persistent Organic Pollutants	Not used at any manufacturing site
Hazards Air Pollutants	Paints: Xylene from Bulk Storage tanks. Soda Ash: Only in Laboratory, Chemicals and at Polyester: Ethylene Glycol and minor Chemicals. All sites are in compliance with the local air and environmental permit requirements.
Stack and Fugitive Emissions	All sites are in compliance with the local air and environmental permit requirements.
Particulate Matter	Chemicals: Diesel Generators. Soda Ash: Boilers are operated on Furnace Oil. Polyester: Engines and Boilers are operated on Furnace Oil. All sites are in compliance with the local air and environmental permit requirements.
Other standard categories of air emissions identified in regulations	None

2011 Overview:

In 2011, our atmospheric emissions have been severely hit by greater natural gas curtailment periods and our need to use high sulphur heavy furnace oil instead. SOx are up by 21% and Indirect CO₂ up by 230% as reflected in the above table. There was a very marginal reduction in Total Direct CO₂ (1%) and Total NOx (1.8%) due to energy conservation measures at our Sites. On the positive side the VOC emissions show a 5.5% reduction due to R&D efforts at our Paints Site. COD (Kg/ton) are higher by 12% (but remained within NEQS limits) due to operational issues at our Polyester site.

Future Plans:

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

We will continue to dig deep into the possibilities of employing renewable energy (wind) for our own requirements. Each site will be focusing on projects that contribute in the overall carbon footprint reduction.



Effort not "Wasted"

Reduce, Reuse and Recycle! With rapid development and growth of the industrial sector and a subsequent increase in waste generation, this mantra has never been more relevant!

An efficient waste management system always follows a hierarchy which begins with the prevention and/or reduction of waste at the source, followed by reuse and recycling of the waste. Safe disposal of the waste is always the last resort when it is no longer considered as potentially useful.

At our Polyester Business, we put our heads together to come up with a solution to effectively recycle waste generated during the production of the polymer into a value added proposition. The procedure involved segregating waste, followed by its refinement and then performing an analysis to determine the various chemical components that it is composed of. After series of experimentation, a recipe for adding this waste to the process was developed.

The first category of the waste known as pot filter waste exists in a very crude form and cannot be used as a raw material in the batch polymer process directly while the second category of waste was the recovered catalyst waste from the MEG Recovery System. As a result of this initiative, a total of 135 drums of the first category of waste have been recycled completely and converted into valuable and consumable 39 tons of chips, ensuing in zero inventories. Along with this, a total of 25 drums out of 80 of the second category have been recycled so far and the process is still underway.

This initiative is not only a safe and an eco-friendly way of disposing hazardous waste, it has also led us to save many millions on treatment and raw material costs.

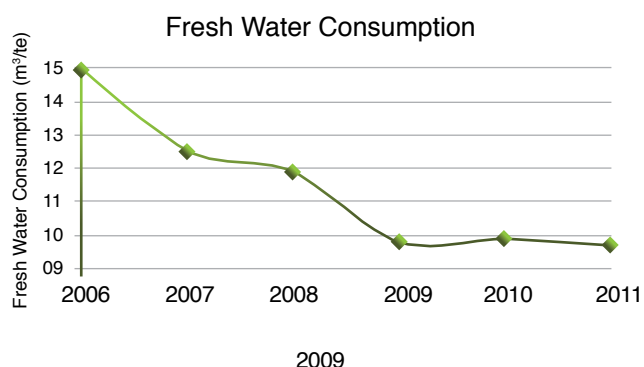
Water Usage



Resource conservation of which water management is a vital element remained a key driver towards business continuity and sustainability. All our manufacturing sites are on course to become totally fresh water sustainable by 2015.

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

2011 Overview:



The total fresh water use dropped to 9.7 m³ per ton in 2011 from 9.9 m³ per ton in 2010 which is a 2% reduction in use. Initiatives leading to this drop were:

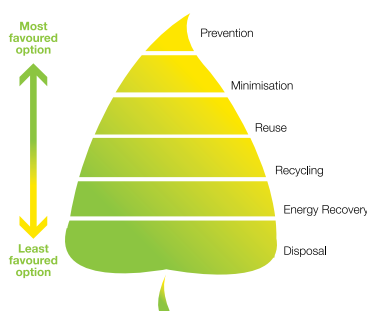
- An aggressive recon drive “Every Drop Counts” at our Soda Ash Plant
- AN effective and consistent “Stop the Drop” measures at our Polyester Plant
- Reuse of Effluent Treatment Plant treated water at our Chemicals Plant

Future Plans:

The improvement plans based upon the water management tool will be acted upon to achieve 100% sustainable water sites by 2015.

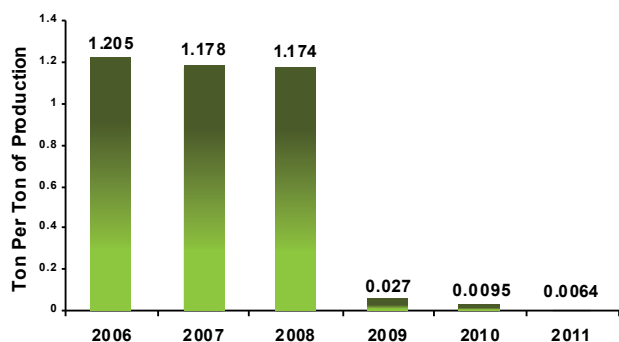
Waste Management

ICI Pakistan continues to employ “3 Rs” waste hierarchy in its Waste Management strategy. Reduce, reuse and recycle hierarchy is to extract the maximum practical benefits from products and to generate the minimum amount of waste.



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

* Total Waste: Reduction in 2011 is due to waste reduction projects initiated at Polyester and Soda Ash.



2011 Overview:

In 2011 Company has shown improvements over 2010 -32.35% in waste reduction specifically through the Coke Briquettes project initiated by Soda Ash. Similarly waste recycling was focused at Polyester and Chemicals Businesses.

Future Plans:

The mitigation measures identified for the waste generated from the Coal Fired Boiler operations shall be fully enacted. Similarly, all other manufacturing sites shall continue to implement their waste management plans during 2012.

Note: The waste figures for 2009 to 2011 shown in the graph are on the basis of AkzoNobel definitions.

Thirst for Innovation

Developing sustainable technology is at the forefront of our innovation. We're constantly striving to make breakthroughs that will offer real benefits to our customers.

Our latest launch, ICI Dulux WeatherShield Sun Reflect is a revolutionary exterior paint that reduces the temperature of walls by up to five degrees! Regular emulsions absorb the heat-causing infra red rays of the sun, causing the inside of the house to heat up. Dulux WeatherShield on the other hand, created using SunReflect technology, has higher Solar Reflective Index (SRI)-the ability to reflect the heat-causing IR rays. Because of this technology, WeatherShield can reflect IR rays significantly more as compared to regular exterior paints.

With the SunReflect technology, the interior will be considerably cooler, and that can actually lead to significant power savings on air conditioning. So not only does it keep homes cooler, it reduces energy consumption with considerable savings on air conditioning. For us, innovation begins with great insight into our customers' needs and with Pakistan facing its worst energy crisis ever, we are happy to offer a solution.

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.

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

2011 Overview:

This year we directed our efforts on developing product eco-premium solutions. We achieved half of our target for 2015 mainly through the efforts of our Paints Business which is a direct consumer business. A major contribution to this was the launch of ICI Dulux WeatherShield Sun Reflect.

Future Plans:

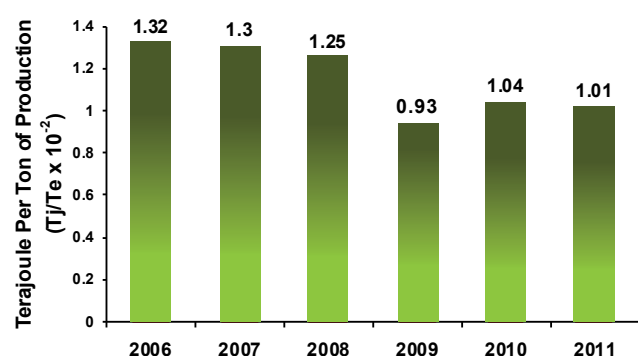
We will continue to enact our product stewardship programs across all our Businesses.

Energy Efficiencies

Energy efficiency continues to underpin the excellence of our manufacturing operations. The rising cost of energy and scarce availability due to the prevalent energy crisis in the country further reinforce 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 the 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	2015
					Target
Total Energy Consumption	1000Tj	6.5	4.8	4.3	4.6
Per ton production	GJ/Te	9.3	10.4	10.1	9

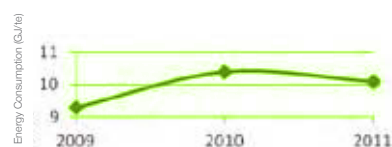


2011 Overview:

In absolute terms our 2011 energy usage per ton shows a 3% reduction over 2010. This reduction becomes significant because both of our manufacturing sites, Polyester and Soda Ash, have on an average operated on less than optimum levels of production rates throughout 2011 in view of the prevalent natural gas and power shortages in the country.

Future Plans:

We continue to remain committed to reduce the Company's carbon footprint. Energy efficiency is intended to be at the core of this ambition. Our site level energy conservations plans will be looking at technology upgrades, equipment modernization and asset maintenance to realize our objective. Installation of Glycol Ejector at Polyester, lighting upgrade and boilers major refurbishments are some highlight projects in the pipeline.



Let it rain over me!

Since time immemorial, rain has been regarded as a blessing for mankind, providing it with its most basic necessity; water. Rainwater has been used to provide drinking water, water for livestock, water for irrigation, et cetera. So why not also use it in the sector that consumes a great chunk of the world's fresh water reserves; the industrial sector.

In the city of Lahore, an average of 710 millimeters rain was recorded per year over the past four years. Since any area that receives 250 millimeters or more is regarded as an agricultural land with abundant rainfall, this means that the city has a great potential for storing and harvesting rainwater. Based on this, our Paints team designed a pilot project for rain water harvesting and successfully utilized 5000 liters of rainwater in direct paint making in 2011. We are the first company in Pakistan to utilize rainwater directly in water based paint manufacturing.

The idea of rain water harvesting was floated around June'11 with feasibility studies and planning completed the next month. With the start of the summer monsoon, 5000 liters of rain water was collected, by August, in small storage vessels on the new warehouse roof. A sample of the collected water was sent to the laboratory for a chemical analysis and a lab scale batch was whipped up using this rainwater to check for any abnormalities and confirm that it is indeed fit for use.

Once the lab gave the go ahead, the 5000 liters was used to manufacture 14 batches of emulsion. Given the successful execution of the pilot project, plans are in order to scale it up next year. The potential of rainwater harvesting during the monsoon season by using a few roofs of our Paints Site is 2 million liters in 4 months alone! So our Paints team is all set to get storing all that rainwater since opportunity 'thunders' but once!

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
2.1	Awards received in the reporting period	Overview & Strategy; Awards & Achievements
Report Parameters		
3.1	Reporting period (e.g., fiscal/calendar 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
3.1	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 Vision, 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 (Polyester Solar)
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; Environmental Performance. Case Study (Effort not Wasted)
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 (Polyester Solar)
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	Sustainability Performance; Social Performance
Social: Human Rights		
HR4	Total number of incidents of discrimination and corrective actions taken	None
Social: Society		
SO2	Percentage and total number of business units analysed for risks related to corruption	100%
SO3	Percentage of employees trained in organisation's anti-corruption policies	100%
SO4	Actions taken in response to incidents of corruption	
SO5	Public policy positions and participation in public policy development and lobbying	Governance & Compliance; Corporate Governance and Compliance
SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	None
SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly	None
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	None
Social: Product Responsibility		
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	None
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Sustainability Performance; Stakeholder 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

ICI Pakistan has commissioned United Registrar of Systems (URS) to provide external assurance on its 2011 sustainable report.

The scope of our assurance

Our assurance provides the reader with an independent, external assessment of the report. It is intended both for the general reader and for more specialist audiences who have a professional interest in ICI Pakistan's sustainability performance. Our assurance used disclosed information as its starting point and then investigated the underlying systems, processes and sustainability performance information to arrive at its conclusions.

We have also assured the performance information in the report. The criteria used are the GRI G3 Principles for Defining Report Quality. That is to say that, based upon the procedures conducted, nothing has come to our attention that causes us to believe that the data is not in accordance with the GRI G3 Principles.

ICI Pakistan is entirely and solely responsible for the contents of the report, United Registrar of Systems for its assurance.

The limitations of our review

Our work did not include physical inspections of any of ICI Pakistan's operating assets.

Opinion and findings

In our opinion ICI Pakistan's sustainable development reporting for 2011 reflects the principles of inclusivity, materiality and responsiveness.

Specific comments in relation to the key principles above are:

Inclusivity: Does ICI Pakistan accept responsibility towards those on whom it has an impact? Does ICI Pakistan involve stakeholders in developing a strategic approach to corporate responsibility and sustainability?

ICI Pakistan has taken a positive step of involving stakeholders in the development of its approach to sustainable development. The section on stakeholder engagement in the report is more detailed than in the past and reflects an open and inclusive approach towards reporting. It actively seeks to work with a wide range of other organisations to find shared solutions to common problems. This is particularly notable when tackling issues outside the boundaries of its operations such as environmental regulation and industry standards.

Last year we commented that ICI Pakistan's reporting could be strengthened by providing more clarity over the key stakeholders for each priority area. We are encouraged in this respect that this year's reporting has a much stronger focus on the company's partnership-based approach to setting sustainability objectives and to managing local issues.

Materiality: What are the issues that really matter to the ICI Pakistan's sustainability performance ("material issues")? How does ICI Pakistan identify these issues?

Previously we commented that ICI Pakistan should provide more information on the steps taken to review its priority areas and the system used for reporting against them. This year's reporting reflects work undertaken in this area during the period under review. There is also evidence of ICI Pakistan taking a more holistic approach to key issues, particularly with regard to its strategy on carbon reduction projects. The next step, as noted last year, will be to provide a more rounded assessment of the extent to which its overall objectives with regard to the management of its most material issues are being met. This would demonstrate how the business as a whole is moving to be truly sustainable in a resource-constrained world.

Given the impact of climate change, reducing carbon emissions remains a material issue for all business entities. ICI Pakistan is clearly making significant progress here. It would be helpful for ICI Pakistan to share its methodology, outturn and lessons learned fully in future reports.

Responsiveness: Does ICI Pakistan respond to stakeholder issues that affect performance through its actions and communications? There is evidence of ICI Pakistan's partnership approach to tackling issues being embedded across the business at corporate and local levels, and that this approach is informed by, and responds to, dialogue with key stakeholders. Data and case studies presented by the individual businesses and operations also evidence this.

However, as noted previously, future company-wide reporting will be strengthened by the inclusion of more of the voices and experiences of key groups and organizations, to demonstrate how ICI Pakistan responds to their needs and expectations when working with them.

Reliability of performance information

There is continued evidence of the ICI Pakistan's system for collecting and reporting sustainability having been well embedded and producing robust performance information.

While the data in the system is 'self-certified' by local operations and the corporate communications function, we believe that ICI Pakistan has an effective programme of checks and balances to help review data accuracy and ensure consistency. These checks help to improve the utility and comparability of information, particularly with regard to qualitative assessments of performance, as well as enabling operations to use the information more effectively to manage their approach to sustainable development.

No systematic or material errors or omissions were identified. Uncertainty and limitations relating to the methodologies and data used in the assessment of ICI Pakistan's sustainability performance were clearly explained to URS. ICI Pakistan expressed its commitment to continually improving the quality of its data management processes and the reliability of reported information. The Report and other sources of information to which it refers, are considered to provide a detailed account of ICI Pakistan's management approach and performance.

Looking ahead, it might be worthwhile for ICI Pakistan to take on the challenging step of evaluating the social return on investment of sustainability activities.

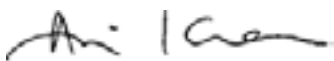
Our assurance team

Our assurance team has been drawn from our global Climate Change and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant local and international businesses.

Conclusion

Through its 2011 sustainable development reporting ICI Pakistan continues to provide a robust demonstration of how it involves stakeholders and responds to their needs and interests in managing its most material issues.

Based on the scope of work carried out, URS concludes that the Report provides an accurate and fair representation of ICI Pakistan's policies, strategies, management system, initiatives and performance in 2011.



Ali Khan
CEO - United Registrar of Systems Limited
Karachi - Pakistan
March 28, 2012





Financial Performance

Quite fruitful!

This section provides a comprehensive record of all our financial activities in 2011.

ICI Pakistan Limited Financial Statements



ICI Pakistan Limited is now part
of the AkzoNobel Group



AkzoNobel
Tomorrow's Answers Today

Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of ICI Pakistan Limited ("the Company") as at 31 December 2011 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, except for the change as stated in note 10.4 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2011 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: 15 March, 2012
Karachi

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

Balance Sheet

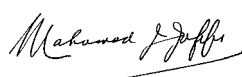
As at December 31, 2011

Amounts in Rs '000

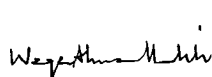
	Note	2011	2010
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital 1,500,000,000 ordinary shares of Rs 10 each		15,000,000	15,000,000
Issued, subscribed and paid-up capital	3	1,388,023	1,388,023
Capital reserves	4	465,845	465,845
Unappropriated profit		12,501,477	12,694,225
Total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

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

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



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

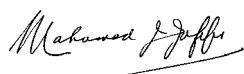
Profit and Loss Account

For the year ended December 31, 2011

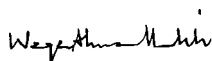
Amounts in Rs '000

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

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



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

Statement of Comprehensive Income

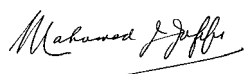
For the year ended December 31, 2011

Amounts in Rs '000

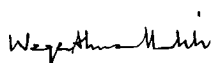
	2011	2010
Profit for the year	1,935,713	2,428,826
Other comprehensive income	-	-
Total comprehensive income for the year	1,935,713	2,428,826

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

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



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

Cash Flow Statement

For the year ended December 31, 2011

Amounts in Rs '000

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

	2011	2010
Cash Flows from Financing Activities		
Dividend paid	(2,151,436)	(1,388,027)
Net cash used in financing activities	(2,151,436)	(1,388,027)
Net increase in cash and cash equivalents	194,674	193,571
Cash and cash equivalents at January 1	4,661,822	4,468,251
Cash and cash equivalents at December 31 - note 21	4,856,496	4,661,822

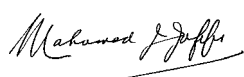
Movement in Working Capital***(Increase) / Decrease in current assets***

Stores and spares	(62,980)	45,805
Stock-in-trade	(815,120)	(541,820)
Trade debts	174,220	126,596
Loans and advances	121,211	(161,761)
Trade deposits and short-term prepayments	164,304	8,764
Other receivables	(123,994)	71,861
	(542,359)	(450,555)

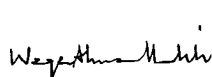
Increase / (Decrease) in current liabilities

Trade and other payables	653,616	(280,231)
	111,257	(730,786)

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



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

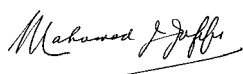
Statement of Changes in Equity

For the year ended December 31, 2011

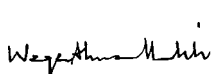
Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
Balance as on January 1, 2010	1,388,023	465,845	11,628,928	13,482,796
Final dividend for the year ended December 31, 2009 @ Rs 4.50 per share	-	-	(624,610)	(624,610)
Interim dividend for the year 2010 @ Rs 5.50 per share	-	-	(763,413)	(763,413)
Transactions with owners, recorded directly in equity	-	-	(1,388,023)	(1,388,023)
Total comprehensive income for the year ended December 31, 2010	-	-	2,428,826	2,428,826
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax - note 5	-	-	24,494	24,494
	-	-	2,453,320	2,453,320
Balance as on December 31, 2010	1,388,023	465,845	12,694,225	14,548,093
Final dividend for the year ended December 31, 2010 @ Rs 12.00 per share	-	-	(1,665,628)	(1,665,628)
Interim dividend for the year 2011 @ Rs 3.50 per share	-	-	(485,808)	(485,808)
Transactions with owners, recorded directly in equity	-	-	(2,151,436)	(2,151,436)
Total comprehensive income for the year ended December 31, 2011	-	-	1,935,713	1,935,713
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation for the period - net of deferred tax - note 5	-	-	22,975	22,975
	-	-	1,958,688	1,958,688
Balance as on December 31, 2011	1,388,023	465,845	12,501,477	14,355,345

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



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

Notes to the Financial Statements

For the year ended December 31, 2011

1. Status and Nature of Business

ICI Pakistan Limited ("the Company") is incorporated in Pakistan and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The Company is engaged in the manufacture of polyester staple fibre, POY chips, soda ash, paints, specialty chemicals, sodium bicarbonate and polyurethanes; marketing of seeds, toll manufactured and imported pharmaceuticals and animal health products; and 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.

