ANNUAL REPORT 2006

TAKING IT FURTHER

ICI Pakistan Limited

Our Mission

'To be the partner of first choice for customers and suppliers, ensuring sustained leadership position 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 our highest priority to Health, Environment and on Ethical business behaviours.

~

Make sure our product offer gives value to the customer in dependable supply, reliability and consistent quality.

~

Make sure our service levels help us foster long-term relationships with customers and suppliers.

~

Aim to be best in class in our operating efficiencies and costs and grow the business by selectively increasing capacities and introducing new products that meet customers' needs.

~

Develop and retain a team of capable people who are enthused to deliver the mission.

Taking it Further

ICI Pakistan's dynamic and adaptive culture has helped defy several obstacles that potentially could have stood in the way of its progression. Having gone through a long evolution and not one to be left behind, the company has constantly changed in order to meet the changing needs of society. It has raised the bar. It has taken things further.

Our Values

In 2006, ICI Pakistan embarked on a process of articulating its seven core values, which are a set of beliefs and principles that we work and live by

SSH&E

'Nothing we do is worth getting hurt for.'
Safety, Health and Security of Employees and Contractors is paramount to any other consideration. We shall act responsibly to protect the environment and participate in the well-being of the communities we operate in. We shall demonstrate respect and care while dealing with our customers, our suppliers and the general public.

Valuing People

'Our competitive edge.'
We shall value our people – 'our competitive edge', respect the individual, value teamwork and, without discrimination, recognise and reward performance.

Innovation

'Creativity for improvement.'
We shall seek new and better ways to improve products, services and processes.

Business Excellence

'Better, faster and best value.'
We shall lead in quality, speed, and cost competitiveness. We shall maximize returns for shareholders and deliver sustainable growth.

Customer Obsession

'They pay our bills.'

We shall understand customer needs and deliver on our commitments and show adaptability and agility in response to change.

Transparency

'Beyond reproach.'

All our systems are transparent and can stand the test of scrutiny.

Ethics

'Uncompromising integrity.'

We shall demonstrate uncompromising integrity in our business dealings; be fair and honest; be free of bias; and auditable in all aspects of our business, ensuring conformity with our code of conduct and regulatory standards.

Highlights of CSR

- ICI Pakistan and Pakistan PTA along with our employees and an oversea principal pledged Rs 41 million for the post-quake rehabilitation work. Beside donation to the President's Relief Fund, pledge also includes construction of a girls' school at Barar Kot at a cost of around Rs 14 million.

- 170 th Free Eye Clinic was held in December 2006 at the company's Winnington Hospital, Khewra. This programme is running since 1991.

- 9,258 major and minor eye surgeries have been carried out to date, with 97,697 patients treated at the free eye clinic. Cataract patients are implanted with free intraocular lenses (IOL).

- Approximately 23,000 gallons of drinking water is daily supplied through nine Community water taps to the residents of Khewra around the Soda Ash plant.

- The Polyester Fibres Business actively supported the Sheikhupura Community by inducting qualified teachers at local school and providing school fees and uniforms for students.

- As part of its continuous efforts to support the nature conservation programmes, ICI Pakistan sponsored the WWF-Pakistan Nature Carnival 2006 for the 7th consecutive year, beside active support to the Turtle Conservation Project.

- 1,153 students of the Khewra community have taken skills development training at the Ladies Welfare Centre, Khewra since 1973.

- ICI Pakistan and KVTC, with the support of the British Council, launched an Internship Programme for young persons with learning difficulties.

- Paints Business provided support to the SOS Children's Village at Lahore, through donation and sponsoring events.

- Around 300 patients are examined and treated monthly in free weekly OPD facility, with the poor getting free medication at ICI's Winnington Hospital Khewra.

- In 2006, medical camps were held by the Winnington Hospital in the vicinity of Khewra and Pind Dadan Khan in collaboration with local NGOs.

- 73% of the students from the community and 27% of the employees' children have their educational needs looked after by Winnington School, Khewra.

- ICI Pakistan has joined a forum called 'Dia' along with Shell, Dupont and Unilever "to promote and enhance the development of professional women."

- ICI Pakistan with the support of its Paints Business and Pakistan PTA sponsored an awareness campaign of Environmental Protection Agency and the Government of Sindh against production and sale of polythene bags of less than 30 micron.

- ICI Pakistan launched its Scholarship Programme to meritorious students of the leading institutions in the country.

- The Life Sciences Business set up relief and veterinary camps for the rain-affected and their livestock in Hyderabad, Badin and Nawabshah in Sept 2006.

Major CSR Initiatives

ICI has taken things further through its major corporate social responsibility initiatives for the improvement of several sectors of the country

Earthquake Relief Fund

ICI Pakistan and Pakistan PTA alongwith its employees & an overseas principal pledged Rs 41 million.

ICI Pakistan Limited and Pakistan PTA Limited, the subsidiaries of ICI Group alongwith its employees, pledged all out support to the Government and the people by contributing Rs 14.5 million to the President's Relief Fund, while one of ICI Pakistan's overseas principals contributed Rs 12 million for Relief Efforts.

ICI Pakistan also donated Rs 1 million to the Pharma Bureau of Information & Statistics Pakistan for medicines and medical supplies and other relief efforts.

In addition to the above donations ICI Pakistan also pledged the construction of a girls' school at the earthquake affected Barar Kot. Construction of the school began in 2006, at a cost of Rs 14 million and is expected to be completed shortly.

LRBT Eye Clinic Programme

ICI Pakistan, with the assistance of the Layton Rehmatulla Benevolent Trust (LRBT) doctors, has been conducting Eye Clinic programmes at the company's Winnington Hospital located at the Soda Ash plant, Khewra since 1991. The two-day monthly clinics open to the public include OPD consultation as well as major and minor surgeries and refractions, performed free of cost for all patients.

Over the years, this programme has been taken further and expanded to appropriately respond to increasing community needs for eye-care services. The 170 th Clinic was held in December 2006. A total of 9,258 major and minor surgeries have been carried out to date and 97,697 out patients have been treated. All patients operated for cataract are implanted with free intra ocular lenses (IOL).

WWF Save the Turtle Project

Moving with the world in other aspects such as wildlife preservation and as a part of its sponsorship of Save the Turtle Project in collaboration with WWF Pakistan and City District Government Karachi, ICI Pakistan organizes beach-cleaning events at turtle-nesting beach, Sandspit. Students, teachers, Sandspit community members and representatives of ICI Pakistan, Sindh Wildlife Dept and WWF Pakistan are involved in the cleaning activity on the 5 km stretch of Sandspit turtle beach.

KVTC Internship Programme

Always on the go, ICI Pakistan Limited launched an Internship Programme for young persons with learning difficulties in collaboration with Karachi Vocational Training Centre (KVTC) and with the support of the British Council

The programme was launched with a half-day workshop on 12 Sept 06, detailing the related sensitivities and interacting techniques required to help young persons with learning difficulties. The project encompassed four-weeks work/job placement for 14 students of KVTC (men and women) at the British Council Karachi.

Working on the role model of the British Council and in coordination with KVTC, the programme provided an opportunity to 6 young persons from KVTC, in 2006, to experience the corporate environment at ICI Pakistan and improve their interactive skills.

KVTC was established in 1991, has an enrolment of 213 students, offers 156 skills training and has a 36-bedded training hostel with medical facilities for students, available 24 hours a day. The centre has a staff of 47 members including the faculty, striving toward the upbringing of mentally challenged youths.

Life Sciences' Relief Camp for Rain-Affected

The Life Sciences Business of ICI Pakistan Limited went ahead by taking the lead and joining in the relief efforts, especially focusing in and around its customers in the Hyderabad district. The Business set up a series of medical and food camps in rain affected areas. Doctors treated a total of over 2,500 patients in these towns with full medical coverage, while food camps were arranged for 15 days to support 500 families.

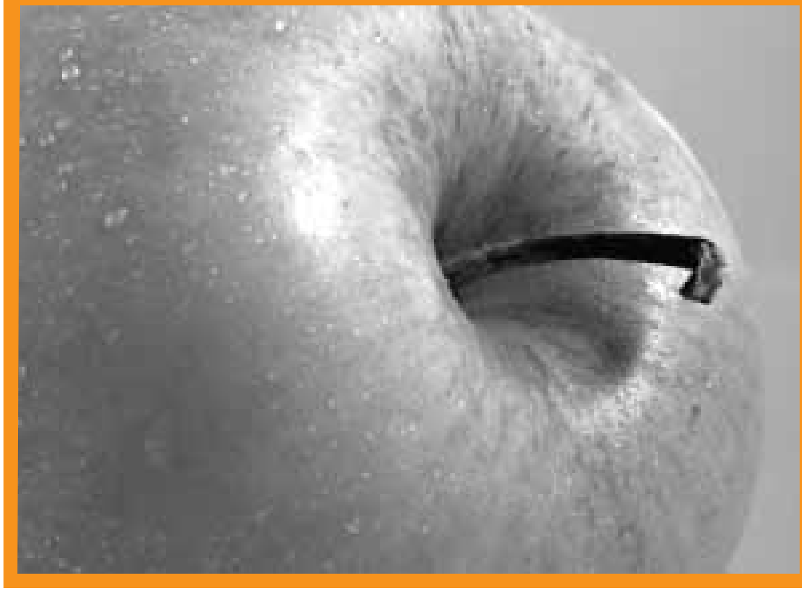
Veterinary camps providing a range of medicines were also set up for the rain-affected livestock in Nawabshah.

Safety

Nothing We Do
is Worth Getting Hurt for

The Safety performance of our Businesses continues to improve, with Soda Ash achieving 11.8 million man-hours without Lost Time Case to Supervised Contractors, Chemicals over 10 years without Lost Time Case to an Employee and Life Sciences over 9 years without Lost Time Case to an Employee. Regrettably, a Lost Time Case (LTC) to a Soda Ash Employee and a Medical Case (MC) of a Paints Employee occurred during 2006. These have been thoroughly analyzed and an aggressive company-wide programme developed and agreed for implementation in the coming year.

Health

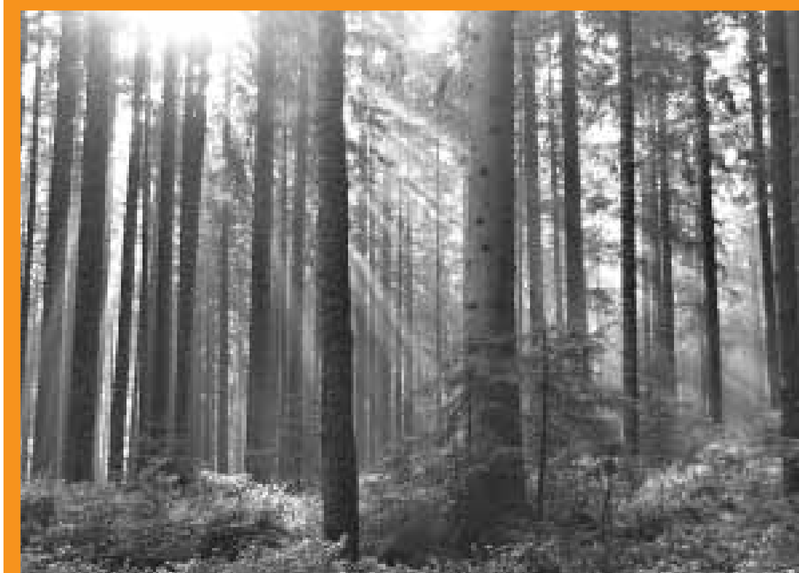


We have a personal responsibility for our own health and the health of others in the workplace, and for the environment

Health Assessment Programmes designed to manage both potential occupational exposures and non-occupational risk factors were implemented to cover the total workforce of the company. Work environment surveillance programme provided additional data for assurance of these controls.

Full compliance with the Health Assessment and Work Environment monitoring programmes resulted in the year being completed without a reportable Occupational Illness.

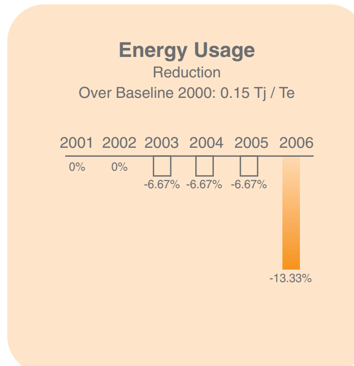
Environment

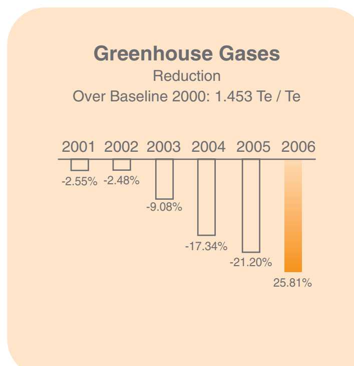


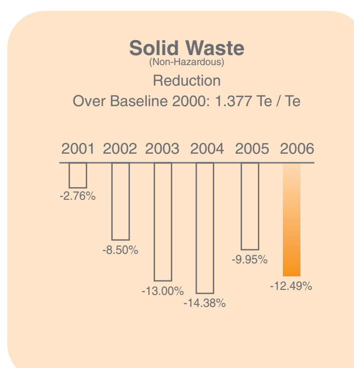
ICI Pakistan acts responsibly to protect the environment and participates in the well-being of communities it operates in

All Effluent Treatment Plants were operated and maintained to the best technical standards, and the liquid effluent from all sites was in compliance with the applicable National Environmental Quality Standards (NEQS).

The Company has achieved significant reduction in energy usage, greenhouse gases emission and solid waste disposal over the last 6 years.







Energy is supplied through different sources i.e Electricity / Gas / HFO / Diesel etc. These are converted into a single unit which is Tera Joules (Tj). Performance is measured as Tera Joules (Tj) of Energy used per Tonnes of Production (Te).

Greenhouse Gases emitted and Solid Waste from different sources are accumulated and measured in Tonnes (Te). Performance is measured as Tonnes of Greenhouse Gases emitted and Solid Waste disposed per Tonnes of Production (Te).

UN Global Compact

ICI Pakistan is commited in making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations and undertakes to make a clear statement of its commitment to its employees, partners, clients and the public

Always one to move with time, ICI Pakistan has sought to support the Global Compact's ten principles. In a letter to UN Secretary General, Mr Kofi Annan, Mr Waqar A Malik, Chief Executive ICI Pakistan, reiterated ICI Pakistan's support to the ten principles of the UN Global Compact in respect to human rights, labour rights, the protection of the environment and anti-corruption, and expressed the intent to support and advance these principles within our sphere of influence.

The Company is commited in making the UN Global Compact and its principles part of the strategy, culture and day-to-day operations and undertakes to make a clear statement of its commitment to its employees, partners, clients and the public. ICI Pakistan supports accountability and transparency and will report on progress made in a public manner.

THE GLOBAL COMPACT

Following are ICI Pakistan's practices viz a viz the four areas related to the ten principles of the UN Global Compact:

Human Rights

ICI Pakistan respects the individual and without discrimination recognizes and rewards performance. It considers the health, safety and security of its employees and contractors as paramount to any other consideration.

ICI Pakistan encourages its employees to report their concerns and problems through the local management grievance handling procedure. If these issues are not dealt with, the employees can report such problems through 'Speak Up', ICI Group's Whistle-Blowing programme. This provides an anonymous, confidential and free telephone service for all ICI employees, helping to achieve an open, honest and ethical work environment.

Labour

ICI Pakistan's policy is to encourage healthy trade union activity to build a meaningful and productive relationship with its employees and unions in order to resolve issues and seek ways to bring about improvements in the terms and conditions of employment, enhancing productivity and efficiency in the process.

ICI Pakistan encourages its employees to venture forth in new and dynamic areas leading to organisational progress, along with individual growth. It holds a prime position in the business sector and is a preferred employer amongst prestigious multinationals.

ICI Pakistan discourages the employment of underage individuals. The organisation strongly believes in providing individuals equal opportunity to serve the company regardless of age, sex, ethical or religious differences.

Environment

ICI Pakistan acts responsibly to protect the environment and participates in the well-being of communities it operates in. The Company acts with responsible care while dealing with its customers, suppliers and the general public.

ICI Pakistan also undertakes initiatives to promote greater environmental responsibility. The company improved it's Energy usage by 7.14% and reduced the Greenhouse Gases by 5.85% in 2006 over 2005.

ICI Pakistan encourages the development and diffusion of environment-friendly technologies. It participates in industry groups to review chemicals and certain aspects in relation to them. For example, how and where a product is used; how it reacts with other chemicals in the environment; and whether safety regulations in regards to the public and environment are implemented.

Anti-Corruption

ICI Pakistan works against corruption in all its forms, including extortion and bribery. It demonstrates uncompromising integrity in its business dealings, fair and honest, free of bias and auditable in all aspects of its business, ensuring conformity with its code of conduct and regulatory standards. The company's systems and processes are transparent and can stand the test of scrutiny.

Human Resource

ICI Pakistan remains committed to providing growth opportunity, challenging and varied career experiences to all its employees

ICI Pakistan's Human Resource Department strives to ensure that the company operates as a High Performance Organization. With the clear mission to capitalize on the organisation's intellectual energy and harness it to propel extraordinary business growth, the ICI Pakistan HR team works very closely with the businesses to design efficient people solutions that will effectively deliver business goals. Capability development and HPO remained top HR priority throughout the year and four Corporate Capability Groups, in the areas of Commercial, Technical, Finance/ IT, and HR worked on developing functional excellence, and strategic capabilities in their selected areas. ICI Pakistan places a premium on respect for individuals, equal opportunities, advancement based on merit, effective communication and the development of a high performance culture. We value and encourage continuous improvement at all levels and strive to ensure that opportunity for growth, and challenging and varied career experiences are provided to all employees.

The company's training and development efforts continued during the year with focused and effective training programmes. The Company delivered 8,516 man-hours of training spread over 1,064 training man-days in 2006. The "e learning" portal, ICI Learning Zone, was also launched as a self-learning solution. Special overseas training also continued during the year and apart from individual training in specific disciplines, a tailor made specialized training programme Business Analysis for Value Improvement (BAVI) was organized for a large group of 28 mid level managers in Dubai. Proportion of Management employees trained as a percentage of all management FTE (full-time employees) rose from 32% in 2005 to 41% in 2006.

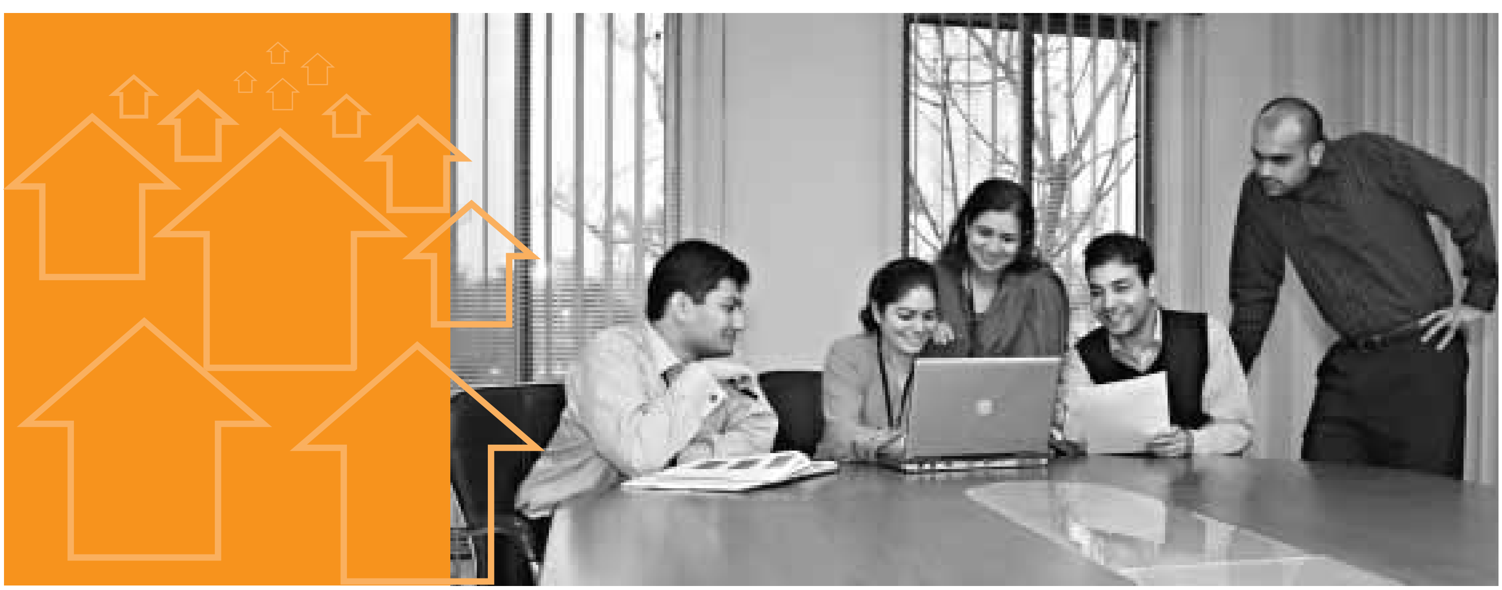
Manpower numbers at 31 December 2006 at 1,265 were 2% lower than last year due to reduction in Non-Management, primarily under the Voluntary Severance Scheme (VSS). Manpower productivity as measured by sale per employee increased by 10% over last year.

The Company also undertook the implementation of SAP HR Module in 2006. The SAP project will encompass training & development, entitlement administration, performance management and salary administration. The Company also started on-line electronic surveys to measure job satisfaction and process improvements.

ICI Pakistan continued to encourage healthy trade union activity. The Company aims to build a meaningful and productive relationship with its employees and unions in order to resolve issues and seek ways to bring about improvements in the terms and conditions of employment. Union elections were held at all locations ahead of the biennial agreements to be held early 2007.

After a rigorous process of formally articulating ICI Pakistan's Values & Behaviours, a campaign "We Live Our Values" was launched throughout the Company in the months of July and August 2006. Led by the Chief Executive, the campaign also went on to inform all stakeholders of the commitments that ICI staff wants to hold on to and live by.

ICI has a very strong commitment to diversity and inclusion. ICI is an equal opportunities employer and this is practiced in all aspects of the company's business activities, including recruitment and employment. As part of this commitment, ICI Pakistan along with three other leading multinationals joined "Dia" as a founding member. Dia's key objective is to promote and enhance the influence of professional women. Furthermore, internal gender diversity target has been set at increasing the female management staff population from the existing 8% to 10% by the end of 2007. The diversity initiative is also targeted at increasing the number of disabled employees by providing appropriate jobs to deserving candidates.



Delivering Value to Our Customers

Customer Obsession
They Pay our Bills

ICI Pakistan continuously strives to be the "preferred choice" of all its customers and consumers. This is a consequence of an unrelenting focus on the changing needs of our customers and proactively addressing their issues and problems. Putting a premium on innovation in product and services, maintaining stringent quality standards is the raison-detre ensuring we "deliver value to our customers".

The **Polyester** Business' investment in a new plant is an endeavour to improve the consistency of its product quality. The Business' focus on customer needs led to the development of a new fibre, delivering improved performance on customer's lines called Polyester Viscose. Production of variants such as super white is to cater to specific needs of customers seeking innovation in their products. Our technical service team truly differentiates us in the market. Focusing on optimizing mill conditions to enhance productivity, running trials to improve quality and trouble shooting successfully has earned ICI the reputation of being the Technical Experts.

At the **Soda Ash** Business, where the customers and the industry are challenged by increasing costs, the focus has therefore been to minimize the impact. Initiatives launched in logistics and key account management for the customers have assisted them in cutting down on working capital by reducing inventory, reduction in warehousing and storage costs and distribution expenses.

The **Paints** Business has brought to the consumer the world of colours. The introduction of over six thousand colour options, supported by our unique colour consultancy services and our colour studios have opened up a vista of imaginative colour solutions to our customers. Pioneering innovative products and services has been the driving force behind our zest for excellence. Our Automotive customers are provided with the latest in Japanese technology for their coating solutions. Working with them to the minutest detail, they have also benefited in cost reductions with conversion of supplies in bulk. Our refinish customers are trained at a state of the art Training Centre, the only one of its kind in South East Asia.

ICI **Life Sciences'** Pharmaceuticals Division recently entered the Branded Generics Market with Cefixime, plugging the gap for high quality antibiotics at competitive rates. The launch of Cefixime would provide both the customers and the consumers a viable option for a quality third-generation Cephalosporin. Besides its affordability, each pack of ICEF comes with sterile water for reconstitution of the solution. This unique benefit gives the medical community the confidence to prescribe the drug to the patients, most of whom are not very aware of the importance of correct mixing of the product in water to achieve the required concentration.

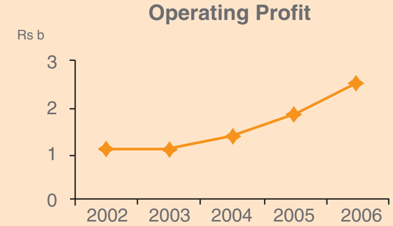
The **Chemicals** Business has introduced customer focused Key Performance Indicators in its supply chain which are monitored to improve delivery times and facility of tracking of consignments. The focus on business development initiatives to provide cost competitive sourcing options for the customers while maintaining the quality promise has enabled ICI Chemicals to be at the forefront of introducing new products and ideas to its customer base, hence facilitating technology transfer to the local industry.

We at ICI Pakistan believe that our future is dependant on the success of our consumers. We partner with them to ensure that the maximum possible potential is realized by all arranging training workshops and seminars. We continue to drive our commitment to safety, health and environment for all our customers and suppliers to ensure that our society as a whole values the importance of our lives and the need to protect the environment.

Highlights of 2006

- The Company crosses the Rs 2.0 billion mark in operating profit and profit before tax for the first time in Company's history.*
  - Gross Profit up by 22% compared to last year.
  - Operating results and profit before taxation higher by 35% and 31% respectively over 2005.
- Adjusted earning per share** up by 31% over 2005.
- Record production and sales volume achieved consecutively for the second time in the Soda Ash business for both Soda Ash and Sodium Bicarbonate.
- Investment in three major projects at a cost of Rs 3.3 billion: Asset Modernization and Improvement Project (AMIP) in Polyester, Soda Ash 50 ktpa expansion and acquisition of manufacturing facility of Fayzan Manufacturing Modaraba (FMM).
- Further investment in Soda Ash capacity expansion (65ktpa) under evaluation.
- Manpower productivity increased by 10%.
- Company achieved compliance with the section 404 of the Sarbanes Oxley Act (SOX).