1.1 Approval of Demerger

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

The principal phases in this respect are as follows:

- a) On April 29, 2011, the Board of Directors received a proposal from its ultimate holding company, Akzo Nobel N.V. to restructure its interest in ICI Pakistan Limited.
- b) On May 11, 2011, the Board of Directors decided to demerge the Company's Paints Business into a separate entity Akzo Nobel Pakistan Limited (comprising the Paints Business) and the rest of the Businesses would continue under ICI Pakistan Limited. After the completion of demerger (pending sanction of the High Court of Sindh), Akzo Nobel Pakistan Limited will also be listed on the Karachi, Lahore and Islamabad Stock Exchanges. ICI Pakistan Limited is already and will continue to be listed on Karachi, Lahore and Islamabad Stock Exchanges.
- c) The Board of Directors approved the Scheme of Arrangement for Demerger on August 24, 2011. This was subsequently approved by the Board of Directors of Akzo Nobel Pakistan Limited on September 16, 2011.
- d) The Company has obtained the consent of more than 75% in value of each class of creditors pertaining to Paints Business and Non-Paints Businesses. Further, it has obtained signed letters from most of the employees of Paints Business agreeing to accept employment with Akzo Nobel Pakistan Limited in lieu of their employment with ICI Pakistan Limited.
- e) On November 24, 2011, the Company filed a petition in the High Court of Sindh for sanction of, and for other orders facilitating implementation of the Scheme of Arrangement for the Reconstruction (demerger).
- f) The Company obtained a No Objection Certificate (NOC) from the Competition Commission of Pakistan (CCP) on November 29, 2011.
- g) The shareholders approved the Scheme of Arrangement for Demerger and the consequent reduction in the share capital of ICI Pakistan Limited in the Extra Ordinary General Meeting (EOGM) held on February 8, 2012.
- h) On February 14, 2012 the Chairman's Report on EOGM was filed with the Court.
- i) From July 1, 2011 and until the Paints Undertaking is actually transferred to and vested in Akzo Nobel Pakistan Limited, the Paints Business will be deemed to have been carried on by ICI Pakistan Limited for and on account and for the benefit of Akzo Nobel Pakistan Limited. On this basis, all profits and losses accruing or arising to or incurred by ICI Pakistan Limited through the operation of the Paints Undertaking from the Effective Date (i.e. July 1, 2011) shall be treated as the profits or losses, as the case may be, of Akzo Nobel Pakistan Limited.
- j) Once the demerger is sanctioned by the High Court of Sindh, the Scheme will come into effect from July 1, 2011. In accordance with the Scheme, the net assets of Paints Business will transfer to and vest in Akzo Nobel Pakistan Limited. The share capital of the Company (attributable to the Paints Business) will be reduced by 46.4 million ordinary shares amounting to Rs 464.4 million. Further, 46.4 million ordinary shares amounting to Rs 464.4 million of Akzo Nobel Pakistan Limited will be issued to the shareholders of the Company as a consequence of the transfer to and vesting of the Paints Business in Akzo Nobel Pakistan Limited.
- k) The Scheme will become effective as soon as a certified copy of an order or orders of the High Court of Sindh under section 284 of the Companies Ordinance, 1984 sanctioning the Scheme have been filed with the Registrar of Companies, Karachi. Unless the Scheme is brought in to effect on or before December 31, 2012 or such later date, if any, as the Court may allow the Scheme will not become effective.
- l) When the Scheme becomes effective, the reconstruction of ICI Pakistan Limited by the separation and transfer to and vesting in Akzo Nobel Pakistan Limited of the Paints Undertaking in accordance with the Scheme, will be treated as having taken effect from the Effective Date.

Notes to the Financial Statements

For the year ended December 31, 2011

- m) The Scheme also provides that save and except to the extent of the proportionate share of the Paints Business in the interim dividend declared from the profits for the six (6) months ended June 30, 2011, the profits reserves and surpluses (if any) of ICI Pakistan Limited to the extent they relate to the operations of the Paints Undertaking during the period from the Effective Date to the Completion Date shall not be utilised by ICI Pakistan Limited for or in connection with the declaration of the dividends or the issuance of bonus shares or otherwise than in the operations of the Paints Undertaking in the ordinary course of business.
- n) This is a common control transaction and will be accounted for at carrying amount. The bifurcated results, net assets and basis of allocation of Paints and Non-Paints Businesses as at and for the year / period ended December 31, 2011 and June 30, 2011, after considering the grossing up effects of inter-unit current accounts and taxation on account of demerger are disclosed in note 25 of these financial statements.

2. Summary of Significant Accounting Policies

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

2.1 Statement of compliance

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

2.2 Basis of preparation

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

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

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

Judgments and estimates made by the management that may have a significant risk of material adjustments to the financial statements in subsequent years are discussed in note 43.

2.3 Staff retirement benefits

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

Defined benefit plans

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

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

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

Defined contribution plans

The Company operates two registered contributory provident funds for its entire staff and a registered defined contribution superannuation fund for its management staff, who have either opted for this fund by July 31, 2004 or have joined the Company after April 30, 2004. In addition to this the Company also provides group insurance to all its employees.

2.4 Provisions

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

2.5 Trade and other payables

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

2.6 Dividend

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

2.7 Taxation

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

Current

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

Deferred

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

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

2.8 Property, plant and equipment and depreciation

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

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

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

Notes to the Financial Statements

For the year ended December 31, 2011

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

2.11 Investments

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

2.12 Stores and spares

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

2.13 Stock-in-trade

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

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

2.14 Trade debts and other receivables

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

2.15 Foreign currency translation

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

2.16 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in 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 markup / interest expense on borrowings.

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

2.19 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and

Notes to the Financial Statements

For the year ended December 31, 2011

expenses that relate to transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

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

2.20 Finance leases

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

2.21 Operating leases / Ijarah contracts

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

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

2.22 Cash and cash equivalents

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

2.23 Borrowings and their cost

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

2.24 Financial liabilities

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

2.25 Derivative financial instruments

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

2.26 Off-setting

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

2.27 Earnings per share

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

	2011 (Numbers)	2010	2011	2010	
3. Issued, Subscribed and Paid-up Capital					
	125,840,190	125,840,190	Ordinary shares of Rs 10 each fully paid in cash	1,258,402	1,258,402
	318,492	318,492	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash under scheme of arrangement for amalgamation	3,185	3,185
	25,227	25,227	Ordinary shares of Rs 10 each issued as fully paid bonus shares	252	252
	12,618,391	12,618,391	Ordinary shares issued pursuant to the previous Scheme as fully paid for consideration of investment in associate (note 3.1)	126,184	126,184
	138,802,300	138,802,300		1,388,023	1,388,023
3.1	With effect from October 1, 2000 the Pure Terephthalic Acid (PTA) Business of the Company was demerged under a Scheme of Arrangement ("the previous Scheme") dated December 12, 2000 approved by the shareholders and sanctioned by the High Court of Sindh.				
3.2	ICI Omicron B.V., which is a wholly owned subsidiary of Akzo Nobel N.V., held 105,229,125 (2010: 105,229,125) ordinary shares of Rs 10 each at December 31, 2011. Akzo Nobel N.V., acquired ICI PLC, UK, effective January 2, 2008, the parent company of ICI Omicron B.V., and became the ultimate holding company of ICI Pakistan Limited. ICI Pakistan Limited continues to be the direct subsidiary of ICI Omicron B.V.				
4. Capital Reserves					
	Share premium - note 4.1		465,259	465,259	
	Capital receipts - note 4.2		586	586	
			465,845	465,845	
4.1	Share premium includes the premium amounting to Rs 0.902 million received on shares issued for the Company's Polyester Plant installation in 1980 and share premium of Rs 464.357 million representing the difference between nominal value of Rs 10 per share of 12,618,391 ordinary shares issued by the Company and the market value of Rs 590.541 million of these shares corresponding to 25% holding acquired in Lotte Pakistan PTA Limited, an ex-associate, at the date of acquisition i.e. November 2, 2001 and the number of shares that have been issued were determined in accordance with the previous Scheme in the ratio between market value of the shares of two companies based on the mean of the middle market quotation of the Karachi Stock Exchange over the ten trading days between October 22, 2001 to November 2, 2001.				
4.2	Capital receipts represent the amount received from various ICI PLC group companies overseas for the purchase of property, plant and equipment. The remitting companies have no claim to their repayments.				
5. Surplus on Revaluation of Property, Plant and Equipment					
	Balance as on January 1		907,352	931,846	
	Revaluation surplus - note 10.2		1,083,455	-	
	Deferred tax liability recognised on surplus - note 7		(254,537)	-	
			828,918	-	
	Transfer to unappropriated profit in respect of incremental depreciation charged during the year net of deferred tax		(22,975)	(24,494)	
	Balance as on December 31		1,713,295	907,352	

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For the year ended December 31, 2011

Amounts in Rs '000

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

6.1 Staff Retirement Benefits

	2011				2010			
	Pension	Funded Gratuity	Total	Unfunded	Pension	Funded Gratuity	Total	Unfunded
6.1.1 The amounts recognised in the profit and loss account against defined benefit schemes are as follows:								
Current service cost	45,404	37,308	82,712	11,233	47,010	31,885	78,895	9,741
Interest cost	206,565	74,548	281,113	52,358	156,844	56,301	213,145	40,426
Expected return on plan assets	(189,651)	(54,715)	(244,366)	-	(133,250)	(39,920)	(173,170)	-
Recognition of actuarial loss	108,564	12,544	121,108	9,188	105,175	12,060	117,235	8,824
Net charge for the year	170,882	69,685	240,567	72,779	175,779	60,326	236,105	58,991

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

Opening balance	342,584	19,835	362,419	(223,181)	319,437	33,867	353,304	(183,258)
Net Charge for the year - note 6.1.1	(170,882)	(69,685)	(240,567)	(72,779)	(175,779)	(60,326)	(236,105)	(58,991)
Contributions / payments during the year	40,282	58,295	98,577	15,566	198,926	46,294	245,220	19,068
Closing balance	211,984	8,445	220,429	(280,394) *	342,584	19,835	362,419	(223,181) *

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

Fair value of plan assets - note 6.1.5	1,421,911	443,552	1,865,463	-	1,380,173	391,304	1,771,477	-
Present value of defined benefit obligation - note 6.1.4	(1,672,495)	(638,427)	(2,310,922)	(431,635)	(1,547,841)	(553,363)	(2,101,204)	(381,842)
Deficit	(250,584)	(194,875)	(445,459)	(431,635)	(167,668)	(162,059)	(329,727)	(381,842)
Unrecognised actuarial loss	462,568	203,320	665,888	151,241	510,252	181,894	692,146	158,661
Recognised asset / (liability)	211,984	8,445	220,429	(280,394) *	342,584	19,835	362,419	(223,181) *

6.1.4 Movement in the present value of defined benefit obligation:

Opening balance	1,547,841	553,363	2,101,204	381,842	1,285,827	462,971	1,748,798	340,084
Current service cost	45,404	37,308	82,712	11,233	47,010	31,885	78,895	9,741
Interest cost	206,565	74,548	281,113	52,358	156,844	56,301	213,145	40,426
Benefits paid	(165,570)	(56,049)	(221,619)	(15,566)	(64,610)	(30,744)	(95,354)	(19,068)
Actuarial loss	38,255	29,257	67,512	1,768	122,770	32,950	155,720	10,659
Present value of the defined benefit obligation at the end of the year	1,672,495	638,427	2,310,922	431,635	1,547,841	553,363	2,101,204	381,842

6.1.5 Movement in the fair value of plan assets:

Opening balance	1,380,173	391,304	1,771,477	-	1,037,319	317,150	1,354,469	-
Expected return	189,651	54,715	244,366	-	133,250	39,920	173,170	-
Contributions	40,282	58,295	98,577	-	198,926	46,294	245,220	-
Benefits paid	(165,570)	(56,049)	(221,619)	-	(64,610)	(30,744)	(95,354)	-
Actuarial (loss) / gain	(22,625)	(4,713)	(27,338)	-	75,288	18,684	93,972	-
Fair value of plan assets at the end of the year	1,421,911	443,552	1,865,463	-	1,380,173	391,304	1,771,477	-

6.1.6 Historical information

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

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

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

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

The return on plan assets was assumed to equal the discount rate. Actual (loss) / return on plan assets during 2011 was Rs 217.028 million (2010: Rs 267.142 million).

	2011	2010
6.1.8 The principal actuarial assumptions at the reporting date were as follows:		
Discount rate	13.00%	14.25%
Expected return on plan assets	13.00%	14.25%
Future salary increases	10.75%	12.00%
Future pension increases	7.50%	8.75%

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

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

These figures are based on the latest actuarial valuation, as at December 31, 2011. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected future service life of current members.

* The unfunded liability included in the above table includes Rs 0.239 million (2010: Rs 0.239 million) pertaining to ICI Pakistan PowerGen Limited.

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

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

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

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For the year ended December 31, 2011

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

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

8.3 Workers' profit participation fund

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

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

8.5 This figure is based on actuarial valuation.

9. Contingencies and Commitments

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

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

9.2 A notice was issued by the Environmental Protection Authority (EPA) against the Paints factory located at Ferozpur road, Lahore. Pursuant to this an order was passed by the EPA for violation of certain provisions of the 'Act'. The Company is of the opinion that the order was not justified and has filed an appeal against the order in the Environmental Tribunal in Lahore, which is pending.

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

9.4 Guarantee issued by the Company to a bank in respect of financing obtained by Senior Executives amounted to Rs 35 million (2010: Rs 35 million), in accordance with the terms of employment.

	2011	2010
9.5	Guarantee issued by the Company of Rs 133 million (2010: Rs 133 million) to a bank on behalf of its subsidiary ICI Pakistan PowerGen Limited for availing funded facility.	
9.6	Commitments in respect of capital expenditure amounted to Rs 172.77 million (2010: Rs 138.35 million).	
9.7	Commitments for rentals under operating lease / ijarah contracts in respect of vehicles amounting to Rs 193.268 million (2010: Rs 164.159 million) are as follows:	
Year		
2011	-	67,470
2012	76,033	56,785
2013	60,520	32,769
2014	39,493	7,135
2015	17,222	-
	193,268	164,159
Payable not later than one year	76,033	67,470
Payable later than one year but not later than five years	117,235	96,689
	193,268	164,159
9.8	Outstanding foreign exchange contracts as at December 31, 2011 entered into by the Company amounted Rs 720.173 million (2010: Nil).	

10. Property, Plant and Equipment

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

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

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

	Land		Lime beds	Buildings		Plant and machinery	Railway sidings	Rolling stock and vehicles	Furniture and equipment	Total
	Freehold	Leasehold	on freehold land	On freehold land	On leasehold land					
	Note 10.3			Note 10.3						
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	491,847	-	6,080	91,864	723,294
Revaluation (NBV) - note 10.3	356,209	-	-	227,008	-	500,238	-	-	-	1,083,455
Disposal/transfer (at NBV)	-	-	-	-	-	(4,606)	-	-	(4,785)	(9,391)
Depreciation charge	-	(2,765)	(11,988)	(23,284)	(70,609)	(837,788)	-	(8,723)	(53,568)	(1,008,725)
Closing net book value (NBV)	1,220,845	-	114,497	446,689	722,701	6,708,695	-	18,800	233,899	9,466,126
Gross carrying value basis At December 31										
Cost/Revaluation	1,220,845	567,799	201,572	2,589,410	1,429,858	19,109,367	297	131,019	632,892	25,883,059
Accumulated depreciation	-	(567,799)	(87,075)	(2,142,721)	(707,157)	(12,400,672)	(297)	(112,219)	(398,993)	(16,416,933)
Net book value	1,220,845	-	114,497	446,689	722,701	6,708,695	-	18,800	233,899	9,466,126
Depreciation rate % per annum	-	2 to 4	3.33 to 7.5	5 to 10	2.5 to 10	3.33 to 10	3.33	10 to 25	10 to 33.33	
2010										
Net carrying value basis Year ended December 31										
Opening net book value (NBV)	836,702	2,837	68,515	223,211	725,377	6,789,648	-	26,082	162,829	8,835,201
Addition/transfer (at cost)	27,934	-	30,980	47,455	48,633	523,166	-	8,724	92,283	779,175
Disposal/transfer (at NBV)	-	-	(32)	-	-	(18,871)	-	(2,865)	(1,054)	(22,822)
Depreciation charge	-	(72)	(9,800)	(36,307)	(68,775)	(734,939)	-	(10,498)	(53,670)	(914,061)
Closing net book value (NBV)	864,636	2,765	89,663	234,359	705,235	6,559,004	-	21,443	200,388	8,677,493
Gross carrying value basis At December 31										
Cost/Revaluation	864,636	567,799	164,750	949,309	1,341,783	17,267,715	297	126,071	719,335	22,001,695
Accumulated depreciation	-	(565,034)	(75,087)	(714,950)	(636,548)	(10,708,711)	(297)	(104,628)	(518,947)	(13,324,202)
Net book value	864,636	2,765	89,663	234,359	705,235	6,559,004	-	21,443	200,388	8,677,493
Depreciation rate % per annum	-	2 to 4	3.33 to 7.5	5 to 10	2.5 to 10	3.33 to 10	3.33	10 to 25	10 to 33.33	

Notes to the Financial Statements

For the year ended December 31, 2011

Amounts in Rs '000

	2011	2010	
10.3	Subsequent to revaluation on October 1, 1959, September 30, 2000 and December 15, 2006 which had resulted in a surplus of Rs 14.207 million, Rs 1,569.869 million and Rs 667.967 million respectively, the land, buildings and plant and machinery were revalued on December 31, 2011 resulting in a net surplus of Rs 1,083.455 million. The valuation was conducted by an independent valuer. Valuations for plant and machinery and buildings were based on the estimated gross replacement cost, depreciated to reflect the residual service potential of the assets taking account of the age, condition and obsolescence. Land was valued on the basis of fair market value.		
10.4	During 2011, the Company has changed its accounting policy whereby buildings on freehold and leasehold land are now being revalued and leasehold land is not being revalued, which were previously stated at cost and revalued amount respectively. The change in accounting policy for buildings is applied prospectively in these financial statements in accordance with requirements of IAS 16 'Property, Plant and Equipment' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The change in accounting policy for leasehold land is not material.		
	This change in accounting policy for the aforementioned class of assets has resulted in an increase in surplus of revaluation of property, plant and equipment and deferred tax liability by Rs 227.008 million and Rs 79.453 million respectively.		
10.5	As at December 31, 2011 plant and machinery included equipments held with Searle Pakistan Limited and Maple Pharmaceutical (Private) Limited (toll manufacturers), having cost and net book values as follows:		
	Cost	2,402	4,100
	Net book value	1,419	3,100
10.5.1	Had there been no revaluation, the net book value of specific classes of operating property, plant and equipment would have amounted to:		
	Net Book Value		
	Freehold land	48,863	48,863
	Buildings	942,381	939,594
	Plant and machinery	6,062,424	6,381,889
		7,053,668	7,370,346
10.6	The depreciation charge for the year has been allocated as follows:		
	Cost of sales - note 26	927,863	858,479
	Selling and distribution expenses - note 27	24,447	10,956
	Administration and general expenses - note 28	56,415	44,626
		1,008,725	914,061
10.7	The following is a statement of capital work-in-progress:		
	Civil works and buildings	17,463	39,836
	Plant and machinery	93,595	130,655
	Miscellaneous equipment	29,655	8,993
	Advances to suppliers / contractors	7,553	38,114
		148,266	217,598