Operating Profit



Profit Before Tax

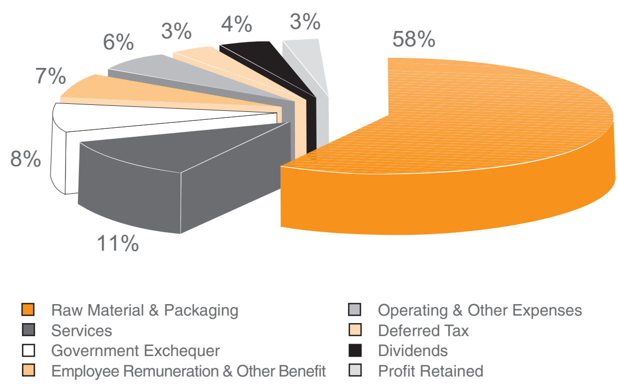
Earnings Per Share

** excluding profit on sale of PPTA shares.*
*** excluding deferred tax*

Comparatives for 2002 to 2004 have not been restated, the cumulative effect of the change as required under IFRIC 4 is disclosed in note 31 to the financial statements.

Statement of Value Added

Distribution of value addition 2006
Rs 21,006,545



Value Addition	2006 Rs '000	%	2005 Rs '000	%
Net Sales	19,574,118	93	18,476,457	91
Sales Tax	1,305,200	6	1,703,602	8
Other operating income	127,227	1	164,960	1
	21,006,545	**100**	**20,345,019**	**100**

Value Distribution	2006 Rs '000	%	2005 Rs '000	%
Raw Material & Packaging	12,208,842	58	11,800,575	58
Services	2,391,704	11	2,272,881	11
Government Exchequer	1,721,923	8	2,188,413	11
Employee Remuneration & other benefits	1,395,611	7	1,377,480	7
Operating & Other Expenses	1,170,668	6	1,093,269	5
Total Expenses	18,888,748		18,732,618	
Deferred Tax	662,169	3	(640,856)	(3)
Dividends	763,413	4	832,814	4
Profit retained	692,215	3	1,420,443	7
	21,006,545	100	20,345,019	100

Contents

ICI Pakistan Limited

Consolidated Financial Statements

Company Information

Board of Directors

M J Jaffer (Non-Executive Chairman)
Waqar A Malik (Chief Executive)
Mueen Afzal *
David J Gee
Philip Gillett
Pervaiz A Khan
Tariq Iqbal Khan
Feroz Rizvi
M Nawaz Tiwana
Muhammad Zahir

Audit & Remuneration Sub Committees of the Board

Audit Sub Committee

M J Jaffer (Chairman)
Mueen Afzal
David J Gee
Philip Gillett
Feroz Rizvi (by invitation)

The Audit Committee assists the Board primarily in reviewing the financial statements and the announcements to shareholders. It also reviews the system of internal controls, risk management and the audit process. In carrying out its duties the Audit Committee has the authority to discuss directly with management, internal auditors or external auditors and may obtain outside legal advice on any issues within its remit.

The Committee comprises of all non-executive directors including the Chairman. The Audit Committee meets at least four times in a year besides meeting privately the External auditors and the Head of Internal audit. The Company Secretary acts as Secretary to the Audit Committee.

Remuneration Sub Committee

M Nawaz Tiwana (Chairman)
David J Gee
Waqar A Malik (by invitation)

The Remuneration Committee is a Sub-Committee of the Board and is responsible for reviewing the remuneration and benefits for the CE, executive directors, and the overall remuneration budget for the Company.

The Committee consists of two non-executive directors and the CE (except when his own remuneration is being discussed). The General Manager Human Resource acts as the Secretary and the Committee meets once a year.

Chief Financial Officer

Feroz Rizvi

Company Secretary

Nasir Jamal

Executive Management Team

Waqar A Malik
Ali A Aga *
Dr Amir Jafri
Jehanzeb Khan
Pervaiz A Khan
Feroz Rizvi
Muhammad Zahir

*names in alphabetical order

Bankers

ABN AMRO Bank NV
Askari Commercial Bank Limited
Bank Alfalah Limited
Citibank NA
Deutsche Bank AG
Faysal Bank Limited
Habib Bank Limited
Meezan Bank Limited
MCB Bank Limited
National Bank of Pakistan
Standard Chartered Bank
The Hong Kong & Shanghai Banking Corporation Limited
United Bank Limited

Auditors

KPMG Taseer Hadi & Co., Chartered Accountants

Registered Office

ICI House, 5 West Wharf, Karachi-74000
Tel # 111-100-200, (021) 2313717-22
Fax # 2311739
Web: www.icipakistan.com

Shares Registrar

M/s. Ferguson Associates (Pvt) Ltd
4th Floor, State Life Building 2-A
Wallace Road, I. I. Chundrigar Road
Karachi-74000
Tel : (021) 2427012, 2426597, 2475606,
: 2475266 & 2425467
Fax : (021) 2428310

Board of Directors

The Directors are pleased to present their report together with the audited financial statements of the Company for the year ended 31 December 2006.

Mr Asif Jooma resigned from the Board of Directors of the Company with effect from 15 September 2006 consequent to the end of his secondment with ICI Pakistan Limited. Mr Feroz Rizvi has been appointed as a Director in place of Mr Jooma with effect from 1 October 2006 for the remainder of the term, which expires on 28 April 2008. Mr Rizvi is a Chartered Accountant by profession and has been with the Company for over 22 years in various senior capacities including a period of secondment to ICI Plc London. The Board wishes to place on record the contribution made by the outgoing Director Mr Asif Jooma and welcomes Mr Feroz Rizvi as a new Director of the Company.

In 2006 your Company complied with section 404 of the Sarbanes Oxley Act (SOX) of USA that requires US companies, along with foreign registrants, to make a declaration that their internal controls over financial reporting are effective. ICI Pakistan Limited being a subsidiary of a foreign registrant is required to comply with the SOX Act every year. KPMG Taseer Hadi & Co. had tested the process, procedures & related controls and issued a clean report, certifying your Company's compliance with the relevant Act.

ICI Pakistan's "Values and Behaviours" were rolled out during the year. This, along with a clear "Vision and a Mission Statement", will help forge the employees to drive ICI Pakistan Strategy for further profitable growth.

The Executive Management Team:

Seated, the Chief Executive ICI Pakistan Limited, Mr Waqar A Malik (center) with Mr Feroz Rizvi, CFO on left and Mr Pervaiz A Khan, VP Polyester, Soda Ash & Corp Technical on right. Standing (L to R) Dr Amir Jafri, GM Life Sciences Business, Mr Ali A Aga, GM Human Resources & CCPA, Mr Muhammad Zahir, VP Paints Business and Mr Jehanzeb Khan, GM Chemicals Business.

Overview

Rising stock market, upgrade of Pakistan's local and foreign currency debt ratings by Moody's and increasing Foreign Direct Investments are positive indicators of an improving economy.

In 2006 the economy grew by 6.6% against 8.4% last year, which in the context of rising energy prices and the extensive damage caused by the earthquake of October 2005 was impressive. The engine of this growth were the construction, auto, consumer & service sectors. However, significant increase in oil prices, regional overcapacity and cost competitiveness adversely impacted the textile industry. Resultantly, the upstream industries manufacturing PSF and its main raw material suffered due to poor demand and regulatory issues.

Salient features of ICI Pakistan's performance in the year 2006:

- 31% growth over 2005 in profit before taxation, all Businesses performed well.
- Rs 2 billion* mark in operating result and profit before taxation, crossed for the first time in Company's history.
- 22% growth over 2005 in gross profit, inter alia, due to:
  - Volume growth in the Paints Business, introduction of new products in the Chemicals Business and better product mix in the Life Sciences Business.
  - Improved raw material efficiencies, significant reduction in energy usage and strong focus on cost reduction.
- 10 % increase in manpower productivity over 2005.
- Profit after tax was lower than last year due to the impact of deferred tax charge of Rs 662 million as explained below:
  - Tax charge of Rs 662 million for the year does not involve any cash outflow on account of a partial write off of the deferred tax asset booked in previous years, including Rs 681.0 million recognised in 2005. The deferred tax asset was set up in accordance with relevant accounting standard in view of the unabsorbed tax depreciation.
- Earning per share (adjusted**) increased by 31% from Rs 11.6 per share to Rs 15.2 per share.

* *excluding the one off profit on sale of PPTA shares in 2004*

** *excluding the impact of net deferred tax, which is a non-cash item.*

The Board of Directors of ICI Pakistan Limited:
Seated (L to R) Chief Executive, Mr Waqar A Malik and the Non-Executive Chairman, Mr M J Jaffer.
Standing (L to R) Mr Feroz Rizvi, Director, Mr M Nawaz Tiwana, Non-Executive Director, Mr Mueen Afzal, Non-Executive Director, Mr David J Gee, Non-Executive Director, Mr Philip Gillett, Non-Executive Director, Mr Pervaiz A Khan, Director, Mr Muhammad Zahir, Director and Mr Tariq Iqbal Khan, Non-Executive Director (not in picture).

Dividends

Your Directors are pleased to announce a final dividend of 30% i.e. Rs 3.00 per share of Rs 10.00 each of the issued and paid-up capital of Rs 1,388,023,000. This, including the interim dividend of 25%, makes a total dividend of 55%.

Projects

The Asset Modernization and Improvement Project (AMIP) in the Polyester Business was successfully completed during the second quarter of 2006. This project has resulted in a net increase in the production capacity by 10,000 tonnes per annum and reduced production costs due to efficiency improvements.

The 50 ktpa Soda Ash expansion project was completed as per the plan and commercial production commenced from February 2007.

Safety, Security, Health and Environment (SSHE)

Your Company continues to demonstrate its strong commitment to all aspects of Safety, Security, Health and Environment linked to its Business operations.

- Full compliance with the Health Assessment and Work Environment monitoring programs resulted in the year being completed without a reportable occupational illness.
- During 2006, except for one case, there was no Reportable Lost Time Injury Accident to an employee or on-site contractor in any Business.
- One reportable distribution incident (attributed to Pakistan Railways) occurred during the year.

The impressive results of your Company in 2006 would not have been realized without the contribution of highly motivated employees, loyalty of customers and support received from the vendors. The Board would like to thank all the stakeholders for their valuable support.

A detailed business wise review follows:

Polyester

Production for the year at 96,559 tonnes was 3% higher than the same period last year. The new Line 6 as part of the Asset Modernization and Improvement Project (AMIP) was commissioned successfully in second quarter 2006 and the product has received market acceptance.

Polyester Business Team:
(L to R) Mr Zia U Syed, Mr Ali Zaman, Mr Pervaiz A Khan, VP Polyester, Soda Ash & Corp Technical, Mr Suhail A Khan and Mr Qazi Rashid Manzoor.

2006 was a tough year for the Polyester industry as crude oil prices continued to rise and peaked at US$78 per barrel driving PSF feedstock prices to uneconomical levels. China continued to add new PSF capacities resulting in continuation of supply overhang in the region.

The demand for PSF in Pakistan grew at 3%, lower than the estimated 8% regional growth primarily due to regional textile players in competing countries gaining higher share of the export market, at the expense of Pakistan, on account of better market access, scale and cost competitiveness. The PSF industry occupacity in Pakistan reduced to 70% (2005: 73%) losing market share to PSF imports due to:

- Dumping of product by regional manufacturers at uneconomical price levels.

- Imports under the DTRE* regime in the first half of 2006 and disallowing duty draw back scheme for textile exporters preferring locally produced PSF.

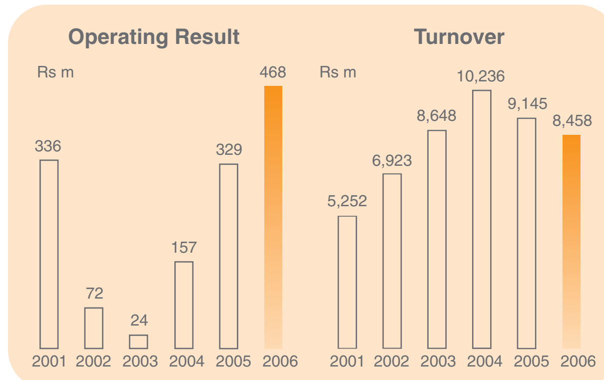
The Business achieved sales volume of 96,339 tonnes, 2% lower than 2005 on account of PSF imports as explained above and PSF substitution economics favouring cotton.

* *Duty and Tax Remission on Exports*

The local PSF manufacturers made a successful representation to the Government, which resulted in PSF being excluded from the DTRE scheme w.e.f. July 1, 2006. An anti-dumping application was filed with the National Tariff Commission (NTC) identifying the injury that domestic market has suffered on account of increase in dumping. After a thorough investigation, the NTC on February 9, 2007 issued its report on the negative effect of dumping on the local PSF industry and imposed a provisional anti- dumping duty on import of PSF from Indonesia, South Korea and Thailand ranging from 2.09% to 8.33%.

Production for the year at 96,559 tonnes was 3% higher than the same period last year. The new Line 6 as part of the Asset Modernization and Improvement Project (AMIP) was commissioned successfully in second quarter 2006 at a cost of Rs 968 million and the product has received market acceptance. The new Line 6 has replaced Lines 1 and 2, which have been mothballed and has delivered higher level of raw material efficiencies, lower energy usage and reduction in operating costs.

Despite lower sales volumes, the Business achieved an operating result of Rs 468.5 million on account of higher unit margins, higher efficiencies in energy usage and reduction in costs. This level of profit although 42% above 2005 is still suboptimal considering the size of investment in this business.



	Q4 2006	Variance*	YTD 2006	Variance*
Operating Result – Rs Million	151.2	100%	468.5	42%
Sales Volume (Fibre & POY Chips) – Tonnes	24,519	7%	96,339	(2)%
*Production Volume (Fibre & POY Chips) – Tonnes***	24,393	28%	96,559	3%

* Compared to the same period last year
** Includes production from Fayzan Manufacturing Modaraba's Plant till September 2006
Comparatives for 2002 to 2004 have not been restated, the cumulative effect of the change as required under IFRIC 4 is disclosed in note 31 to the financial statements.

Soda Ash

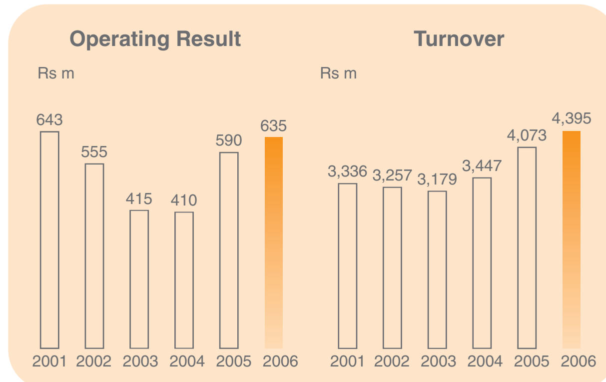
Net sales income grew by 8% on the back of strong demand from the glass and bazaar segments with aggregate sales volume of 268,628 tonnes, which was 3% higher than 2005

Soda Ash Business Team:
(L to R) Mr Zia U Syed, Mr Pervaiz A Khan, VP Polyester, Soda Ash & Corp Technical, Mr Syed Raza Mehdi Zaidi, Mr Asif Malik (seated) and Mr Imran Qureshi.

The Soda Ash Business delivered another successful year achieving record production & sales volume of both Soda Ash and Sodium Bicarbonate.

Net sales income grew by 8% on the back of strong demand from the glass and bazaar segments with aggregate sales volume of 268,628 tonnes, which was 3% higher than 2005.

During the year international prices of coke increased because of supply shortages. Simultaneously, gas prices were increased twice in 2006 by 15% and 10% respectively. To mitigate the impact of this cost-push, the Company had to increase the price of Soda Ash to recover the significant increase in input costs.



The operating result at Rs 635.2 million was 8% higher compared to last year mainly on account of higher sales volumes, reduction in energy usage, higher raw material efficiencies and effective control over non-productive costs.

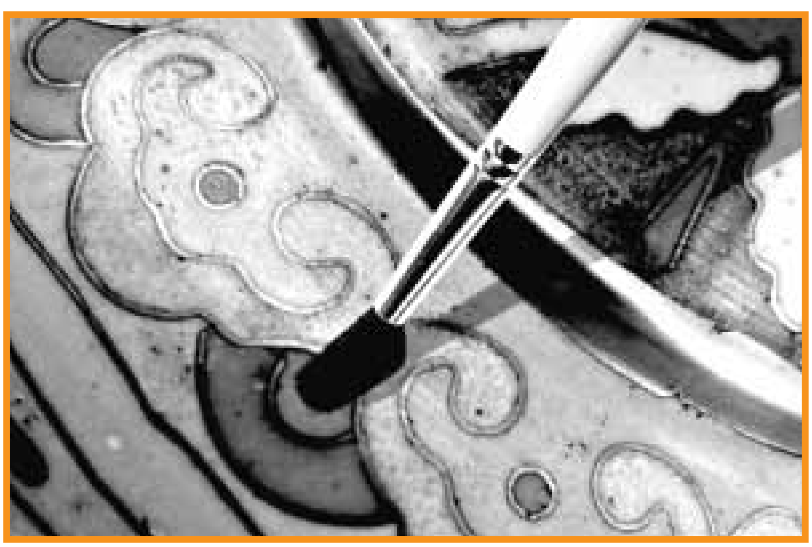
The 50 ktpa Soda Ash expansion project, at a cost of Rs 1 billion, was completed as per the plan and commercial production commenced in February 2007.

	Q4 2006	Variance*	YTD 2006	Variance*
Operating Result – Rs Million	123.6	(15)%	635.2	8%
Sales Volume – Tonnes				
Soda Ash	59,922	(1)%	248,081	1%
Sodium Bicarbonate	5,250	9%	20,547	21%
Production Volume – Tonnes				
Soda Ash	62,035	1%	239,499	1%
Sodium Bicarbonate	5,252	7%	20,500	23%

* Compared to the same period last year

Paints

In the Decorative segment, competitive brand strategy, channel expansion and launch of new products assisted the Business in achieving higher sales volume over last year. Similarly, the Industrial segment showed a solid performance in 2006 on account of growth in Motor, Motorcycle and Tractor sectors. The Refinish segment also delivered a strong growth in sales volume compared to last year and entered the Middle East market with the commencement of commercial exports

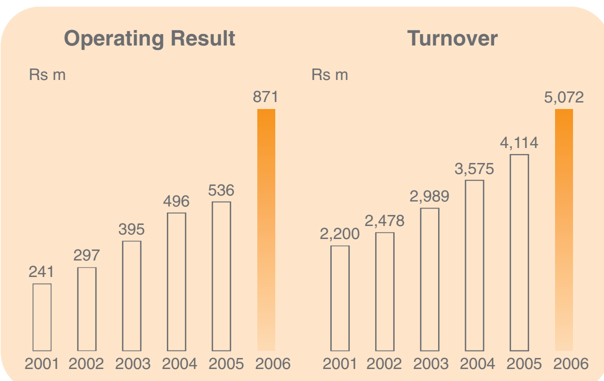


Paints Business delivered an exceptional performance during the year 2006 with all its segments posting double-digit improvement in sales volume on the back of GDP growth and enhanced activities in downstream construction and automobile sectors.

In the Decorative segment, competitive brand strategy, channel expansion and launch of new products assisted the Business in achieving higher sales volume over last year. Similarly, the Industrial segment showed a solid performance in 2006 on account of growth in Motor, Motorcycle and Tractor sectors. The Refinish segment also delivered a strong growth in sales volume compared to last year and entered the Middle East market with the commencement of commercial exports. As part of its geographical expansion initiative, ICI Pakistan Limited has registered a branch in Tehran, Iran.

Significant growth in sales volume, improvement in manufacturing efficiencies and control over non-productive costs have resulted in an operating result of Rs 871.0 million, an increase of 63% over 2005.

'Adding Colour to your Lives'
Paints Business Team:
(L to R) Mr Ameer Hamza Hassan, Mr Umar Ahsan Khan, Mr Farooq Ilyas Paracha, Mr Asghar Sheraz, Mr Muhammad Zahir, VP Paints Business, Mr Ahmed Rashid Vine, Mr Bilal Kably, Mr Khawaja Samie Cashmiri and Mr Hassham Malik.



	Q4 2006	Variance*	YTD 2006	Variance*
Operating Result – Rs Million	238.5	64%	871.0	63%
Sales Volume – Kilolitres	8,362	22%	34,587	23%
Production Volume – Kilolitres	8,559	27%	35,564	25%

* Compared to the same period last year

General Chemicals & Specialty Chemicals

Despite lower sales volume, concentration on high margin products enabled the Business in improving its margins significantly over 2005. This, together with control over non-productive costs, resulted in achieving operating result of Rs 177.2 million, which was 18% above last year

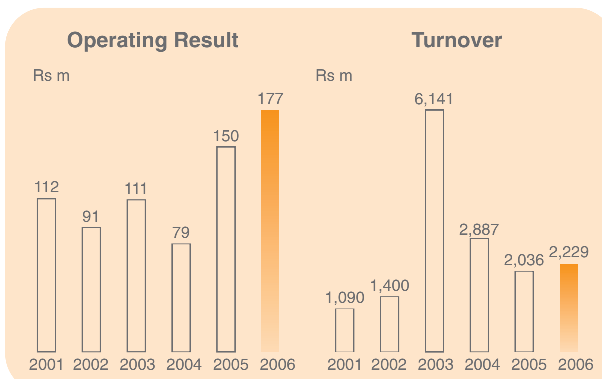
Demand for the products remained robust on the back of strong performance from downstream industries for durable goods, higher customer base, launch of new products with better margins and through geographical expansion.

The Polyurethanes market grew by 12% in 2006 driven by high growth in appliances, automotive and construction segments as a result of improvement in consumer buying power. Trading segment also performed strongly led by growth in the downstream industries.

Specialty Chemicals (formerly Uniqema) segment performed well during 2006 despite slowdown in the textile industry. The Business achieved a double-digit growth in net sales income over last year primarily due to launch of new high value products for the textile, adhesives, and personal care industries.

Despite lower sales volume, concentration on high margin products enabled the Business in improving its margins significantly over 2005. This, together with control over non-productive costs resulted in achieving an operating result of Rs 177.2 million, which was 18% above last year.

Chemicals Business Team:
(L to R) Mr Faisal Akhtar, Mrs Fathema Zuberi, Mr Muddassir Khalid, Mr Raza Azar, Mr Imtiaz Momin, Mr Jehanzeb Khan, GM Chemicals Business and Mr Hassan Tariq.



	Q4 2006	Variance*	YTD 2006	Variance*
Operating Result – Rs Million	20.4	17%	177.2	18%
Sales Volume – Tonnes	4,604	4%	19,760	(68)%
Production Volume – Tonnes*	1,892	2%	8,101	0%

* Compared to the same period last year
** Relates to Polyurethanes and Specialty Chemicals

Life Sciences

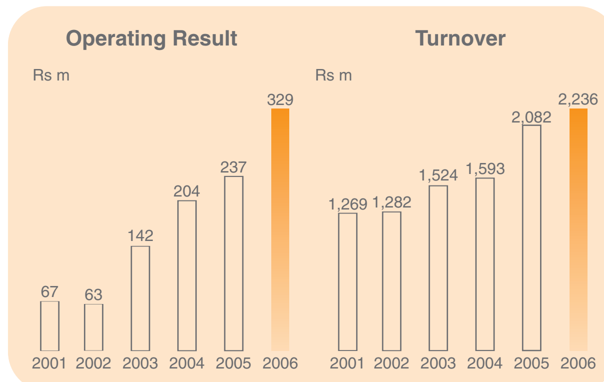
The Pharmaceuticals and Animal Health segments delivered a strong performance, out performing their respective markets, which fully made up for lower sales in the Seeds segment. This, together with strict control over non-productive costs, enabled the Business to achieve an operating result of Rs 329.2 million, an increase of 39% over 2005

Life Sciences Business Team:
Seated (L to R) Mr Saboor Ahmed, Dr Amir Jafri, GM Life Sciences Business and Mr Abdul Wahab. Standing (L to R) Mr Bashar Rasheed, Mr Attauallah Tahir Khan, Dr Raza Saeed Abbas and Mr Saad Karim.

Life Sciences Business achieved a double-digit growth in the Pharmaceuticals and Animal Health segments. The Business remained focused on diversification, introduction of new products and geographical expansion as part of its strategy.

Seeds segment sales were impacted due to delay in sunflower season in Sindh because of the excessive soil moisture content caused by heavy rainfall and lower sales of corn, a major component of poultry feed, due to the spread of bird flu.

The Pharmaceuticals and Animal Health segments delivered a strong performance, out performing their respective markets, which fully made up for lower sales in the Seeds segment. This, together with strict control over non-productive costs, enabled the Business to achieve an operating result of Rs 329.2 million, an increase of 39% over 2005.



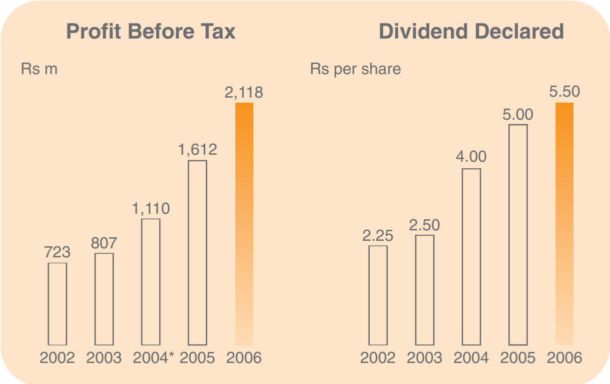
	Q4 2006	Variance*	YTD 2006	Variance*
Operating Result – Rs Million	146.8	53%	392.2	39%
Turnovert – Rs Million	743.8	25%	2,236.2	7%

* Compared to the same period last year

Profit, Finance & Taxation

Your Company achieved a significant growth in profitability over 2005 and delivered robust financial results

Corporate Finance & Administration Team:
(L to R) Col Masood Siddiq, Mr Mohammad Haneef Shaikh, Ms Dilnavaz Malbari, Mr Nasir Jamal, Ms Nudret Butt, Mr Aquil A Khan, Mr Feroz Rizvi, Chief Financial Officer, Mr Adeel Hashmi, Mr Touqir Husain, Mr Muhammad Fasahat Khan, Mr Khawaja Saqib Mahmood and Mr Harris Mahmood.



* Excluding profit on sale of PPTA shares.

Comparatives for 2002 to 2004 have not been restated, the cumulative effect of the change as required under IFRIC 4 is disclosed in note 31 to the financial statements

Your Company achieved a significant growth in profitability over 2005 and delivered robust financial results.

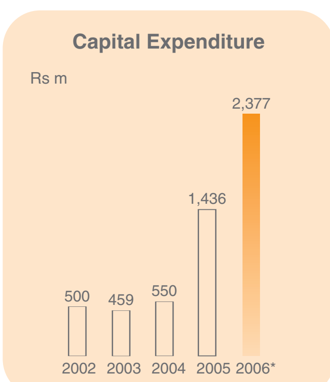
Operating result at Rs 2,481.0 million for the year ended 31 December 2006 was 35% higher than 2005. Higher tax charge for the year 2006 is primarily on account of a partial write off of deferred tax asset as explained earlier and does not involve any cash outflow. Accordingly, profit after tax for the year at Rs 1,455.6 million was 35% lower compared with the corresponding period last year.

Financial charges for the year at Rs 319.3 million increased by 11% against last year mainly due to higher exchange losses on imports and significant increase in the interest rates. Other operating charges at Rs 172.8 million were 60% higher compared to the same period last year due to higher charge for the Workers' Profit Participation Fund (WPPF) and a provision for Workers' Welfare Fund (WWF), which had to be provided due to changes in the Finance Bill 2006 that requires WWF to be paid on taxable or accounting profit which ever is higher. Despite high financial charges and significant increase in WPPF & WWF, the Company achieved a profit before taxation of Rs 2,117.8 million, an increase of 31% over 2005.

Capital Expenditure

Investment in three major projects at a cost of Rs 3.3 billion: Asset Modernization and Improvement Project (AMIP) in Polyester, Soda Ash 50 ktpa expansion and acquisition of manufacturing facility of Fayzan Manufacturing Modaraba (FMM)

Corporate Technical & Soda Ash Expansion Project Team: Seated (L to R) Mr Pervaiz A Khan, VP Polyester, Soda Ash & Corporate Technical and Mr Agha Zafar Abbas. Standing (L to R) Mr Syed Iqbal Haider, Mr Syed Fasihuddin Biyabani, Mr Ahsan Abdul Qayoom, Mr Mohsin Ali, and Mr Shahid Ali Malik.



* Includes purchase value of Fayzan Manufacturing Modaraba.

The Company spent Rs 375.2 million as sustenance and minor capital expenditure in 2006 to maintain its existing assets and ensure continued integrity and efficiency. The main thrust has been towards implementing low cost but highly effective improvement opportunities to reduce energy consumption and operating costs.

Work on the Asset Modernization and Improvement Project (AMIP) for Polyester Business was completed on time at a cost of Rs 968 million and commercial production commenced in the second quarter of 2006.

The Company has acquired the assets of Fayzan Manufacturing Modaraba with effect from 27 September 2006 (classified as finance lease) under the toll manufacturing agreement at a purchase value of Rs 1,295.0 million. This would enable the Company in reducing its financial charges.

The 50 ktpa Soda Ash expansion project was completed at a cost of Rs 1 billion as per plan and commercial production commenced in February 2007.

Future Outlook

Going forward, profit growth is predicated on continued growth of the economy, consistency in Government policies, control on inflation and provision of level playing field against regional competitors

2006 performance demonstrates that your Company is positioned well, delivering profitable growth in line with its business vision and strategic goals. Going forward, profit growth is predicated on continued growth of the economy, consistency in Government policies, control on inflation and provision of level playing field against regional competitors.

In May 2006 your Company announced that it was evaluating a further expansion of its Soda Ash plant located at Khewra by an additional 65,000 tonnes. This expansion is expected to commence in 2007 and total capacity of the plant after completion of the proposed expansion will increase to around 350,000 tonnes in 2009. This additional investment in Soda Ash is fully in line with your Company's continued commitment towards the development of import substitution industries to cater to local demand.

The recent investigation of the National Tariff Commission (NTC) against dumping of PSF by the regional producers at un-economical prices is a right and helpful step towards providing a level playing field to the local PSF industry. In the same spirit we draw the Government's attention towards following measures, which are needed to increase competitiveness of the domestic industry:

- Reduce multiplicity of taxes in the form of corporate tax, workers profit participation fund, workers welfare fund etc. These taxes in aggregate, increase the effective tax rate to over 40%, which is one of the highest in the region.

- Ensure sustained supply of gas and electricity to the industries. Gas curtailment seriously impacts the Soda Ash and PSF Businesses as not only the production cost increases but also majority of the downstream industries are forced to close down or shift to furnace oil, which is relatively expensive.

- Improve infrastructure networks with focused approach towards the trucking industry in order to reduce logistic costs.

- Zero rating of custom duty on Plant & Machinery to increase the inflow of cost effective technologies and reduce cost of production.

- Reduce the duty on stores and spares not manufactured locally to 5% (currently 10%-20%) in order to reduce production cost.

- Reintroduce duty drawbacks for the textile exporters using locally produced PSF and

- Reduce interest rates to competitive levels.

Human Resources

The principle of equal opportunity is central to our HR policies and at ICI Pakistan Limited we are committed to equipping all employees for their job roles and support them to realize their full potential

Human Resource Team:
(L to R) Ms Zoe Moin, Ms Zainab Khan, Mr Faisal Farooq Khan, Mr Ali A Aga, GM Human Resource, Corporate Communications & Public Affairs, Ms Mahvesh Zafar, Ms Diana Francis, Ms Saira Francis, Mr Sheikh Ubaid Ur Rehman and Ms Kanwal Ali Khan.

The principle of equal opportunity is central to our HR policies and at ICI Pakistan Limited we are committed to equipping all employees for their job roles and support them to realize their full potential.

Training and development plans are integral part of performance review process and includes specific training events as well as coaching and on-the-job training projects to develop new skills.

As of 31 December 2006, total manpower stood at 1,265, which was marginally lower than last year.

Auditors

The present auditors KPMG Taseer Hadi & Co., Chartered Accountants retire and have offered themselves for reappointment.

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 account of the Company have been maintained.
- Accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- The system of internal control and other such procedures, which are in place, are being continuously reviewed by the Internal Audit Function. The process of review will continue and any weakness in controls will be removed.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no departure from the best practices of corporate governance as detailed in the Listing Regulations.
- Key operating and financial data for the last 6 years is summarised on page 84.
- 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.

The value of investments in the staff retirement funds as per their respective audited financial statements for the year ended 31 December 2005, are as follows:

		Value (Rs '000's)
1	ICI Pakistan Management Staff Provident Fund	559,543
2	ICI Pakistan Management Staff Gratuity Fund	205,354
3	ICI Pakistan Management Staff Pension Fund	721,292
4	ICI Pakistan Management Staff Defined Contribution Superannuation Fund	136,650
5	ICI Pakistan Non-Management Staff Provident Fund	323,368

During the year 4 (four) meetings of the Board of Directors were held. Attendance by each Director/CFO/Company Secretary is as follows.

	Name of Director	Number of Board Meetings Attended
1	Mr M J Jaffer	4
2	Mr Waqar A Malik	4
3	Mr Mueen Afzal	4
4	Mr M Nawaz Tiwana	3
5	Mr David J Gee	3
6	Mr Philip Gillett	2
7	Mr Muhammad Zahir	3
8	Mr Pervaiz A Khan	4
9	Mr Tariq Iqbal Khan	1
10	Mr Feroz Rizvi (CFO/Director) (i)	4
11	Mr Asif Jooma (ii)	3
12	Ms Nausheen Ahmad (Company Secretary) (iii)	3
13	Mr Nasir Jamal (Company Secretary) (iv)	1
14	Mr David Whitewood (Alternate Director) (v)	1

(i) Appointed on the Board w.e.f. 1 October 2006
(ii) Resigned w.e.f. 15 September 2006
(iii) Resigned w.e.f. 15 September 2006
(iv) Appointed Company Secretary w.e.f.16 September 2006
(v) Acted as alternate Director to Mr David J Gee

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 and additional information as at 31 December 2006 appears on pages 81-83.

ICI Omicron B.V. continues to hold 75.81% shares, while Institutions held 17.53%, and individuals and foreign funds held the balance 6.66%.

The highest and lowest market prices during 2006 were Rs 184.0 and Rs 100.0 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 except for purchase of 1 share by Mr Feroz Rizvi. This is reflected in the pattern of share holding. All statutory returns in this connection were filed.

Group Financial Statements

The audited financial statements of ICI Group for the year ended 31 December 2006 are attached. The ICI Pakistan Group comprises financial statements of ICI Pakistan Limited and ICI Pakistan PowerGen Limited, a wholly owned subsidiary.

M J Jaffer
Chairman

Waqar A Malik
Chief Executive

Dated: 28 February 2007

Statement of Compliance with the Code of Corporate Governance for the year ended 31 December 2006

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 six non-executive directors including one director nominated by NIT.

2. The directors voluntarily confirmed that none of them is serving as a director in more than ten listed companies, including ICI Pakistan Limited, except for Mr Tariq Iqbal Khan who is a nominee of National Investment Trust Limited (NIT) and has been granted a waiver from the application of the relevant clause of the Code by the Securities and Exchange Commission of Pakistan.

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 NBFI. None of the directors is a member of a stock exchange.

4. During the year one casual vacancy occurred in the Board of Directors on 15 September 2006 and it was filled on 1 October 2006. The Company has filed the necessary returns in this regard.

5. The Board of Directors of the Company, in its meeting held on 23 February 2001, adopted a Statement of Ethics and Business Practices under the title of 'The Way We Do Things Around Here', which has been regularly circulated within the Company since 2001 and is in the knowledge of the Company's directors and employees.

6. The Board of Directors at its meeting held on 25 February 2005 approved and adopted a vision/mission statement pursuant to an 'Employee Satisfaction Survey' conducted under supervision of the Board and it has been circulated to the employees of the Company. 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 meetings of the Board were held which were all presided over by the Chairman. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of all four 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. The directors are therefore well conversant with their duties and responsibilities.

10. No new appointment of CFO has been made after the application of the Code of Corporate Governance. However, the Company has appointed a new Company Secretary during the year and the terms and conditions of his appointment were approved by the Board in its meeting held on 24 August 2006. The Board has also appointed M/s Ford Rhodes Sidat Hyder & Co., a member firm of Ernst and Young Global Limited as internal auditors of the Company w.e.f. 15 September 2006.

11. The Report of the Directors for the year ended 31 December 2006 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.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Audit Sub Committee of the Board has been in existence since 1992. It comprises four members, all of whom are non-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.

16. There have been four Audit Committee meetings during the year under review. The Directors have approved the revised terms of reference of the Audit Committee in light of the Code of Corporate Governance.

17. ICI Pakistan has had an effective internal audit function in place since the late 1970s. 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.

18. 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.

19. 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.

20. We confirm that all other material principles contained in the Code have been complied with.

M J Jaffer
Chairman

Waqar A Malik
Chief Executive

Dated: 28 February 2007

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of ICI Pakistan Limited ("the Company") 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.

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.

KPMG Taseer Hadi & Co.

Dated: 28 February 2007
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

A Publication of Corporate Communications
& Public Affairs Department of ICI Pakistan Limited

www.icipakistan.com

Designed by **PIRANA** Printed by **SPIRIT**

ICI Pakistan Limited

We have audited the annexed unconsolidated balance sheet of **ICI Pakistan Limited** ("the Company") as at 31 December 2006 and the related unconsolidated profit and loss account, 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 2.20 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 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 2006 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.

KPMG Taseer Hadi & Co.

Date: 28 February 2007
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Amounts in Rs '000

	Note	2006	2005 (Restated)
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		**8,411,142**	7,639,204
Total equity		**10,265,010**	9,493,072
Surplus on Revaluation of Property, Plant and Equipment	5	**1,124,220**	494,315
LIABILITIES			
Non-current liability			
Deferred liability	6	**104,079**	90,604
Current liabilities			
Liabilities against assets subject to finance lease	31	-	1,239,200
Short-term financing	7	**3,613**	-
Trade and other payables	8	**5,432,662**	4,652,730
		5,436,275	5,891,930
Contingencies and Commitments	9		
Total equity and liabilities		**16,929,584**	15,969,921

Amounts in Rs '000

	Note	2006	2005 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	10	**8,343,260**	7,213,773
Intangible asset	11	**71,774**	103,811
		8,415,034	7,317,584
Deferred tax asset - net	12	**1,029,589**	1,650,100
Long-term investments	13	**212,500**	212,500
Long-term loans	14	**175,687**	267,389
Long-term deposits and prepayments	15	**72,919**	22,210
		1,490,695	2,152,199
		9,905,729	9,469,783
Current assets			
Stores and spares	16	**705,639**	689,319
Stock-in-trade	17	**2,347,790**	2,511,481
Trade debts	18	**730,676**	647,009
Loans and advances	19	**174,039**	111,693
Trade deposits and short-term prepayments	20	**287,159**	191,343
Other receivables	21	**549,933**	286,793
Taxation recoverable		**437,468**	374,844
Cash and bank balances	22	**1,791,151**	1,687,656
		7,023,855	6,500,138
Total assets		**16,929,584**	15,969,921

The annexed notes 1 to 44 form an integral part of these financial statements.

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

Profit and Loss Account
for the Year Ended 31 December 2006

Amounts in Rs '000

	Note	2006	2005 (Restated)
Turnover	23	**21,947,688**	21,054,298
Sales tax, commission and discounts	23	**(2,373,570)**	(2,577,841)
Net sales and commission income		**19,574,118**	18,476,457
Cost of sales	24	**(15,490,908)**	(15,124,759)
Gross profit		**4,083,210**	3,351,698
Selling and distribution expenses	25	**(876,075)**	(815,571)
Administration and general expenses	26	**(726,137)**	(693,585)
		2,480,998	1,842,542
Financial charges	27	**(319,301)**	(287,110)
Other operating charges	28	**(171,127)**	(107,991)
		(490,428)	(395,101)
Other operating income	29	**127,227**	164,960
Profit before taxation		**2,117,797**	1,612,401
Taxation	30	**(662,169)**	640,856
Profit after taxation		**1,455,628**	2,253,257
		(Rupees)	(Rupees)
Earnings per share - Basic and diluted	32	**10.49**	16.23

The annexed notes 1 to 44 form an integral part of these financial statements.

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

Amounts in Rs '000

	2006	2005 (Restated)
Cash Flows from Operating Activities		
Profit before taxation	**2,117,797**	1,612,401
Adjustments for:		
Depreciation and amortisation	**779,713**	776,448
Gain on disposal of property, plant and equipment	**(6,701)**	(3,556)
Provision for non-management staff gratuity and eligible retired employees' medical scheme	**27,807**	23,599
Mark-up on bank deposits and loan to subsidiary	**(34,834)**	(10,087)
Interest / mark-up expense	**253,355**	250,995
	3,137,137	2,649,800
Movement in:		
Working capital	**375,918**	36,528
Long-term loans	**91,702**	(23,427)
Long-term deposits and prepayments	**(50,709)**	3,999
Cash generated from operations	**3,554,048**	2,666,900
Payments for :		
Non-management staff gratuity and eligible retired employees' medical scheme	**(14,332)**	(15,596)
Taxation	**(62,623)**	(129,345)
Net cash generated from operating activities	**3,477,093**	2,521,959
Cash Flows from Investing Activities		
Payments for capital expenditure	**(1,082,459)**	(1,435,981)
Proceeds from disposal of property, plant and equipment	**7,442**	5,137
Profit / mark-up received	**34,834**	10,087
Net cash used in investing activities	**(1,040,183)**	(1,420,757)

Amounts in Rs '000

	2006	2005 (Restated)
Cash Flows from Financing Activities		
Repayment of liability under finance lease	**(1,239,200)**	(61,600)
Interest / mark-up paid	**(334,385)**	(223,790)
Dividend paid	**(763,443)**	(832,831)
Net cash used in financing activities	**(2,337,028)**	(1,118,221)
Net increase / (decrease) in cash and cash equivalents	**99,882**	(17,019)
Cash and cash equivalents at 1 January	**1,687,656**	1,704,675
Cash and cash equivalents at 31 December	**1,787,538**	1,687,656
Movement in Working Capital		
(Increase) / decrease in current assets		
Stores and spares	**(16,320)**	(26,067)
Stock-in-trade	**163,691**	401,396
Trade debts	**(83,667)**	168,390
Loans and advances	**(62,346)**	(32,516)
Trade deposits and short-term prepayments	**(95,816)**	(26,895)
Other receivables	**(263,140)**	106,512
	(357,598)	590,820
Increase / (decrease) in current liabilities		
Trade and other payables	**733,516**	(554,292)
	375,918	36,528
Cash and cash equivalents at 31 December comprise of:		
Cash and bank balances - note 22	**1,791,151**	1,687,656
Running finances utilised under mark-up arrangements - note 7	**(3,613)**	-
	1,787,538	1,687,656

The annexed notes 1 to 44 form an integral part of these financial statements.

M J Jaffer
Chairman / Director

Waqar A Malik
Chief Executive

Feroz Rizvi
Chief Financial Officer

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
Balance as on 1 January 2005	**1,388,023**	**465,845**	**6,200,112**	**8,053,980**
Effect of change in accounting policy on account of IFRIC 4 implementation - note 2.20	-	-	(74,100)	(74,100)
Balance as on 1 January 2005 restated	**1,388,023**	**465,845**	**6,126,012**	**7,979,880**
Changes in equity for 2005				
Final dividend for the year ended 31 December 2004 @ Rs. 4.00 per share	-	-	(555,209)	(555,209)
Interim dividend for the year 2005 @ Rs. 2.00 per share	-	-	(277,605)	(277,605)
Net profit for the year ended 31 December 2005	-	-	2,253,257	2,253,257
Transfer from surplus on revaluation of property, plant and equipment - note 5	-	-	92,749	92,749
Total recognised income and expense for the year	-	-	2,346,006	2,346,006
Balance as on 31 December 2005 restated	**1,388,023**	**465,845**	**7,639,204**	**9,493,072**
Changes in equity for 2006				
Final dividend for the year ended 31 December 2005 @ Rs. 3.00 per share	-	-	(416,407)	(416,407)
Interim dividend for the year 2006 @ Rs. 2.50 per share	-	-	(347,006)	(347,006)
Net profit for the year ended 31 December 2006	-	-	1,455,628	1,455,628
Transfer from surplus on revaluation of property, plant and equipment - note 5	-	-	79,723	79,723
Total recognised income and expense for the year	-	-	1,535,351	1,535,351
Balance as on 31 December 2006	**1,388,023**	**465,845**	**8,411,142**	**10,265,010**

The annexed notes 1 to 44 form an integral part of these financial statements.

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

1. Status and Nature of Business

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

2. Summary of Significant Accounting Policies

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance) and the directives issued by the Securities and Exchange Commission of Pakistan (the SECP). Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by (the SECP) differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention, except that certain property, plant and equipment have been included at revalued amounts and certain exchange elements referred in note 2.8 have been recognised in the cost of the relevant property, plant & equipment.

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

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 40.

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 recognises expense on the existing pension and gratuity funds in accordance with IAS 19 “Employee Benefits”. The gratuity scheme for non-management staff and the pensioners' medical scheme are unfunded. The pension and gratuity plans are final salary plans. The pensioners' medical plan reimburses actual medical expenses.

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”.

Defined contribution plans

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

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. Provisions are measured at the present value of the expected expenditures, discounted at a rate that reflects current market assessment of the time value of money and the risk specific to the obligation.

2.5 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost using the effective interest method.

2.6 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements 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 equity or below equity, in which case it is recognised in equity 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 liability 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, leasehold land and plant & machinery) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land and plant & machinery are stated at revalued amounts less accumulated depreciation. 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. The cost of leasehold land is amortised in equal instalments over the lease period. Depreciation on additions is charged from the month in which the asset is put to 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.

Incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of property, plant and equipment to retained earnings (unappropriated profit).

Maintenance and normal repairs are charged to income as and when incurred. Renewals and 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, and the assets so replaced, if any, are retired.

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

2.9 Intangible assets

Intangible assets are measured initially at cost and subsequently stated at cost less accumulated amortisation and impairment losses, if any.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs are amortised over their estimated useful lives.

2.10 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets, are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the assets's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets' fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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 assets' 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 are stated at cost less provision for impairment, if any, and non-listed equity security classified as available for sale are stated at fair value.

2.12 Stores and spares

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

2.13 Stock-in-trade

Stock-in-trade is valued at lower of weighted average cost and net realisable value, except for imported general chemicals which are valued at lower of cost, as determined on a first-in-first out basis, and 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.

2.14 Trade debts and other receivables

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

2.15 Financial liabilities

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

2.16 Foreign currency translation

Transactions denominated in foreign currencies are translated to Pak Rupees, which is the Company's functional currency, at the foreign exchange rate ruling 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.

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 date of shipment from suppliers.

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

- Dividend income is recognised when the right to receive payment is established.

2.18 Financial expense

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

2.19 Segment reporting

A segment is a distinguishable component within a company that is engaged in providing products and under a common control environment (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

2.20 Finance lease

Leases of property, plant and equipment are classified as finance leases if these transfer substantially all the risks and rewards incidental to ownership. 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.

In 2004, the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board issued IFRIC Interpretation 4 (IFRIC-4) "Determining whether an Arrangement contains a Lease". The interpretation is effective for financial periods beginning on or after 1 January 2006 and requires determination of whether an arrangement is, or contains a finance lease based on the substance of the arrangement and requires an assessment of whether:

a) fulfillment of the arrangement is dependent on the use of a specific / captive asset or assets; and

b) the arrangement conveys a right to use the asset

As a consequence of the implementation of the above, it has been determined that the arrangement with Fayzan Manufacturing Modaraba executed in 2002 falls within the definition of lease as laid down in IFRIC 4. Accordingly, it has been classified as a finance lease retrospectively and where applicable comparative amounts have been restated (refer to note 31). The arrangement concluded in September 2006 and the asset was acquired by ICI Pakistan Limited.

2.21 Operating lease

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.

2.22 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current and / 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 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 Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

2.24 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.

Amounts in Rs '000

3. Issued, Subscribed and Paid-up Capital

2006	2005		2006	2005
(Numbers)				
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	**3,185**	3,185
25,227	25,227	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**252**	252
12,618,391	12,618,391	Ordinary shares issued pursuant to the Scheme as fully paid for consideration of investment in associate (note 3.1)	**126,184**	126,184
138,802,300	138,802,300		**1,388,023**	1,388,023

3.1 With effect from 1 October 2000 the Pure Terephthalic Acid (PTA) Business of the Company was demerged under a Scheme of Arrangement ("the Scheme") dated 12 December 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 Imperial Chemical Industries PLC, UK, held 105,229,125 (2005: 105,229,125) ordinary shares of Rs 10 each at 31 December 2006.

4. Capital Reserves

	2006	2005
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 the 126,183,909 ordinary shares corresponding to 25% holding acquired in Pakistan PTA Limited, an associate, at the date of acquisition i.e. 2 November 2001 and the number of shares that have been issued were determined in accordance with the Scheme in the ratio between market value of the shares of two companies based on the mean of the middle market quotation of the Karachi Stock Exchange over the ten trading days between 22 October 2001 to 2 November 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

	2006	2005
Balance as on 1 January	**494,315**	587,064
Revaluation surplus	**667,967**	-
Reversal of net deferred tax liability on surplus earlier recognised	**41,661**	-
	709,628	-
Less: Transfer to retained earnings (unappropriated profit) in respect of incremental depreciation charged during the year-net of deferred tax	**(79,723)**	(92,749)
Balance as on 31 December	**1,124,220**	494,315

Amounts in Rs '000

	2006	2005
6. Deferred Liability		
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	**104,079**	90,604

6.1 Staff Retirement Benefits

	2006				2005			
	Funded			Unfunded	Funded			Unfunded
	Pension	Gratuity	Total		Pension	Gratuity	Total	
The amounts recognised in the profit and loss account against defined benefit schemes are as follows:								
Current service cost	23,048	19,297	42,345	4,943	25,744	18,165	43,909	4,746
Interest cost	80,165	27,451	107,616	15,719	71,929	21,823	93,752	11,864
Expected return on plan assets	(89,043)	(24,991)	(114,034)	-	(65,240)	(18,645)	(83,885)	-
Termination cost	17,233	-	17,233	479	30,995	-	30,995	1,043
Recognition of actuarial loss	18,859	1,826	20,685	6,758	30,368	2,425	32,793	6,023
Charge for the year	50,262	23,583	73,845	27,899	93,796	23,768	117,564	23,676
Movements in the net asset / (liability) recognised in the balance sheet are as follows:								
Opening balance	71,205	(8,417)	62,788	(90,971)	42,583	(10,639)	31,944	(83,089)
Charge for the year	(50,262)	(23,583)	(73,845)	(27,899)	(93,796)	(23,768)	(117,564)	(23,676)
Contributions / payments during the year	109,850	25,531	135,381	14,426	122,418	25,990	148,408	15,794
Closing balance	130,793	(6,469)	124,324	(104,444)	71,205	(8,417)	62,788	(90,971)
The amounts recognised in the balance sheet are as follows:								
Fair value of plan assets	842,376	224,733	1,067,109	-	783,507	230,935	1,014,442	-
Present value of defined benefit obligation	(778,855)	(293,785)	(1,072,640)	(163,843)	(780,301)	(266,191)	(1,046,492)	(152,859)
Surplus / (Deficit)	63,521	(69,052)	(5,531)	(163,843)	3,206	(35,256)	(32,050)	(152,859)
Unrecognised actuarial gain / (loss)	67,272	62,583	129,855	59,399	67,999	26,839	94,838	61,888
Recognised asset / (liability)	130,793	(6,469)	124,324	(104,444)	71,205	(8,417)	62,788	(90,971)
Movement in the present value of defined benefit obligation:								
Opening balance	780,301	266,191	1,046,492	152,859	837,147	250,684	1,087,831	133,121
Service cost	23,048	19,297	42,345	4,943	25,744	18,165	43,909	4,746
Interest cost	80,165	27,451	107,616	15,720	71,929	21,823	93,752	11,864
Benefits paid	(75,245)	(23,702)	(98,947)	(14,426)	(157,136)	(40,922)	(198,058)	(15,794)
Termination cost	17,233	-	17,233	479	30,995		30,995	1,043
Actuarial gain / (loss)	(46,647)	4,548	(42,099)	4,269	(28,378)	16,441	(11,937)	17,879
Present value of the defined benefit obligation at the end of the year	778,855	293,785	1,072,640	163,844	780,301	266,191	1,046,492	152,859
Movement in the fair value of plan assets:								
Opening balance	783,507	230,935	1,014,442		706,604	204,391	910,995	
Expected return	89,043	24,991	114,034		65,240	18,645	83,885	
Contributions	109,850	25,531	135,381		122,418	25,990	148,408	
Benefits paid	(75,245)	(23,702)	(98,947)		(157,136)	(40,922)	(198,058)	
Actuarial (loss) / gain	(64,779)	(33,022)	(97,801)		46,381	22,831	69,212	
Fair value of plan assets at the end of the year	842,376	224,733	1,067,109		783,507	230,935	1,014,442	

Historical information

As at 31 December	2006	2005	2004	2003	2002
Present Value of defined benefit obligation	1,236,483	1,199,351	1,220,952	1,289,235	1,132,535
Fair value of plan assets	1,067,109	1,014,442	910,995	910,381	888,718
Deficit / (Surplus)	169,374	184,909	309,957	378,854	243,817
Experience adjustment on plan liabilities	1%	8%	-2%	12%	-7%
Experience adjustments on plan assets	-9%	7%	-2%	1%	6%

Amounts in Rs '000

	2006	2005
Major categories / composition of plan assets are as follows:		
Debt instruments	**62%**	76%
Equity	**10%**	7%
Mixed Funds	**16%**	11%
Cash	**12%**	6%

The unfunded liability included in the above table includes Rs 0.365 million (2005: Rs 0.367 million) pertaining to ICI Pakistan PowerGen Limited.