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

						2011
	Mode of sale	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
Plant and machinery						
Conveyor System & others	Tender	6,817	4,738	2,079	205	Muhammad Akram Ghouri House # 142 Mohallah New Kashmir Colony Mandi Bahauddin
Furniture and equipment						
Computers	Insurance Claim	256	50	206	247	Adamjee Insurance Limited.
2010						
Plant and machinery						
Gas condenser & Various items	Tender	27,095	12,157	14,938	4,917	Alfa Laval Middleeast Ltd. and Muhammad Akram Ghouri, Mandi Bahauddin
Tinting Machines & Dispenser	Negotiation	4,180	788	3,392	3,111	Al Habib, Awami Paints, Saad contractor, Asian Paints, Roomi Paints, Khurram Contractors, Lahore
Rolling stock and vehicles						
Honda City & Toyota Corolla	Auction	1,510	192	1,318	1,924	Murtaza Khan Babar and Syed Farhat Abbas Jafri, Karachi
Honda Motorcycle	Auction	80	3	77	70	Syed Ghulam Mustafa, Lahore
Furniture and equipment						
Water cooling coil and Chiller	Auction	467	323	144	194	Habibullah Khan, Karachi

11. Intangible Assets

2011				
	Software	Licenses	Under development	Total
Net carrying value basis Year ended December 31				
Opening net book value (NBV)	48,759	65,991	65,352	180,102
Additions at cost / (transfer)	69,420	14,428	(65,352)	18,496
Amortisation charge	(21,837)	(35,710)	-	(57,547)
Closing net book value (NBV)	96,342	44,709	-	141,051
Gross carrying amount At December 31				
Cost	295,565	101,564	-	397,129
Accumulated amortisation	(199,223)	(56,855)	-	(256,078)
Net book value	96,342	44,709	-	141,051
Rate of amortisation % per annum	20	20 to 50	-	
2010				
Net carrying value basis Year ended December 31				
Opening net book value (NBV)	-	-	-	-
Additions at cost / (transfer)	57,364	87,136	65,352	209,852
Amortisation charge	(8,605)	(21,145)	-	(29,750)
Closing net book value (NBV)	48,759	65,991	65,352	180,102
Gross carrying amount At December 31				
Cost	226,145	87,136	65,352	378,633
Accumulated amortisation	(177,386)	(21,145)	-	(198,531)
Net book value	48,759	65,991	65,352	180,102
Rate of amortisation % per annum	20	20 to 50	-	

Notes to the Financial Statements

For the year ended December 31, 2011

Amounts in Rs '000

	2011	2010
11.1 The amortisation charge for the year has been allocated as follows:		
Cost of sales - note 26	14,053	7,746
Selling and distribution expenses - note 27	3,813	2,565
Administration and general expenses - note 28	39,681	19,439
	57,547	29,750

12. Long Term Investments

Unquoted

Subsidiary

- ICI Pakistan PowerGen Limited (wholly owned)
7,100,000 ordinary shares (2010: 7,100,000) of Rs 100 each - note 12.1
- Less: Provision for impairment loss - note 12.2 & 28

710,000	710,000
209,524	-
500,476	710,000

Others

Equity security available for sale

- Arabian Sea Country Club Limited

2,500	2,500
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502,976	712,500
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12.1 The value of the Company's investment on the basis of net assets of the Subsidiary as disclosed in the audited financial statements for the year ended December 31, 2011 amounted to Rs 467.818 million (2010: Rs 306.706 million).

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

13. Long-Term Loans - Considered good

Due from Subsidiary - Unsecured

- Long term portion - note 13.1

Due from Executives and Employees - note 13.2

133,334	177,778
192,380	146,486

325,714	324,264
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13.1 This represents loan given to ICI Pakistan PowerGen Limited (wholly owned subsidiary) of Rs 200 million carrying mark-up at 3 months KIBOR + 2.00%. This loan is repayable in nine equal semi annual instalments commencing from October 1, 2011.

13.2 Due from Directors, Executives and Employees

	Motor car	House building	Total	Total
Due from Directors and Executives - note 13.3	129,301	69,088	198,389	153,415
Less: Receivable within one year - note 18	22,320	27,277	49,597	44,694
	106,981	41,811	148,792	108,721
Due from Employees			79,238	65,762
Less: Receivable within one year - note 18			35,650	27,997
			43,588	37,765
			192,380	146,486
Outstanding for period:				
- less than three years but over one year			85,018	69,306
- more than three years			107,362	77,180
			192,380	146,486

	2011	2010
13.3 Reconciliation of the carrying amount of loans to Directors and Executives:		
Opening balance at beginning of the year	153,415	121,756
Disbursements	122,287	84,215
Repayments	(77,313)	(52,556)
Balance at end of the year	198,389	153,415
The above loan includes an amount of Rs Nil (2010: Rs 0.319 million) in respect of house building relating to key management personnel. Loan outstanding during the last year related to Mr. Ali A. Aga (Director), who was provided this loan as per his terms of employment.		
13.4	Loans for purchase of motor cars and house building are repayable between two to ten years. These loans are interest free and granted to the employees including executives of the Company in accordance with their terms of employment.	
13.5	The maximum aggregate amount of long-term loans due from the Executives at the end of any month during the year was Rs 207.089 million (2010: Rs 161.509 million).	
14. Long-Term Deposits and Prepayments		
Deposits	26,059	22,873
Prepayments	8,207	17,585
	34,266	40,458
15. Stores and Spares		
Stores (include in-transit Rs 20.008 million; 2010: Rs 20.058 million)	45,735	36,801
Spares	576,232	512,019
Consumables	79,152	77,547
	701,119	626,367
Less: Provision for slow moving and obsolete items - note 15.1	182,099	170,327
	519,020	456,040
15.1 Movement of provision in stores and spares		
Provision as at January 1	170,327	111,671
Charge for the year - note 28	11,772	64,100
Reclassification to stock-in-trade - note 15.2 & 16.1	-	(5,444)
Provision as at December 31	182,099	170,327
15.2	Provision for finished goods has been reclassified from provision for stores and spares, for better presentation.	
16. Stock-in-Trade		
Raw and packing material (include in-transit Rs 467.132 million; 2010: Rs 436.887 million) - note 16.2	2,103,653	1,786,092
Work-in-process	255,938	48,553
Finished goods (include in-transit Rs 6.077 million; 2010: Rs 9.490 million) - note 16.2	2,421,630	2,107,225
	4,781,221	3,941,870
Less: Provision for slow moving and obsolete stocks - note 16.1		
- Raw material	61,153	87,463
- Finished goods	124,047	73,506
	185,200	160,969
	4,596,021	3,780,901

Notes to the Financial Statements

For the year ended December 31, 2011

Amounts in Rs '000

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

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

16.2 Raw and packing materials include Rs 282.610 million (2010: Rs 283.341 million) which are held with toll manufacturers namely Searle Pakistan Limited, Maple Pharmaceutical (Private) Limited, Epla Laboratories (Private) Limited, Breeze Pharma (Private) Limited, NovaMed Pharmaceuticals. Finished goods include Rs 5.107 million (2010: Rs Nil) which are held with toll manufacturer, My Plan Pharmaceuticals.

17. Trade Debts

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

18. Loans and Advances

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

18.1 A standby finance facility of Rs 300 million (2010: Rs 300 million) is provided to ICI Pakistan PowerGen Limited (wholly owned subsidiary) which is repayable on demand at a markup rate of 3 months KIBOR + 1.65% (2010: 3 months KIBOR + 1.65%).

18.2 The maximum aggregate amount of advances due from the Directors and Executives at the end of any month during the year was Rs 8.633 million and Rs 16.340 million (2010: Rs 3.245 million and Rs 7.364 million) respectively.

	2011	2010
19. Trade Deposits and Short-Term Prepayments		
Trade deposits	20,670	22,245
Short-term prepayments	258,700	421,429
	279,370	443,674
20. Other Receivables		
<i>Considered good</i>		
Duties, sales tax and octroi refunds due	156,227	269,815
Due from Associate - note 20.1 & 20.2	82,330	78,721
Insurance claims	8,317	9,965
Commission receivable	21,427	47,341
Interest income receivable from subsidiary	16,077	16,805
Interest income receivable	15,440	4,516
Others	440,652	179,117
	740,470	606,280
<i>Considered doubtful</i>	18,185	16,982
	758,655	623,262
Less: Provision for doubtful receivables - note 20.3	18,185	16,982
	740,470	606,280
20.1 The maximum aggregate amount due from ICI Omicron B.V. at the end of any month during the year was Rs 84.291 million (2010: Rs 80.755 million).		
20.2 The above balances include amounts due from the following associated undertakings:		
ICI Omicron B.V. wholly owned subsidiary of Akzo Nobel N.V.	82,083	78,586
ICI Paints Vietnam (part of AkzoNobel group)	93	89
Akzo Nobel Functional Chemicals	154	46
	82,330	78,721
20.3 Movement of provision for doubtful receivables		
Provision as at January 1	16,982	17,383
Charge for the year - note 28	1,203	1,004
Reversal	-	(1,405)
Provision as at December 31	18,185	16,982
21. Cash and Bank Balances		
Short term deposits - note 21.1	2,783,000	2,927,000
Current accounts	1,761,261	1,489,720
In hand		
- Cheques	292,255	230,942
- Cash	19,980	14,160
	4,856,496	4,661,822

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

22. Short-Term Financing

The facilities for running finance available from various banks amounted to Rs 2,721 million (31 December 2010: Rs 2,471 million) and carried mark-up during the period ranging from relevant KIBOR + 0.50% to 1.50% per annum with an average markup rate of relevant KIBOR + 1.00% per annum as at December 31, 2011 (December 31, 2010: relevant KIBOR + 0.75% to 3.47% per annum with an average markup rate of relevant KIBOR + 1.30% per annum). The facilities are secured by hypothecation charge over the present and future stock-in-trade and book debts of the Company and first pari passu charge over plant and machinery of Soda Ash Business of the Company.

Notes to the Financial Statements

For the year ended December 31, 2011

Amounts in Rs '000

23. Operating Segment Results

	Note	Polyester 2011	Polyester 2010	Soda Ash 2011	Soda Ash 2010	Paints 2011	Paints 2010	Life Sciences 2011	Life Sciences 2010	Chemicals 2011	Chemicals 2010	Company 2011	Company 2010
Sales													
Afghanistan		-	-	-	1,210	93,170	105,623	-	-	2,500	-	95,670	106,833
Bangladesh		-	-	-	156,953	-	-	-	-	6,960	1,692	6,960	158,645
India		-	-	262,171	419,359	-	-	-	-	-	-	262,171	419,359
South Africa		-	-	-	97,790	-	-	-	-	-	-	-	97,790
United Arab Emirates		-	-	-	28,934	-	-	-	-	2,059	-	2,059	28,934
Others		-	-	-	14,242	-	-	-	-	4,205	11,207	4,205	25,449
		-	-	262,171	718,488	93,170	105,623	-	-	15,724	12,899	371,065	837,010
Inter-segment		-	-	-	-	-	-	-	-	619,550	417,420	619,550	417,420
Local		21,037,756	18,033,688	8,366,287	7,350,542	6,672,306	6,516,258	5,253,251	4,115,180	3,021,958	2,580,289	44,351,558	38,595,957
		21,037,756	18,033,688	8,628,458	8,069,030	6,765,476	6,621,881	5,253,251	4,115,180	3,657,232	3,010,608	45,342,173	39,850,387
Commission / Toll income		-	-	-	-	-	-	-	-	79,866	99,539	79,866	99,539
Turnover		21,037,756	18,033,688	8,628,458	8,069,030	6,765,476	6,621,881	5,253,251	4,115,180	3,737,098	3,110,147	45,422,039	39,949,926
Sales tax		-	-	1,458,191	1,263,579	916,953	900,599	8,071	1,119	368,763	290,709	2,751,978	2,456,006
Excise duty		-	-	63,352	60,160	55,789	54,115	-	-	12,335	7,546	131,476	121,821
Commission and discounts to distributors and customers		18,406	52,933	252,976	282,270	882,362	986,298	471,599	352,587	178,784	150,611	1,804,127	1,824,699
		18,406	52,933	1,774,519	1,606,009	1,855,104	1,941,012	479,670	353,706	559,882	448,866	4,687,581	4,402,526
Net sales, commission and toll income		21,019,350	17,980,755	6,853,939	6,463,021	4,910,372	4,680,869	4,773,581	3,761,474	3,177,216	2,661,281	40,734,458	35,547,400
Cost of sales	26	19,501,286	15,620,929	5,513,936	5,074,124	3,437,905	3,333,661	3,380,378	2,681,386	2,514,429	2,151,010	34,347,934	28,861,110
Gross profit		1,518,064	2,359,826	1,340,003	1,388,897	1,472,467	1,347,208	1,393,203	1,080,088	662,787	510,271	6,386,524	6,686,290
Selling and distribution expenses	27	65,633	72,543	110,604	203,173	838,458	765,075	648,656	493,036	187,928	140,892	1,851,279	1,674,719
Administration and general expenses	28	551,582	265,191	293,304	290,708	477,262	448,873	224,825	148,242	145,104	145,991	1,692,077	1,299,005
Operating result		900,849	2,022,092	936,095	895,016	156,747	133,260	519,722	438,810	329,755	223,388	2,843,168	3,712,566
23.1 Segment assets		1,210,066	1,172,960	6,551,381	6,369,128	6,556,741	6,007,580	3,535,397	2,872,583	1,498,265	1,344,384	19,351,850	17,766,635
23.2 Unallocated assets												4,113,464	4,264,037
												23,465,314	22,030,672
23.3 Segment liabilities		2,431,408	2,236,516	2,076,108	1,955,050	903,534	480,080	1,651,191	1,131,839	329,889	462,089	7,392,130	6,265,574
23.4 Unallocated liabilities												4,544	309,653
												7,396,674	6,575,227
23.5 Non-cash items (Provision for non-management staff gratuity and eligible retired employees' medical scheme) - note 6.1		13,319	10,795	35,152	28,493	10,553	8,554	6,550	5,309	7,205	5,840	72,779	58,991
23.6 Depreciation & amortisation - note 10.6 & 11.1		353,980	335,033	523,474	475,600	133,550	90,644	19,523	15,645	35,745	26,889	1,066,272	943,811
23.7 Capital expenditure		117,223	109,785	368,708	469,040	138,431	176,238	12,669	25,883	35,427	35,770	672,458	816,716
23.8 Inter-segment pricing													
Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.													
23.9													
There were no major customer of the Company which formed part of 10 per cent or more of the Company's revenue.													

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

Notes to the Financial Statements

For the year ended December 31, 2011

Amounts in Rs '000

25. Details of allocation between Paints and Non-Paints Businesses

Bifurcated Balance Sheet

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

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

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

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

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

Basis of allocation

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

25.1 Assets and Liabilities

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

25.2 Surplus on revaluation of Property, Plant and Equipment

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

25.3 Share capital, capital reserves and unappropriated profits

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

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

25.4 Taxation

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

25.5 Contingencies and Commitments

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

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

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

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

Notes to the Financial Statements

For the year ended December 31, 2011

Amounts in Rs '000

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

25.9 Bifurcated Profit and Loss Account

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

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

Basis of allocation

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

25.9.1 Income and expenses

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

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

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

26. Cost of Sales

	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Company	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Raw and packing materials consumed												
Opening stock	867,612	612,350	203,975	74,436	259,951	285,368	282,021	146,489	85,070	100,114	1,698,629	1,218,757
Purchases												
Inter-segment	-	-	-	-	619,550	417,420	-	-	-	-	619,550	417,420
Others	16,853,794	13,674,630	1,904,504	1,877,621	2,666,952	2,489,024	1,262,928	973,217	1,119,475	930,155	23,807,653	19,944,647
	16,853,794	13,674,630	1,904,504	1,877,621	3,286,502	2,906,444	1,262,928	973,217	1,119,475	930,155	24,427,203	20,362,067
	17,721,406	14,286,980	2,108,479	1,952,057	3,546,453	3,191,812	1,544,949	1,119,706	1,204,545	1,030,269	26,125,832	21,580,824
Closing stock - note 16	(880,001)	(867,612)	(177,745)	(203,975)	(438,071)	(259,951)	(457,248)	(282,021)	(89,435)	(85,070)	(2,042,500)	(1,698,629)
Raw material consumed	16,841,405	13,419,368	1,930,734	1,748,082	3,108,382	2,931,861	1,087,701	837,685	1,115,110	945,199	24,083,332	19,882,195
Salaries, wages and benefits	382,518	336,069	605,098	540,016	95,010	96,312	4,287	3,078	45,940	39,211	1,132,853	1,014,686
Stores and spares consumed	103,888	118,723	121,096	119,593	7,944	3,704	-	-	4,576	3,510	237,504	245,530
Conversion fee paid to contract manufacturers	-	-	-	-	-	-	268,329	201,368	3,332	4,341	271,661	205,709
Oil, gas and electricity	1,803,969	1,394,075	2,234,191	1,962,927	25,044	28,851	-	-	7,096	7,523	4,070,300	3,393,376
Rent, rates and taxes	993	1,234	1,536	1,379	13,723	15,893	-	-	9,911	8,612	26,163	27,118
Insurance	19,599	17,722	15,612	16,236	21,861	27,849	3	2	1,398	973	58,473	62,782
Repairs and maintenance	1,426	1,670	57	695	12,292	15,585	2	9	3,406	3,242	17,183	21,201
Depreciation & amortisation charge - note 10.6 & 11.1	332,264	319,963	506,635	455,542	82,566	75,205	503	428	19,948	15,087	941,916	866,225
Technical fees	-	-	-	-	49,917	23,270	1,450	1,815	2,402	5,750	53,769	30,835
Royalty	-	-	-	-	-	-	1,769	2,076	8,134	24,862	9,903	26,938
General expenses	123,801	106,805	87,213	83,627	73,514	62,193	658	400	12,513	10,965	297,699	263,990
Opening stock of work-in-process	24,388	54,163	-	-	10,976	15,600	12,464	11,811	725	1,655	48,553	83,229
Closing stock of work-in-process - note 16	(188,491)	(24,388)	-	-	(35,692)	(10,976)	(28,376)	(12,464)	(3,379)	(725)	(255,938)	(48,553)
Cost of goods manufactured	19,445,760	15,745,404	5,502,172	4,928,097	3,465,537	3,285,347	1,348,790	1,046,208	1,231,112	1,070,205	30,993,371	26,075,261
Opening stock of finished goods	725,027	509,236	58,912	207,554	241,103	246,586	774,839	837,505	233,838	141,658	2,033,719	1,942,539
Finished goods purchased	244	91,316	-	-	72,339	64,800	2,193,565	1,583,188	1,458,782	1,193,235	3,724,930	2,932,539
	20,171,031	16,345,956	5,561,084	5,135,651	3,778,979	3,596,733	4,317,194	3,466,901	2,923,732	2,405,098	36,752,020	30,950,339
Closing stock of finished goods - note 16	(669,745)	(725,027)	(47,148)	(58,912)	(283,402)	(241,103)	(896,220)	(774,839)	(401,068)	(233,838)	(2,297,583)	(2,033,719)
Provision for obsolete stocks - note 28	-	-	-	(2,615)	(57,672)	(21,969)	(40,596)	(10,676)	(8,235)	(20,250)	(106,503)	(55,510)
	19,501,286	15,620,929	5,513,936	5,074,124	3,437,905	3,333,661	3,380,378	2,681,386	2,514,429	2,151,010	34,347,934	28,861,110

26.1 Staff retirement benefits

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

Notes to the Financial Statements

For the year ended December 31, 2011

Amounts in Rs '000

27. Selling and Distribution Expenses

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

27.1 Staff retirement benefits

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

28. Administration and General Expenses

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

28.1 Staff retirement benefits

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

	2011	2010
29. Financial Charges		
Interest on workers' profit participation fund - note 8.3	9,257	6,948
Discounting charges on receivables	90,545	94,940
Exchange losses	34,934	59,564
Guarantee fee and others	2,508	2,428
	137,244	163,880
30. Other Operating Charges		
Auditors' remuneration - note 30.1	11,714	8,235
Donations - note 30.2	24,296	22,277
Workers' profit participation fund - note 8.3	153,758	196,761
Workers' welfare fund	59,432	76,153
Loss on disposal of property, plant and equipment	4,067	-
	253,267	303,426
30.1 Auditors' remuneration		
Audit and group reporting fee	6,434	5,770
Half yearly review and other certifications	1,915	1,815
Demerger related charges	3,000	-
Out of pocket expenses	365	650
	11,714	8,235
30.2 Donations transferred to ICI Pakistan Foundation (Head office, Karachi) Rs Nil (2010: Rs 15.795 million). Mr Waqar A Malik, Chief Executive; Mr Ali Asrar Aga and Mr Feroz Rizvi, Directors of the Company and Mr Suhail Aslam Khan and Ms Seemi Saad, Executives of the Company are amongst the Trustees of the Foundation.		
31. Other Operating Income		
Income from related party		
Return on loan due from Subsidiary	72,648	69,051
Service fees from related party - note 31.1	1,980	1,980
Return from other financial assets		
Profit on short-term and call deposits	292,482	282,906
Income from non-financial assets		
Scrap sales	51,514	48,724
Gain on disposal of property, plant and equipment	-	10,211
Others		
Provisions and accruals no longer required written back	13,917	15,964
Sundries	26,953	57,420
	459,494	486,256

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

Notes to the Financial Statements

For the year ended December 31, 2011

Amounts in Rs '000

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

32.1 Tax reconciliation

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

33. Earnings per share - Basic and diluted

Profit after taxation for the year	1,935,713	2,428,826
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Number of shares

Weighted average number of ordinary shares in issue during the year	138,802,300	138,802,300
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Rupees

Earnings per share	13.95	17.50
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34. Remuneration of Directors and Executives

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

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

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

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

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

- 34.2** The Directors and certain Executives are provided with free use of Company cars in accordance with their entitlement. The Chief Executive is provided with Company maintained furnished accommodation and free use of Company car.