These figures are based on the latest actuarial valuation, as at 31 December 2006. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected future service of current members.

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2006 was Rs 16.233 million (2005: Rs 153 million).

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

	2006	2005
Discount rate	**11.0%**	10.8%
Expected return on plan assets	**11.0%**	10.8%
Future salary increases	**8.9%**	8.7%
Future pension increases	**6.0%**	5.5%

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:

	2006	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	11,232	12,869	9,899
Effect on the defined benefit obligation	98,976	111,018	88,929

The Company contributed Rs 39.158 million (2005: Rs 35.999 million) and Rs 17.104 million (2005: Rs 15.936 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

7. Short-Term Financing

	2006	2005
Running finances utilised under mark-up arrangements - note 7.1	**3,613**	-
Term finances - note 7.2	-	-
	3,613	-

7.1 The facilities for running finance available from various banks amounted to Rs 2,571 million (2005: Rs 4,245 million) and carry mark-up during the period ranging from 8.76 to 11.84 percent per annum (2005: 2.95 to 9.92 percent per annum). The purchase prices are payable on various dates by 30 September 2007. 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 Polyester Business of the Company.

7.2 The facilities for term finance available from various banks amount to Rs 550 million (2005: Rs 550 million). However no such facility was utilised as on 31 December 2006.

Amounts in Rs '000

		2006	2005 (Restated)
8.	**Trade and Other Payables**		
	Trade creditors - note 8.1	**2,000,796**	1,695,656
	Bills payable	**1,507,414**	1,239,226
	Sales tax, excise and custom duties	**56,819**	56,082
	Mark-up accrued on short term financing	**7,504**	3,350
	Accrued interest /return on unsecured loan - note 8.2	**352,728**	345,912
	Mark-up on finance lease	-	92,000
	Accrued expenses	**557,542**	530,377
	Workers' profit participation fund - note 8.3	**114,259**	89,163
	Workers' welfare fund	**42,356**	-
	Distributors' security deposits - payable on termination of distributorship - note 8.4	**56,670**	55,176
	Contractors' earnest / retention money	**9,217**	9,043
	Advances from customers	**211,155**	192,135
	Unclaimed dividends	**4,574**	4,604
	Payable for capital expenditure	**164,495**	37,017
	Payable for staff retirement benefit schemes	**6,469**	8,417
	Provision for compensated absences	**20,000**	20,000
	Others	**320,664**	274,572
		5,432,662	4,652,730

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

	2006	2005
Pakistan PTA Limited	**168,974**	193,655
ICI Paints UK	**917**	789
ICI Paints Asia Pacific	**5,168**	1,727
National Starch and Chemicals	**830**	-
	175,889	196,171

8.2 This represents amount payable to Mortar Investments International Limited.

8.3 Workers' profit participation fund

	2006	2005
Balance as on 1 January	**89,163**	58,821
Allocation for the year - note 28	**111,571**	87,139
	200,734	145,960
Interest on funds utilised in the Company's business at 37.5 percent (2005: 30 percent) per annum - note 27	**2,058**	2,043
	202,792	148,003
Less:		
- Amount paid on behalf of the Fund	**10,829**	1,899
- Deposited with the Government of Pakistan	**77,704**	56,941
	88,533	58,840
Balance as on 31 December	**114,259**	89,163

8.4 Interest on security deposits from certain distributors is payable at 7.5 percent (2005: 7.5 percent) per annum as specified in the respective agreements.

Amounts in Rs '000

		2006	2005
9.	**Contingencies and Commitments**		

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

	2006	2005
Local bodies	**13,819**	22,340
Sales Tax authorities	**97,192**	99,277
Others	**85,474**	60,856
	196,485	182,473

9.2 Guarantees issued by the Company in respect of financial and operational obligations of Pakistan PTA Limited pursuant to the Scheme amounting to Rs 2,550 million (2005: Rs 2,640 million) against which Pakistan PTA Limited has issued counter guarantees to the Company.

9.3 Guarantees issued by the Company in respect of financing obtained by Senior Executives amounted to Rs 32 million (2005: Rs 48.5 million), in accordance with the terms of employment.

9.4 Commitments in respect of capital expenditure - Rs 32.884 million (2005: Rs 676.390 million).

9.5 Commitments for rentals under operating lease agreements in respect of vehicles amounting to Rs 108.389 million and Plant and Machinery amounting to Rs nil (2005: Vehicles: Rs 115.936 million, Plant and Machinery: Rs 2.254 million) are as follows:

Year	**Total**
2007	**40,396**
2008	**32,852**
2009	**22,219**
2010	**12,922**
	108,389

Payable not later than one year	**40,396**
Payable later than one year but not later than five years	**67,993**
	108,389

9.6 Outstanding foreign exchange contracts as at 31 December 2006 entered into by the Company to hedge the anticipated future transactions amounted to Rs 1,321.424 million (2005: Rs 1,509.247 million).

Amounts in Rs '000

	2006	2005 (Restated)

10. Property, Plant and Equipment

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

	2006	2005 (Restated)
Operating property, plant and equipment - note 10.2	**7,167,583**	4,690,508
Assets held under finance lease - note 10.6	-	1,175,900
Capital work-in-progress - note 10.7	**1,175,677**	1,347,365
	8,343,260	7,213,773

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

	Land		Limebeds on	Buildings		Plant and	Railway	Rolling stock	Furniture and	**Total**
	Freehold	Leasehold	freehold land	On freehold land	On leasehold land	machinery	sidings	and vehicles	equipment	
					2006					
Cost and revaluation at 1 January 2006	49,706	83,471	118,272	713,649	743,240	11,723,757	297	123,086	523,625	**14,079,103**
Revaluation	786,996	484,328	-	-	-	(822,398)	-	-	-	**448,926**
Additions	-	-	50	77,126	10,766	1,231,596	-	20,307	41,780	**1,381,625**
Disposals	-	-	-	(119)	-	(4,390)	-	(2,688)	(3,137)	**(10,334)**
Transfer from assets held under finance lease	-	-	-	59,964	-	1,407,531	-	-	2,505	**1,470,000**
Cost and revaluation at 31 December 2006	836,702	567,799	118,322	850,620	754,006	13,536,096	297	140,705	564,773	**17,369,320**
Accumulated depreciation at 1 January 2006	-	57,567	36,958	521,928	362,231	7,901,348	297	111,474	396,792	**9,388,595**
Revaluation	-	393,487	-	-	-	(612,528)	-	-	-	**(219,041)**
Charge for the year	-	10,286	6,027	52,609	37,431	533,662	-	6,430	42,431	**688,876**
On disposals	-	-	-	(119)	-	(4,349)	-	(2,251)	(2,874)	**(9,593)**
Transfer from assets held under finance lease	-	-	-	14,490	-	338,117	-	-	293	**352,900**
Accumulated depreciation at 31 December 2006	-	461,340	42,985	588,908	399,662	8,156,250	297	115,653	436,642	**10,201,737**
Book value at 31 December 2006	**836,702**	**106,459**	**75,337**	**261,712**	**354,344**	**5,379,846**	**-**	**25,052**	**128,131**	**7,167,583**
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	
					2005					
Cost and revaluation at 1 January 2005	49,706	83,471	118,272	687,525	713,708	11,578,767	297	121,602	494,696	13,848,044
Additions	-	-	-	26,298	29,532	214,629	-	4,425	34,491	309,375
Disposals	-	-	-	(174)	-	(69,639)	-	(2,941)	(5,562)	(78,316)
Cost and revaluation at 31 December 2005	49,706	83,471	118,272	713,649	743,240	11,723,757	297	123,086	523,625	14,079,103
Accumulated depreciation at 1 January 2005	-	47,281	30,932	479,214	327,240	7,444,613	297	110,049	359,693	8,799,319
Charge for the year	-	10,286	6,026	42,888	34,991	525,720	-	4,178	41,922	666,011
On disposals	-	-	-	(174)	-	(68,985)	-	(2,753)	(4,823)	(76,735)
Accumulated depreciation at 31 December 2005	-	57,567	36,958	521,928	362,231	7,901,348	297	111,474	396,792	9,388,595
Book value at 31 December 2005	49,706	25,904	81,314	191,721	381,009	3,822,409	-	11,612	126,833	4,690,508
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	

Amounts in Rs '000

10.3 Subsequent to revaluation on 1 October 1959 and 30 September 2000, which had resulted in a surplus of Rs 14.207 million and Rs 1,569.869 million respectively, the land and plant and machinery were revalued again on 15 December 2006 resulting in a net surplus of Rs 667.967million. The valuation was conducted by independent valuers. Valuations for plant and machinery was the open market value of the asset based on estimated gross replacement cost, depreciated to reflect the residual service potential of the asset having paid due regard to age, condition and obsolescence. Land was valued on the basis of fair market value.

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

	2006	2005
Net Book Value		
Freehold land	**20,929**	20,929
Leasehold land	**37**	42
Plant and machinery	**5,028,634**	3,154,494
Rolling stock and vehicles	**25,052**	11,612
Furniture and equipment	**128,131**	126,833
	5,202,783	3,313,910

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

Cost of sales - note 24	**655,652**	635,858
Selling and distribution expenses - note 25	**947**	409
Administration and general expenses - note 26	**32,277**	29,744
	688,876	666,011

10.6 Assets held under finance lease

	Buildings	**Plant and machinery**	**Furniture and equipment**	**Total**
		2006		
Cost at 1 January 2006	**59,964**	**1,407,531**	**2,505**	**1,470,000**
Transfer to owned assets	**(59,964)**	**(1,407,531)**	**(2,505)**	**(1,470,000)**
Cost at 31 December 2006	-	-	-	-
Accumulated depreciation at 1 January 2006	**12,090**	**281,807**	**203**	**294,100**
Charge for the period ended 30 September 2006	**2,400**	**56,310**	**90**	**58,800**
Transfer to owned assets	**(14,490)**	**(338,117)**	**(293)**	**(352,900)**
Accumulated depreciation at 31 December 2006	-	-	-	-
Book value at 31 December 2006	-	-	-	-
Depreciation rate % per annum	**5 to 10**	**3.33 to 10**	**10 to 33.33**	
		2005		
Cost at 1 January 2005	59,964	1,407,531	2,505	1,470,000
Additions	-	-	-	-
Cost at 31 December 2005	59,964	1,407,531	2,505	1,470,000
Accumulated depreciation at 1 January 2005	8,890	206,737	73	215,700
Charge for the year	3,200	75,070	130	78,400
Accumulated depreciation at 31 December 2005	12,090	281,807	203	294,100
Book value at 31 December 2005	47,874	1,125,724	2,302	1,175,900
Depreciation rate % per annum	5 to 10	3.33 to 10	10 to 33.33	

The depreciation charge of Rs 58.800 million (2005: Rs 78.400 million) has been allocated to cost of sales (note 24).

Amounts in Rs '000

	2006	2005
10.7 The following is a statement of capital work-in-progress:		
Designing, consultancy and engineering fee	**30,965**	100,285
Civil works and buildings	**164,844**	107,759
Plant and machinery	**899,307**	1,027,743
Miscellaneous equipment	**52,950**	24,577
Advances to suppliers / contractors	**27,611**	87,001
	1,175,677	1,347,365

10.8 Details of operating property, plant and equipment disposed off during the year:

	Cost	Accumulated depreciation	Net Book value	Sale proceeds	Particulars of buyers
Building					
Written down value not exceeding Rs 50,000 each	119	119	-	10	Various
Plant and machinery					
Written down value not exceeding Rs 50,000 each	4,390	4,349	41	47	Various
Rolling stock and vehicles					
Sold by auction	174	47	127	1,676	Khan M Jalal, Karachi
	239	85	154	1,627	Syed Ather Ali, Karachi
Written down value not exceeding Rs 50,000 each	2,274	2,119	155	3,843	Various
	2,687	2,251	436	7,146	
Furniture and equipment					
Sold by negotiations	299	175	124	25	CAD CAM Centre, Lahore
Insurance claim	118	58	60	70	Adamjee Insurance Company Ltd.
Written down value not exceeding Rs 50,000 each	2,721	2,641	80	144	Various
	3,138	2,874	264	239	
2006	**10,334**	**9,593**	**741**	**7,442**	
2005	78,316	76,735	1,581	5,137	

Amounts in Rs '000

11. Intangible Assets

	Cost at 1 January 2006	Additions / (disposals)	Cost at 31 December 2006	Accumulated amortisation at 1 January 2006	Charge for the year / (accumulated amortisation on disposals)	Accumulated amortisation at 31 December 2006	**Book value at 31 December 2006**	Amortisation rate on original cost %
Computer software	168,781	-	168,781	64,970	32,037	97,007	71,774	20 to 33.33
2006	**168,781**	**-**	**168,781**	**64,970**	**32,037**	**97,007**	**71,774**	
2005	168,781	-	168,781	32,933	32,037	64,970	103,811	

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

	2006	2005 (Restated)
Cost of sales - note 24	**15,128**	15,128
Selling and distribution expenses - note 25	**2,657**	2,657
Administration and general expenses - note 26	**14,252**	14,252
	32,037	32,037

12. Deferred Tax Asset - net

Deductible temporary differences		
Tax losses carried forward	**1,880,628**	2,411,129
Provisions for retirement benefits, doubtful debts and others	**149,395**	154,562
Taxable temporary differences		
Property, plant and equipment	**(1,000,434)**	(915,591)
	1,029,589	1,650,100

The amount of deductible temporary differences for which no deferred tax asset is recognised in the financial statements amounted to Rs nil (2005: Rs 37 million)

13. Long - Term Investments

Unquoted		
Subsidiary		
ICI Pakistan PowerGen Limited (wholly owned) - note 13.1		
2,100,000 ordinary shares (2005: 2,100,000) of Rs 100 each	**210,000**	210,000
Others		
Equity security available for sale		
Arabian Sea Country Club Limited	**2,500**	2,500
	212,500	212,500

13.1 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 31 December 2006 amounted to Rs 83.829 million (2005: Rs 190.807 million).

Amounts in Rs '000

		2006	2005
14.	**Long-Term Loans - Considered good**		
	Due from Subsidiary - Unsecured		
	- Long term loan - note 14.1	**72,000**	120,000
	Due from Directors, Executives and Employees - note 14.2	**103,687**	147,389
		175,687	267,389

14.1 The loan carries a rate of return of 4 percent per annum payable quarterly and the principal amount of loan is receivable from ICI Pakistan PowerGen Limited in five equal semi-annual installments, starting from March 2007. The loan is for refinancing certain banking facilities availed by ICI Pakistan PowerGen Limited in previous years to meet working capital requirements.

14.2 Due from Directors and Executives

	Motor car	**House building**	**Total**	Total
Due from:				
- Directors	-	-	-	-
- Executives	37,030	38,652	**75,682**	63,891
	37,030	38,652	**75,682**	63,891
Less: Receivable within one year				
- Executives	4,935	12,747	**17,682**	15,123
	32,095	25,905	**58,000**	48,768
Due from Employees			**73,023**	121,045
Less: Receivable within one year			**27,336**	22,424
			45,687	98,621
			103,687	147,389
Outstanding for period:				
- less than three years but over one year			**59,395**	114,566
- more than three years			**44,292**	32,823
			103,687	147,389

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

	2006	2005
Opening balance at beginning of the year	**63,891**	55,784
Disbursements	**56,551**	31,164
Repayments	**(44,760)**	(23,057)
Balance at end of the year	**75,682**	63,891

The loan to directors and executives includes an amount of Rs 5.420 million (2005: Rs 1.910 million) in respect of house building relating to key management personnel. Loan outstanding during the year relates to Mr. Ali A. Aga, who was provided this loan as per his terms of employment.

14.4 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 of the Company in accordance with their terms of employment.

14.5 The maximum aggregate amount of long-term loans and advances due from the Directors and Executives at the end of any month during the year was Rs nil and Rs 75.682 million (2005: Rs 5.645 and Rs 69.443 million) respectively.

Amounts in Rs '000

		2006	2005
15.	**Long-Term Deposits and Prepayments**		
	Deposits	**54,987**	10,307
	Prepayments	**17,932**	11,903
		72,919	22,210
16.	**Stores and Spares**		
	Stores (include in-transit Rs 19.579 million; 2005: Rs 33.764 million)	**47,740**	62,825
	Spares	**629,792**	603,348
	Consumables	**83,768**	78,882
		761,300	745,055
	Less: Provision for slow moving and obsolete items	**55,661**	55,736
		705,639	689,319
17.	**Stock-in-Trade**		
	Raw and packing material (include in-transit Rs 355.516 million; 2005: Rs 398.029 million)	**940,720**	1,294,615
	Work-in-progress	**141,151**	113,101
	Finished goods (include in-transit Rs 56.948 million; 2005: Rs 67.330 million)	**1,333,205**	1,158,930
		2,415,076	2,566,646
	Less: Provision for slow moving and obsolete stock		
	- Raw material	**31,046**	17,109
	- Finished goods	**36,240**	38,056
		67,286	55,165
		2,347,790	2,511,481
18.	**Trade Debts**		
	Considered good		
	- Secured	**277,509**	379,381
	- Unsecured	**544,366**	363,209
		821,875	742,590
	Considered doubtful	**111,734**	144,567
		933,609	887,157
	Less: Provision for:		
	- Doubtful debts	**111,734**	144,567
	- Discounts payable	**91,199**	95,581
		202,933	240,148
		730,676	647,009

Amounts in Rs '000

		2006	2005
19.	**Loans and Advances**		
	Considered good		
	Loans due from:		
	Director and Executives - note 14.2	**17,682**	15,123
	Employees - note 14.2	**27,336**	22,424
	Subsidiary - unsecured - note 14.1	**48,000**	-
		93,018	37,547
	Advances to:		
	Executives	**1,679**	2,626
	Employees	**2,846**	1,983
	Contractors and suppliers	**74,127**	68,272
	Others	**2,369**	1,265
		81,021	74,146
		174,039	111,693
	Considered doubtful	**8,120**	9,003
		182,159	120,696
	Less: Provision for doubtful loans and advances	**8,120**	9,003
		174,039	111,693

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 Nil and Rs 7.782 million (2005: Rs Nil and Rs 5.095 million) respectively.

		2006	2005
20.	**Trade Deposits and Short-Term Prepayments**		
	Trade deposits	**4,208**	15,153
	Short-term prepayments	**268,606**	167,040
	Balances with statutory authorities	**14,345**	9,150
		287,159	191,343
21.	**Other Receivables**		
	Considered good		
	Excise duty, sales tax and octroi refunds due	**118,184**	115,940
	Due from Associate - note 21.1	**67,582**	68,154
	Insurance claims	-	8,372
	Commission receivable	**23,354**	29,833
	Others	**340,813**	64,494
		549,933	286,793
	Considered doubtful	**20,733**	46,720
		570,666	333,513
	Less: Provision for doubtful receivables	**20,733**	46,720
		549,933	286,793

21.1 The maximum aggregate amount due from ICI Omicron B.V., at the end of any month during the year was Rs 67.582 million (2005: Rs 68.154 million).

		2006	2005
22.	**Cash and Bank Balances**		
	Deposit accounts	**520,000**	300,000
	Current accounts	**1,074,470**	1,349,846
	In hand		
	Cheques	**183,976**	29,553
	Cash	**12,705**	8,257
		1,791,151	1,687,656

Amounts in Rs '000

23. Operating Results

	Polyester 2006	Polyester 2005 (Restated)	Soda Ash 2006	Soda Ash 2005	Paints 2006	Paints 2005	Life Sciences 2006	Life Sciences 2005	Others 2006	Others 2005	Company 2006	Company 2005 (Restated)
Sales												
Inter-segment	-	-	-	-	-	-	-	-	442,877	395,917	-	-
Others	8,458,475	9,145,181	4,394,676	4,072,588	5,071,975	4,114,019	2,236,181	2,082,099	1,723,943	1,585,600	21,885,250	20,999,487
	8,458,475	9,145,181	4,394,676	4,072,588	5,071,975	4,114,019	2,236,181	2,082,099	2,166,820	1,981,517	21,885,250	20,999,487
Commission income	-	-	-	-	-	-	-	-	62,438	54,811	62,438	54,811
Turnover	8,458,475	9,145,181	4,394,676	4,072,588	5,071,975	4,114,019	2,236,181	2,082,099	2,229,258	2,036,328	21,947,688	21,054,298
Sales tax	2,205	492,929	528,575	480,606	628,464	516,902	5	1,203	145,951	211,962	1,305,200	1,703,602
Commission and discounts to distributors and customers	43,998	81,775	91,705	93,511	600,370	409,008	221,496	196,262	110,801	93,683	1,068,370	874,239
	46,203	574,704	620,280	574,117	1,228,834	925,910	221,501	197,465	256,752	305,645	2,373,570	2,577,841
Net sales and commission income	8,412,272	8,570,477	3,774,396	3,498,471	3,843,141	3,188,109	2,014,680	1,884,634	1,972,506	1,730,683	19,574,118	18,476,457
Cost of sales - note 24	7,762,211	8,062,006	2,808,514	2,605,417	2,434,777	2,159,682	1,314,129	1,282,670	1,614,154	1,410,901	15,490,908	15,124,759
Gross profit	650,061	508,471	965,882	893,054	1,408,364	1,028,427	700,551	601,964	358,352	319,782	4,083,210	3,351,698
Selling and distribution expenses - note 25	33,056	37,715	90,789	74,657	397,408	361,681	256,877	250,222	97,945	91,296	876,075	815,571
Administration and general expenses - note 26	148,551	141,532	239,866	228,329	139,985	130,687	114,487	114,868	83,248	78,169	726,137	693,585
Operating result	468,454	329,224	635,227	590,068	870,971	536,059	329,187	236,874	177,159	150,317	2,480,998	1,842,542
23.1 Segment assets	6,801,307	6,790,065	4,524,663	4,089,248	2,037,346	1,206,949	732,725	633,879	633,983	712,336	14,730,024	13,432,477
23.2 Unallocated assets											2,199,560	2,537,444
											16,929,584	15,969,921
23.3 Segment liabilities	2,482,402	2,118,803	908,835	655,062	662,390	605,239	738,972	537,525	383,387	384,190	5,175,986	4,300,819
23.4 Unallocated liabilities											364,368	1,681,715
											5,540,354	5,982,534
23.5 Non-cash items (excluding depreciation & amortisation)	10,659	8,030	7,519	9,942	932	1,108	5,888	2,985	2,809	1,534	27,807	23,599
23.6 Depreciation & amortisation	342,696	367,557	366,241	346,207	39,238	34,315	16,144	13,163	15,394	15,206	779,713	776,448
23.7 Capital expenditure	244,169	869,453	826,173	481,310	101,172	82,477	12,841	8,054	25,582	14,005	1,209,937	1,455,299

23.8 Inter-segment sales
Inter-segment sales have been eliminated from the total.

23.9 Inter-segment pricing
Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.

Amounts in Rs '000

24. Cost of Sales

	Polyester 2006	Polyester 2005 (Restated)	Soda Ash 2006	Soda Ash 2005	Paints 2006	Paints 2005	Life Sciences 2006	Life Sciences 2005	Others 2006	Others 2005	Company 2006	Company 2005 (Restated)
Raw and packing materials consumed												
Opening stock	**749,881**	793,251	**88,874**	74,980	**202,570**	197,540	**141,217**	162,455	**94,964**	95,896	**1,277,506**	1,324,122
Purchases												
Inter-segment	-	-	-	-	**442,877**	395,917	-	-	-	-	-	-
Others	**6,296,153**	6,263,082	**898,633**	862,392	**1,873,099**	1,616,382	**419,197**	366,530	**462,274**	415,930	**9,949,356**	9,524,316
	6,296,153	6,263,082	**898,633**	862,392	**2,315,976**	2,012,299	**419,197**	366,530	**462,274**	415,930	**9,949,356**	9,524,316
	7,046,034	7,056,333	**987,507**	937,372	**2,518,546**	2,209,839	**560,414**	528,985	**557,238**	511,826	**11,226,862**	10,848,438
Closing stock	**(431,019)**	(749,881)	**(137,713)**	(88,874)	**(191,552)**	(202,570)	**(86,305)**	(141,217)	**(63,085)**	(94,964)	**(909,674)**	(1,277,506)
	6,615,015	6,306,452	**849,794**	848,498	**2,326,994**	2,007,269	**474,109**	387,768	**494,153**	416,862	**10,317,188**	9,570,932
Salaries, wages and benefits	**194,546**	242,913	**339,125**	313,578	**68,020**	62,706	**4,329**	5,317	**21,549**	29,117	**627,569**	653,631
Stores and spares consumed	**83,030**	95,519	**119,030**	114,827	**1,528**	1,162	**-**	-	**4,136**	4,331	**207,724**	215,839
Conversion fee paid to contract manufacturers	-	-	-	-	-	-	**123,100**	102,786	**3,549**	2,144	**126,649**	104,930
Oil, gas and electricity	**460,456**	482,439	**756,102**	646,367	**11,327**	8,515	-	-	**5,073**	3,863	**1,232,958**	1,141,184
Rent, rates and taxes	**846**	832	**525**	504	**445**	445	-	-	**180**	44	**1,996**	1,825
Insurance	**53,228**	44,380	**33,953**	30,551	**21,907**	19,281	**8**	8	**581**	676	**109,677**	94,896
Repairs and maintenance	**948**	3,506	**441**	489	**12,079**	12,272	-	-	**1,561**	1,363	**15,029**	17,630
Depreciation & amortisation - note 10.5, 10.6 & 11.1	**337,203**	361,596	**352,512**	332,283	**30,729**	27,285	**681**	431	**8,455**	7,791	**729,580**	729,386
Excise duty	-	-	-	-	**988**	361	-	-	**8**	1,675	**996**	2,036
Technical fees	-	1,532	-	-	**29,474**	23,352	-	-	-	-	**29,474**	24,884
Royalty	-	-	-	-	-	-	-	-	**9,839**	7,237	**9,839**	7,237
General expenses	**63,180**	88,493	**42,779**	40,597	**20,320**	15,327	**801**	614	**11,162**	7,618	**138,242**	152,649
Opening stock of work-in-progress	**83,195**	120,400	-	-	**25,213**	19,366	**-**	-	**4,693**	2,582	**113,101**	142,348
Closing stock of work-in-progress	**(88,102)**	(83,195)	-	-	**(50,570)**	(25,213)	-	-	**(2,479)**	(4,693)	**(141,151)**	(113,101)
Cost of goods manufactured	**7,803,545**	7,664,867	**2,494,261**	2,327,694	**2,498,454**	2,172,128	**603,028**	496,924	**562,460**	480,610	**13,518,871**	12,746,306
Opening stock of finished goods	**530,229**	914,054	**93,636**	33,314	**93,106**	80,660	**219,095**	171,760	**184,808**	246,619	**1,120,874**	1,446,407
Finished goods purchased	**2,186**	17,568	**334,976**	340,045	-	-	**780,508**	848,062	**1,055,899**	872,176	**2,173,569**	2,077,851
	8,335,960	8,596,489	**2,922,873**	2,701,053	**2,591,560**	2,252,788	**1,602,631**	1,516,746	**1,803,167**	1,599,405	**16,813,314**	16,270,564
Closing stock of finished goods	**(572,009)**	(530,229)	**(99,359)**	(93,636)	**(150,675)**	(93,106)	**(285,909)**	(219,095)	**(189,013)**	(184,808)	**(1,296,965)**	(1,120,874)
Provision for obsolete stocks shown under administration & general and selling & distribution expenses	-	(2,514)	**(15,000)**	(2,000)	**(6,108)**	-	**(2,593)**	(14,981)	-	(3,696)	**(23,701)**	(23,191)
	7,763,951	8,063,746	**2,808,514**	2,605,417	**2,434,777**	2,159,682	**1,314,129**	1,282,670	**1,614,154**	1,410,901	**15,492,648**	15,126,499
Recovery from ICI Pakistan PowerGen Limited	**(1,740)**	(1,740)	-	-	-	-	-	-	-	-	**(1,740)**	(1,740)
	7,762,211	8,062,006	**2,808,514**	2,605,417	**2,434,777**	2,159,682	**1,314,129**	1,282,670	**1,614,154**	1,410,901	**15,490,908**	15,124,759

24.1 Inter-segment purchases
Inter-segment purchases have been eliminated from the total.

24.2 Staff retirement benefits
Salaries, wages and benefits include Rs 47.611 million (2005: Rs 64.692 million) in respect of staff retirement benefits.

24.3 Severance cost
Salaries, wages and benefits include Rs 10.754 million (2005: Rs 53.776 million) in respect of severance cost.

Amounts in Rs '000

25. Selling and Distribution Expenses

	Polyester		Soda Ash		Paints		Life Sciences		Others		Company	Company
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Salaries and benefits	**20,266**	18,461	**38,649**	25,347	**129,420**	116,532	**111,839**	117,588	**41,161**	39,623	**341,335**	317,551
Repairs and maintenance	**16**	11	**1,138**	1,247	**1,516**	1,149	**1,077**	1,489	**379**	389	**4,126**	4,285
Advertising and sales promotion	**878**	5,207	**424**	1,555	**96,238**	104,275	**60,687**	43,651	**990**	3,201	**159,217**	157,889
Rent, rates and taxes	**80**	-	**1,713**	1,363	**9,077**	8,429	**4,188**	2,821	**693**	436	**15,751**	13,049
Insurance	-	-	**642**	926	**10**	-	**2,189**	3,498	**3,720**	3,170	**6,561**	7,594
Lighting, heating and cooling	-	-	**841**	1,035	**2,752**	2,487	**1,267**	1,395	**239**	268	**5,099**	5,185
Depreciation and amortisation - note 10.5 & 11.1	**248**	248	**209**	159	-	250	**1,670**	1,671	**1,477**	738	**3,604**	3,066
Outward freight and handling	**4,705**	8,294	**37,439**	30,003	**100,900**	76,570	-	-	**20,040**	12,485	**163,084**	127,352
Provision for doubtful trade debts	-	-	-	-	**1,200**	2,100	**2,116**	4,466	-	-	**3,316**	6,566
Provision for obsolete stock	-	-	-	-	-	-	-	5,088	-	-	-	5,088
Travelling expenses	**3,672**	2,377	**1,597**	2,717	**43,534**	25,302	**37,651**	34,005	**7,627**	7,883	**94,081**	72,284
Postage, telegram, telephone and telex	**422**	557	**745**	1,663	**5,596**	5,576	**4,211**	4,571	**2,659**	4,101	**13,633**	16,468
General expenses	**2,769**	2,560	**7,392**	8,642	**7,165**	19,011	**29,982**	29,979	**18,960**	19,002	**66,268**	79,194
	33,056	37,715	**90,789**	74,657	**397,408**	361,681	**256,877**	250,222	**97,945**	91,296	**876,075**	815,571

25.1 Staff retirement benefits

Salaries, wages and benefits include Rs 31.471 million (2005: Rs 37.494 million) in respect of staff retirement benefits.

25.2 Severance cost

Salaries and benefits include Rs 20.936 million (2005: Rs 4.314 million) in respect of severance cost.

26. Administration and General Expenses

	Polyester		Soda Ash		Paints		Life Sciences		Others		Company	Company
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Salaries and benefits	**109,618**	84,761	**146,368**	151,179	**51,765**	55,552	**64,600**	57,958	**54,356**	56,848	**426,707**	406,298
Repairs and maintenance	**2,241**	4,057	**2,779**	2,714	**4,331**	3,541	**1,246**	1,040	**571**	897	**11,168**	12,249
Advertising and sales promotion	**1,783**	1,621	**4,615**	3,011	**573**	386	**1,379**	1,301	**941**	1,042	**9,291**	7,361
Rent, rates and taxes	**2,871**	3,723	**3,145**	7,023	**531**	1,464	**568**	1,250	**629**	2,018	**7,744**	15,478
Insurance	**849**	778	**2,444**	2,197	**303**	282	**3,556**	1,912	**507**	649	**7,659**	5,818
Lighting, heating and cooling	**2,481**	2,517	**4,226**	4,136	**2,141**	1,752	**1,843**	1,844	**848**	1,186	**11,539**	11,435
Depreciation & amortisation - note 10.5 & 11.1	**5,245**	5,713	**13,520**	13,765	**8,509**	6,780	**13,793**	11,061	**5,462**	6,677	**46,529**	43,996
Provision for obsolete stock	-	2,514	**15,000**	2,000	**6,108**	-	**2,593**	14,981	-	3,696	**23,701**	23,191
Travelling expenses	**6,902**	5,611	**10,724**	6,288	**6,524**	3,704	**7,607**	6,687	**3,500**	2,879	**35,257**	25,169
Postage, telegram, telephone and telex	**1,333**	2,827	**1,861**	2,530	**5,892**	6,261	**2,399**	2,275	**761**	1,183	**12,246**	15,076
General expenses	**15,468**	27,650	**35,184**	33,486	**53,308**	50,965	**14,903**	14,559	**15,673**	18,134	**134,536**	144,794
	148,791	141,772	**239,866**	228,329	**139,985**	130,687	**114,487**	114,868	**83,248**	95,209	**726,377**	710,865
Less:												
Recovery from ICI Pakistan PowerGen Limited	**240**	240	-	-	-	-	-	-	-	-	**240**	240
Less: Service charges from Pakistan PTA Limited - note 26.2	-	-	-	-	-	-	-	-	-	17,040	-	17,040
	148,551	141,532	**239,866**	228,329	**139,985**	130,687	**114,487**	114,868	**83,248**	78,169	**726,137**	693,585

26.1 Staff retirement benefits

Salaries, wages and benefits include Rs 61.12 million (2005: Rs 58.874 million) in respect of staff retirement benefits.

26.2 Service charges from Associate

This represents amount charged by the Company for certain administrative services rendered by it to the Associate in accordance with the Service Level Agreement between the two companies.

26.3 Severance cost

Salaries and benefits include Rs 43.148 million (2005: Rs 17.671 million) in respect of severance cost.

Amounts in Rs '000

		2006	2005 (Restated)
27.	**Financial Charges**		
	Mark-up on short-term financing	**8,927**	14,622
	Interest on:		
	Workers' profit participation fund - note 8.3	**2,058**	2,043
	Finance lease	**143,166**	153,400
	Discounting charges on receivables	**99,204**	80,930
	Exchange loss	**61,016**	31,022
	Others	**4,930**	5,093
		319,301	287,110

		2006	2005 (Restated)
28.	**Other Operating Charges**		
	Auditors' remuneration - note 28.1	**7,749**	5,923
	Donations - note 28.2	**9,448**	14,929
	Workers' profit participation fund - note 8.3	**111,571**	87,139
	Workers' welfare fund	**42,359**	-
		171,127	107,991
28.1	**Auditors' remuneration**		
	Audit fee	**2,120**	1,840
	Group reporting and SOX audit review	**4,469**	3,007
	Half yearly review and other certifications	**810**	750
	Out-of-pocket expenses	**350**	326
		7,749	5,923

28.2 Donations include Rs 8.539 million to ICI Pakistan Foundation. Mr. Waqar A Malik, Chief Executive; Mr. Pervaiz A. Khan and Mr. Feroz Rizvi, Directors of the Company and Mr. Ali Asrar Aga and Mr. Nasir Jamal, Executives of the Company are amongst the Trustees of the Foundation.

		2006	2005 (Restated)
29.	**Other Operating Income**		
	Profit on short-term and call deposits	**30,034**	5,248
	Return on loan due from Subsidiary	**4,800**	4,839
	Scrap sales	**35,236**	29,735
	Gain on disposal of property, plant and equipment	**6,701**	3,556
	Insurance claims	-	5,614
	Provisions and accruals no longer required written back	**1,655**	14,420
	Others	**48,801**	101,548
		127,227	164,960

Amounts in Rs '000

		2006	2005 (Restated)
30.	**Taxation**		
	Current - note 30.1	-	98,950
	Deferred	**662,169**	(739,806)
	Net tax charged - note 30.2	**662,169**	(640,856)

30.1 In view of the available tax losses, the Company had only been providing for current taxation representing minimum tax under section 113 of the Income Tax Ordinance, 2001 at the rate of one-half of one percent of turnover of the Company. No provision, however, has been made for minimum tax as companies have now been allowed to carry forward and adjust the tax paid against future tax liabilities. The management is of the opinion that the Company will be able to adjust the minimum tax in the foreseeable future.

30.2 Tax reconciliation

Profit for the year	**2,117,797**
Tax @ 35%	**741,229**
Tax impact on adoption of IFRIC 4	**(41,685)**
Deferred tax on loss carried forward, recognised	**(12,950)**
Permanent difference	**3,284**
Other	**(27,709)**
	662,169

30.3 The charge for prior year (year 2005) represents minimum tax payable under section 113 of the Income Tax Ordinance 2001 net of deferred tax asset recognised on assessed losses.

31 Change in accounting policy - IFRIC 4

As mentioned in note 2.20, as a result of the implementation of IFRIC Interpretation 4 (IFRIC – 4) "Determining whether an Arrangement contains a Lease", the accounting policy for the treatment of Fayzan Manufacturing Modaraba under IAS 17 "Leases" has been adopted. As required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" the respective changes have been adjusted in the accounts for the current year and where applicable comparative amounts have been presented as if this change in accounting policy due to IFRIC – 4 had always been applied. The resulting adjustments are as follows:

		2006	2005
31.1	**Effect on Profit and Loss**		
	Decrease in charges already recognised	**178,280**	190,600
	Increase in financial charges recognised	**(143,166)**	(153,400)
	Increase in depreciation on property, plant and equipment	**(58,800)**	(78,400)
		(23,686)	(41,200)
	Decrease in income tax expense	**8,290**	14,400
	Decrease in Profit	**(15,396)**	(26,800)
31.2	**Effect on Balance Sheet**		
	Increase in the net book value of property, plant and equipment		1,175,900
	Increase in current liabilities - obligation against assets subject to finance lease		1,239,200

Amounts in Rs '000

		2006	2005 (Restated)
31.3	**Effect on retained earnings prior to 1 January 2005**		
	Decrease in charges already recognised		637,100
	Increase in financial charges		(535,550)
	Increase in depreciation on property, plant and equipment		(215,650)
			(114,100)
	Decrease in income tax expense		40,000
	Decrease in Profit		(74,100)

31.4 The above changes do not have material effect on earnings per share.

32. Earnings per share - Basic and diluted

	2006	2005
Profit after taxation for the year	**1,455,628**	2,253,257
	Number of shares	
Weighted average number of ordinary shares in issue during the year	**138,802,300**	138,802,300
	Rupees	
Earning per share	**10.49**	16.23

33 Remuneration of Directors and Executives

The aggregate amounts charged in the accounts 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	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Managerial remuneration	**1,066**	1,150	**12,370**	10,817	**20,263**	19,123	**340,783**	327,028	**374,482**	358,118
Retirement benefits	-	-	**3,173**	881	**4,322**	3,820	**81,867**	65,361	**89,362**	70,062
Group insurance	-	-	**30**	44	**68**	87	**2,574**	1,772	**2,672**	1,903
Rent and house maintenance	-	-	**8,480**	3,810	**4,113**	4,428	**80,125**	73,405	**92,718**	81,643
Utilities	-	-	**1,213**	573	**916**	809	**19,680**	24,460	**21,809**	25,842
Medical expenses	-	-	**121**	149	**114**	236	**9,522**	9,472	**9,757**	9,857
Leave passage	-	-	**624**	40	**750**	148	**150**	278	**1,524**	466
	1,066	1,150	**26,011**	16,314	**30,546**	28,651	**534,701**	501,776	**592,324**	547,891
Number of persons	**1**	1	**1**	2	**6**	4	**212**	202	**220**	209

33.1 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 owned and maintained furnished accommodation and free use of Company car.

33.2 Aggregate amount charged in the financial statements for fee to Directors was Rs 2.408 million (2005: Rs 2.732 million), and for the remuneration of one director seconded by Pakistan PTA Limited amounted to Rs 6.794 million (2005: Rs 8.382 million)

33.3 The above balances include an amount of Rs 105.693 million (2005: Rs 122.972 million) on account of remuneration of key management personnel out of which Rs 12.844 million (2005:Rs 23.748 million) relates to post employment benefits.

Amounts in Rs '000

34. Transactions with Related Parties

The related parties comprise parent company (ICI Omicron B.V.), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key management employees and staff retirement funds. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2006	2005
Subsidiary Company		
Purchase of goods, materials and services	**196,045**	286,553
Provision of services and other receipts	**1,980**	1,980
Return on loan to Subsidiary	**4,800**	4,839
Associated companies		
Purchase of goods, materials and services	**5,600,876**	5,250,074
Provision of services and other receipts	**14,123**	17,041
Sale of goods and materials	**7,337**	11,373
Dividends	**315,678**	631,368
Donations	**8,539**	4,015
Others		
Purchase of goods, materials and services	**840**	622
Provision of services and other receipts	**4,826**	982
Sale of goods and materials	**18,142**	41,055

35. Plant Capacity and Annual Production

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

	2006		2005 (Restated)	
	Annual Name Plate Capacity	**Production**	Annual Name Plate Capacity	Production
Polyester	**125,575**	**96,559**	99,800	94,013
Soda Ash	**230,000**	**239,500**	230,000	237,283
Paints	**-**	**35,564**	-	28,539
Chemicals	**-**	**8,101**	-	8,119
Sodium Bicarbonate	**20,000**	**20,500**	15,500	16,707

35.1 The capacity of Paints and Chemicals is indeterminable because these are multi-product plants involving varying processes of manufacture.

35.2 Name plate capacity and production in Polyester business includes output from Fayzan Manufacturing Modaraba. During the year, production in Polyester business was curtailed in line with the weak market demand.

36. Fair Value of Financial Assets and Liabilities

The carrying amounts of the financial assets and financial liabilities approximate their fair values.

Amounts in Rs '000

37. Interest / Mark-up Rate Risk Management

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table indicate their effective interest / mark-up rates at the balance sheet date and the periods in which they will re-price or mature:

	Effective Mark-up / interest rates %	Interest / mark-up bearing: Maturity upto one year	Interest / mark-up bearing: Maturity one to five years	Interest / mark-up bearing: Maturity after five years	Non-interest /mark-up bearing	Total
			2006			
Financial Assets						
Long term loans	4	-	72,000	-	103,687	175,687
Long term deposits	-	-	-	-	54,987	54,987
Trade debts	-	-	-	-	730,676	730,676
Loans and advances	-	48,000	-	-	49,543	97,543
Trade deposits	-	-	-	-	4,208	4,208
Other receivables	-	-	-	-	431,749	431,749
Short term deposits	8.5	520,000	-	-	-	520,000
Cash and bank balances	-	-	-	-	1,271,151	1,271,151
		568,000	72,000	-	2,646,001	3,286,001
Financial Liabilities						
Trade and other payables	7.5 & 37.5	170,929	-	-	5,261,733	5,432,662
		170,929	-	-	5,261,733	5,432,662
Net financial assets / (liabilities)		**397,071**	**72,000**	**-**	**(2,615,732)**	**(2,146,661)**
			2005 (Restated)			
Financial Assets						
Long term loans	4	-	120,000	-	147,389	267,389
Long term deposits	-	-	-	-	10,307	10,307
Trade debts	-	-	-	-	647,009	647,009
Loans and advances	-	-	-	-	42,156	42,156
Trade deposits	-	-	-	-	15,153	15,153
Other receivables	-	-	-	-	170,853	170,853
Short term deposits	7.9	300,000	-	-	-	300,000
Cash and bank balances	-	-	-	-	1,387,656	1,387,656
		300,000	120,000	-	2,420,523	2,840,523
Financial Liabilities						
Trade and other payables	7.5 & 30	144,339	-	-	4,508,391	4,652,730
		144,339	-	-	4,508,391	4,652,730
Net financial assets / (liabilities)		155,661	120,000	-	(2,087,868)	(1,812,207)

Amounts in Rs '000

38. Credit and Concentration of 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 customer. 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.

The sector wise analysis of receivables, comprising trade debts, deposits, loans excluding loans to associates and other receivables is given below:

	2006	2005 (Restated)
Public Sector		
- Government	**69,759**	29,307
- Armed forces	**2,835**	7,811
- Communication	**422**	403
- Oil and gas	**2,574**	104
- Health	-	487
- Others	**45,160**	45,284
	120,750	83,396
Private Sector		
- Institutional	**24,052**	7,065
- Trade	**730,676**	647,009
- Bank	**2,148**	1,945
- Others	**497,224**	293,452
	1,254,100	949,471
	1,374,850	1,032,867

39. Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is exposed to foreign currency risk on sales, purchases and borrowings, if any, that are entered in a currency other than Pak Rupees. The Company uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate.

40. 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.

Furthermore, the Company may be able to avail the benefit of the payment of turnover tax, provided sufficient taxable profits are available in next five years when this credit can be utilised.

The Company has filed a writ petition in The Supreme Court challenging the tax department's intention to reopen a settled issue and review the treatment of the demerger of the PTA business.

Pension and Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 6 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

Amounts in Rs '000

Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the Company. The said recommendations also include estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. 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.

41. Forthcoming Requirements Under International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Policies, Changes in Accounting Estimates and Errors"

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after January 1, 2007 and are either not relevant to the Company's operations or are not expected to have significant impact on the financial statements other than certain increased disclosures.

IAS 1 - Presentation of Financial Statements – Capital Disclosures
IFRS 2 - Share based payments
IFRS 3 - Business combinations
IFRS 5 - Non-current assets held for sale and discontinued operations
IFRS 6 - Exploration for and evaluation of mineral resources
IFRIC 8 - Scope of IFRS 2 "Share based payments"
IFRIC 9 - Reassessment of Embedded Derivatives
IFRIC 10 - Interim Financial Reporting and Impairment
IFRIC 11 - Group and Treasury Share Transactions
IFRIC 12 - Services Concession Arrangements

42. Dividend

The directors in their meeting held on 28 February 2007 have declared a final dividend of Rs 3.00 per share in respect of year ended 31 December 2006. The financial statements for the year ended 31 December 2006 do not include the effect of the above dividend which will be accounted for in the period in which it is declared.

43. Date of Authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on 28 February 2007.

44. General

Figures have been rounded off to the nearest thousand rupees.

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

No. of Shareholders	Categories From		To	No. of Shares
6,513	1	-	100	230,808
4,549	101	-	500	1,094,023
1,257	501	-	1000	923,507
1,278	1001	-	5000	2,666,786
170	5001	-	10000	1,268,612
46	10001	-	15000	577,699
26	15001	-	20000	466,706
18	20001	-	25000	410,176
11	25001	-	30000	316,039
4	30001	-	35000	124,197
11	35001	-	40000	414,034
4	40001	-	45000	171,205
3	45001	-	50000	144,600
5	50001	-	55000	257,102
4	65001	-	70000	269,300
1	70001	-	75000	73,443
3	75001	-	80000	233,193
2	80001	-	85000	163,638
1	85001	-	90000	90,000
2	90001	-	95000	185,000
3	95001	-	100000	300,000
2	100001	-	105000	208,330
1	105001	-	110000	110,000
1	110001	-	115000	112,200
1	120001	-	125000	122,447
1	135001	-	140000	135,700
2	140001	-	145000	284,400
1	145001	-	150000	148,900
2	160001	-	165000	324,200
1	175001	-	180000	179,873
1	180001	-	185000	184,195
3	195001	-	200000	600,000
1	200001	-	205000	200,900
1	205001	-	210000	209,600
1	210001	-	215000	210,881
2	215001	-	220000	433,400
1	295001	-	300000	300,000
1	320001	-	325000	320,900
1	470001	-	475000	475,000
1	495001	-	500000	500,000
1	775001	-	780000	777,100
1	810001	-	815000	812,955
1	860001	-	865000	864,276
1	985001	-	990000	986,500
1	1245001	-	1250000	1,246,300
1	1375001	-	1380000	1,379,200
1	1675001	-	1680000	1,677,800
1	2835001	-	2840000	2,839,912
1	3430001	-	3435000	3,431,000
1	4115001	-	4120000	4,117,138
1	105225001	-	105230000	105,229,125
13,947				**138,802,300**

Categories of Shareholders	No. of Shareholders	Shares Held	Percentage
Associated Company (a)	1	105,229,125	75.81
Investment Companies	13	7,108	0.01
Insurance Companies	11	873,977	0.63
Joint Stock Companies	34	41,072	0.03
Others	24	314,520	0.23
Financial Institutions	12	20,268	0.01
Modaraba Companies	3	176	0.00
Mutual Funds	7	984	0.00
Individuals	9,365	3,214,875	2.32
Central Depository Company (b)	4,477	29,100,195	20.96
Total	**13,947**	**138,802,300**	**100.00**

(a) Represents the 75.81% shareholding of the ICI Omicron, B.V. a subsidiary of ICI Plc, UK
(b) Categories of Account Holders and Sub Account Holders as per Central Depository Register

Charitable Trust	7	115,231	0.40
Cooperative Societies	2	7,200	0.02
Financial Institutions	36	10,996,301	37.79
Individuals	4,259	5,068,279	17.42
Insurance Companies	13	3,576,902	12.29
Investment Companies	17	1,751,888	6.02
Joint Stock Companies	102	496,222	1.71
Leasing Companies	1	21,000	0.07
Modaraba Management Company	1	29,475	0.10
Modarabas	2	35,500	0.12
Mutual Funds	19	6,480,364	22.27
Others	18	521,833	1.79
Total	**4,477**	**29,100,195**	**100.00**

ADDITIONAL INFORMATION

Shareholder's Category	Number of Shareholders	Number of Shares Held
Associated Companies (name wise details)		
ICI Omicron B.V.	1	105,229,125
Pakistan PTA Limited		NIL
ICI Pakistan PowerGen Limited		NIL
NIT & ICP (name wise details)		
Investment Corporation of Pakistan	2	2,360
National Bank of Pakistan, Trustee Department (NIT)	3	830,671
Directors, CEO and their spouse and minor children (name wise details)		
M J Jaffer	1	21,325
Waqar A Malik	1	1
Pervaiz A Khan	2	225
Feroz Rizvi	1	1
M Nawaz Tiwana	1	1
Muhammad Zahir	1	309
Khatoon M Jaffer w/o M J Jaffer	1	15,989
Akbar Jaffer s/o M J Jaffer	1	15,081
Executives	39	10,024
Public Sector Companies and Corporations	5	3,317,326
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	312	21,136,672
Shareholders holding 10% or more voting interest		
ICI Omicron B.V.	1	105,229,125
Common Directors' shareholdings in Associated Companies		
Pakistan PTA Limited		
Waqar A Malik	1	1
David J Gee	1	1
Philip Gillett	1	1
ICI Pakistan PowerGen Limited		
Waqar A Malik	1	1
Pervaiz A Khan	1	1

	2001	2002
Assets / Liabilities		
Property, plant and equipment	5,945,482	5,742,781
Intangible assets	-	-
	5,945,482	5,742,781
Long-term Investments	813,253	2,327,460
Current Assets	4,710,987	4,618,700
Less Current Liabilities	4,230,621	3,956,958
Working capital	480,366	661,742
Other net Assets / (Liabilities)	(1,788,347)	(1,877,650)
Total Net Assets	5,450,754	6,854,333
Financed by:		
Share Capital	1,388,023	1,388,023
Unappropriated profit and capital reserves	967,489	3,202,991
Surplus on Revaluation of property, plant and equipment	1,895,736	784,424
Shareholders' Equity	4,251,248	5,375,438
Long-term Loans	1,133,333	1,400,000
Deferred Liability	66,173	78,895
Total Funds Invested	5,450,754	6,854,333
Profits / (Loss)		
Turnover	12,815,431	15,073,813
Net sales & Commission income	10,569,573	12,218,937
Gross profit	2,465,404	2,327,095
Operating Results	1,398,862	1,077,114
Profit before Taxation	619,777	723,094
Taxation	(53,159)	1,131,638
Profit after Taxation	566,618	1,854,732
Less: Dividend	277,605	312,305
Profit after taxation & dividend	289,013	1,542,427
Investors Ratio		
Gross profit to Sales	23.33	19.04
Gross profit ratio (turnover)	19.24	15.44
Debtor turnover ratio (in days) - Sales	18	19
Stock turnover ratio (in days) - COGS	81	69
Fixed assets turnover to Sales (%)	177.77	212.77
Market Value / share	35.30	53.95
Break-up value per share with Surplus on Revaluation	32.09	38.73
Break-up value per share excluding Surplus on Revaluation	17.78	33.08
Price Earning ratio	7.55	4.04
Dividend (Declared for the year) Yield - (%)	5.67	4.17
Dividend (Declared for the year) Payout (%)	48.99	16.84
Return on Capital Employed (%)	13.33	34.50
Debt : Equity ratio	47:53	36:64
Current ratio	1.11	1.17
Acid Test	0.51	0.56
Interest cover - times	1.80	2.72
Earnings after tax per share	4.68	13.36
Dividends - Rupee per share	2.00	2.25
Dividend cover - times	2.04	6.68

* The comparatives (2002 to 2004) have not been restated due to change in accounting policy on adoption of IFRIC 4. The financial impact of prior years has been disclosed in note 31 to the financial statements.