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

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

35. Transactions with Related Parties

The related parties comprise parent company (ICI Omicron B.V.), ultimate parent company (Akzo Nobel N.V.), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key employees (note 34) and staff retirement funds (note 6). Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

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

Notes to the Financial Statements

For the year ended December 31, 2011

Amounts in Rs '000

36. Plant Capacity and Annual Production

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

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

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

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

37. Fair Value of Financial Assets and Liabilities

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

38. Financial Risk Management

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

38.1 Risk Management Framework

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

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

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

39. Market Risk

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

2011

2010

39.1 Interest Rate Risk

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

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

Sensitivity analysis for fixed rate instruments

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

Sensitivity analysis for variable rate instruments

If KIBOR had been 1% higher / lower with all other variables held constant, the impact on the profit after tax for the year would have been Rs 4.61 million (2010: Rs 4.83 million).

39.2 Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into are denominated in foreign currencies. The Company is exposed to foreign currency risk on sales, purchases and borrowings which are entered in a currency other than Pak Rupees. To hedge this risk the Company has entered into forward foreign exchange contracts for imports in 2011 in accordance with State Bank of Pakistan instructions and the Company's Treasury policy. The policy allows the Company to take currency exposure within predefined limits while open exposures are rigorously monitored.

	SGD	EURO	USD	GBP	JPY
	2011				
Trade debts	-	-	2,572	-	-
Other receivables	-	1,571	19,701	-	-
Due from Associates - note 20.2	-	-	247	82,083	-
Cash and bank balances	-	-	130,723	-	-
	-	1,571	153,243	82,083	-
Trade and other payables	-	59,167	1,746,336	712,912	-
Due to Associates - note 8.1	16	78,758	14,854	498	-
	16	137,925	1,761,190	713,410	-
Gross balance sheet exposure	(16)	(136,354)	(1,607,947)	(631,327)	-
	2010				
Trade debts	-	-	9,641	-	-
Other receivables	-	10,859	17,665	11,812	-
Due from Associates - note 20.2	-	-	135	78,586	-
Cash and bank balances	-	-	98,227	-	-
	-	10,859	125,668	90,398	-
Trade and other payables	-	107,789	1,235,916	662,294	-
Accrued interest / return on unsecured loan - note 8.2	-	-	305,109	-	-
Due to Associates - note 8.1	15	59,580	21,607	1,371	-
	15	167,369	1,562,632	663,665	-
Gross balance sheet exposure	(15)	(156,510)	(1,436,964)	(573,267)	-

Significant exchange rates applied during the year were as follows:

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

Notes to the Financial Statements

For the year ended December 31, 2011

Amounts in Rs '000

	2011	2010
Sensitivity analysis		
Every 1% increase or decrease in exchange rate with all other variables held constant will increase or decrease profit after tax for the year by Rs 23.8 million (2010: Rs 21.7 million).		
40. Credit Risk		
Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. The Company does not have significant exposure to any individual counterparty. To reduce exposure to credit risk the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Business with customers is also secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.		
The Company's gross maximum exposure to credit risk at the reporting date is as follows:		
40.1 Financial Assets		
Long-term investments - note 12	502,976	712,500
Long-term loans - note 13	325,714	324,264
Long-term deposits - note 14	26,059	22,873
Trade debts - note 17	618,647	792,867
Loans and advances - note 18	491,733	590,722
Trade deposits - note 19	20,670	22,245
Other receivables - note 20	584,243	336,465
Bank balances - note 21	4,836,516	4,647,662
	7,406,558	7,449,598
40.2 The Company has placed its funds with banks which are rated A-1 by Standard & Poor's and P-1 by Moody's.		
40.3 Financial Assets		
- Secured	543,429	494,696
- Unsecured	6,863,129	6,954,902
	7,406,558	7,449,598
40.4 The ageing of bank balances, trade debts and loans and advances at the reporting date is as follows:		
Not past due	5,819,993	5,893,674
Past due but not Impaired:		
Not more than three months	116,331	122,131
Past due and Impaired:		
More than three months and not more than six months	20,356	30,893
More than six months and not more than nine months	-	12,327
More than nine months and not more than one year	-	27,165
More than one year	351,484	299,171
	488,171	491,687
Less: Provision for:		
- Doubtful debts	351,476	343,490
- Doubtful loans and advances	9,792	10,620
	361,268	354,110
	5,946,896	6,031,251

	2011	2010
40.5 The maximum exposure to credit risk for past due and impaired at the reporting date by type of counterparty was:		
Wholesale customers	205,265	202,884
Retail customers	107,106	109,691
End-user customers	175,800	179,112
	488,171	491,687
Less: Provision for:		
- Doubtful debts	351,476	343,490
- Doubtful loans and advances	9,792	10,620
	361,268	354,110
	126,903	137,577

40.6 Movement of provision for trade debts and loans and advances:

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

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

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

40.7 Concentration Risk

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

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

Notes to the Financial Statements

For the year ended December 31, 2011

Amounts in Rs '000

41. Liquidity Risk

Liquidity Risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

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

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

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

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

42. Capital Risk Management

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

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

43. Accounting Estimates and Judgements

Income Taxes

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

The Income Tax Appellate Tribunal earlier set aside the assessment for the assessment year 1998-99 on the issues of date of commissioning of PTA plant & depreciation thereon, restriction of cost of capitalisation of PTA plant and addition to income in respect of trial production stocks. The re-assessment was finalised by the department on June 29, 2010 giving rise to an additional tax demand. The Company has filed an appeal against the said order before the CIT(Appeals), hearing of appeal has been completed and the order is awaited.

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

After the Supreme Courts' decision on retrospectivity, a notice has been issued under section 66 of the repealed Ordinance by Tax department on June 20, 2011, which was challenged by the Company in the High Court on the basis of Supreme Courts' decision. The company is of the view that in light of Supreme Court decision and the fact that such notice is time barred under the repealed Ordinance, it is expected to be quashed by the High Court.

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

Whilst amending the assessment for the Tax Year 2003, 2004, 2005, 2007, 2008 and 2010 tax department has taken certain action in the order considered by the department as "protective assessment" on the matter of unabsorbed depreciation carried forward. It is the Company's contention that such an action is unwarranted. Appeals for the above mentioned years before the CIT (Appeals) on the matter have been filed which are pending. The very basis of such an action has also been challenged before the High Court of Sindh which are pending for hearing. While these cases are pending for adjudication, in view of the Supreme Court's decision relating to assessment year 2001-2002 it is unlikely that the department can take an adverse action.

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

Notes to the Financial Statements

For the year ended December 31, 2011

For Tax Year 2006 the case had been selected for audit/scrutiny and whilst framing the order tax department has taken certain action in the orders, considered by the department as "protective assessments" on the matter of unabsorbed depreciation carried forward. It is the Company's contention that such an action is unwarranted. An appeal before the CIT (Appeals), on the matter has been filed which is pending. The Company is also in the process of challenging such an action before the High Court of Sindh. However, in view of the Supreme Court's decision relating to assessment year 2001-2002 it is unlikely that the department can take an adverse action.

Pension and Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 6 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognized gains and losses in those years.

Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuer and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. The future cash flows used in the impairment testing of assets is based on management's best estimates which may change in future periods. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipments with a corresponding affect on the depreciation charge and impairment.

44. Standards or Interpretations not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2012. These standards except for IAS 19 Employee Benefits are either not relevant to the Company's operations or are not expected to have a material impact on the Company's financial statements:

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. These amendments have no material impact on the financial statements of the Company.

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

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

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

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

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. These amendments have no material impact on the financial statements of the Company.

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

45. Dividend


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

46. Date of Authorisation

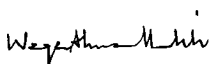
These financial statements were authorised for issue in the Board of Directors meeting held on March 15, 2012.

47. General

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



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

Comparison of Results for Ten Years

As at December 31

		2002	2003*	
Balance Sheet				
Equity and Revaluation Reserve		6,775,438	6,141,682	
Non-Current Liabilities		78,895	74,568	
Current Liabilities		6,932,541	7,915,577	
Total Equity and Liabilities		13,786,874	14,131,827	
Non-Current Assets		9,168,174	8,825,935	
Current Assets		4,618,700	5,305,892	
Total Assets		13,786,874	14,131,827	
Profit and Loss Account				
Turnover		15,073,813	17,572,075	
Net sales, commission & toll income		12,218,937	18,127,295	
Cost of sales		9,891,842	15,462,928	
Gross profit		2,327,095	2,664,367	
Operating Result		1,077,114	1,087,681	
Profit before taxation		723,094	806,552	
Profit after taxation		1,854,732	766,244	
Summary of Cash Flows				
Cash generated from operations		1,819,224	2,139,564	
Net cash generated from operating activities		1,026,536	1,933,065	
Net cash used in investing activities		(32,549)	(103,226)	
Net cash used in financing activities		(965,730)	(1,261,623)	
Cash and cash equivalents at December 31		475,812	1,044,028	
Ratios				
Profitability Ratios				
Gross margin	%	19.04	14.70	
Gross profit turnover	%	15.44	15.16	
Operating result	%	8.82	6.00	
Net profit margin	%	15.18	4.23	
Profit markup	%	23.53	17.23	
Profit before tax margin	%	5.92	4.45	
Return on equity	%	40.40	14.03	
Return on capital employed	%	15.71	17.50	
Return on assets	%	13.45	5.42	
Return on fixed assets	%	18.76	19.68	
Growth Ratios				
Net sales	%	15.60	48.35	
Operating results	%	(23.00)	0.98	
EBITDA	%	(15.42)	1.61	
Profit after tax	%	227.33	(58.69)	
Operating working capital	%	(11.43)	53.16	

* Excluding turnover of discontinued furnace oil and coal business. Also excluding oneoff profit on sale of PPTA shares in 2004

** Excluding recognition of deferred tax credit in 2005

2004*	2005** Restated	2006	2007 Restated	2008 Restated	2009	2010	2011
8,641,044	9,987,387	11,389,230	12,380,997	13,410,921	14,414,642	15,455,445	16,068,640
82,601	90,604	104,079	119,571	612,954	1,208,117	1,093,190	1,282,731
5,205,018	5,891,930	5,436,275	6,263,805	4,446,810	5,799,898	5,482,037	6,113,943
13,928,663	15,969,921	16,929,584	18,764,373	18,470,685	21,422,657	22,030,672	23,465,314
6,738,979	9,469,783	9,905,729	9,741,603	10,435,258	10,297,489	10,152,415	10,618,399
7,189,684	6,500,138	7,023,855	9,022,770	8,035,427	11,125,168	11,878,257	12,846,915
13,928,663	15,969,921	16,929,584	18,764,373	18,470,685	21,422,657	22,030,672	23,465,314
20,865,798	21,054,298	21,947,688	25,988,351	31,921,873	32,399,181	39,532,506	44,802,489
17,639,480	18,476,457	19,574,118	23,024,123	27,798,915	28,429,897	35,129,980	40,114,908
14,883,771	15,124,759	15,492,648	18,205,369	22,303,138	22,754,005	28,443,690	33,728,384
2,755,709	3,351,698	4,081,470	4,818,754	5,495,777	5,675,892	6,686,290	6,386,524
1,346,788	1,842,542	2,479,018	2,984,004	3,052,360	3,027,654	3,712,566	2,843,168
1,110,450	1,612,401	2,117,797	2,768,523	2,812,778	3,072,506	3,731,516	2,912,151
1,057,868	1,572,257	1,455,628	1,784,800	1,862,738	2,044,738	2,428,826	1,935,713
1,916,503	2,666,900	3,554,048	4,312,406	1,188,392	4,938,310	3,716,187	4,038,998
1,823,927	2,521,959	3,477,093	4,093,537	969,809	4,476,231	2,334,428	2,939,356
3,379,171	(1,420,757)	(1,040,183)	(1,397,436)	(1,780,969)	(938,043)	(752,830)	(593,246)
(4,542,451)	(1,118,221)	(2,337,028)	(868,583)	(832,815)	(1,041,018)	(1,388,027)	(2,151,436)
1,704,675	1,687,656	1,787,538	3,615,056	1,971,081	4,468,251	4,661,822	4,856,496
15.62	18.14	20.85	20.93	19.77	19.96	19.03	15.92
13.21	15.92	18.60	18.54	17.22	17.52	16.91	14.25
7.64	9.97	12.66	12.96	10.98	10.65	10.57	7.09
6.00	8.51	7.44	7.75	6.70	7.19	6.91	4.83
18.51	22.16	26.34	26.47	24.64	24.94	23.51	18.94
6.30	8.73	10.82	12.02	10.12	10.81	10.62	7.26
13.13	16.56	14.18	15.70	14.96	15.17	16.70	13.48
15.44	18.28	21.57	23.87	21.77	19.38	22.43	16.39
7.59	9.85	8.60	9.51	10.08	9.54	11.02	8.25
25.01	25.18	29.46	34.92	32.61	32.82	40.91	29.14
(2.69)	4.74	5.94	17.63	20.74	2.27	23.57	14.19
23.82	36.81	34.54	20.37	2.29	(0.81)	22.62	(23.42)
16.80	25.34	28.27	18.40	-	1.04	19.45	(16.04)
38.06	48.63	(7.42)	22.61	4.37	9.77	18.78	(20.30)
(104.67)	(324.95)	(199.82)	(118.86)	218.10	(82.19)	320.64	(9.01)

Comparison of Results for Ten Years

As at December 31

		2002	2003	
Efficiency Ratios				
Asset turnover	Times	0.89	1.28	
Fixed asset turnover	Times	2.13	3.28	
Inventory turnover	Times	4.14	5.73	
Current asset turnover	Times	2.65	3.42	
Capital employed turnover	Times	2.20	2.83	
Operating working capital turnover	Times	21.85	21.16	
Debtor turnover ratio	Days	19.07	13.25	
Creditor turnover ratio	Days	79.58	56.35	
Inventory turnover ratio	Days	91.37	60.06	
Operating cycle	Days	30.86	16.96	
Revenue per employee	Rs'000	9,264	13,568	
Net Income per employee	Rs'000	1,406	574	
Capex to sales	%	4.09	2.53	
Cost Ratios				
Operating costs (%of sales)	%	91.18	94.00	
Administration costs (%of sales)	%	4.20	3.26	
Selling costs (% of sales)	%	6.03	5.43	
Interest cost (%of sales) *	%	3.44	2.11	
Equity Ratios				
Price earnings ratio	Rs	4.04	15.40	
Earnings per share	Rs	13.36	5.52	
Dividend per share	Rs	2.25	2.50	
Dividend cover	Times	5.94	2.21	
Dividend yield	%	4.17	2.94	
Dividend payout	%	16.84	45.29	
Market value per share	Rs	53.95	85.00	
Break-up value per share with surplus on revaluation	Rs	48.81	44.25	
Break-up value per share excluding surplus on revaluation	Rs	33.08	39.35	
Liquidity Ratios				
Current ratio	Ratio	0.67:1	0.67:1	
Quick ratio	Ratio	0.32:1	0.33:1	
Cash ratio	Ratio	0.07:1	0.13:1	
Leverage Ratios				
Debt to equity	%	7.44	0.00	
Total debt to capital ratio	Ratio	33:67	40:60	
Interest cover *	Times	2.72	3.11	

* 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.

2004	2005 Restated	2006	2007 Restated	2008 Restated	2009	2010	2011
1.27	1.16	1.16	1.23	1.51	1.33	1.59	1.71
3.28	2.52	2.33	2.69	2.97	3.08	3.87	4.11
4.16	4.73	5.07	6.24	6.39	6.08	6.71	6.59
2.45	2.84	2.79	2.55	3.46	2.56	2.96	3.12
2.39	2.09	1.91	2.08	2.28	2.07	2.39	2.58
(440.62)	(108.61)	(38.38)	(20.62)	21.09	121.06	35.56	44.63
15.09	14.44	12.84	13.65	11.81	11.08	8.90	6.42
75.62	78.70	75.90	78.24	50.52	41.00	40.06	36.71
76.94	81.77	73.67	59.85	52.43	58.00	51.19	50.60
16.41	17.52	10.62	(4.74)	13.72	28.08	20.03	20.32
13,434	14,137	15,304	17,946	21,044	21,852	26,878	30,253
806	1,203	1,138	1,391	1,410	1,572	1,858	1,460
3.12	7.77	5.53	4.65	5.45	2.91	2.43	1.73
92.36	90.03	87.34	87.04	89.02	89.35	89.43	92.91
3.77	3.75	3.71	3.30	4.05	4.14	3.70	4.22
4.22	4.41	4.48	4.67	4.74	5.17	4.77	4.61
1.44	1.50	1.45	0.44	0.32	-	-	-
11.76	12.40	11.01	15.29	5.12	11.44	8.24	8.62
7.62	11.33	10.49	12.86	13.42	14.73	17.50	13.95
4.00	5.00	5.50	6.00	6.50	8.00	17.50	9.00
1.91	2.27	1.91	2.14	2.06	1.84	1.00	1.55
4.46	3.56	4.76	3.05	9.46	4.75	12.13	7.48
52.48	44.14	52.45	46.66	48.43	54.31	100.01	64.52
89.65	140.50	115.50	196.65	68.71	168.49	144.24	120.27
62.25	71.95	82.05	89.20	96.62	103.85	111.35	115.77
58.02	68.39	73.95	81.91	89.68	97.14	104.81	103.42
1.38:1	1.10:1	1.29:1	1.44:1	1.81:1	1.92:1	2.17:1	2.10:1
0.69:1	0.56:1	0.73:1	0.97:1	1.02:1	1.27:1	1.39:1	1.26:1
0.33:1	0.29:1	0.33:1	0.58:1	0.44:1	0.77:1	0.85:1	0.79:1
1.39	-	0.04	-	-	-	-	-
1:99	0:100	0:100	0:100	0:100	0:100	0:100	0:100
5.36	6.82	8.44	28.42	32.29	-	-	-