Amounts in Rs'000

2003	2004 *	2005 Restated	**2006**
5,395,447	5,250,166	7,213,773	**8,343,260**
132,111	135,848	103,811	**71,774**
5,527,558	5,386,014	7,317,584	**8,415,034**
2,333,760	212,500	212,500	**212,500**
5,305,892	7,189,684	6,500,138	**7,023,855**
3,903,777	5,092,916	5,891,930	**5,436,278**
1,402,115	2,096,768	608,208	**1,587,577**
(3,047,183)	1,028,363	1,939,699	**1,278,195**
6,216,250	8,723,645	10,077,991	**11,493,306**
1,388,023	1,388,023	1,388,023	**1,388,023**
4,073,846	6,665,957	8,105,049	**8,876,987**
679,813	587,064	494,315	**1,124,220**
6,141,682	8,641,044	9,987,387	**11,389,230**
-	-	-	**-**
74,568	82,601	90,604	**104,076**
6,216,250	8,723,645	10,077,991	**11,493,306**
22,156,265	21,303,498	21,054,298	**21,947,688**
18,127,295	17,639,480	18,476,457	**19,574,118**
2,664,367	2,755,709	3,351,698	**4,083,210**
1,087,681	1,346,788	1,842,542	**2,480,998**
806,552	2,898,950	1,612,401	**2,117,797**
(40,308)	(52,582)	640,856	**(662,169)**
766,244	2,846,368	2,253,257	**1,455,628**
-	347,006	832,814	**763,413**
766,244	2,499,362	1,420,443	**692,215**
14.70	15.62	18.14	**20.86**
12.03	12.94	15.92	**18.60**
13	15	14	**13**
45	61	65	**57**
327.94	327.51	252.49	**232.61**
85.00	89.65	140.50	**115.50**
44.25	62.25	71.95	**82.05**
39.35	58.02	68.39	**73.95**
15.40	4.37	8.65	**11.01**
2.94	4.46	3.56	**4.76**
45.29	19.51	30.80	**52.45**
13.22	32.94	22.56	**12.78**
40:60	0:100	0:100	**0:100**
1.36	1.41	1.10	**1.29**
0.67	0.71	0.56	**0.73**
3.11	12.38	6.72	**8.32**
5.52	20.51	16.23	**10.49**
-	2.50	6.00	**5.50**
2.45	8.20	2.71	**1.91**

Notice is hereby given that the Fifty-fifth Annual General Meeting of ICI PAKISTAN LIMITED will be held on Thursday, 26 April 2007 at 11.00 am at the Registered Office of the Company, ICI House, 5 West Wharf, Karachi 74000, to transact the following business:

Ordinary Business

1. To receive and consider the accounts of the Company for the year ended 31 December 2006, the report of the Auditors thereon and the report of the Directors.

2. To declare a Final cash dividend @ 30% i.e. Rs 3/- per ordinary share of Rs 10 each for the year ended 31 December 2006 as recommended by the Directors, payable to the Members whose names appear in the Register of Members as at 17 April 2007.

3. To appoint the Auditors of the Company and fix their remuneration.

Special Business

4. To consider and if thought fit, to pass the following resolution as a special resolution, namely:

   RESOLVED THAT the Company be and is hereby authorised to invest a further sum of Rs 100,000,000 in its wholly owned subsidiary, ICI Pakistan PowerGen Limited, as and by way of equity against the issuance to the Company of 1,000,000 ordinary shares of Rs 100 each of ICI Pakistan PowerGen Limited and that the loan of Rs 120 million already advanced to ICI Pakistan PowerGen Limited by the Company be rescheduled such that the first instalment of the principal amount of such loan be repayable on 1 October 2008 instead of 31 March 2007, and that the Board of Directors of the Company be and are authorised to determine the manner in which and the time and times at which such equity investment shall be made and the manner in which the aforesaid loan shall be rescheduled.

By the Order of the Board

Nasir Jamal
Company Secretary

28 February 2007
Karachi

Notes:

1. Share Transfer Books of the Company will remain closed from 17 April 2007 to 26 April 2007 (both days inclusive). Transfers received in order at the office of our Shares Registrar, M/s. Ferguson Associates (Pvt) Ltd., State Life Building 2-A, 4th Floor, Wallace Road, I I Chundrigar Road, Karachi-74000, by the close of business on 16 April 2007 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 (in which you can direct the proxy how you wish him to vote) 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.
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 notify immediately changes, if any, in their registered address to our Shares Registrar, M/s. Ferguson Associates (Pvt) Ltd.
7. CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

(ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies:

(i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

(ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(iv) The proxy shall produce his original NIC or original passport at the time of the Meeting.

(v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

Statement under Section 160(1)(b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the special business to be transacted at the Fifty-fifth Annual General Meeting of ICI Pakistan Limited to be held on 26 April 2007.

ICI Pakistan PowerGen Limited is a wholly owned subsidiary of the Company which was incorporated for the purpose of setting up and operating a power generation plant to meet the power requirements of the Company's polyester fibre plant at Sheikupura to ensure a regular and uninterrupted supply of electricity to the polyester plant without which the polyester plant would be faced with extreme difficulties. It is not possible to use electricity from the National Utility as it is highly unreliable which would lead to substantial wastage, malfunctioning and tripping of sensitive electronic equipment. As the Company has no other reliable source of power that can adequately cater for the power requirement of its polyester plant, it is essential that ICI Pakistan PowerGen power plant be kept running and viable.

In 1992, the Company invested by way of equity a sum of Rs 100 million in the share capital of ICI Pakistan PowerGen Limited. Thereafter, in 1994 the Company invested a further sum of Rs 50 million in ICI Pakistan PowerGen Limited by way of equity and/or loan to meet additional financial requirements. On both occasions the Company sought approval from its shareholders to make the investment. In 1995, at the time of the expansion of the polyester fibre plant the Company once again sought approval from its shareholders to invest in ICI Pakistan PowerGen Limited an additional sum not exceeding Rs 200 million by way of equity and/or loan. At present the Company has an equity investment of Rs 210 million (comprising of 2.1 million ordinary shares of Rs 100 each in the capital of ICI Pakistan PowerGen Limited) and has granted to ICI Pakistan PowerGen Limited a loan in the aggregate sum of Rs 120 million.

ICI Pakistan PowerGen Limited has recently indicated that it requires additional equity of Rs 100 million to meet its working capital requirements and to strengthen its equity base. ICI Pakistan PowerGen Limited has also requested a rescheduling of the Rs 120 million loan such that the repayment of the principal amount which was due to commence on 31 March 2007 be deferred to 1 October 2008 and that the rate of interest on each instalment be revised to three months KIBOR plus 1%.

The other relevant information is as follows:

Name of investee company or associated undertaking;
ICI Pakistan PowerGen Limited

Nature, amount and extent of investment;
Equity investment of Rs 100 million and rescheduling of the existing Rs 120 million loan.

Average market price of the shares intended to be purchased;
Not applicable (unlisted)

Break-up value of shares intended to be purchased on the basis of last published financial statements;
Rs 90.86 (31.12.2005) and Rs 40.00 (31.12.2006)

Price at which shares will be purchased;
At par Rs 100/- per share

Earning / (Loss) per share of investee Company in the last three years;

2006	2005	2004
(68)	(20)	17

Source of funds from where shares will be purchased;
Internal cash generation

Period for which equity investment will be made;
Long term

Purpose of equity investment;
To replenish the eroded equity of the Company due to accumulated losses as explained below and to improve its working capital position.

Details of the Rs 120 million loan to be rescheduled
A loan of Rs 120 million was given to ICI Pakistan PowerGen Limited at 4% interest payable in five equal instalments of Rs 24.0 m starting from 31 March 2007.

A brief about the financial position of the investee company on the basis of last published financial statements;

	2006	2005
Turnover	256,126,902	286,553,378
Gross Profit / (Loss)	(131,778,187)	(37,061,348)
Profit/(Loss) after tax	(143,762,258)	(42,264,410)
Retained Earnings	(162,955,725)	(19,193,467)
Current Ratio	(0.56)	2.08

Rate of mark-up to be charged;
Three months KIBOR plus 1%

Particulars of collateral security to be obtained from borrower and; if not needed, justification thereof;
It is a subordinated loan, ICI Pakistan PowerGen being a wholly-owned subsidiary of ICI Pakistan Limited

Source of funds from where loan or advance will be given;
Not applicable - the existing loan is being rescheduled

Repayment schedule;
The loan will be payable in five equal quarterly instalments commencing from 1 October 2008.

Purpose of rescheduling of loan;
The Company is incurring trading losses due to increase in furnace oil prices with no corresponding increase in selling prices which is regulated by the National Electric Power Regulatory Authority (NEPRA). As a result of the trading losses, the cash position of the Company has been adversely affected. The existing loan therefore is proposed to be rescheduled to enable the Company to improve its liquidity position.

Benefits likely to accrue to the Company and the shareholders from the equity investment and the rescheduling of loan
This will improve the working capital position of the Company, reduce cost of funds and reduce losses.

Interest of directors and their relatives in the investee Company
The Directors of the Company are not directly or indirectly, personally interested in this business except to the extent of their respective shareholdings in the Company.

The Board of Directors of the Company have resolved to recommend to the Members that the Company should make a further investment of Rs 100 million in the equity of ICI Pakistan PowerGen Limited and that the loan of Rs 120 million made to ICI Pakistan PowerGen Limited should be rescheduled such that the first instalment of the principal amount shall be payable on 1 October 2008 instead of 31 March 2007 and the rate of interest on each instalment be revised to three months KIBOR plus 1%, and that for this purpose the resolution set forth at the agenda item 4 of this notice convening the Fifty-fifth Annual General Meeting of the Company be considered and passed as a special resolution under and pursuant to and for the purposes of section 208 of the Companies Ordinance 1984.

ICI Pakistan Limited

ICI Pakistan Limited
and its Subsidiary Company

Report of the Directors for the Year Ended 31 December 2006 for ICI Pakistan Group

The Directors are pleased to present their report together with the audited Group results of ICI Pakistan Limited for the year ended 31 December 2006. The ICI Pakistan Group comprises financial statements of ICI Pakistan Limited and ICI Pakistan PowerGen Limited, a wholly owned subsidiary.

The Directors Report, giving a commentary on the performance of ICI Pakistan Limited for the year ended 31 December 2006 has been presented separately.

Net sales income for ICI Pakistan PowerGen Limited for the year was 11% lower than last year due to lower demand for electric power from the Polyester Plant on account of improved efficiencies despite higher PSF production. The electricity efficiency improved from 678 kwhr per tonne to 584 kwhr per tonne. The unit variable cost increased during the year due to higher furnace oil prices by 20% over 2005 and increase in gas prices twice during the year with no corresponding increase in the selling price. Consequently, the Company incurred an operating loss of Rs 132.4 million for the year ended 31 December 2006 compared with an operating loss of Rs 37.6 million last year. As a result, loss before taxation for the year ended 31 December 2006 was Rs 141.4 million compared to a loss of Rs 42.3 million last year.

Mahomed J Jaffer

M J Jaffer
Chairman

Waqar A Malik
Chief Executive

Dated: 28 February 2007

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 2006 and the related consolidated profit and loss account, 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 2006, and the consolidated results of its operations, its consolidated cash flows and consolidated changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

KPMG Taseer Hadi & Co.

Date: 28 February 2007
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Consolidated Balance Sheet
as at 31 December 2006

Amounts in Rs '000

	Note	2006	2005 (Restated)
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorised capital			
1,500,000,000 ordinary shares of Rs 10 each		**15,000,000**	15,000,000
Issued, subscribed and paid-up capital	4	**1,388,023**	1,388,023
Capital reserves	5	**465,845**	465,845
Unappropriated profit		**8,248,185**	7,620,011
Total equity		**10,102,053**	9,473,879
Surplus on Revaluation of Property, Plant and Equipment	6	**1,161,004**	494,315
LIABILITIES			
Non-current liability			
Deferred liability	7	**104,444**	90,971
Current Liabilities			
Liabilities against assets subject to finance lease	32	-	1,239,200
Short-term financing	8	**144,438**	-
Trade and other payables	9	**5,478,731**	4,708,961
		5,623,169	5,948,161
Contingencies and Commitments	10		
Total equity and liabilities		**16,990,670**	16,007,326

Amounts in Rs '000

	Note	2006	2005 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	11	**8,620,119**	7,464,354
Intangible asset	12	**71,774**	103,811
		8,691,893	7,568,165
Deferred tax asset - net	13	**1,029,589**	1,650,100
Long-term investments	14	**2,500**	2,500
Long-term loans	15	**104,761**	148,690
Long-term deposits and prepayments	16	**72,919**	22,210
		1,209,769	1,823,500
		9,901,662	9,391,665
Current Assets			
Stores and spares	17	**750,116**	734,029
Stock-in-trade	18	**2,361,722**	2,529,180
Trade debts	19	**756,039**	672,428
Loans and advances	20	**133,125**	112,584
Trade deposits and short-term prepayments	21	**288,819**	195,648
Other receivables	22	**569,842**	293,590
Taxation recoverable		**437,559**	374,941
Cash and bank balances	23	**1,791,786**	1,703,261
		7,089,008	6,615,661
Total assets		**16,990,670**	16,007,326

The annexed notes 1 to 45 form an integral part of these financial statements.

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

Consolidated Profit and Loss Account for the Year Ended 31 December 2006

Amounts in Rs '000

	Note	2006	2005 (Restated)
Turnover	24	**21,947,688**	21,054,298
Sales tax, commission and discounts	24	**(2,406,979)**	(2,615,217)
Net sales and commission income		**19,540,709**	18,439,081
Cost of sales	25	**(15,589,557)**	(15,124,586)
Gross profit		**3,951,152**	3,314,495
Selling and distribution expenses	26	**(876,075)**	(815,571)
Administration and general expenses	27	**(726,459)**	(693,940)
		2,348,618	1,804,984
Financial charges	28	**(323,980)**	(287,335)
Other operating charges	29	**(171,266)**	(108,130)
		(495,246)	(395,465)
Other operating income	30	**123,023**	160,618
Profit before taxation		**1,976,395**	1,570,137
Taxation	31	**(664,531)**	640,856
Profit after taxation		**1,311,864**	2,210,993
		(Rupees)	(Rupees)
Earnings per share - Basic and diluted	33	**9.45**	15.93

The annexed notes 1 to 45 form an integral part of these financial statements.

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

Amounts in Rs '000

	2006	2005 (Restated)
Cash Flows from Operating Activities		
Profit before taxation	**1,976,395**	1,570,137
Adjustments for:		
Depreciation and amortisation	**829,280**	816,801
Gain on disposal of property, plant and equipment	**(6,701)**	(3,556)
Provision for non-management staff gratuity and eligible retired employees' medical scheme	**27,899**	23,676
Mark-up on bank deposits	**(30,035)**	(5,248)
Interest / mark-up expense	**258,027**	252,299
	3,054,865	2,654,109
Movement in:		
Working capital	**398,903**	35,379
Long-term loans	**43,929**	(24,277)
Long-term deposits and prepayments	**(50,709)**	3,999
Cash generated from operations	**3,446,988**	2,669,210
Payments for :		
Non-management staff gratuity and eligible retired employees' medical scheme	**(14,426)**	(15,794)
Taxation	**(64,980)**	(129,345)
Net cash generated from operating activities	**3,367,582**	2,524,071
Cash Flows from Investing Activities		
Payments for capital expenditure	**(1,120,843)**	(1,462,777)
Proceeds from disposal of property, plant and equipment	**7,442**	5,137
Profit / mark-up received	**30,035**	5,248
Net cash used in investing activities	**(1,083,366)**	(1,452,392)

Amounts in Rs '000

	2006	2005 (Restated)
Cash Flows from Financing Activities		
Repayment of liability under finance lease	**(1,239,200)**	(61,600)
Interest / mark-up paid	**(337,486)**	(226,063)
Dividend paid	**(763,443)**	(832,831)
Net cash used in financing activities	**(2,340,129)**	(1,120,494)
Net decrease in cash and cash equivalents	**(55,913)**	(48,815)
Cash and cash equivalents at 1 January	**1,703,261**	1,752,076
Cash and cash equivalents at 31 December	**1,647,348**	1,703,261
Movement in Working Capital		
(Increase) / decrease in current assets		
Stores and spares	**(16,087)**	(27,153)
Stock-in-trade	**167,458**	394,557
Trade debts	**(83,611)**	168,441
Loans and advances	**(20,541)**	(20,258)
Trade deposits and short-term prepayments	**(93,171)**	(29,864)
Other receivables	**(276,252)**	103,196
	(322,204)	588,919
Increase / (decrease) in current liabilities		
Trade and other payables	**721,107**	(553,540)
	398,903	35,379
Cash and cash equivalents at 31 December comprise of:		
Cash and bank balances - note 23	**1,791,786**	1,703,261
Running finances utilised under mark-up arrangements - note 8	**(144,438)**	-
	1,647,348	1,703,261

The annexed notes 1 to 45 form an integral part of these financial statements.

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

Amounts in Rs '000

	Issued, subscribed and paid-up capital	Capital reserves	Unappropriated profit	Total
Balance as on 1 January 2005	**1,388,023**	**465,845**	**6,223,183**	**8,077,051**
Effect of change in accounting policy on account of IFRIC 4 implementation - note 3.19	-	-	(74,100)	(74,100)
Balance as on 1 January 2005 restated	**1,388,023**	**465,845**	**6,149,083**	**8,002,951**
Changes in equity for 2005				
Final dividend for the year ended 31 December 2004 @ Rs. 4.00 per share	-	-	(555,209)	(555,209)
Interim dividend for the year 2005 @ Rs. 2.00 per share			(277,605)	(277,605)
Net profit for the year ended 31 December 2005	-	-	2,210,993	2,210,993
Transfer from surplus on revaluation of property, plant and equipment - note 6	-	-	92,749	92,749
Total recognised income and expense for the year	-	-	2,303,742	2,303,742
Balance as on 31 December 2005 restated	**1,388,023**	**465,845**	**7,620,011**	**9,473,879**
Changes in equity for 2006				
Final dividend for the year ended 31 December 2005 @ Rs. 3.00 per share	-	-	(416,407)	(416,407)
Interim dividend for the year 2006 @ Rs. 2.50 per share	-	-	(347,006)	(347,006)
Net profit for the year ended 31 December 2006	-	-	1,311,864	1,311,864
Transfer from surplus on revaluation of property, plant and equipment - note 6	-	-	79,723	79,723
Total recognised income and expense for the year	-	-	1,391,587	1,391,587
Balance as on 31 December 2006	**1,388,023**	**465,845**	**8,248,185**	**10,102,053**

The annexed notes 1 to 45 form an integral part of these financial statements.

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

1. Status and Nature of Business

1.1 The Group consists of:

- ICI Pakistan Limited and
- ICI Pakistan PowerGen Limited

ICI Pakistan Limited ("the Company") is incorporated in Pakistan and is listed on 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.

The Subsidiary is engaged in generating, selling and supplying electricity to the Company.

The Group's registered office is situated at 5 West Wharf, Karachi.

2. Basis of Presentation

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance) and the directives issued by the Securities and Exchange Commission of Pakistan (the SECP). Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) as notified under the provisions of the Ordinance. Wherever the requirements of the Ordinance or directives issued by the SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except that certain property, plant and equipment have been included at revalued amounts and certain exchange elements referred in note 3.7 have been recognised in the cost of the relevant property, plant & equipment.

2.3 Use of estimates and judgments

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 41.

3. Summary of Significant Accounting Policies

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 recognises expense on the existing pension and gratuity funds in accordance with IAS 19 “Employee Benefits”. The gratuity scheme for non-management staff and the pensioners' medical scheme are unfunded. The pension and gratuity plans are final salary plans. The pensioners' medical plan reimburses actual medical expenses.

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”.

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 has either opted for this fund by 31 July 2004 or have joined the Group after 30 April 2004.

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. Provisions are measured at the present value of the expected expenditures, discounted at a rate that reflects current market assessment of the time value of money and the risk specific to the obligation.

3.4 Trade and other payables

Trade and other payables are recognised initially at fair value plus directly attributable cost, if any, and subsequently measured at amortised cost using the effective interest method.

3.5 Dividend

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements 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 equity or below equity, in which case it is recognised in equity 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 liability 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, leasehold land and plant & machinery) are stated at cost less accumulated depreciation and impairment losses, if any. Freehold land, leasehold land and plant & machinery are stated at revalued amounts less accumulated depreciation. 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. 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 put to 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.

Incremental depreciation charged for the period on revalued assets is transferred from surplus on revaluation of property, plant and equipment to retained earnings (unappropriated profit).

Maintenance and normal repairs are charged to income as and when incurred. Renewals and 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, and the assets so replaced, if any, are retired.

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

3.8 Intangible assets

Intangible assets are measured initially at cost and subsequently stated at cost less accumulated amortisation and impairment losses, if any.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs are amortised over their estimated useful lives.

3.9 Impairment of non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are assessed at each reporting date to ascertain whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is ascertained through discounting of the estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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 Investments

Investments in non-listed equity security classified as available for sale are stated at fair value.

3.11 Stores and spares

Stores and spares are stated at 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 lower of weighted average cost and net realisable value, except for imported general chemicals which are valued at lower of cost, as determined on a first-in-first out basis, and 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.

3.14 Financial liabilities

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

3.15 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 ruling 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.

3.16 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 method.
- Dividend income is recognised when the right to receive payment is established.

3.17 Financial expense

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

3.18 Segment reporting

A segment is a distinguishable component within a Group that is engaged in providing products and under a common control environment (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

3.19 Finance lease

Leases of property, plant and equipment are classified as finance leases if these transfer substantially all the risks and rewards incidental to ownership. 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.

In 2004, the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board issued IFRIC Interpretation 4 (IFRIC-4) “Determining whether an Arrangement contains a Lease”. The interpretation is effective for financial periods beginning on or after 1 January 2006 and requires determination of whether an arrangement is, or contains a finance lease based on the substance of the arrangement and requires an assessment of whether:

a) fulfillment of the arrangement is dependent on the use of a specific / captive asset or assets; and

b) the arrangement conveys a right to use the asset

As a consequence of the implementation of the above, it has been determined that the arrangement with Fayzan Manufacturing Modaraba executed in 2002 falls within the definition of lease as laid down in IFRIC 4. Accordingly, it has been classified as a finance lease retrospectively and where applicable comparative amounts have been restated (refer to note 32). The arrangement concluded in September 2006 and the asset was acquired by ICI Pakistan Limited.

3.20 Operating lease

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.

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 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.

3.23 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.