Pattern of Shareholding

as at December 31, 2011

No. of Shareholders	Categories		No. of Shares
	From	To	
5,955	1	100	205,747
3,797	101	500	906,909
1,036	501	1,000	774,332
1,087	1,001	5,000	2,318,535
154	5,001	10,000	1,145,427
59	10,001	15,000	739,974
32	15,001	20,000	562,946
21	20,001	25,000	477,903
9	25,001	30,000	256,460
6	30,001	35,000	191,268
4	35,001	40,000	149,031
5	40,001	45,000	211,115
2	45,001	50,000	100,000
4	50,001	55,000	210,183
1	55,001	60,000	57,200
1	65,001	70,000	68,500
4	70,001	75,000	287,652
2	75,001	80,000	152,851
3	85,001	90,000	267,301
1	90,001	95,000	92,434
1	95,001	100,000	100,000
2	100,001	105,000	208,215
2	105,001	110,000	214,472
1	120,001	125,000	124,600
1	130,001	135,000	135,000
2	165,001	170,000	333,800
1	175,001	180,000	179,873
1	210,001	215,000	211,661
1	215,001	220,000	220,000
1	230,001	235,000	233,082
1	280,001	285,000	281,146
1	295,001	300,000	300,000
2	335,001	340,000	677,006
1	350,001	355,000	355,000
2	395,001	400,000	798,300
1	410,001	415,000	412,532
1	460,001	465,000	461,800
1	595,001	600,000	595,489
1	705,001	710,000	705,115
1	730,001	735,000	731,787
1	875,001	880,000	875,261
1	905,001	910,000	909,900
1	1,100,001	1,105,000	1,101,300
1	1,515,001	1,520,000	1,519,132
1	2,210,001	2,215,000	2,210,151
1	3,360,001	3,365,000	3,360,222
1	7,140,001	7,145,000	7,142,563
1	105,225,001	105,230,000	105,229,125
12,216			138,802,300

S.No.	Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
1	Associated Companies (a)	1	105,229,125	75.81
2	Investment Companies	10	3,868	0.00
3	Insurance Companies	7	2,694	0.00
4	Joint Stock Companies	24	8,847	0.01
5	Others	25	202,992	0.15
6	Financial Institutions	12	17,628	0.01
7	Modaraba Companies	3	176	0.00
8	Mutual Funds	6	764	0.00
9	Individuals	8,154	2,367,373	1.71
10	Central Depository Company (b)	3,974	30,968,833	22.31
	TOTAL	12,216	138,802,300	100.00

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

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

1	Insurance Companies	16	5,932,673	19.16
2	Investment Companies	3	56,679	0.18
3	Joint Stock Companies	78	312,115	1.01
4	Modaraba Management Companies	1	1	0.00
5	Modarabas	4	25,500	0.08
6	Mutual Fund	31	7,968,765	25.73
7	Others	39	1,292,883	4.17
8	Financial Institutions	18	10,535,683	34.02
9	Cooperative Societies	1	2,200	0.01
10	Charitable Trusts	8	115,568	0.37
11	Individuals	3,775	4,726,766	15.26
	TOTAL	3,974	30,968,833	100.00

Pattern of Shareholding

(Under clause (i) of sub-regulation (XIX) of Regulation 35 of chapter (XI) of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Ltd.
As at December 31, 2011

ADDITIONAL INFORMATION

Shareholder's Category	Number of Shareholders / folios	Number of Shares Held
Associated Companies, Undertakings and Related Parties		
ICI OMICRON B.V.	1	105,229,125
NIT and ICP (name wise detail)		
National Bank of Pakistan, Trustee Deptt. NI(U)T Fund	1	1,519,132
Directors, CEO and their spouse and minor children (name wise detail)		
Mr Waqar A Malik	1	1
Mahomed J. Jaffer	1	21,325
Mr M Nawaz Tiwana	1	1
Mr. Feroz Rizvi	2	15,001
Mr. Mueen Afzal	1	1
Mr. Ali Asrar Hossain Aga	1	1
Khatoon Mahomed Jaffer	1	15,989
Akbar Jaffer	1	15,081
Executives	49	11,027
Public Sector Companies and Corporations	4	3,362,284
Banks, Development Finance Institutions, Non-Banking Finance Institutions Insurance Companies, Modarabas and Mutual Funds	92	17,317,388
Shareholders holding 10% or more voting interest		
ICI Omicron B.V.	1	105,229,125

Notice of Meeting

Notice is hereby given that the Sixtieth Annual General Meeting of ICI PAKISTAN LIMITED will be held on Friday, April 27, 2012 at 10.00 a.m. at the Registered Office of the Company, ICI House, 5 West Wharf, Karachi, to transact the following business:

1. To receive, consider and adopt the accounts of the Company for the year ended December 31, 2011, the report of the Auditors thereon and the report of the Directors.
2. To declare and approve Final cash dividend @ 55% i.e., Rs.5.50/- per ordinary share of Rs 10/- each for the year ended December 31, 2011 as recommended by the Directors, payable to the Members whose names appear in the Register of Members as at April 20, 2012.
3. To appoint the Auditors of the Company and to fix their remuneration.

By the Order of the Board



Nasir Jamal
Acting Company Secretary

March 26, 2012
Karachi

Notes:

1. Share Transfer Books of the Company will remain closed from April 20, 2012 to April 27, 2012 (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 19, 2012 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.akzonobel.com/pk
5. An instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must, to be valid, be deposited at the Registered Office of the Company not less than 48 hours before the time of the Meeting.
6. Members are requested to submit a copy of their Computerized 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/her identity by showing his/her original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution/power of the 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.

ICI Pakistan Limited and its Subsidiary Company



ICI Pakistan Limited is now part
of the AkzoNobel Group



AkzoNobel
Tomorrow's Answers Today

Auditors' Report to the Members


We have audited the annexed consolidated financial statements of ICI Pakistan Limited and its subsidiary (the "Group") comprising consolidated balance sheet as at 31 December 2011 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.

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

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

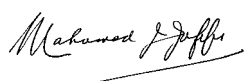
In our opinion, the consolidated financial statements present fairly the consolidated financial position of the Group as at 31 December 2011, and the consolidated results of its operations, consolidated cash flows and consolidated changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

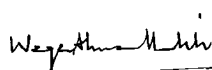
Date: 15 March, 2012
Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Amir Jamil Abbasi

	Note	2011	2010
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	10,330,859	9,510,300
Intangible assets	12	141,051	180,103
		10,471,910	9,690,403
Long-term investment	13	2,500	2,500
Long-term loans	14	197,293	148,265
Long-term deposits and prepayments	15	34,266	40,458
		234,059	191,223
		10,705,969	9,881,626
Current Assets			
Stores and spares	16	589,158	524,422
Stock-in-trade	17	4,625,716	3,811,236
Trade debts	18	644,117	818,351
Loans and advances	19	165,554	286,655
Trade deposits and short-term prepayments	20	284,896	455,232
Other receivables	21	783,285	647,669
Taxation recoverable		745,158	545,951
Cash and bank balances	22	4,961,379	4,739,557
		12,799,263	11,829,073
Total Assets		23,505,232	21,710,699

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


M J Jaffer
Chairman / Director


Waqar A Malik
Chief Executive


Feroz Rizvi
Chief Financial Officer

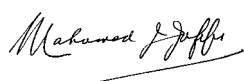
Consolidated Profit and Loss Account

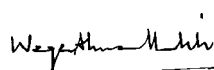
For the year ended December 31, 2011

Amounts in Rs '000

	Note	2011	2010
Turnover	25	44,802,489	39,532,506
Sales tax, excise duty, commission and discounts	24	(4,823,506)	(4,538,017)
Net sales, commission and toll income		39,978,983	34,994,489
Cost of sales	25	(33,485,532)	(28,182,149)
Gross profit		6,493,451	6,812,340
Selling and distribution expenses	28	(1,851,279)	(1,674,719)
Administration and general expenses	29	(1,484,532)	(1,301,775)
Operating result		3,157,640	3,835,846
Financial charges	30	(141,484)	(165,416)
Other operating charges	31	(254,324)	(307,243)
		(395,808)	(472,659)
Other operating income	32	385,197	416,606
Profit before taxation		3,147,029	3,779,793
Taxation	33	(976,438)	(1,302,690)
Profit after taxation		2,170,591	2,477,103
		(Rupees)	(Rupees)
Earnings per share - Basic and diluted	34	15.64	17.85

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


M J Jaffer
Chairman / Director


Waqar A Malik
Chief Executive


Feroz Rizvi
Chief Financial Officer

Consolidated Statement of Comprehensive Income


For the year ended December 31, 2011

Amounts in Rs '000

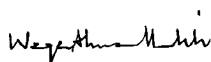
	2011	2010
Profit for the year	2,170,591	2,477,103
Other comprehensive income	-	-
Total comprehensive income for the year	2,170,591	2,477,103

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 consolidated financial statements.



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended December 31, 2011

Amounts in Rs '000

	2011	2010
Cash Flows from Operating Activities		
Profit before taxation	3,147,029	3,779,793
Adjustments for:		
Depreciation and amortisation	1,160,034	1,027,499
Loss / (Gain) on disposal of property, plant and equipment	2,961	(10,211)
Provision for non-management staff gratuity and eligible retired employees' medical scheme	72,779	58,991
Mark-up on bank deposits	(292,482)	(282,906)
Interest / mark-up expense	68,003	103,424
	4,158,324	4,676,590
Movement in:		
Working capital	103,028	(765,443)
Long-term loans	(49,028)	(16,835)
Long-term deposits and prepayments	6,192	(11,380)
Cash generated from operations	4,218,516	3,882,932
Payments for:		
Non-management staff gratuity and eligible retired employees' medical scheme	(15,566)	(19,068)
Taxation	(1,297,854)	(1,543,251)
Interest / mark-up	(67,885)	(104,350)
Profit / mark-up received on bank deposits	281,558	282,448
Net cash generated from operating activities	3,118,769	2,498,711
Cash Flows from Investing Activities		
Payments for capital expenditure	(751,939)	(915,834)
Proceeds from disposal of property, plant and equipment	6,428	33,032
Net cash used in investing activities	(745,511)	(882,802)

	2011	2010
Cash Flows from Financing Activities		
Dividend paid	(2,151,436)	(1,388,027)
Net cash used in financing activities	(2,151,436)	(1,388,027)
Net increase in cash and cash equivalents	221,822	227,882
Cash and cash equivalents at January 1	4,739,557	4,511,675
Cash and cash equivalents at December 31 - note 22	4,961,379	4,739,557

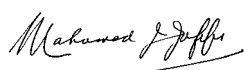
Movement in Working Capital**(Increase) / Decrease in current assets**

Stores and spares	(64,736)	35,603
Stock-in-trade	(814,480)	(563,335)
Trade debts	174,234	126,528
Loans and advances	121,101	(161,715)
Trade deposits and short-term prepayments	170,336	(799)
Other receivables	(124,692)	66,233
	(538,237)	(497,485)

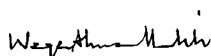
Increase / (Decrease) in current liabilities

Trade and other payables	641,265	(267,958)
	103,028	(765,443)

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



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

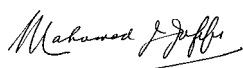
Consolidated Statement of Changes in Equity

For the year ended December 31, 2011

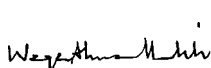
Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
Balance as on January 1, 2010	1,388,023	465,845	11,163,577	13,017,445
Final dividend for the year ended December 31, 2009 @ Rs 4.50 per share	-	-	(624,610)	(624,610)
Interim dividend for the year 2010 @ Rs 5.50 per share	-	-	(763,413)	(763,413)
Transactions with owners, recorded directly in equity	-	-	(1,388,023)	(1,388,023)
Total comprehensive income for the year ended December 31, 2010	-	-	2,477,103	2,477,103
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation - net of deferred tax - note 6	-	-	26,744	26,744
	-	-	2,503,847	2,503,847
Balance as on December 31, 2010	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)
Interim dividend for the year 2011 @ Rs 3.50 per share	-	-	(485,808)	(485,808)
Transactions with owners, recorded directly in equity	-	-	(2,151,436)	(2,151,436)
Total comprehensive income for the year ended December 31, 2011	-	-	2,170,591	2,170,591
Transfer from surplus on revaluation of property, plant and equipment incremental depreciation - net of deferred tax - note 6	-	-	25,107	25,107
	-	-	2,195,698	2,195,698
Balance as on December 31, 2011	1,388,023	465,845	12,323,663	14,177,531

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



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer

Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

1. Status and Nature of Business

The Group consists of:

- n ICI Pakistan Limited; and
- n 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, paints, specialty chemicals, sodium bicarbonate and polyurethanes; marketing of seeds, toll manufactured and imported pharmaceuticals and animal health products; and merchanting of general chemicals. It also acts as an indenting agent and toll manufacturer.

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

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

1.1 Approval of Demerger

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

The principal phases in this respect are as follows:

- a) On April 29, 2011 the Board of Directors received a proposal from its ultimate holding company, Akzo Nobel N.V. to restructure its interest in ICI Pakistan Limited.
- b) On May 11, 2011, the Board of Directors decided to demerge the Company's Paints Business into a separate entity, Akzo Nobel Pakistan Limited (comprising the Paints Business) and the rest of the Businesses would continue under ICI Pakistan Limited. After the completion of demerger (pending sanction of the High Court of Sindh), Akzo Nobel Pakistan Limited will also be listed on the Karachi, Lahore and Islamabad Stock Exchanges. ICI Pakistan Limited is already and will continue to be listed on the Karachi, Lahore and Islamabad Stock Exchanges.
- c) The Board of Directors approved the Scheme of Arrangement for Demerger on August 24, 2011 which was subsequently approved by the Board of Directors of Akzo Nobel Pakistan Limited on September 16, 2011.
- d) The Company has obtained the consent of more than 75% in value of each class of its creditors pertaining to its Paints Business and its Non-Paints Businesses. Further, it has obtained signed letters from most of the employees of Paints Business agreeing to accept employment with Akzo Nobel Pakistan Limited in lieu of their employment with ICI Pakistan Limited.
- e) On November 24, 2011, the Company filed a petition in the High Court of Sindh for sanction of, and for other orders facilitating implementation of the Scheme of Arrangement for the Reconstruction (demerger).
- f) The Company obtained a No Objection Certificate (NOC) from the Competition Commission of Pakistan (CCP) on November 29, 2011.
- g) The shareholders approved the Scheme of Arrangement for demerger and the consequent reduction in the share capital of ICI Pakistan Limited in the Extra Ordinary General Meeting (EOGM) held on February 8, 2012.
- h) On February 14, 2012 the Chairman's Report on EOGM was filed with the Court.
- i) From July 1, 2011 and until the Paints Undertaking is actually transferred to and vested in Akzo Nobel Pakistan Limited, the Paints Business will be deemed to have been carried on by ICI Pakistan Limited for and on account and for the benefit of Akzo Nobel Pakistan Limited. On this basis, all profits and losses accruing or arising to or incurred by ICI Pakistan Limited through the operation of the Paints Undertaking from the Effective Date (i.e. July 1, 2011) shall be treated as the profits or losses, as the case may be, of Akzo Nobel Pakistan Limited.
- j) Once the demerger is sanctioned by the High Court of Sindh, the Scheme will come into effect from July 1, 2011. In accordance with the Scheme, the net assets of Paints Business will transfer to and vest in Akzo Nobel Pakistan Limited. The share capital of the Company (attributable to the Paints Business) will be reduced by 46.4 million ordinary shares amounting to Rs 464.4 million. Further, 46.4 million ordinary shares amounting to Rs 464.4 million of Akzo Nobel Pakistan Limited will be issued to the shareholders of the Company as a consequence of the transfer to and vesting of the Paints Business in Akzo Nobel Pakistan Limited.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

- k) The Scheme will become effective as soon as a certified copy of an order or orders of the High Court of Sindh under section 284 of the Companies Ordinance, 1984 sanctioning the Scheme have been filed with the Registrar of Companies, Karachi. Unless the Scheme is brought in to effect on or before December 31, 2012 or such later date, if any, as the Court may allow the Scheme will not become effective.
- l) When the Scheme becomes effective, the reconstruction of ICI Pakistan Limited by the separation and transfer to and vesting in Akzo Nobel Pakistan Limited of the Paints Undertaking in accordance with the Scheme, will be treated as having taken effect from the Effective Date.
- m) The Scheme also provides that save and except to the extent of the proportionate share of the Paints Business in the interim dividend declared from the profits for the six (6) months ended June 30, 2011, the profits reserves and surpluses (if any) of ICI Pakistan Limited to the extent they relate to the operations of the Paints Undertaking during the period from the Effective Date to the Completion Date shall not be utilised by ICI Pakistan Limited for or in connection with the declaration of the dividends or the issuance of bonus shares or otherwise than in the operations of the Paints Undertaking in the ordinary course of business.
- n) This is a common control transaction and will be accounted for at carrying amount. The bifurcated results, net assets and basis of allocation of Paints and Non-Paints Businesses as at and for the year / period ended December 31, 2011 and June 30, 2011, after considering the grossing up effects of inter-unit current accounts and taxation on account of demerger are disclosed in note 26 of these financial statements.

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 land, building 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.

As the sanction of the demerger is pending with the High Court of Sindh, the net assets and results of ICI Pakistan Limited as a whole are prepared without considering the grossing up effects of inter-unit current accounts and taxation as disclosed in note 1.1 and 26 to the financial statements.

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

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

3. Summary of Significant Accounting Policies

The accounting policies adopted are the same as those which were applied for the previous financial year except as disclosed in note 11.4 of these financial statements.

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.

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 pensioners' 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.

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 & 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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

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 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 amortisation

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

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit 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 asset 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 Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit and loss account.

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

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 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 amortised cost. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables (Refer note 41.5.1).

3.14 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupees, which is the Group's functional currency, at the foreign exchange rate 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. All 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 markup / interest expense on borrowings.

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

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 period to acquire property, plant and equipment.

The business segments are engaged in providing products or services which are subject to risks and rewards which differ from the risks and rewards of other segments. Segments reported are Polyester, Soda Ash, Paints, Life Sciences, Chemicals and others (PowerGen), which also reflects the management structure of the Group.

3.19 Finance leases

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance lease. Assets subject to finance lease are stated at amounts equal to the fair value or, if lower, the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Assets acquired under finance leases are depreciated in accordance with the 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 cost that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

3.23 Financial liabilities

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

3.24 Derivative financial instruments

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

3.25 Off-setting

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

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.