Amounts in Rs '000

4. Issued, Subscribed and Paid-up Capital

2006	2005		2006	2005
(Numbers)				
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	**3,185**	3,185
25,227	25,227	Ordinary shares of Rs 10 each issued as fully paid bonus shares	**252**	252
12,618,391	12,618,391	Ordinary shares issued pursuant to the Scheme as fully paid for consideration of investment in associate (note 4.1)	**126,184**	126,184
138,802,300	138,802,300		**1,388,023**	1,388,023

4.1 With effect from 1 October 2000 the Pure Terephthalic Acid (PTA) Business of the Company was demerged under a Scheme of Arrangement ("the Scheme") dated 12 December 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 Imperial Chemical Industries PLC, UK, held 105,229,125 (2005: 105,229,125) ordinary shares of Rs 10 each at 31 December 2006.

5. Capital Reserves

	2006	2005
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 the 126,183,909 ordinary shares corresponding to 25% holding acquired in Pakistan PTA Limited, an associate, at the date of acquisition i.e. 2 November 2001 and the number of shares that have been issued were determined in accordance with the Scheme in the ratio between market value of the shares of two companies based on the mean of the middle market quotation of the Karachi Stock Exchange over the ten trading days between 22 October 2001 to 2 November 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.

Amounts in Rs '000

	2006	2005
6. Surplus on Revaluation of Property, Plant and Equipment		
Balance as on 1 January	**494,315**	587,064
Revaluation surplus	**704,751**	-
Reversal of net deferred tax liability on surplus earlier recognised	**41,661**	-
	746,412	-
Less: Transfer to retained earnings (unappropriated profit) in respect of incremental depreciation charged during the year-net of deferred tax	**(79,723)**	(92,749)
Balance as on 31 December	**1,161,004**	494,315

7. Deferred Liability

	2006	2005
Provisions for non-management staff gratuity and eligible retired employees' medical scheme	**104,444**	90,971

7.1 Staff Retirement Benefits

	2006				2005			
	Funded			**Unfunded**	Funded			Unfunded
	Pension	**Gratuity**	**Total**		Pension	Gratuity	Total	
The amounts recognised in the profit and loss account against defined benefit schemes are as follows:								
Current service cost	**23,048**	**19,297**	**42,345**	**4,943**	25,744	18,165	43,909	4,746
Interest cost	**80,165**	**27,451**	**107,616**	**15,719**	71,929	21,823	93,752	11,864
Expected return on plan assets	**(89,043)**	**(24,991)**	**(114,034)**	**-**	(65,240)	(18,645)	(83,885)	-
Termination cost	**17,233**	**-**	**17,233**	**479**	30,995	-	30,995	1,043
Recognition of actuarial loss	**18,859**	**1,826**	**20,685**	**6,758**	30,368	2,425	32,793	6,023
Charge for the year	**50,262**	**23,583**	**73,845**	**27,899**	93,796	23,768	117,564	23,676
Movements in the net asset / (liability) recognised in the balance sheet are as follows:								
Opening balance	**71,205**	**(8,417)**	**62,788**	**(90,971)**	42,583	(10,639)	31,944	(83,089)
Charge for the year	**(50,262)**	**(23,583)**	**(73,845)**	**(27,899)**	(93,796)	(23,768)	(117,564)	(23,676)
Contributions / payments during the year	**109,850**	**25,531**	**135,381**	**14,426**	122,418	25,990	148,408	15,794
Closing balance	**130,793**	**(6,469)**	**124,324**	**(104,444)**	71,205	(8,417)	62,788	(90,971)
The amounts recognised in the balance sheet are as follows:								
Fair value of plan assets	**842,376**	**224,733**	**1,067,109**	**-**	783,507	230,935	1,014,442	-
Present value of defined benefit obligation	**(778,855)**	**(293,785)**	**(1,072,640)**	**(163,843)**	(780,301)	(266,191)	(1,046,492)	(152,859)
Surplus / (Deficit)	**63,521**	**(69,052)**	**(5,531)**	**(163,843)**	3,206	(35,256)	(32,050)	(152,859)
Unrecognised actuarial gain / (loss)	**67,272**	**62,583**	**129,855**	**59,399**	67,999	26,839	94,838	61,888
Recognised asset / (liability)	**130,793**	**(6,469)**	**124,324**	**(104,444)**	71,205	(8,417)	62,788	(90,971)
Movement in the present value of defined benefit obligation:								
Opening balance	**780,301**	**266,191**	**1,046,492**	**152,859**	837,147	250,684	1,087,831	133,121
Service cost	**23,048**	**19,297**	**42,345**	**4,943**	25,744	18,165	43,909	4,746
Interest cost	**80,165**	**27,451**	**107,616**	**15,720**	71,929	21,823	93,752	11,864
Benefits paid	**(75,245)**	**(23,702)**	**(98,947)**	**(14,426)**	(157,136)	(40,922)	(198,058)	(15,794)
Termination cost	**17,233**	**-**	**17,233**	**479**	30,995		30,995	1,043
Actuarial gain / (loss)	**(46,647)**	**4,548**	**(42,099)**	**4,269**	(28,378)	16,441	(11,937)	17,879
Present value of the defined benefit obligation at the end of the year	**778,855**	**293,785**	**1,072,640**	**163,844**	780,301	266,191	1,046,492	152,859

Amounts in Rs '000

	2006			2005		
	Funded			Funded		
	Pension	Gratuity	Total	Pension	Gratuity	Total
Movement in the fair value of plan assets:						
Opening balance	**783,507**	**230,935**	**1,014,442**	706,604	204,391	910,995
Expected return	**89,043**	**24,991**	**114,034**	65,240	18,645	83,885
Contributions	**109,850**	**25,531**	**135,381**	122,418	25,990	148,408
Benefits paid	**(75,245)**	**(23,702)**	**(98,947)**	(157,136)	(40,922)	(198,058)
Actuarial (loss) / gain	**(64,779)**	**(33,022)**	**(97,801)**	46,381	22,831	69,212
Fair value of plan assets at the end of the year	**842,376**	**224,733**	**1,067,109**	783,507	230,935	1,014,442

Historical information

As at 31 December	2006	2005	2004	2003	2002
Present Value of defined benefit obligation	**1,236,483**	1,199,351	1,220,952	1,289,235	1,132,535
Fair value of plan assets	**1,067,109**	1,014,442	910,995	910,381	888,718
Deficit / (Surplus)	**169,374**	184,909	309,957	378,854	243,817
Experience adjustment on plan liabilities	**1%**	8%	-2%	12%	-7%
Experience adjustments on plan assets	**-9%**	7%	-2%	1%	6%

Major categories / composition of plan assets are as follows:	**2006**	2005
Debt instruments	**62%**	76%
Equity	**10%**	7%
Mixed Funds	**16%**	11%
Cash	**12%**	6%

These figures are based on the latest actuarial valuation, as at 31 December 2006. The valuation uses the Projected Unit Credit method. Actuarial gains and losses are amortised over the expected future service of current members.

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2006 was Rs 16.233 million (2005: Rs 153 million).

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

Discount rate	**11.0%**	10.8%
Expected return on plan assets	**11.0%**	10.8%
Future salary increases	**8.9%**	8.7%
Future pension increases	**6.0%**	5.5%

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:

	2006	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost	**11,232**	12,869	9,899
Effect on the defined benefit obligation	**98,976**	111,018	88,929

The Group contributed Rs 39.170 million (2005: Rs 35.999 million) and Rs 17.122 million (2005: Rs 15.936 million) to the provident fund and the defined contribution superannuation fund respectively during the year.

Amounts in Rs '000

		2006	2005 (Restated)
8.	**Short-Term Financing**		
	Running finances utilised under mark-up arrangements - note 8.1	**144,438**	-
	Term finances - note 8.2	**-**	-
		144,438	-

8.1 The facilities for running finance available from various banks amounted to Rs 2,731 million (2005: Rs 4,355 million) and carry mark-up during the period ranging from 8.76 to 12.31 percent per annum (2005: 2.95 to 10.34 percent per annum). The purchase prices are payable on various dates by 30 September 2007. 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 Polyester Business of the Company.

8.2 The facilities for term finance available from various banks amount to Rs 550 million (2005: Rs 550 million). However no such facility was utilised as on 31 December 2006.

9. Trade and Other Payables

	2006	2005
Trade creditors - note 9.1	**2,015,959**	1,721,194
Bills payable	**1,507,723**	1,239,226
Sales tax, excise and custom duties	**56,819**	56,082
Mark-up accrued on short-term financing	**9,519**	3,794
Accrued interest / return on unsecured loan - note 9.2	**352,728**	345,912
Mark-up on finance lease	**-**	92,000
Accrued expenses	**561,254**	536,989
Workers' profit participation fund - note 9.3	**114,259**	89,180
Workers' welfare fund	**42,356**	-
Distributors' security deposits - payable on termination of distributorship - note 9.4	**56,670**	55,176
Contractors' earnest / retention money	**9,217**	9,043
Advances from customers	**211,155**	192,135
Unclaimed dividends	**4,574**	4,604
Payable for capital expenditure	**165,500**	37,345
Payable for staff retirement benefit schemes	**6,468**	8,417
Provision for compensated absences	**20,000**	20,000
Others	**344,530**	297,864
	5,478,731	4,708,961

9.1 The above balances include amounts due to following associated undertakings:

	2006	2005
Pakistan PTA Limited	**168,974**	193,655
ICI Paints UK	**917**	789
ICI Paints Asia Pacific	**5,168**	1,727
National Starch and Chemicals	**830**	-
	175,889	196,171

9.2 This represents amount payable to Mortar Investments International Limited.

Amounts in Rs '000

	2006	2005
9.3 Workers' profit participation fund		
Balance as on 1 January	**89,180**	60,719
Allocation for the year - note 29	**111,571**	87,139
	200,751	147,858
Interest on funds utilised in the Group's business at 37.5 percent (2005: 30 percent) per annum - note 28	**2,058**	2,060
	202,809	149,918
Less:		
- Amount paid to and on behalf of the fund	**10,846**	1,899
- Deposited with the Government of Pakistan	**77,704**	58,839
	88,550	60,738
Balance as on 31 December	**114,259**	89,180

9.4 Interest on security deposits from certain distributors is payable at 7.5 percent (2005: 7.5 percent) per annum as specified in the respective agreements.

10. Contingencies and Commitments

10.1 Claims against the Group not acknowledged as debts are as follows:

	2006	2005
Local bodies	**28,055**	30,471
Sales tax authorities	**97,192**	99,277
Others	**85,474**	60,856
	210,721	190,604

10.2 Guarantees issued by the Company in respect of financial and operational obligations of Pakistan PTA Limited pursuant to the Scheme amounting to Rs 2,550 million (2005 : Rs 2,640 million) against which Pakistan PTA Limited has issued counter guarantees to the Company.

10.3 Guarantees issued by the Company in respect of financing obtained by Senior Executives amounted to Rs 32 million (2005: Rs 48.5 million), in accordance with the terms of employment.

10.4 Commitments in respect of capital expenditure - Rs 32.884 million (2005: Rs 676.390 million).

10.5 Commitments for rentals under operating lease agreements in respect of vehicles amounting to Rs 108.389 million and Plant and Machinery amounting to Rs nil (2005: Vehicles: Rs 115.936 million, Plant and Machinery: Rs 2.254 million) are as follows:

Year	Total
2007	**40,396**
2008	**32,852**
2009	**22,219**
2010	**12,922**
	108,389

Payable not later than one year	**40,396**
Payable later than one year but not later than five years	**67,993**
	108,389

10.6 Outstanding foreign exchange contracts as at 31 December 2006 entered into by the Group to hedge the anticipated future transactions amounted to Rs 1,321.424 million (2005: Rs 1,509.247 million).

Amounts in Rs '000

		2006	2005 (Restated)
11	**Property, Plant and Equipment**		
	The following is a statement of property, plant and equipment:		
11.1	Operating property, plant and equipment - note 11.2	**7,420,725**	4,919,042
	Assets held under finance lease - note 11.6	-	1,175,900
	Capital work-in-progress - note 11.7	**1,199,394**	1,369,412
		8,620,119	7,464,354

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

	Land		Limebeds on	Buildings		Plant and	Railway	Rolling stock	Furniture and	Total
	Freehold	Leasehold	freehold land	On freehold land	On leasehold land	machinery	sidings	and vehicles	equipment	
2006										
Cost and revaluation at 1 January 2006	49,706	83,471	118,272	713,649	769,676	12,255,612	297	123,086	524,301	**14,638,070**
Revaluation	786,996	484,328	-	-	-	(724,968)	-	-	-	**546,356**
Additions	-	-	50	77,351	10,766	1,268,761	-	20,307	41,780	**1,419,015**
Disposals	-	-	-	(119)	-	(4,390)	-	(2,688)	(3,137)	**(10,334)**
Transfer from assets held under finance lease	-	-	-	59,964	-	1,407,531	-	-	2,505	**1,470,000**
Cost and revaluation at 31 December 2006	836,702	567,799	118,322	850,845	780,442	14,202,546	297	140,705	565,449	**18,063,107**
Accumulated depreciation at 1 January 2006	-	57,567	36,958	521,928	386,398	8,207,065	297	111,474	397,341	**9,719,028**
Revaluation	-	393,487	-	-	-	(551,883)	-	-	-	**(158,396)**
Charge for the year	-	10,286	6,027	53,683	37,431	582,130	-	6,430	42,456	**738,443**
On disposals	-	-	-	(119)	-	(4,349)	-	(2,251)	(2,874)	**(9,593)**
Transfer from assets held under finance lease	-	-	-	14,490	-	338,117	-	-	293	**352,900**
Accumulated depreciation at 31 December 2006	-	461,340	42,985	589,982	423,829	8,571,080	297	115,653	437,216	**10,642,382**
Book value at 31 December 2006	836,702	106,459	75,337	260,863	356,613	5,631,466	-	25,052	128,233	**7,420,725**
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	
2005										
Cost and revaluation at 1 January 2005	49,706	83,471	118,272	687,525	739,152	12,051,723	297	121,602	495,372	14,347,120
Additions	-	-	-	26,298	30,524	273,528	-	4,425	34,491	369,266
Disposals	-	-	-	(174)	-	(69,639)	-	(2,941)	(5,562)	(78,316)
Cost and revaluation at 31 December 2005	49,706	83,471	118,272	713,649	769,676	12,255,612	297	123,086	524,301	14,638,070
Accumulated depreciation at 1 January 2005	-	47,281	30,932	479,214	350,614	7,710,795	297	110,049	360,217	9,089,399
Charge for the year	-	10,286	6,026	42,888	35,784	565,255	-	4,178	41,947	706,364
On disposals	-	-	-	(174)	-	(68,985)	-	(2,753)	(4,823)	(76,735)
Accumulated depreciation at 31 December 2005	-	57,567	36,958	521,928	386,398	8,207,065	297	111,474	397,341	9,719,028
Book value at 31 December 2005	49,706	25,904	81,314	191,721	383,278	4,048,547	-	11,612	126,960	4,919,042
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	

Amounts in Rs '000

11.3 Subsequent to revaluation on 1 October 1959 and 30 September 2000, which had resulted in a surplus of Rs 14.207 million and Rs 1,569.869 million respectively, the land and plant and machinery were revalued again on 15 December 2006 resulting in a net surplus of Rs 704.752 million. The valuation was conducted by independent valuers. Valuations for plant and machinery was the open market value of the asset based on estimated gross replacement cost, depreciated to reflect the residual service potential of the asset having paid due regard to age, condition and obsolescence. Land was valued on the basis of fair market value.

11.4 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	**2006**	2005
Freehold land	**20,929**	20,929
Leasehold land	**37**	42
Plant and machinery	**5,243,469**	3,380,630
Rolling stock and vehicles	**25,052**	11,612
Furniture and equipment	**128,233**	126,960
	5,417,720	3,540,173

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

Cost of sales - note 25	**705,219**	676,211
Selling and distribution expenses - note 26	**947**	409
Administration and general expenses - note 27	**32,277**	29,744
	738,443	706,364

11.6 Assets held under finance lease

	Buildings	**Plant and machinery**	**Furniture and equipment**	**Total**
		2006		
Cost at 1 January 2006	**59,964**	**1,407,531**	**2,505**	**1,470,000**
Transfer to owned assets	**(59,964)**	**(1,407,531)**	**(2,505)**	**(1,470,000)**
Cost at 31 December 2006	-	-	-	-
Accumulated depreciation at 1 January 2006	**12,090**	**281,807**	**203**	**294,100**
Charge for the period ended 30 September 2006	**2,400**	**56,310**	**90**	**58,800**
Transfer to owned assets	**(14,490)**	**(338,117)**	**(293)**	**(352,900)**
Accumulated depreciation at 31 December 2006	-	-	-	-
Book value at 31 December 2006	-	-	-	-
Depreciation rate % per annum	**5 to 10**	**3.33 to 10**	**10 to 33.33**	
		2005		
Cost at 1 January 2005	59,964	1,407,531	2,505	1,470,000
Additions	-	-	-	-
Cost at 31 December 2005	59,964	1,407,531	2,505	1,470,000
Accumulated depreciation at 1 January 2005	8,890	206,737	73	215,700
Charge for the year	3,200	75,070	130	78,400
Accumulated depreciation at 31 December 2005	12,090	281,807	203	294,100
Book value at 31 December 2005	47,874	1,125,724	2,302	1,175,900
Depreciation rate % per annum	5 to 10	3.33 to 10	10 to 33.33	

The depreciation charge of Rs 58.800 million (2005: Rs 78.400 million) has been allocated to Cost of sales.

Amounts in Rs '000

		2006	2005
11.7	The following is a statement of capital work-in-progress:		
	Designing, consultancy and engineering fee	**30,965**	100,285
	Civil works and buildings	**164,844**	107,759
	Plant and machinery	**923,024**	1,049,790
	Miscellaneous equipment	**52,950**	24,577
	Advances to suppliers / contractors	**27,611**	87,001
		1,199,394	1,369,412

11.8 Details of operating property, plant and equipment disposed off during the year:

	Cost	**Accumulated depreciation**	**Net book value**	**Sale proceeds**	**Particulars of buyers**
Building					
Written down value not exceeding Rs 50,000 each	119	119	-	10	Various
Plant and machinery					
Written down value not exceeding Rs 50,000 each	4,390	4,349	41	47	Various
Rolling stock and vehicles					
Sold by auction	174	47	127	1,676	Khan M Jalal, Karachi
	239	85	154	1,627	Syed Ather Ali, Karachi
Written down value not exceeding Rs 50,000 each	2,274	2,119	155	3,843	Various
	2,687	2,251	436	7,146	
Furniture and equipment					
Sold by negotiations	299	175	124	25	CAD CAM Centre, Lahore
Insurance claim	118	58	60	70	Adamjee Insurance Company
Written down value not exceeding Rs 50,000 each	2,721	2,641	80	144	Various
	3,138	2,874	264	239	
2006	**10,334**	**9,593**	**741**	**7,442**	
2005	78,316	76,735	1,581	5,137	

Amounts in Rs '000

12. Intangible Assets

	Cost at 1 January 2006	Additions / (disposals)	Cost at 31 December 2006	Accumulated amortisation at 1 January 2006	Charge for the year	Accumulated amortisation at 31 December 2006	**Book value at 31 December 2006**	Amortisation rate on original cost %
Computer software	168,781	-	168,781	64,970	32,037	97,007	71,774	20 to 33.33
2006	**168,781**	**-**	**168,781**	**64,970**	**32,037**	**97,007**	**71,774**	
2005	168,781	-	168,781	32,933	32,037	64,970	103,811	

	2006	2005 (Restated)
12.1 The amortisation charge for the year has been allocated as follows:		
Cost of sales - note 25	**15,128**	15,128
Selling and distribution expenses - note 26	**2,657**	2,657
Administration and general expenses - note 27	**14,252**	14,252
	32,037	32,037

13. Deferred Tax Asset - net

Deductible temporary differences		
Tax losses carried forward	**1,880,628**	2,411,129
Provisions for retirement benefits, doubtful debts and others	**149,395**	154,562
Taxable temporary differences		
Property, plant and equipment	**(1,000,434)**	(915,591)
	1,029,589	1,650,100

The amount of deductible temporary differences for which no deferred tax asset is recognised in the financial statements amounted to Rs Nil (2005: Rs 37 million)

14. Long-Term Investment

Unquoted		
Equity security available for sale		
Arabian Sea Country Club Limited	**2,500**	2,500

15. Long-Term Loans - Considered good

Due from Directors, Executives and Employees - note 15.1	**104,761**	148,690

Amounts in Rs '000

			2006	2005

15.1 Due from Directors and Executives

	Motor car	**Housing building**	**Total**	Total
Due from				
- Directors	-	-	-	-
- Executives	37,030	38,652	**75,682**	63,891
	37,030	38,652	**75,682**	63,891
Less: Receivable within one year				
- Executives	4,935	12,747	**17,682**	15,123
	32,095	25,905	**58,000**	48,768
Due from Employees			**74,097**	122,463
Less: Receivable within one year			**27,336**	22,541
			46,761	99,922
			104,761	148,690
- less than three years but over one year			**59,886**	114,920
- more than three years			**44,875**	33,770
			104,761	148,690

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

	2006	2005
Opening balance at beginning of the year	**63,891**	55,784
Disbursements	**56,551**	31,164
Repayments	**(44,760)**	(23,057)
Balance at end of the year	**75,682**	63,891

The loan to directors and executives includes an amount of Rs 5.420 million (2005: Rs 1.910 million) in respect of house building relating to key management personnel. Loan outstanding during the year relates to Mr. Ali A. Aga, who was provided this loan as per his terms of employment.

15.3 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 of the Group in accordance with their terms of employment.

15.4 The maximum aggregate amount of long-term loans and advances due from the Directors and Executives at the end of any month during the year was Rs nil and Rs 75.682 million (2005: Rs 5.645 and Rs 69.443 million) respectively.

16. Long-Term Deposits and Prepayments

	2006	2005
Deposits	**54,987**	10,307
Prepayments	**17,932**	11,903
	72,919	22,210

17. Stores and Spares

	2006	2005
Stores (include in-transit Rs 19.579 million; 2005: Rs 33.764 million)	**47,751**	62,835
Spares	**686,555**	659,290
Consumables	**89,171**	85,340
	823,477	807,465
Less: Provision for slow moving and obsolete items	**73,361**	73,436
	750,116	734,029

Amounts in Rs '000

		2006	2005
18.	**Stock-in-Trade**		
	Raw and packing material (include in-transit Rs 355.587 million; 2005: Rs 469.029 million)	**954,652**	1,312,314
	Work-in-process	**141,151**	113,101
	Finished goods (include in-transit Rs 56.948 million; 2005: Rs 67.33 million)	**1,333,205**	1,158,930
		2,429,008	2,584,345
	Less: Provision for slow moving and obsolete stock		
	- Raw materials	**31,046**	17,109
	- Finished goods	**36,240**	38,056
		67,286	55,165
		2,361,722	2,529,180
19.	**Trade Debts**		
	Considered good		
	- Secured	**303,281**	379,381
	- Unsecured	**543,957**	388,628
		847,238	768,009
	Considered doubtful	**111,734**	144,567
		958,972	912,576
	Less: Provision for:		
	- Doubtful debts	**111,734**	144,567
	- Discount payable	**91,199**	95,581
		202,933	240,148
		756,039	672,428
20.	**Loans and Advances**		
	Considered good		
	Loans due from:		
	Directors and Executives - note 15.1	**17,682**	15,123
	Employees - note 15.1	**27,336**	22,541
		45,018	37,664
	Advances to:		
	Executives	**1,679**	2,626
	Employees	**3,090**	1,991
	Contractors and suppliers	**80,968**	69,038
	Others	**2,370**	1,265
		88,107	74,920
		133,125	112,584
	Considered doubtful	**8,120**	9,003
		141,245	121,587
	Less: Provision for doubtful loans and advances	**8,120**	9,003
		133,125	112,584

20.1 The maximum aggregate amount of advances due from the Directors and Executives at the end of any month during the year was Rs Nil and Rs 7.782 million (2005: Rs Nil and Rs 5.095 million) respectively.

Amounts in Rs '000

		2006	2005
21.	**Trade Deposits and Short-Term Prepayments**		
	Trade deposits	**4,208**	18,104
	Short-term prepayments	**270,266**	168,394
	Balances with statutory authorities	**14,345**	9,150
		288,819	195,648
22.	**Other Receivables**		
	Considered good		
	Excise duty, sales tax and octroi refunds due	**137,250**	120,577
	Due from Associate - note 22.1	**67,582**	68,154
	Insurance claims	-	8,372
	Commission receivable	**23,354**	29,833
	Others	**341,656**	66,654
		569,842	293,590
	Considered doubtful	**20,733**	46,720
		590,575	340,310
	Less: Provision for doubtful receivables	**20,733**	46,720
		569,842	293,590

22.1 The maximum aggregate amount due from ICI Omicron B.V., at the end of any month during the year was Rs 67.582 million (2005: Rs 68.154 million).