	2011 (Numbers)	2010		2011	2010
4. Issued, Subscribed and Paid-up Capital					
	125,840,190	125,840,190	Ordinary shares of Rs 10 each fully paid in cash	1,258,402	1,258,402
	318,492	318,492	Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash under scheme of arrangement for amalgamation	3,185	3,185
	25,227	25,227	Ordinary shares of Rs 10 each issued as fully paid bonus shares	252	252
	12,618,391	12,618,391	Ordinary shares issued pursuant to the previous Scheme as fully paid for consideration of investment in associate (note 4.1)	126,184	126,184
	138,802,300	138,802,300		1,388,023	1,388,023
4.1 With effect from 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.					
4.2 ICI Omicron B.V., which is a wholly owned subsidiary of Akzo Nobel N.V., held 105,229,125 (2010: 105,229,125) ordinary shares of Rs 10 each at December 31, 2011. Akzo Nobel N.V., acquired ICI PLC, UK, effective January 2, 2008, the parent company of ICI Omicron B.V., and became the ultimate holding company of ICI Pakistan Limited. ICI Pakistan Limited continues to be the direct subsidiary of ICI Omicron B.V.					
5. Capital Reserves					
			Share premium - note 5.1	465,259	465,259
			Capital receipts - note 5.2	586	586
				465,845	465,845
5.1 Share premium includes the premium amounting to Rs 0.902 million received on shares issued for the Company's Polyester Plant installation in 1980 and share premium of Rs 464.357 million representing the difference between nominal value of Rs 10 per share of 12,618,391 ordinary shares issued by the Company and the market value of Rs 590.541 million of these shares corresponding to 25% holding acquired in 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.					
6. Surplus on Revaluation of Property, Plant and Equipment					
			Balance as on January 1	917,380	944,124
			Revaluation surplus - note 11.2	1,219,215	-
			Deferred tax liability recognised on surplus - note 8	(254,537)	-
				964,678	-
			Transfer to unappropriated profit in respect of incremental depreciation charged during the year net of deferred tax	(25,107)	(26,744)
			Balance as on December 31	1,856,951	917,380

Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

Amounts in Rs '000

	2011	2010
7. Provisions for non-management staff gratuity and eligible retired employees' medical scheme - note 7.1	280,394	223,181

7.1 Staff Retirement Benefits

	2011				2010			
	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	45,404	37,308	82,712	11,233	47,010	31,885	78,895	9,741
Interest cost	206,565	74,548	281,113	52,358	156,844	56,301	213,145	40,426
Expected return on plan assets	(189,651)	(54,715)	(244,366)	-	(133,250)	(39,920)	(173,170)	-
Recognition of actuarial loss	108,564	12,544	121,108	9,188	105,175	12,060	117,235	8,824
Net charge for the year	170,882	69,685	240,567	72,779	175,779	60,326	236,105	58,991

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

Opening balance	342,584	19,835	362,419	(223,181)	319,437	33,867	353,304	(183,258)
Net charge for the year - note 7.1.1	(170,882)	(69,685)	(240,567)	(72,779)	(175,779)	(60,326)	(236,105)	(58,991)
Contributions / payments during the year	40,282	58,295	98,577	15,566	198,926	46,294	245,220	19,068
Closing balance	211,984	8,445	220,429	(280,394)	342,584	19,835	362,419	(223,181)

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

Fair value of plan assets - note 7.1.5	1,421,911	443,552	1,865,463	-	1,380,173	391,304	1,771,477	-
Present value of defined benefit obligation - note 7.1.4	(1,672,495)	(638,427)	(2,310,922)	(431,635)	(1,547,841)	(553,363)	(2,101,204)	(381,842)
Deficit	(250,584)	(194,875)	(445,459)	(431,635)	(167,668)	(162,059)	(329,727)	(381,842)
Unrecognised actuarial loss	462,568	203,320	665,888	151,241	510,252	181,894	692,146	158,661
Recognised asset / (liability)	211,984	8,445	220,429	(280,394)	342,584	19,835	362,419	(223,181)

7.1.4 Movement in the present value of defined benefit obligation:

Opening balance	1,547,841	553,363	2,101,204	381,842	1,285,827	462,971	1,748,798	340,084
Service cost	45,404	37,308	82,712	11,233	47,010	31,885	78,895	9,741
Interest cost	206,565	74,548	281,113	52,358	156,844	56,301	213,145	40,426
Benefits paid	(165,570)	(56,049)	(221,619)	(15,566)	(64,610)	(30,744)	(95,354)	(19,068)
Actuarial loss	38,255	29,257	67,512	1,768	122,770	32,950	155,720	10,659
Present value of defined benefit obligation at the end of the year	1,672,495	638,427	2,310,922	431,635	1,547,841	553,363	2,101,204	381,842

7.1.5 Movement in the fair value of plan assets:

Opening balance	1,380,173	391,304	1,771,477	-	1,037,319	317,150	1,354,469	-
Expected return	189,651	54,715	244,366	-	133,250	39,920	173,170	-
Contributions	40,282	58,295	98,577	-	198,926	46,294	245,220	-
Benefits paid	(165,570)	(56,049)	(221,619)	-	(64,610)	(30,744)	(95,354)	-
Actuarial (loss) / gain	(22,625)	(4,713)	(27,338)	-	75,288	18,684	93,972	-
Fair value of plan assets at the end of the year	1,421,911	443,552	1,865,463	-	1,380,173	391,304	1,771,477	-

7.1.6 Historical information

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

	2011	2010
7.1.7 Major categories / composition of plan assets are as follows:		
Debt instruments	67%	62%
Equity at market value	31%	30%
Cash	2%	8%

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

The return on plan assets was assumed to equal the discount rate. Actual (loss) / return on plan assets during 2011 was Rs 217.028 million (2010: Rs 267.142 million).

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

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

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

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

These figures are based on the latest actuarial valuation, as at December 31, 2011. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected future service life of current members.

7.1.10 The Group contributed Rs 70.725 million (2010: Rs 63.200 million) and Rs 41.742 million (2010: Rs 35.528 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

	2011				2010		
	Opening	Reversal (note 33)	Recognised in Surplus on revaluation (note 6)	Closing	Opening	Reversal	Closing
8. Deferred Tax (Liability) / Asset - net							
<i>Deductible temporary differences</i>							
Provisions for retirement benefits, doubtful debts and others	470,105	58,601	-	528,706	336,321	133,784	470,105
<i>Taxable temporary differences</i>							
Property, plant and equipment	(1,340,353)	63,608	(254,537)	(1,531,282)	(1,361,419)	21,066	(1,340,353)
	(870,248)	122,209	(254,537)	(1,002,576)	(1,025,098)	154,850	(870,248)

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	2011	2010
9. Trade and Other Payables		
Trade creditors - note 9.1	1,165,939	1,082,075
Bills payable	2,638,300	1,988,466
Sales tax, excise and custom duties	89,385	125,570
Mark-up accrued on short-term financing	1,904	1,786
Accrued interest / return on unsecured loan - note 9.2	-	305,109
Accrued expenses	1,246,187	1,169,705
Technical service fee / royalty	41,291	30,316
Workers' profit participation fund - note 9.3	165,500	206,645
Workers' welfare fund	60,935	77,139
Distributors' security deposits - payable on termination of distributorship - note 9.4	95,473	80,700
Contractors' earnest / retention money	9,344	11,653
Advances from customers	437,962	253,752
Unclaimed dividends	4,544	4,544
Payable for capital expenditure	81,327	101,551
Provision for compensated absences - note 9.5	20,000	20,000
Others	129,689	107,610
	6,187,780	5,566,621

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

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

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

9.3 Workers' profit participation fund

Balance as on January 1	206,645	165,103
Allocation for the year - note 31	155,116	199,302
	361,761	364,405
Interest on funds utilised in the Group's businesses at 131.25 percent (2010: 60.00 percent) per annum - note 30	9,689	6,948
	371,450	371,353
Less:		
- Amount paid on behalf of the fund	90,280	72,521
- Deposited with the Government of Pakistan	115,670	92,187
	205,950	164,708
Balance as on December 31	165,500	206,645

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

9.5 This figure is based on actuarial valuation.

	2011	2010
10. Contingencies and Commitments		
10.1 Claims against the Group not acknowledged as debts are as follows:		
Local bodies	81,299	31,889
Sales tax authorities	91,579	91,336
Others	162,425	137,934
	335,303	261,159
10.2 A notice was issued by the Environmental Protection Authority (EPA) against the Paints factory located at Ferozpur Road, Lahore. Pursuant to this an order was passed by the EPA for violation of certain provisions of the 'Act'. The Company is of the opinion that the order was not justified and has filed an appeal against the order in the Environmental Tribunal in Lahore, which is pending.		
10.3 Guarantees issued by the Company in respect of financial and operational obligations of Lotte Pakistan PTA Limited pursuant to the previous Scheme of arrangement, amounting to Rs 2,100 million (2010: Rs 2,190 million) against which Lotte Pakistan PTA Limited and KP Chemicals Corporation have issued counter guarantees to the Company.		
10.4 Guarantee issued by the Company to a bank in respect of financing obtained by Senior Executives amounted to Rs 35 million (2010: Rs 35 million), in accordance with the terms of employment.		
10.5 Guarantee issued by the Company of Rs 133 million (2010: Rs 133 million) to a bank on behalf of its subsidiary ICI Pakistan PowerGen Limited for availing funded facility.		
10.6 Commitments in respect of capital expenditure amounted to Rs 187.47 million (2010: Rs 152.646 million).		
10.7 Commitments for rentals under operating lease / ijarah contracts in respect of vehicles amounting to Rs 193.829 million (2010: Rs 165.144 million) are as follows:		
Year		
2011	-	67,908
2012	76,482	57,223
2013	60,632	32,878
2014	39,493	7,135
2015	17,222	-
	193,829	165,144
Payable not later than one year	76,482	67,908
Payable later than one year but not later than five years	117,347	97,236
	193,829	165,144
10.8 Outstanding foreign exchange contracts as at December 31, 2011 entered into by the Company amounted to Rs 720.173 million (2010: Nil).		
11. Property, Plant and Equipment		
11.1 The following is a statement of property, plant and equipment:		
Operating property, plant and equipment - note 11.2	10,147,228	9,224,944
Capital work-in-progress - note 11.7	183,631	285,356
	10,330,859	9,510,300

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For the year ended December 31, 2011

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11.2 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 11.3)			(Note 11.3)						
				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	582,896	-	6,081	91,864	814,946
Disposal/transfer (at NBV)	-	-	-	-	-	(4,604)	-	-	(4,785)	(9,389)
Revaluation - note 11.3	356,209	-	-	240,516	-	622,490	-	-	-	1,219,215
Depreciation charge	-	(2,765)	(11,988)	(24,465)	(70,609)	(930,364)	-	(8,725)	(53,572)	(1,102,488)
Closing net book value (NBV)	1,220,845	-	114,497	477,068	722,701	7,359,423	-	18,799	233,895	10,147,228
Gross carrying value basis										
At December 31										
Cost/Revaluation	1,220,845	567,799	201,572	1,244,681	1,429,858	19,594,966	297	131,020	632,917	25,023,955
Accumulated depreciation	-	(567,799)	(87,075)	(767,613)	(707,157)	(12,235,543)	(297)	(112,221)	(399,022)	(14,876,727)
Net book value	1,220,845	-	114,497	477,068	722,701	7,359,423	-	18,799	233,895	10,147,228
Depreciation rate % per annum	-	2 to 4	3.33 to 7.5	5 to 10	2.5 to 10	3.33 to 10	3.33	10 to 25	10 to 33.33	
										2010
Net carrying value basis										
Year ended December 31										
Opening net book value (NBV)	836,702	2,837	68,515	241,246	725,377	7,382,392	-	26,082	162,836	9,445,987
Addition/transfer (at cost)	27,934	-	30,980	47,954	48,633	543,019	-	8,724	92,283	799,527
Disposal/transfer (at NBV)	-	-	(32)	-	-	(18,871)	-	(2,863)	(1,055)	(22,821)
Depreciation charge	-	(72)	(9,800)	(37,391)	(68,775)	(817,535)	-	(10,500)	(53,676)	(997,749)
Closing net book value (NBV)	864,636	2,765	89,663	251,809	705,235	7,089,005	-	21,443	200,388	9,224,944
Gross carrying value basis										
At December 31										
Cost/Revaluation	864,636	567,799	164,750	994,957	1,341,783	18,511,237	297	126,071	720,011	23,291,541
Accumulated depreciation	-	(565,034)	(75,087)	(743,148)	(636,548)	(11,422,232)	(297)	(104,628)	(519,623)	(14,066,597)
Net book value	864,636	2,765	89,663	251,809	705,235	7,089,005	-	21,443	200,388	9,224,944
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	

11.3 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 and Rs 1,569.869 million and Rs. 667.967 million respectively, the land, building and plant and machinery were revalued again on December 31, 2011 resulting in a net surplus of Rs 1,219.215 million. The valuation was conducted by an independent valuer. Valuations for plant and machinery and buildings were based on the estimated gross replacement cost, depreciated to reflect the residual service potential of the assets taking account of the age, condition and obsolescence. Land was valued on the basis of fair market value.

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

This change in accounting policy for the aforementioned class of assets has resulted in an increase in surplus on revaluation of property, plant and equipment and deferred tax liability by Rs 240.516 million and Rs 79.453 million respectively.

11.5 As at December 31, 2011 plant and machinery included equipments held with Searle Pakistan Limited and Maple Pharmaceutical (Private) Limited (toll manufacturers), having cost and net book values as follows:

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

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

Net Book Value		
Freehold land	48,863	48,863
Buildings	959,252	251,809
Plant and machinery	6,583,003	6,901,861
	7,591,118	7,202,533

	2011	2010
11.6 The depreciation charge for the year has been allocated as follows:		
Cost of sales - note 27	1,021,625	942,167
Selling and distribution expenses - note 28	24,447	10,956
Administration and general expenses - note 29	56,416	44,626
	1,102,488	997,749

11.7 The following is a statement of capital work-in-progress:		
Civil works and buildings	17,960	40,261
Plant and machinery	127,939	197,464
Miscellaneous equipment	29,655	8,993
Advances to suppliers / contractors	8,077	38,638
	183,631	285,356

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

2011						
	Mode of sale	Cost	Accumulated depreciation	Net book value	Sale proceeds	Particulars of buyers
Plant and machinery						
Conveyor system & others	Tender	6,817	4,738	2,079	205	Muhammad Akram Ghouri House # 142 Mohallah New Kashmir Colony Mandi Bahauddin
Furniture and equipment						
Computers	Insurance Claim	256	50	206	247	Adamjee Insurance Limited.
2010						
Plant and machinery						
Gas condenser & various items	Tender	27,095	12,157	14,938	4,917	Alfa Laval Middleeast Ltd. and Muhammad Akram Ghouri, Mandi Bahauddin
Tinting Machines & Dispenser	Negotiation	4,180	788	3,392	3,111	Al Habib, Awami Paints, Saad contractor, Asian Paints, Roomi Paints, Khurram Contractors, Lahore
Rolling stock and vehicles						
Honda City & Toyota Corolla	Auction	1,510	192	1,318	1,924	Murtaza Khan Babar and Syed Farhat Abbas Jafri, Karachi
Honda Motorcycle	Auction	80	3	77	70	Syed Ghulam Mustafa, Lahore
Furniture and equipment						
Water cooling coil and Chiller	Auction	467	323	144	194	Habibullah Khan, Karachi

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12. Intangible Assets

Intangible Assets	2011			
	Software	Licenses	Under development	Total
Net carrying value basis Year ended December 31				
Opening net book value (NBV)	48,760	65,991	65,352	180,103
Additions at cost / (transfers)	69,418	14,428	(65,352)	18,494
Amortisation charge	(21,836)	(35,710)	-	(57,546)
Closing net book value (NBV)	96,342	44,709	-	141,051
Gross carrying amount at December 31				
Cost	295,564	101,564	-	397,128
Accumulated amortisation	(199,222)	(56,855)	-	(256,077)
Net book value	96,342	44,709	-	141,051
Rate of amortisation % per annum	20	20 to 50		
2010				
Net carrying value basis Year ended December 31				
Opening net book value (NBV)	-	-	-	-
Additions at cost / (transfers)	57,365	87,136	65,352	209,853
Amortisation charge	(8,605)	(21,145)	-	(29,750)
Closing net book value (NBV)	48,760	65,991	65,352	180,103
Gross carrying amount at December 31				
Cost	226,146	87,136	65,352	378,634
Accumulated amortisation	(177,386)	(21,145)	-	(198,531)
Net book value	48,760	65,991	65,352	180,103
Rate of amortisation % per annum	20	20 to 50	-	
2011				
2010				

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

Cost of sales - note 27	14,053	7,746
Selling and distribution expenses - note 28	3,813	2,565
Administration and general expenses - note 29	39,680	19,439
	57,546	29,750

13. Long-Term Investment - At cost

Unquoted

Equity security available for sale

- Arabian Sea Country Club Limited

2,500

2,500

14. Long-Term Loans - Considered good

Due from Executives and Employees - note 14.1

197,293

148,265

			2011	2010
14.1 Due from Directors, Executives and Employees	Motor car	House building	Total	Total
Due from Directors and Executives - note 14.2	129,301	72,424	201,725	153,415
Less: Receivable within one year - note 19	22,320	27,545	49,865	44,694
	106,981	44,879	151,860	108,721
Due from Employees			81,083	67,778
Less: Receivable within one year - note 19			35,650	28,234
			45,433	39,544
			197,293	148,265
Outstanding for period:				
- less than three years but over one year			88,051	69,982
- more than three years			109,242	78,283
			197,293	148,265
14.2 Reconciliation of the carrying amount of loans to Directors and Executives:				
Opening balance at beginning of the year			153,415	121,756
Disbursements			126,202	84,215
Repayments			(77,892)	(52,556)
Balance at end of the year			201,725	153,415
The above loan includes an amount of Rs Nil (2010: Rs 0.319 million) in respect of house building relating to key management personnel. Loan outstanding during the last year related to Mr. Ali A. Aga (Director), who was provided this loan as per his terms of employment.				
14.3	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.			
14.4	The maximum aggregate amount of long-term loans due from the Executives at the end of any month during the year was Rs 212.811 million (2010: Rs 161.509 million).			
15. Long-Term Deposits and Prepayments				
Deposits			26,059	22,873
Prepayments			8,207	17,585
			34,266	40,458
16. Stores and Spares				
Stores (include in-transit Rs 19.844 million; 2010: Rs 20.058 million)			45,581	36,570
Spares			655,590	589,833
Consumables			90,786	89,046
			791,957	715,449
Less: Provision for slow moving and obsolete items - note 16.1			202,799	191,027
			589,158	524,422
16.1 Movement of provision in stores and spares				
Opening			191,027	132,371
Charge - note 29			11,772	64,100
Reclassification to stock-in-trade - note 16.2 & 17.1			-	(5,444)
Provision as at December 31			202,799	191,027
16.2	Provision for finished goods has been reclassified from provision for stores and spares, for better presentation.			

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	2011	2010
17. Stock-in-Trade		
Raw and packing material (include in-transit Rs 467.089 million; 2010: Rs 436.887 million) - note 17.2	2,133,348	1,816,427
Work-in-process	255,938	48,553
Finished goods (include in-transit Rs 6.077 million; 2010: Rs 9.490 million) - note 17.2	2,421,630	2,107,225
	4,810,916	3,972,205
Less: Provision for slow moving and obsolete stocks - note 17.1		
- Raw materials	61,153	87,463
- Finished goods	124,047	73,506
	185,200	160,969
	4,625,716	3,811,236
17.1 Movement of provision in stock-in-trade		
Opening	160,969	118,813
Charge - note 29	106,503	55,510
Reversal	(1,962)	-
Reclassification from stores and spares - note 16.1 & 16.2	-	5,444
Write-off	(80,310)	(18,798)
Provision as at December 31	185,200	160,969
Stock amounting to Rs 30.024 million (2010: Rs Nil) is measured at net realisable value and has been written down by Rs 70.917 million (2010: Rs Nil) to arrive at its net realisable value.		
17.2	Raw and packing materials include Rs 282.610 million (2010: Rs 283.341 million) which are held with toll manufacturers namely Searle Pakistan Limited, Maple Pharmaceutical (Private) Limited, Epla Laboratories (Private) Limited, Breeze Pharma (Private) Limited, NovaMed Pharmaceuticals. Finished goods include Rs 5.107 million (2010: Rs Nil) which are held with toll manufacturer, My Plan Pharmaceuticals.	
18. Trade Debts		
Considered good		
- Secured	276,048	293,528
- Unsecured	828,942	974,076
	1,104,990	1,267,604
Considered doubtful	351,476	343,490
	1,456,466	1,611,094
Less: Provision for:		
- Doubtful debts - note 41.4	351,476	343,490
- Discounts payable on sales	460,873	449,253
	812,349	792,743
	644,117	818,351
19. Loans and Advances		
Considered good		
Loans due from:		
Executives - note 14.1	49,865	44,694
Employees - note 14.1	35,650	28,234
	85,515	72,928
Advances to:		
Directors and Executives - note 19.1	14,346	5,314
Employees	1,442	2,710
Contractors and suppliers	59,427	200,792
Others	4,824	4,911
	80,039	213,727
	165,554	286,655
Considered doubtful	9,792	10,620
	175,346	297,275
Less: Provision for doubtful loans and advances - note 41.4	9,792	10,620
	165,554	286,655

	2011	2010
19.1	The maximum aggregate amount of advances due from the Directors and Executives at the end of any month during the year was Rs 8.633 million and Rs 16.642 million (2010: Rs 3.245 million and Rs 7.364 million) respectively.	
20. Trade Deposits and Short-Term Prepayments		
Trade deposits	20,876	22,451
Short-term prepayments	264,020	432,781
	284,896	455,232
21. Other Receivables		
<i>Considered good</i>		
Duties, sales tax and octroi refunds due	200,126	315,403
Due from Associate - note 21.1 & note 21.2	82,330	78,721
Insurance claims	8,317	9,965
Commission receivable	21,427	47,341
Interest income receivable	15,440	4,516
Others	455,645	191,723
	783,285	647,669
<i>Considered doubtful</i>	18,185	16,982
	801,470	664,651
Less: Provision for doubtful receivables - note 21.3	18,185	16,982
	783,285	647,669
21.1	The maximum aggregate amount due from ICI Omicron B.V. at the end of any month during the year was Rs 84.291 million (2010: Rs 80.755 million).	
21.2	The above balances include amounts due from the following associated undertakings:	
ICI Omicron B.V. wholly owned subsidiary of Akzo Nobel N.V.	82,083	78,586
ICI Paints Vietnam (part of AkzoNobel group)	93	89
Akzo Nobel Functional Chemicals	154	46
	82,330	78,721
21.3 Movement of provision for doubtful receivables		
Provision as at January 1	16,982	17,383
Charge for the year - note 29	1,203	1,004
Reversal	-	(1,405)
Provision as at December 31	18,185	16,982
22. Cash and Bank Balances		
Short term deposits - note 22.1	2,783,000	2,927,000
Current accounts	1,865,909	1,567,365
In hand		
- Cheques	292,254	230,942
- Cash	20,216	14,250
	4,961,379	4,739,557
22.1	These are placed with various banks with terms ranging from one week to one year. The markup on these deposits ranges between 9.60% to 11.60% and these term deposits are readily encashable without any penalty.	
23. Short-Term Financing		
The facilities for running finance available from various banks amounted to Rs 3,056 million (December 31, 2010: Rs 2,806 million) and carried mark-up during the period ranging from relevant KIBOR + 0.50% to 1.50% per annum with an average mark-up rate of relevant KIBOR + 1.00% per annum as at December 31, 2011 (December 31, 2010: relevant KIBOR + 0.75% to 3.47% per annum with an average mark up rate of relevant KIBOR + 1.26% per annum). The facilities are secured by hypothecation charge over the present and future stock-in-trade and book debts of the Group and first pari passu charge over plant and machinery of Soda Ash Business of the Group.		

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24. Operating Segment Results

Note	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Others-PowerGen		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Sales														
Afghanistan	-	-	-	1,210	93,170	105,623	-	-	2,500	-	-	-	95,670	106,833
Bangladesh	-	-	-	156,953	-	-	-	-	6,960	1,692	-	-	6,960	158,645
India	-	-	262,171	419,359	-	-	-	-	-	-	-	-	262,171	419,359
South Africa	-	-	-	97,790	-	-	-	-	-	-	-	-	-	97,790
United Arab Emirates	-	-	-	28,934	-	-	-	-	2,059	-	-	-	2,059	28,934
Others	-	-	-	14,242	-	-	-	-	4,205	11,207	-	-	4,205	25,449
	-	-	262,171	718,488	93,170	105,623	-	-	15,724	12,899	-	-	371,065	837,010
Inter-segment	-	-	-	-	-	-	-	-	619,550	417,420	958,179	956,672	1,577,729	1,374,092
Local	21,037,756	18,033,688	8,366,287	7,350,542	6,672,306	6,516,258	5,253,251	4,115,180	3,021,958	2,580,289	-	-	44,351,558	38,595,957
	21,037,756	18,033,688	8,628,458	8,069,030	6,765,476	6,621,881	5,253,251	4,115,180	3,657,232	3,010,608	958,179	956,672	46,300,352	40,807,059
Commission / Toll income	-	-	-	-	-	-	-	-	79,866	99,539	-	-	79,866	99,539
Turnover	21,037,756	18,033,688	8,628,458	8,069,030	6,765,476	6,621,881	5,253,251	4,115,180	3,737,098	3,110,147	958,179	956,672	46,380,218	40,906,598
Sales tax	-	-	1,458,191	1,263,579	916,953	900,599	8,071	1,119	368,763	290,709	135,925	135,491	2,887,903	2,591,497
Excise duty	-	-	63,352	60,160	55,789	54,115	-	-	12,335	7,546	-	-	131,476	121,821
Commission and discounts to distributors and customers	18,406	52,933	252,976	282,270	882,362	986,298	471,599	352,587	178,784	150,611	-	-	1,804,127	1,824,699
	18,406	52,933	1,774,519	1,606,009	1,855,104	1,941,012	479,670	353,706	559,882	448,866	135,925	135,491	4,823,506	4,538,017
Net sales, commission and toll income	21,019,350	17,980,755	6,853,939	6,463,021	4,910,372	4,680,869	4,773,581	3,761,474	3,177,216	2,661,281	822,254	821,181	41,556,712	36,368,581
Cost of sales	19,501,286	15,620,929	5,513,936	5,074,124	3,437,905	3,333,661	3,380,378	2,681,386	2,514,429	2,151,010	717,067	696,871	35,063,261	29,556,241
Gross profit	1,518,064	2,359,826	1,340,003	1,388,897	1,472,467	1,347,208	1,393,203	1,080,088	662,787	510,271	105,187	124,310	6,493,451	6,812,340
Selling and distribution expenses	65,633	72,543	110,604	203,173	838,458	765,075	648,656	493,036	187,928	140,892	-	-	1,851,279	1,674,719
Administration and general expenses	342,058	265,191	293,304	290,708	477,262	448,873	224,825	148,242	145,104	145,991	2,219	3,010	1,484,532	1,301,775
Operating result	1,110,373	2,022,092	936,095	895,016	156,747	133,260	519,722	438,810	329,755	223,388	102,968	121,300	3,157,640	3,835,846
24.1 Segment assets	1,210,066	1,172,960	6,551,381	6,369,128	6,556,741	6,007,580	3,535,397	2,872,583	1,498,265	1,344,384	540,394	390,027	19,892,244	18,156,662
24.2 Unallocated assets													3,612,988	3,554,037
													23,505,232	21,710,699
24.3 Segment liabilities	2,431,408	2,236,516	2,076,108	1,955,050	903,534	480,080	1,651,191	1,131,839	329,889	462,089	74,076	84,823	7,466,206	6,350,397
24.4 Unallocated liabilities													4,544	309,653
													7,470,750	6,660,050
24.5 Non-cash items (Provision for non-management staff gratuity and eligible retired employees' medical scheme) - note 7.1	13,319	10,795	35,152	28,493	10,553	8,554	6,550	5,309	7,205	5,840	-	-	72,779	58,991
24.6 Depreciation & amortisation - note 11.6 & 12.1	353,980	335,033	523,474	475,600	133,550	90,644	19,523	15,645	35,745	26,889	93,762	83,688	1,160,034	1,027,499
24.7 Capital expenditure	117,223	109,785	368,709	469,040	138,431	176,238	12,670	25,883	35,428	35,770	59,254	61,137	731,715	877,853
24.8 Inter-segment pricing														
Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.														
24.9	There were no major customer of the Group which formed part of 10 per cent or more of the Group's revenue.													

	2011	2010
25. Reconciliations of reportable segment revenues, cost of sales, assets and liabilities		
25.1 Turnover		
Total turnover for reportable segments - note 24	46,380,218	40,906,598
Elimination of inter-segment turnover	(619,550)	(417,420)
Elimination of inter-segment turnover from subsidiary	(958,179)	(956,672)
Total turnover	44,802,489	39,532,506
25.2 Cost of sales		
Total cost of sales for reportable segments - note 27	35,063,261	29,556,241
Elimination of inter-segment purchases- note 24	(619,550)	(417,420)
Elimination of inter-segment purchases from subsidiary	(958,179)	(956,672)
Total cost of sales	33,485,532	28,182,149
25.3 Assets		
Total assets for reportable segments	19,892,244	18,156,662
Taxation recoverable	745,158	545,951
Bank deposits - note 22	2,783,000	2,927,000
Due from Associates - note 21.2	82,330	78,586
Long term Investments - note 13	2,500	2,500
Total assets	23,505,232	21,710,699
25.4 Liabilities		
Total liabilities for reportable segments	7,466,206	6,350,397
Accrued interest / return on unsecured loan - note 9.2	-	305,109
Unclaimed dividends - note 9	4,544	4,544
Total liabilities	7,470,750	6,660,050

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26. Details of allocation between Paints and Non-Paints Businesses

Bifurcated Balance Sheet

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

EQUITY	December 31, 2011			June 30, 2011		
	Non-Paints and PowerGen	Paints	Total	Non-Paints and PowerGen	Paints	Total
Share Capital and Reserves						
Issued, subscribed and paid-up capital	-	-	1,388,023	-	-	1,388,023
Capital reserves	-	-	465,845	-	-	465,845
Unappropriated profit	-	-	12,323,663	-	-	11,607,341
	-	-	14,177,531	-	-	13,461,209
Surplus on revaluation of property, plant and equipment	967,863	889,088	1,856,951	379,500	526,560	906,060
			16,034,482			14,367,269
ASSETS						
Non-Current Assets						
Property, Plant & Equipment	8,979,355	1,351,504	10,330,859	8,341,041	953,747	9,294,788
Intangible assets	69,118	71,933	141,051	82,617	81,825	164,442
	9,048,473	1,423,437	10,471,910	8,423,658	1,035,572	9,459,230
Deferred tax asset - net (c)	-	183,658	183,658	-	212,744	212,744
Long-term investments	2,500	-	2,500	2,500	-	2,500
Long-term loans	158,663	38,630	197,293	121,477	50,382	171,859
Long-term deposits and prepayments	32,372	1,894	34,266	35,719	8,187	43,906
	193,535	224,182	417,717	159,696	271,313	431,009
	9,242,008	1,647,619	10,889,627	8,583,354	1,306,885	9,890,239
Current Assets						
Stores and spares	552,848	36,310	589,158	539,294	25,587	564,881
Stock-in-trade	3,868,551	757,165	4,625,716	4,229,653	714,486	4,944,139
Trade debts - note 26.1	383,169	267,083	644,117	623,454	427,277	971,521
Loans and advances	128,970	36,584	165,554	254,761	534	255,295
Trade deposits and short-term prepayments	271,245	13,651	284,896	363,042	52,176	415,218
Other receivables	754,603	28,682	783,285	754,860	35,965	790,825
Inter-unit current accounts receivable (a)	-	3,546,473	3,546,473	-	3,369,696	3,369,696
Taxation recoverable	821,730	-	821,730	774,715	-	774,715
Cash and bank balances	4,738,205	223,174	4,961,379	2,649,173	310,013	2,959,186
	11,519,321	4,909,122	16,422,308	10,188,952	4,935,734	15,045,476
Total Assets	20,761,329	6,556,741	27,311,935	18,772,306	6,242,619	24,935,715
LIABILITIES						
Non-Current Liabilities						
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	255,333	25,061	280,394	244,771	17,368	262,139
Deferred tax liability - net	1,186,234	-	1,186,234	993,591	-	993,591
	1,441,567	25,061	1,466,628	1,238,362	17,368	1,255,730
Current Liabilities						
Short term financing	-	-	-	(61,713)	67,743	6,030
Taxation payable (b)	-	76,572	76,572	-	-	-
Inter-unit current accounts payable (a)	3,546,473	-	3,546,473	3,369,696	-	3,369,696
Trade and other payables - note 26.1	5,392,014	801,901	6,187,780	5,024,883	991,317	5,936,990
	8,938,487	878,473	9,810,825	8,332,866	1,059,060	9,312,716
Total Liabilities	10,380,054	903,534	11,277,453	9,571,228	1,076,428	10,568,446
Net Assets	10,381,275	5,653,207	16,034,482	9,201,078	5,166,191	14,367,269

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

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

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

Basis of allocation

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

26.1 Assets and Liabilities

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

26.2 Surplus on revaluation of Property, Plant and Equipment

The balance of surplus on revaluation of property, plant and equipment has been segregated on actual basis (i.e. recorded in the subsidiary records of businesses) determined by the independent valuer as detailed in note 11.3.

26.3 Share capital, capital reserves and unappropriated profits

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

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

26.4 Taxation

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

26.5 Contingencies and Commitments

	December 31, 2011			June 30, 2011		
	Non-Paints and PowerGen	Paints	Total	Non-Paints and Power Gen	Paints	Total
Claims against the Group not acknowledged as debts are as follows:						
Local bodies	80,846	453	81,299	31,989	-	31,989
Sales tax authorities	492	91,087	91,579	492	90,844	91,336
Others	137,201	25,224	162,425	170,258	1,788	172,046
	218,539	116,764	335,303	202,739	92,632	295,371

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

Year						
2011	-	-	-	29,831	6,594	36,425
2012	63,429	13,053	76,482	53,058	11,060	64,118
2013	51,141	9,491	60,632	40,426	7,591	48,017
2014	31,742	7,751	39,493	21,804	4,964	26,768
2015	12,351	4,871	17,222	6,450	1,290	7,740
	158,663	35,166	193,829	151,569	31,499	183,068
Payable not later than one year	63,429	13,053	76,482	58,366	11,060	69,426
Payable later than one year but not later than five years	95,234	22,113	117,347	93,203	20,439	113,642
	158,663	35,166	193,829	151,569	31,499	183,068

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

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	ICI Group All Businesses (Jan 1 to Jun 30 2011)	ICI Group-Non- Paints Businesses (Jul 1 to Dec 31 2011)	ICI Paints Business (Jul 1 to Dec 31 2011)	ICI Group All Businesses (Jan 1 to Dec 31 2011)
26.8 Bifurcated Cash Flow Statements				
Net cash flows from operating activities	246,551	2,765,261	106,956	3,118,768
Net cash flows from investing activities	(367,324)	(315,440)	(62,746)	(745,510)
Net cash flows from financing activities	(1,665,628)	(422,502)	(63,306)	(2,151,436)
Net (decrease) / increase in cash and cash equivalents	(1,786,401)	2,027,319	(19,096)	221,822

26.9 Bifurcated Profit and Loss Account

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

	ICI Group All Businesses (Jan 1 to Jun 30 2011)	ICI Group Non-Paints Businesses (Jan 1 to Jun 30 2011)	ICI Group All Businesses (Jan 1 to Jun 30 2011) & ICI Non- Paints Businesses (Jul 1 to Dec 31 2011)	ICI Paints Business (July 1 to Dec 31 2011)	ICI Group All Businesses (Jan 1 to Dec 31 2011)
	A	B	C = A + B	D	E = C + D
Turnover - note 26.9.1	22,921,334	18,904,234	41,825,568	3,288,511	44,802,489
Sales tax, excise duty, commission and discounts	(2,557,137)	(1,424,278)	(3,981,415)	(842,091)	(4,823,506)
Net sales, commission and toll income	20,364,197	17,479,956	37,844,153	2,446,420	39,978,983
Cost of sales - note 26.9.1	(17,361,774)	(14,836,808)	(32,198,582)	(1,598,540)	(33,485,532)
Gross profit	3,002,423	2,643,148	5,645,571	847,880	6,493,451
Selling and distribution expenses	(897,704)	(527,063)	(1,424,767)	(426,512)	(1,851,279)
Administration and general expenses	(647,269)	(566,984)	(1,214,253)	(270,279)	(1,484,532)
Operating result	1,457,450	1,549,101	3,006,551	151,089	3,157,640
Financial charges - note 26.9.1	(47,342)	(475,630)	(522,972)	2,232	(141,484)
Other operating charges	(124,529)	(100,394)	(224,923)	(29,401)	(254,324)
	(171,871)	(576,024)	(747,895)	(27,169)	(395,808)
Other operating income - note 26.9.1	215,583	387,838	603,421	161,032	385,197
Profit before taxation	1,501,162	1,360,915	2,862,077	284,952	3,147,029
Taxation	(518,914)	(360,253)	(879,167)	(97,271)	(976,438)
Profit after taxation	982,248	1,000,662	1,982,910	187,681	2,170,591

Basis of allocation

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

26.9.1 Income and expenses

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

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

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

27. Cost of Sales

	Polyester		Soda Ash		Paints		Life Sciences		Chemicals		Others-PowerGen		Group	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Raw and packing materials consumed														
Opening stock	867,612	612,350	203,975	74,436	259,951	285,368	282,021	146,489	85,070	100,114	30,335	8,820	1,728,964	1,227,577
Purchases														
Inter-segment	958,179	-	-	-	619,550	417,420	-	-	-	-	-	-	1,577,729	417,420
Others	15,895,615	13,674,630	1,904,504	1,877,621	2,666,952	2,489,024	1,262,928	973,217	1,119,475	930,155	513,529	357,265	23,363,003	20,301,912
	16,853,794	13,674,630	1,904,504	1,877,621	3,286,502	2,906,444	1,262,928	973,217	1,119,475	930,155	513,529	357,265	24,940,732	20,719,332
	17,721,406	14,286,980	2,108,479	1,952,057	3,546,453	3,191,812	1,544,949	1,119,706	1,204,545	1,030,269	543,864	366,085	26,669,696	21,946,909
Closing stock - note 17	(880,001)	(867,612)	(177,745)	(203,975)	(438,071)	(259,951)	(457,248)	(282,021)	(89,435)	(85,070)	(29,695)	(30,335)	(2,072,195)	(1,728,964)
Raw material consumed	16,841,405	13,419,368	1,930,734	1,748,082	3,108,382	2,931,861	1,087,701	837,685	1,115,110	945,199	514,169	335,750	24,597,501	20,217,945
Salaries, wages and benefits	382,518	336,069	605,098	540,016	95,010	96,312	4,287	3,078	45,940	39,211	16,009	14,456	1,148,862	1,029,142
Stores and spares consumed	103,888	118,723	121,096	119,593	7,944	3,704	-	-	4,576	3,510	23,742	26,707	261,246	272,237
Conversion fee paid to contract manufacturers	-	-	-	-	-	-	268,329	201,368	3,332	4,341	-	-	271,661	205,709
Oil, gas and electricity	1,803,969	1,394,075	2,234,191	1,962,927	25,044	28,851	-	-	7,096	7,523	57,565	225,316	4,127,865	3,618,692
Rent, rates and taxes	993	1,234	1,536	1,379	13,723	15,893	-	-	9,911	8,612	909	832	27,072	27,950
Insurance	19,599	17,722	15,612	16,236	21,861	27,849	3	2	1,398	973	1,994	954	60,467	63,736
Repairs and maintenance	1,426	1,670	57	695	12,292	15,585	2	9	3,406	3,242	125	128	17,308	21,329
Depreciation and amortisation - note 11.6 & 12.1	332,264	319,963	506,635	455,542	82,566	75,205	503	428	19,948	15,087	93,762	83,688	1,035,678	949,913
Excise duty	-	-	-	-	-	-	-	-	-	-	8,345	8,124	8,345	8,124
Technical fees	-	-	-	-	49,917	23,270	1,450	1,815	2,402	5,750	-	-	53,769	30,835
Royalty	-	-	-	-	-	-	1,769	2,076	8,134	24,862	-	-	9,903	26,938
General expenses - note 27.2	123,801	106,805	87,213	83,627	73,514	62,193	658	400	12,513	10,965	447	916	296,406	263,166
Opening stock of work-in-process	24,388	54,163	-	-	10,976	15,600	12,464	11,811	725	1,655	-	-	48,553	83,229
Closing stock of work-in-process - note 17	(188,491)	(24,388)	-	-	(35,692)	(10,976)	(28,376)	(12,464)	(3,379)	(725)	-	-	(255,938)	(48,553)
Cost of goods manufactured	19,445,760	15,745,404	5,502,172	4,928,097	3,465,537	3,285,347	1,348,790	1,046,208	1,231,112	1,070,205	717,067	696,871	31,708,698	26,770,392
Opening stock of finished goods	725,027	509,236	58,912	207,554	241,103	246,586	774,839	837,505	233,838	141,658	-	-	2,033,719	1,942,539
Finished goods purchased	244	91,316	-	-	72,339	64,800	2,193,565	1,583,188	1,458,782	1,193,235	-	-	3,724,930	2,932,539
	20,171,031	16,345,956	5,561,084	5,135,651	3,778,979	3,596,733	4,317,194	3,466,901	2,923,732	2,405,098	717,067	696,871	37,467,347	31,645,470
Closing stock of finished goods - note 17	(669,745)	(725,027)	(47,148)	(58,912)	(283,402)	(241,103)	(896,220)	(774,839)	(401,068)	(233,838)	-	-	(2,297,583)	(2,033,719)
Provision for obsolete stocks - note 29	-	-	-	(2,615)	(57,672)	(21,969)	(40,596)	(10,676)	(8,235)	(20,250)	-	-	(106,503)	(55,510)
	19,501,286	15,620,929	5,513,936	5,074,124	3,437,905	3,333,661	3,380,378	2,681,386	2,514,429	2,151,010	717,067	696,871	35,063,261	29,556,241

27.1 Staff retirement benefits

Salaries, wages and benefits include Rs 170.928 million (2010: Rs 163.442 million) in respect of staff retirement benefits.

27.2 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.

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28. Selling and Distribution Expenses

	Polyester 2011	2010	Soda Ash 2011	2010	Paints 2011	2010	Life Sciences 2011	2010	Chemicals 2011	2010	Others-PowerGen 2011	2010	Group 2011	2010
Salaries and benefits	47,068	46,473	26,738	21,759	249,373	220,879	253,165	197,442	87,397	61,696	-	-	663,741	548,249
Repairs and maintenance	-	14	1,365	1,079	7,654	3,933	2,282	2,179	1,371	1,381	-	-	12,672	8,586
Advertising and publicity expenses	799	1,163	13,828	10,948	250,824	253,121	110,283	86,049	5,411	817	-	-	381,145	352,098
Rent, rates and taxes	-	-	1,316	1,282	24,042	19,323	7,780	5,897	741	739	-	-	33,879	27,241
Insurance	-	-	633	1,028	-	-	6,571	6,522	4,624	3,530	-	-	11,828	11,080
Lighting, heating and cooling	15	15	1,281	1,088	3,519	6,683	2,773	2,297	2,707	2,164	-	-	10,295	12,247
Depreciation and amortisation - note 11.6 & 12.1	-	-	244	277	11,802	-	12,702	11,093	3,512	2,151	-	-	28,260	13,521
Outward freight and handling	5,718	9,626	47,238	149,095	195,215	179,945	52,291	35,329	35,379	31,538	-	-	335,841	405,533
Travelling expenses	5,872	7,022	3,681	2,703	26,961	30,082	86,807	68,932	14,612	12,171	-	-	137,933	120,910
Postage, telegram, telephone and telex	714	529	1,445	1,325	9,480	7,046	13,525	10,728	3,661	3,688	-	-	28,825	23,316
General expenses	5,447	7,701	12,835	12,589	59,588	44,063	100,477	66,568	28,513	21,017	-	-	206,860	151,938
	65,633	72,543	110,604	203,173	838,458	765,075	648,656	493,036	187,928	140,892	-	-	1,851,279	1,674,719

28.1 Staff retirement benefits

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

29. Administration and General Expenses

Salaries and benefits	218,700	129,271	192,627	191,647	257,543	168,579	119,584	85,980	91,899	81,934	-	-	880,353	657,411
Repairs and maintenance	4,751	2,986	3,448	3,930	10,744	9,147	2,248	1,872	975	1,003	-	-	22,166	18,938
Advertising and publicity expenses	2,700	1,837	3,114	3,681	2,639	1,372	1,065	788	760	866	-	-	10,278	8,544
Rent, rates and taxes	4,425	2,675	2,967	2,954	2,266	5,060	960	649	637	680	-	-	11,255	12,018
Insurance	1,861	735	2,228	1,858	1,265	692	2,834	3,857	478	425	-	-	8,666	7,567
Lighting, heating and cooling	5,771	3,637	5,328	6,200	4,985	4,655	5,394	4,664	1,144	1,416	-	-	22,622	20,572
Depreciation and amortisation - note 11.6 & 12.1	21,716	15,070	16,595	19,781	39,182	15,439	6,318	4,124	12,285	9,651	-	-	96,096	64,065
Provision for doubtful debts - trade - note 41.4	-	-	-	-	9,005	138,262	-	477	-	401	-	-	9,005	139,140
- others - note 21.3	-	-	-	381	-	2,500	1,203	623	-	-	-	-	1,203	3,504
Provision for obsolete stock - note 17.1	-	-	-	2,615	57,672	21,969	40,596	10,676	8,235	20,250	-	-	106,503	55,510
Provision for obsolete spares - note 16.1	5,154	59,100	6,618	-	-	5,000	-	-	-	-	-	-	11,772	64,100
Travelling expenses	7,294	10,138	4,800	9,652	9,325	12,732	5,885	6,192	4,213	6,791	-	-	31,517	45,505
Postage, telegram, telephone and telex	3,266	2,329	3,063	3,948	7,571	5,814	2,526	2,891	1,552	1,678	-	-	17,978	16,660
General expenses - note 29.2	66,420	37,413	52,516	44,061	75,065	57,652	36,212	25,449	22,926	20,896	2,219	3,010	255,118	188,241
	342,058	265,191	293,304	290,708	477,262	448,873	224,825	148,242	145,104	145,991	2,219	3,010	1,484,532	1,301,775

29.1 Staff retirement benefits

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

29.2 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.

	2011	2010
30. Financial Charges		
Mark-up on short-term financing	333	1,536
Interest on workers' profit participation fund - note 9.3	9,689	6,948
Discounting charges on receivables	90,545	94,940
Exchange losses	38,951	59,564
Guarantee fee and others	1,966	2,428
	141,484	165,416
31. Other Operating Charges		
Auditors' remuneration - note 31.1	12,004	8,525
Donations - note 31.2	24,295	22,277
Workers' profit participation fund - note 9.3	155,116	199,302
Workers' welfare fund	59,948	77,139
Loss on disposal of property, plant and equipment	2,961	-
	254,324	307,243
31.1 Auditors' remuneration		
Audit and Group reporting fee	6,724	6,060
Half yearly review and other certifications	1,915	1,815
Demerger related expenses	3,000	-
Out of pocket expenses	365	650
	12,004	8,525
31.2 Donations transferred to ICI Pakistan Foundation (Head office, Karachi) Rs Nil (2010: Rs 15.795 million). Mr Waqar A Malik, Chief Executive; Mr Ali Asrar Aga and Mr Feroz Rizvi, Directors of the Company and Mr Suhail Aslam Khan and Ms Seemi Saad, Executives of the Company are amongst the Trustees of the Foundation.		
32. Other Operating Income		
Return from financial assets		
Profit on short-term and call deposits	292,482	282,906
Income from non-financial assets		
Scrap sales	51,805	49,543
Gain on disposal of property, plant and equipment	-	10,211
Others		
Provisions and accruals no longer required written back	13,917	16,527
Sundries	26,993	57,419
	385,197	416,606
33. Taxation		
Current tax charge	1,098,647	1,457,540
Deferred - note 8	(122,209)	(154,850)
Net tax charged - note 33.1	976,438	1,302,690

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	2011	2010
33.1 Tax reconciliation		
Profit before tax	3,147,029	3,779,793
Tax @ 35%	1,101,460	1,322,928
Tax impact on profit of subsidiary - note 33.2	(8,874)	(16,897)
Tax impact on income under FTR of the current year	(12,476)	2,992
Flood relief surcharge	60,450	-
Tax impact on impairment	(73,333)	-
Tax impact on repayment of Mortar Loan	(98,350)	-
Others	7,561	(6,333)
Net tax charged	976,438	1,302,690

33.2 The turnover tax at the rate of 0.5% of turnover has been waived under second schedule of the Income Tax Ordinance 2001.

34. Earnings per share - Basic and diluted

Profit after taxation for the year	2,170,591	2,477,103
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Number of shares

Weighted average number of ordinary shares in issue during the year	138,802,300	138,802,300
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Rupees

Earnings per share	15.64	17.85
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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 Group were as follows:

	Chairman		Chief Executive		Directors		Executives		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Managerial remuneration	1,236	1,230	31,643	25,363	38,523	34,209	585,553	503,348	656,955	564,150
Retirement benefits	-	-	7,487	6,362	8,588	7,555	151,640	145,226	167,715	159,143
Group insurance	-	-	64	42	128	84	6,618	5,083	6,810	5,209
Rent and house maintenance	-	-	6,835	6,022	-	-	172,335	148,819	179,170	154,841
Utilities	-	-	953	775	-	-	42,540	36,802	43,493	37,577
Medical expenses	-	-	139	91	205	221	25,008	19,661	25,352	19,973
	1,236	1,230	47,121	38,655	47,444	42,069	983,694	858,939	1,079,495	940,893
Number of persons	1	1	1	1	4	4	436	382	442	388

- 35.1** In addition to this, an amount of Rs 278.2 million (2010: Rs 228.9 million) on account of variable pay, to employees, has been recognised in the current year. This amount is payable in the year 2012 after verification of achievements against target. Further, a special bonus of Rs Nil (2010: Rs 12.0 million) is payable to certain employees and has been recognised in the financial statements.

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

	Paid in 2011 relating to 2010	Paid in 2010 relating to 2009
Chief Executive	17,814	13,163
Directors	14,896	33,529
Executives	166,749	125,444
Other employees	23,686	9,192
	223,145	181,328

- 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 Company maintained furnished accommodation and free use of Company car.
- 35.3** Aggregate amount charged in the financial statements for remuneration to three Non-executive Directors was Rs 3.483 million (2010: Rs 3.225 million). This includes fees paid to directors amounting to Rs 0.270 million (2010: Rs 0.220 million) for attending board and other meetings which is not included above.
- 35.4** The above balances include an amount of Rs 179.900 million (2010: Rs 188.114 million) on account of remuneration of key management personnel out of which Rs 29.073 million (2010: Rs 26.274 million) relates to post employment benefits.

36. Transactions with Related Parties

The related parties comprise parent company (ICI Omicron B.V.), ultimate parent company (Akzo Nobel N.V.), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key employees (note 35) and staff retirement funds (note 7). Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these consolidated financial statements are as follows:

	2011	2010
Associated companies		
Purchase of goods, materials and services	267,829	118,487
Provision of services and other receipts	999	4,600
Sale of goods and materials	137,009	131,099
Dividends	1,631,051	1,052,291
Donations	-	15,795

37. Plant Capacity and Annual Production

- in metric tones except Paints which is in thousands of liters and PowerGen which is in thousand of Kilowatts:

	2011		2010	
	Annual Name Plate Capacity	Production	Annual Name Plate Capacity	Production
Polyester - note 37.1	122,000	117,174	122,000	129,445
Soda Ash - note 37.1	350,000	258,420	350,000	278,650
Paints - note 37.2	-	29,338	-	34,748
Chemicals - note 37.2	-	8,852	-	9,082
Sodium Bicarbonate	20,000	24,340	20,000	23,700
PowerGen - note 37.3	221,978	46,250	221,978	67,343

- 37.1** Production was below name plate capacity due to gas curtailment.
- 37.2** The capacity of Paints and Chemicals is indeterminable because these are multi-product plants.
- 37.3** Electricity by PowerGen is produced as per demand.

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38. Fair Value of Financial Assets and Liabilities

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

39. 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.

39.1 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.

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 Group's interest-bearing financial instruments were:

	Carrying Amount	
	2011	2010
Fixed rate instruments		
Financial assets - Note 22	2,783,000	2,927,000
Financial liabilities - Note 9	(95,473)	(80,700)
	2,687,527	2,846,300

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 and loss account.

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 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 2011 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
2011				
Trade debts	-	-	2,572	-
Other receivables	-	1,571	19,701	-
Due from Associates - note 21.2	-	-	247	82,083
Cash and bank balances	-	-	130,723	-
	-	1,571	153,243	82,083
Trade and other payables	-	59,167	1,746,336	712,912
Due to Associates - note 9.1	16	78,758	14,854	498
	16	137,925	1,761,190	713,410
Gross balance sheet exposure	(16)	(136,354)	(1,607,947)	(631,327)
2010				
Trade debts	-	-	9,641	-
Other receivables	-	10,859	17,665	11,812
Due from Associates - note 21.2	-	-	135	78,586
Cash and bank balances	-	-	98,227	-
	-	10,859	125,668	90,398
Trade and other payables	-	107,789	1,235,916	662,294
Accrued interest / return on unsecured loan - note 9.2	-	-	305,109	-
Due to Associates - note 9.1	15	59,580	21,607	1,371
	15	167,369	1,562,632	663,665
Gross balance sheet exposure	(15)	(156,510)	(1,436,964)	(573,267)

Significant exchange rates applied during the year were as follows:

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

Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will increase or decrease profit after tax for the year by Rs 23.8 million (2010: Rs 21.7 million).

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 Group does not have significant exposure to any individual counterparty. 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. Business with customers is also secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

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	2011	2010
The Group's gross maximum exposure to credit risk at the reporting date is as follows:		
41.1 Financial Assets		
Long-term investment - note 13	2,500	2,500
Long-term loans - note 14	197,293	148,265
Long-term deposits - note 15	26,059	22,873
Trade debts - note 18	644,117	818,351
Loans and advances - note 19	165,554	286,655
Trade deposits - note 20	20,876	22,451
Other receivables - note 21	583,159	332,266
Bank balances - note 22	4,941,163	4,725,307
	6,580,721	6,358,668

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

41.2 Financial Assets		
- Secured	548,872	496,973
- Unsecured	6,031,849	5,861,695
	6,580,721	6,358,668

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

Not past due	5,623,931	5,692,736
Past due but not impaired:		
Not more than three months	116,331	122,131
Past due and impaired:		
More than three months and not more than six months	20,356	30,893
More than six months and not more than nine months	-	12,327
More than nine months and not more than one year	-	27,165
More than one year	351,484	299,171
	488,171	491,687
Less: Provision for:		
- Doubtful debts	351,476	343,490
- Doubtful loans and advances	9,792	10,620
	361,268	354,110
	5,750,834	5,830,313

41.4 Movement of provision for trade debts and loans and advances

	Trade Debts	Loans and Advances	Total	Total
Opening	343,490	10,620	354,110	285,751
Additional provision - note 29	9,005	-	9,005	141,640
(Write off) / Provision utilised against write-offs	-	(828)	(828)	(57,409)
Provision no longer required	(1,019)	-	(1,019)	(15,872)
	351,476	9,792	361,268	354,110

	2011	2010
41.5 The maximum exposure to credit risk for past due and impaired at the reporting date by type of counterparty was:		
Wholesale customers	205,265	202,884
Retail customers	107,106	109,691
End-user customers	175,800	179,112
	488,171	491,687
Less: Provision for:		
- Doubtful debts	351,476	343,490
- Doubtful loans and advances	9,792	10,620
	361,268	354,110
	126,903	137,577

41.5.1 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.

41.6 Concentration Risk

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

Textile	84,512	92,073
Glass	6,846	14,415
Paper and Board	21,152	24,641
Chemicals	202,657	240,731
Pharmaceuticals	20,560	36,880
Construction	9,903	12,701
Transport	28,832	36,976
Paints	484,262	621,046
Bank	4,941,163	4,725,307
Others	312,215	379,653
	6,112,102	6,184,423
Less: Provision for:		
- Doubtful debts	351,476	343,490
- Doubtful loans and advances	9,792	10,620
	361,268	354,110
	5,750,834	5,830,313

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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. Group treasury aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below analyses 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
	2011		
Financial liabilities			
Trade creditors - note 9	1,165,939	1,165,939	(1,165,939)
Bills payable - note 9	2,638,300	2,638,300	(2,638,300)
Mark-up accrued on short-term financing - note 9	1,904	1,904	(1,904)
Accrued expenses - note 9	1,246,187	1,246,187	(1,246,187)
Technical service fee / Royalty - note 9	41,291	41,291	(41,291)
Distributors' security deposits - payable on termination of distributorship - note 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	81,327	81,327	(81,327)
Others - note 9	129,689	129,689	(129,689)
	5,413,998	5,425,073	(5,425,073)

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

	2010		
Financial liabilities			
Trade creditors - note 9	1,082,075	1,082,075	(1,082,075)
Bills payable - note 9	1,988,466	1,988,466	(1,988,466)
Mark-up accrued on short-term financing - note 9	1,786	1,786	(1,786)
Accrued interest / return on unsecured loan - note 9.2	305,109	305,109	(305,109)
Accrued expenses - note 9	1,169,705	1,169,705	(1,169,705)
Technical service fee / Royalty - note 9	30,316	30,316	(30,316)
Distributors' security deposits - payable on termination of distributorship - note 9.4	80,700	89,981	(89,981)
Contractors' earnest / retention money - note 9	11,653	11,653	(11,653)
Unclaimed dividends - note 9	4,544	4,544	(4,544)
Payable for capital expenditure - note 9	101,551	101,551	(101,551)
Others - note 9	107,610	107,610	(107,610)
	4,883,515	4,892,796	(4,892,796)

43. Capital Risk Management

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

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

44. 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 Income Tax Appellate Tribunal earlier set aside the assessment for the assessment year 1998-99 on the issues of date of commissioning of PTA plant & depreciation thereon, restriction of cost of capitalisation of PTA plant and addition to income in respect of trial production stocks. The re-assessment was finalised by the department on June 29, 2010 giving rise to an additional tax demand. The Group has filed an appeal against the said order before the CIT (Appeals), hearing of appeal has been completed and the order is awaited.

The tax department reopened the income tax assessment for the assessment year 2001-2002 on the ground that demerger of PTA business from ICI Pakistan 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.

After the Supreme Courts' decision on retrospectivity, a notice has been issued under section 66 of the repealed Ordinance by Tax department on June 20, 2011, which was challenged by the Group in High Court on the basis of Supreme Courts' decision. The Group 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 High Court.

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

Whilst amending the assessment for the Tax Year 2003, 2004, 2005, 2007, 2008 and 2010 tax department has taken certain action in the order, considered by the department as "protective assessment" on the matter of unabsorbed depreciation carried forward. It is the Group's contention that such an action is unwarranted. Appeals for the above mentioned years before the CIT (Appeals), on the matter have been filed which are pending. The very basis of such an action has also been challenged before the High Court of Sindh which are pending for hearing. While these cases are pending for adjudication, in view of the Supreme Court's decision relating to assessment year 2001-2002 it is unlikely that the department can take an adverse action.

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

For Tax Year 2006 the case had been selected for audit / scrutiny and whilst framing the order tax department has taken certain action in the orders, considered by the department as "protective assessments" on the matter of unabsorbed depreciation carried forward. It is the Group's contention that such an action is unwarranted. An appeal before the CIT (Appeals), on the matter has been filed which is pending. The Group is also in the process of challenging such an action before the High Court of Sindh. However, in view of the Supreme Court's decision relating to assessment year 2001-2002 it is unlikely that the department can take an adverse action.

Pension and Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 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 unrecognised gains and losses in those years.

Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional 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.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2011

45. Standards or Interpretations not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods beginning on or after January 1, 2012. These standards except for IAS 19 Employee Benefits are either not relevant to the Group's operations or are not expected to have a material impact on the Group's financial statements:

Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after 1 January 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. These amendments have no material impact on the 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. These amendments 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. These amendments have no material impact on the financial statements of the Group.

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

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

Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 July 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. The amendments have no material impact on the financial statements of the Group.

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 have no material impact on the financial statements of the Group.

46. Dividend

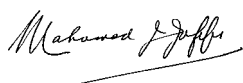
The directors in their meeting held on March 15, 2012 have recommended a final dividend of Rs 5.50 per share (2010: Rs 12.00 per share) in respect of year ended December 31, 2011. The consolidated financial statements for the year ended December 31, 2011 do not include the effect of the above dividend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

47. Date of Authorisation

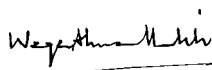
These consolidated financial statements were authorised for issue in the Board of Directors meeting held on March 15, 2012.

48. General

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



M J Jaffer
Chairman / Director



Waqar A Malik
Chief Executive



Feroz Rizvi
Chief Financial Officer



ICI Pakistan Limited is now part
of the AkzoNobel Group



AkzoNobel

Tomorrow's Answers Today

Admission Slip

The Sixtieth Annual General Meeting of ICI Pakistan Limited will be held on Friday, April 27, 2012 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 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

Form of Proxy 60th 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 Sixtieth Annual General
Meeting of the Company to be held on April 27, 2012 and at any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2012

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.

**Affix
Correct
Postage**

**The Company Secretary
ICI Pakistan Limited
ICI House
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Karachi-74000**

**A publication of the Corporate Communications
& Public Affairs Department**

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**ICI Pakistan Limited is now part of the
AkzoNobel Group.**

AkzoNobel is the largest global paints and coatings company and a major producer of specialty chemicals. We supply industries and consumers worldwide with innovative products and are passionate about developing sustainable answers for our customers. Our portfolio includes well known-brands such as Dulux, Sikkens,

International and Eka.

Headquartered in Amsterdam, the Netherlands, we are a Global Fortune 500 company and are consistently ranked as one of the leaders in the area of sustainability. With operations in more than 80 countries, our people around the world are committed to excellence and delivering Tomorrow's Answer Today™