		2006	2005
23.	**Cash and Bank Balances**		
	Deposit accounts	**520,000**	300,000
	Current accounts	**1,075,105**	1,365,451
	In hand		
	- Cheques	**183,976**	29,553
	- Cash	**12,705**	8,257
		1,791,786	1,703,261

Amounts in Rs '000

24. Operating Results

	Polyester 2006	Polyester 2005 (Restated)	Soda Ash 2006	Soda Ash 2005	Paints 2006	Paints 2005	Life Sciences 2006	Life Sciences 2005	Others 2006	Others 2005	Group 2006	Group 2005 (Restated)
Sales												
Inter-segment	-	-	-	-	-	-	-	-	**699,004**	682,470	-	-
Others	**8,458,475**	9,145,181	**4,394,676**	4,072,588	**5,071,975**	4,114,019	**2,236,181**	2,082,099	**1,723,943**	1,585,600	**21,885,250**	20,999,487
	8,458,475	9,145,181	**4,394,676**	4,072,588	**5,071,975**	4,114,019	**2,236,181**	2,082,099	**2,422,947**	2,268,070	**21,885,250**	20,999,487
Commission income	-	-	-	-	-	-	-	-	**62,438**	54,811	**62,438**	54,811
Turnover	**8,458,475**	9,145,181	**4,394,676**	4,072,588	**5,071,975**	4,114,019	**2,236,181**	2,082,099	**2,485,385**	2,322,881	**21,947,688**	21,054,298
Sales tax	**2,205**	492,929	**528,575**	480,606	**628,464**	516,902	**5**	1,203	**179,359**	249,338	**1,338,608**	1,740,978
Commission and discounts to distributors and customers	**43,998**	81,775	**91,705**	93,511	**600,370**	409,008	**221,496**	196,262	**110,802**	93,683	**1,068,371**	874,239
	46,203	574,704	**620,280**	574,117	**1,228,834**	925,910	**221,501**	197,465	**290,161**	343,021	**2,406,979**	2,615,217
Net sales and commission income	**8,412,272**	8,570,477	**3,774,396**	3,498,471	**3,843,141**	3,188,109	**2,014,680**	1,884,634	**2,195,224**	1,979,860	**19,540,709**	18,439,081
Cost of sales - note 25	**7,762,208**	8,062,006	**2,808,514**	2,605,417	**2,434,777**	2,159,682	**1,314,129**	1,282,670	**1,968,933**	1,697,281	**15,589,557**	15,124,586
Gross profit	**650,064**	508,471	**965,882**	893,054	**1,408,364**	1,028,427	**700,551**	601,964	**226,291**	282,579	**3,951,152**	3,314,495
Selling and distribution expenses - note 26	**33,056**	37,714	**90,789**	74,657	**397,408**	361,681	**256,879**	250,222	**97,943**	91,297	**876,075**	815,571
Administration and general expenses - note 27	**148,552**	141,532	**239,866**	228,329	**139,986**	130,687	**114,488**	114,868	**83,567**	78,524	**726,459**	693,940
Operating result	**468,456**	329,225	**635,227**	590,068	**870,970**	536,059	**329,184**	236,874	**44,781**	112,758	**2,348,618**	1,804,984
24.1 Segment assets	**6,801,307**	6,790,065	**4,524,663**	4,089,248	**2,037,346**	1,206,949	**732,725**	633,879	**885,453**	1,079,643	**14,981,494**	13,799,784
24.2 Unallocated assets											**2,009,176**	2,207,542
											16,990,670	16,007,326
24.3 Segment liabilities	**2,482,402**	2,118,803	**908,835**	655,062	**662,390**	605,239	**738,972**	537,526	**427,803**	440,787	**5,220,402**	4,357,417
24.4 Unallocated liabilities											**507,211**	1,681,715
											5,727,613	6,039,132
24.5 Non-cash items (excluding depreciation)	**10,659**	8,030	**7,522**	9,942	**932**	1,108	**5,888**	2,985	**2,898**	1,611	**27,899**	23,676
24.6 Depreciation and amortisation	**342,695**	367,557	**366,241**	346,207	**39,238**	34,315	**16,145**	13,163	**64,962**	55,559	**829,280**	816,801
24.7 Capital expenditure	**244,169**	869,471	**826,173**	481,260	**101,172**	82,482	**12,841**	8,054	**64,643**	40,766	**1,248,998**	1,482,033

24.8 Inter-segment sales
Inter-segment sales have been eliminated from the total.

24.9 Inter-segment pricing
Transactions among the business segments are recorded at arm's length prices using admissible valuation methods.

Amounts in Rs '000

25. Cost of Sales

	Polyester		Soda Ash		Paints		Life Sciences		Others		Group	Group
	2006	2005 (Restated)	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005 (Restated)
Raw and packing materials consumed												
Opening stock	**749,881**	793,251	**88,874**	74,980	**202,570**	197,540	**141,217**	162,455	**112,663**	106,756	**1,295,205**	1,334,982
Purchases												
Inter-segment	-	-	-	-	**442,877**	395,917	-	-	-	-	-	-
Others	**6,296,153**	6,263,082	**898,633**	862,392	**1,873,099**	1,616,382	**419,197**	366,530	**621,504**	569,517	**10,108,586**	9,677,903
	6,296,153	6,263,082	**898,633**	862,392	**2,315,976**	2,012,299	**419,197**	366,530	**621,504**	569,517	**10,108,586**	9,677,903
	7,046,034	7,056,333	**987,507**	937,372	**2,518,546**	2,209,839	**560,414**	528,985	**734,167**	676,273	**11,403,791**	11,012,885
Closing stock	**(431,019)**	(749,881)	**(137,713)**	(88,874)	**(191,552)**	(202,570)	**(86,305)**	(141,217)	**(77,017)**	(112,663)	**(923,606)**	(1,295,205)
	6,615,015	6,306,452	**849,794**	848,498	**2,326,994**	2,007,269	**474,109**	387,768	**657,150**	563,610	**10,480,185**	9,717,680
Salaries, wages and benefits	**194,546**	242,913	**339,125**	313,578	**68,020**	62,706	**4,329**	5,317	**29,390**	38,268	**635,410**	662,782
Stores and spares consumed	**83,030**	95,519	**119,030**	114,827	**1,528**	1,162	-	-	**22,944**	21,235	**226,532**	232,743
Conversion fee paid to contract manufacturers - Others	-	-	-	-	-	-	**123,100**	102,786	**3,549**	2,144	**126,649**	104,930
Oil, gas and electricity - note 25.2	**460,456**	482,439	**756,102**	646,367	**11,327**	8,515	-	-	**113,711**	71,606	**1,085,469**	922,374
Rent, rates and taxes	**846**	832	**525**	504	**445**	445	-	-	**1,064**	645	**2,880**	2,426
Insurance	**53,228**	44,380	**33,953**	30,551	**21,907**	19,281	**8**	8	**3,507**	1,744	**112,603**	95,964
Repairs and maintenance	**948**	3,506	**441**	489	**12,079**	12,272	-	-	**1,684**	1,496	**15,152**	17,763
Depreciation and amortisation - note 11.5, 11.6 & 12.1	**337,201**	**361,596**	**352,512**	332,283	**30,729**	27,285	**681**	431	**58,024**	48,144	**779,147**	769,739
Excise duty	-	-	-	-	**988**	361	-	-	**2,186**	4,130	**3,174**	4,491
Technical fees	-	1,532	-	-	**29,474**	23,352	-	-	-	-	**29,474**	24,884
Royalty Fee	-	-	-	-	-	-	-	-	**9,839**	7,237	**9,839**	7,237
General expenses	**61,439**	86,753	**42,779**	40,597	**20,320**	15,327	**801**	614	**11,977**	8,842	**137,316**	152,133
Opening stock of work-in-process	**83,195**	120,400	-	-	**25,213**	19,366	-	-	**4,693**	2,582	**113,101**	142,348
Closing stock of work-in-process	**(88,102)**	(83,195)	-	-	**(50,570)**	(25,213)	-	-	**(2,479)**	(4,693)	**(141,151)**	(113,101)
Cost of goods manufactured	**7,801,802**	7,663,127	**2,494,261**	2,327,694	**2,498,454**	2,172,128	**603,028**	496,924	**917,239**	766,990	**13,615,780**	12,744,393
Opening stock of finished goods	**530,229**	914,054	**93,636**	33,314	**93,106**	80,660	**219,095**	171,760	**184,808**	246,619	**1,120,874**	1,446,407
Finished goods purchased	**2,186**	17,568	**334,976**	340,045	-	-	**780,508**	848,062	**1,055,899**	872,176	**2,173,569**	2,077,851
	8,334,217	8,594,749	**2,922,873**	2,701,053	**2,591,560**	2,252,788	**1,602,631**	1,516,746	**2,157,946**	1,885,785	**16,910,223**	16,268,651
Closing stock of finished goods	**(572,009)**	(530,229)	**(99,359)**	(93,636)	**(150,675)**	(93,106)	**(285,909)**	(219,095)	**(189,013)**	(184,808)	**(1,296,965)**	(1,120,874)
Provision for obsolete stocks shown under administration & general and selling & distribution expenses	-	(2,514)	**(15,000)**	(2,000)	**(6,108)**	-	**(2,593)**	(14,981)	-	(3,696)	**(23,701)**	(23,191)
	7,762,208	8,062,006	**2,808,514**	2,605,417	**2,434,777**	2,159,682	**1,314,129**	1,282,670	**1,968,933**	1,697,281	**15,589,557**	15,124,586

25.1 Inter-segment purchases
Inter-segment purchases have been eliminated from the total.

25.2 Oil, gas and electricity includes inter-segment purchases of Rs 256.127 million (2005: Rs 286.553 million) which have been eliminated from the total.

25.3 Staff retirement benefits
Salaries, wages and benefits include Rs 47.733 million (2005: Rs 67.769 million) in respect of staff retirement benefits.

25.4 Severance cost
Salaries, wages and benefits include Rs 10.754 million (2005: Rs 55.793 million) in respect of severance cost.

Amounts in Rs '000

26. Selling and Distribution Expenses

	Polyester		Soda Ash		Paints		Life Sciences		Others		Group	Group
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Salaries and benefits	**20,266**	18,461	**38,649**	25,347	**129,420**	116,532	**111,839**	117,588	**41,161**	39,623	**341,335**	317,551
Repairs and maintenance	**16**	11	**1,138**	1,247	**1,516**	1,149	**1,077**	1,489	**379**	390	**4,126**	4,285
Advertising and sales promotion	**878**	5,207	**424**	1,555	**96,238**	104,275	**60,687**	43,651	**990**	3,200	**159,**217	157,889
Rent, rates and taxes	**80**	-	**1,713**	1,363	**9,077**	8,429	**4,188**	2,821	**693**	436	**15,751**	13,049
Insurance	-	-	**642**	926	**10**	-	**2,189**	3,498	**3,720**	3,170	**6,561**	7,594
Lighting, heating and cooling	-	-	**841**	1,035	**2,752**	2,487	**1,267**	1,395	**239**	268	**5,099**	5,185
Depreciation and amortisation - note 11.5 & 12.1	**249**	248	**209**	159	-	250	**1,671**	1,672	**1,476**	738	**3,605**	3,066
Outward freight and handling	**4,705**	8,294	**37,439**	30,003	**100,900**	76,570	-	-	**20,040**	12,485	**163,084**	127,352
Provision for doubtful trade debts	-	-	-	-	**1,200**	2,100	**2,116**	4,466	-	-	**3,316**	6,566
Provision for obsolete stock	-	-	-	-	-	-	-	5,088	-	-	-	5,088
Travelling expenses	**3,672**	2,377	**1,597**	2,717	**43,534**	25,302	**37,651**	34,005	**7,627**	7,883	**94,081**	72,284
Postage, telegram, telephone and telex	**422**	557	**745**	1,663	**5,596**	5,576	**4,211**	4,571	**2,659**	4,101	**13,633**	16,468
General expenses	**2,768**	2,559	**7,392**	8,642	**7,165**	19,011	**29,983**	29,979	**18,959**	19,003	**66,267**	79,194
	33,056	37,714	**90,789**	74,657	**397,408**	361,681	**256,879**	250,223	**97,943**	91,297	**876,075**	815,571

26.1 Staff retirement benefits

Salaries, wages and benefits include Rs 31.471 million (2005: Rs 58.874 million) in respect of staff retirement benefits.

26.2 Severance cost

Salaries and benefits include Rs 20.936 million (2005: Rs 4.314 million) in respect of severance cost.

27. Administration and General Expenses

	Polyester		Soda Ash		Paints		Life Sciences		Others		Group	Group
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Salaries and benefits	**109,618**	84,761	**146,368**	151,179	**51,765**	55,552	**64,600**	57,958	**54,356**	56,848	**426,707**	406,298
Repairs and maintenance	**2,241**	4,057	**2,779**	2,714	**4,331**	3,541	**1,246**	1,040	**571**	897	**11,168**	12,249
Advertising and sales promotion	**1,783**	1,621	**4,615**	3,011	**573**	386	**1,379**	1,301	**941**	1,042	**9,291**	7,361
Rent, rates and taxes	**2,871**	3,723	**3,145**	7,023	**531**	1,464	**568**	1,250	**629**	2,018	**7,744**	15,478
Insurance	**849**	778	**2,444**	2,197	**303**	282	**3,556**	1,912	**507**	649	**7,659**	5,818
Lighting, heating and cooling	**2,481**	2,517	**4,226**	4,136	**2,142**	1,752	**1,843**	1,844	**848**	1,186	**11,540**	11,435
Depreciation and amortisation - note 11.5 & 12.1	**5,245**	5,713	**13,520**	13,765	**8,509**	6,780	**13,793**	11,061	**5,462**	6,677	**46,529**	43,996
Provision for obsolete stock	-	2,514	**15,000**	2,000	**6,108**	-	**2,593**	14,981	-	3,696	**23,701**	23,191
Travelling expenses	**6,902**	5,611	**10,724**	6,288	**6,524**	3,704	**7,607**	6,687	**3,500**	2,879	**35,257**	25,169
Postage, telegram, telephone and telex	**1,333**	2,827	**1,861**	2,530	**5,892**	6,261	**2,398**	2,275	**761**	1,183	**12,245**	15,076
General expenses	**15,229**	27,410	**35,184**	33,486	**53,308**	50,965	**14,905**	14,559	**15,992**	18,489	**134,618**	144,909
	148,552	141,532	**239,866**	228,329	**139,986**	130,687	**114,488**	114,868	**83,567**	95,564	**726,459**	710,980
Less: Service charges from Pakistan PTA Limited - note 27.2	-	-	-	-	-	-	-	-	-	17,040	-	17,040
	148,552	141,532	**239,866**	228,329	**139,986**	130,687	**114,488**	114,868	**83,567**	78,524	**726,459**	693,940

27.1 Staff retirement benefits

Salaries, wages and benefits include Rs 61.12 million (2005: Rs 37.494 million) in respect of staff retirement benefits.

27.2 Service charges from Associate

This represents amount charged by the Group for certain administrative services rendered by it to the Associate in accordance with the Service Level Agreement.

27.3 Severance cost

Salaries and benefits include Rs 43.148 million (2005: Rs 17.671 million) in respect of severance cost.

Amounts in Rs '000

		2006	2005
28.	**Financial Charges**		
	Mark-up on short-term financing	**13,599**	14,622
	Interest on:		
	Workers' profit participation fund - note 9.3	**2,058**	2,060
	Finance lease	**143,166**	153,400
	Discounting charges on receivables	**99,204**	80,930
	Exchange loss	**61,023**	31,230
	Others	**4,930**	5,093
		323,980	287,335
29.	**Other operating charges**		
	Auditors' remuneration - note 29.1	**7,891**	6,062
	Donations - note 29.2	**9,448**	14,929
	Workers' profit participation fund - note 9.3	**111,571**	87,139
	Workers' welfare fund	**42,356**	-
		171,266	108,130
29.1	**Auditors' remuneration**		
	Audit fee	**2,262**	1,979
	Group reporting and SOX audit review	**4,469**	3,007
	Half yearly review and other certifications	**810**	750
	Out-of-pocket expenses	**350**	326
		7,891	6,062

29.2 Donations include Rs 8.539 million to ICI Pakistan Foundation. Mr Waqar A Malik, Chief Executive; Mr Pervaiz A Khan and Mr Feroz Rizvi, Directors of the Company and M Ali Asrar Aga and Mr Nasir Jamal, Executives of the Company are amongst the Trustees of the Foundation.

		2006	2005
30.	**Other operating income**		
	Profit on short-term and call deposits	**30,035**	5,248
	Scrap sales	**35,831**	30,231
	Gain on disposal of property, plant and equipment	**6,701**	3,556
	Provisions and accruals no longer required written back	**1,655**	14,420
	Insurance claims	-	5,614
	Others	**48,801**	101,549
		123,023	160,618
31.	**Taxation**		
	Current - note 31.1	**2,362**	98,950
	Deferred	**662,169**	(739,806)
	Net tax charged - note 31.2	**664,531**	(640,856)

31.1 In view of the available tax losses, the Company had only been providing for current taxation representing minimum tax under section 113 of the Income Tax Ordinance, 2001 at the rate of one-half of one percent of turnover of the Company. No provision, however, has been made for minimum tax as companies have now been allowed to carry forward and adjust the tax paid against future tax liabilities. The management is of the opinion that the Company will be able to adjust the minimum tax in the foreseeable future.

Amounts in Rs '000

		2006
31.2	**Tax reconciliation**	
	Profit for the year	**1,976,395**
	Tax @ 35%	**691,738**
	Tax impact on adoption of IFRIC 4	**(41,685)**
	Deferred tax on loss carried forward, recognised	**(12,950)**
	Turnover Tax	**2,362**
	Permanent difference	**3,284**
	Tax impact of Income exempt from tax	**49,491**
	Others	**(27,709)**
	Net tax charged	**664,531**

31.3 The charge for prior year (year 2005) represents minimum tax payable under section 113 of the Income Tax Ordinance 2001 net of deferred tax asset recognised on assessed losses.

32 Change in accounting policy - IFRIC-4

As mentioned in note 3.19, as a result of the implementation of IFRIC Interpretation 4 (IFRIC – 4) "Determining whether an Arrangement contains a Lease", the accounting policy for the treatment of Fayzan Manufacturing Modaraba under IAS 17 "Leases" has been adopted. As required by IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" the respective changes have been adjusted in the accounts for the current year and where applicable comparative amounts have been presented as if this change in accounting policy due to IFRIC – 4 had always been applied. The resulting adjustments are as follows:

		2006	2005 (Restated)
32.1	**Effect on Profit and Loss**		
	Decrease in charges already recognised	**178,280**	190,600
	Increase in financial charges recognised	**(143,166)**	(153,400)
	Increase in depreciation on property, plant and equipment	**(58,800)**	(78,400)
		(23,686)	(41,200)
	Decrease in income tax expense	**8,290**	14,400
	Decrease in Profit	**(15,396)**	(26,800)
32.2	**Effect on Balance Sheet**		
	Increase in the net book value of property, plant and equipment		1,175,900
	Increase in current liabilities - obligation against assets subject to finance lease		1,239,200
32.3	**Effect on retained earnings prior to 1 January 2005**		
	Decrease in charges already recognised		637,100
	Increase in financial charges		(535,550)
	Increase in depreciation on property, plant and equipment		(215,650)
			(114,100)
	Decrease in income tax expense		40,000
	Decrease in Profit		(74,100)

32.4 The above changes do not have material effect on earnings per share.

Amounts in Rs '000

	2006	2005
33 Earning per Share - Basic and diluted		
Profit after taxation for the year	**1,311,864**	2,210,993
	Number of shares	
Weighted average number of ordinary shares in issue during the year	**138,802,300**	138,802,300
	Rupees	
Earnings per share	**9.45**	15.93

34. Remuneration of Directors and Executives

The aggregate amounts charged in the accounts 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	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
Managerial remuneration	**1,066**	1,150	**12,370**	10,817	**20,263**	19,123	**340,783**	327,028	**374,482**	358,118
Retirement benefits	-	-	**3,173**	881	**4,322**	3,820	**81,867**	65,361	**89,362**	70,062
Group insurance	-	-	**30**	44	**68**	87	**2,574**	1,772	**2,672**	1,903
Rent and house maintenance	-	-	**8,480**	3,810	**4,113**	4,428	**80,125**	73,405	**92,718**	81,643
Utilities	-	-	**1,213**	573	**916**	809	**19,680**	24,460	**21,809**	25,842
Medical expenses	-	-	**121**	149	**114**	236	**9,522**	9,472	**9,757**	9,857
Leave passage	-	-	**624**	40	**750**	148	**150**	278	**1,524**	466
	1,066	1,150	**26,011**	16,314	**30,546**	28,651	**534,701**	501,776	**592,324**	547,891
Number of persons	**1**	1	**1**	2	**6**	4	**212**	202	**220**	209

34.1 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 owned and maintained furnished accommodation and free use of Company car.

34.2 Aggregate amount charged in the financial statements for fee to Directors was Rs 2.408 million (2005: Rs 2.732 million), and for the remuneration of one director seconded by Pakistan PTA Limited amounted to Rs 6.794 million (2005: Rs 8.382 million)

34.3 The above balances include an amount of Rs 105.693 million (2005: Rs 122.972 million) on account of remuneration of key management personnel out of which Rs 12.844 million (2005: Rs 23.748 million) relates to post employment benefits.

Amounts in Rs '000

35. Transactions with Related Parties

The related parties comprise parent company (ICI Omicron B.V.), related group companies, local associated company, directors of the Company, companies where directors also hold directorship, key management employees and staff retirement funds. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2006	2005
Associated companies		
Purchase of goods, materials and services	**5,600,876**	5,250,074
Provision of services and other receipts	**14,123**	17,041
Sale of goods and materials	**7,337**	11,373
Dividends	**315,678**	631,368
Donations	**8,539**	4,015
Others		
Purchase of goods, materials and services	**840**	622
Provision of services and other receipts	**4,826**	982
Sale of goods and materials	**18,142**	41,055

36. Plant Capacity and Annual Production

- in metric tonnes except Paints which is in thousands of litres and PowerGen which is in thousand of Kilowatts:

	2006		2005 (Restated)	
	Annual Name Plate Capacity	**Production**	Annual Name Plate Capacity	Production
Polyester	**125,575**	**96,559**	99,800	94,013
Soda Ash	**230,000**	**239,500**	230,000	237,283
Paints	**-**	**35,564**	-	28,539
Chemicals	**-**	**8,101**	-	8,119
Sodium Bicarbonate	**20,000**	**20,500**	15,500	16,707
PowerGen - note 36.2	**122,640**	**58,532**	122,640	65,992

36.1 The capacity of Paints and Chemicals is indeterminable because these are multi-product plants involving varying processes of manufacture.

36.2 Electricity by PowerGen is produced as per demand.

36.3 Name plate capacity and production in Polyester business includes output from Fayzan Manufacturing Modaraba. During the year, production in Polyester business was curtailed in line with the weak market demand.

37. Fair Value of Financial Assets and Liabilities

The carrying amounts of all financial assets and liabilities approximate their fair values.

Amounts in Rs '000

38. Interest / Mark-up Rate Risk Management

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. In respect of income earning financial assets and interest / mark-up bearing financial liabilities, the following table indicate their effective interest / mark-up rates at the balance sheet date and the periods in which they will re-price or mature:

	Effective Mark-up / interest rates %	Interest / mark-up bearing Maturity upto one year	Maturity one to five years	Maturity after five years	Non-interest /mark-up bearing	Total
			2006			
Financial Assets						
Long term loans	4	-	-	-	104,761	104,761
Long term deposits	-	-	-	-	54,987	54,987
Trade debts	-	-	-	-	756,039	756,039
Loans and advances	-	-	-	-	49,787	49,787
Trade deposits	-	-	-	-	4,208	4,208
Other receivables	-	-	-	-	432,592	432,592
Short term deposits	8.5	520,000	-	-	-	520,000
Cash and bank balances	-				1,271,786	1,271,786
		520,000	-	-	2,674,160	3,194,160
Financial Liabilities						
Trade and other payables	7.5 & 37.5	170,929	-	-	5,307,802	5,478,731
		170,929	-	-	5,307,802	5,478,731
Net financial assets / (liabilities)		**349,071**	**-**	**-**	**(2,633,642)**	**(2,284,571)**
			2005			
Financial Assets						
Long term loans	4	-	-	-	148,690	148,690
Long term deposits	-	-	-	-	10,307	10,307
Trade debts	-	-	-	-	672,428	672,428
Loans and advances	-	-	-	-	42,281	42,281
Trade deposits	-	-	-	-	18,104	18,104
Other receivables	-	-	-	-	173,013	173,013
Short term deposits	7.9	300,000	-	-	-	300,000
Cash and bank balances	-	-	-	-	1,403,261	1,403,261
		300,000	-	-	2,468,084	2,768,084
Financial Liabilities						
Trade and other payables - restated	7.5 & 30	144,356	-	-	4,564,605	4,708,961
		144,356	-	-	4,564,605	4,708,961
Net financial assets / (liabilities)		155,644	-	-	(2,096,521)	(1,940,877)

Amounts in Rs '000

39. Credit and Concentration of 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 customer. 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.

The sector wise analysis of receivables, comprising trade debts, deposits, loans excluding loans to associates and other receivables is given below:

	2006	2005 (Restated)
Public Sector		
- Government	**69,759**	33,106
- Armed forces	**2,835**	7,811
- Communication	**422**	403
- Oil and gas	**2,573**	104
- Health	-	487
- Others	**45,160**	45,284
	120,749	87,195
Private Sector		
- Institutional	**24,052**	7,065
- Trade	**756,039**	672,428
- Bank	**2,148**	1,945
- Others	**499,386**	296,190
	1,281,625	977,628
	1,402,374	1,064,823

40. Foreign Exchange Risk Management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Group is exposed to foreign currency risk on sales, purchases and borrowings, if any, that are entered in a currency other than Pak Rupees. The Group uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate.

41. 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.

Furthermore, the Company may be able to avail the benefit of the payment of turnover tax, provided sufficient taxable profits are available in next five years when this credit can be utilised.

The Company has filed a writ petition in The Supreme Court challenging the tax department's intention to reopen a settled issue and review the treatment of the demerger of the PTA business.

Pension and Gratuity

Certain actuarial assumptions have been adopted as disclosed in note 7 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect unrecognised gains and losses in those years.

Property, plant and equipment

The estimates for revalued amounts, if any, of different classes of property, plant and equipment, are based on valuation performed by external professional valuers and recommendation of technical teams of the 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. 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.

42. Forthcoming Requirements Under International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Policies, Changes in Accounting Estimates and Errors"

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after January 1, 2007 and are either not relevant to the Group's operations or are not expected to have significant impact on the financial statements other than certain increased disclosures.

IAS 1 - Presentation of Financial Statements – Capital Disclosures
IFRS 2 - Share based payments
IFRS 3 - Business combinations
IFRS 5 - Non-current assets held for sale and discontinued operations
IFRS 6 - Exploration for and evaluation of mineral resources
IFRIC 8 - Scope of IFRS 2 "Share based payments"
IFRIC 9 - Reassessment of Embedded Derivatives
IFRIC 10 - Interim Financial Reporting and Impairment
IFRIC 11 - Group and Treasury Share Transactions
IFRIC 12 - Services Concession Arrangements

43. Dividend

The directors of the Company in their meeting held on 28 February 2007 have declared a final dividend of Rs 3.00 per share in respect of year ended 31 December 2006. The financial statements for the year ended 31 December 2006 do not include the effect of the above dividend which will be accounted for in the period in which it is declared.

44. Date of Authorisation

These financial statements were authorised for issue in the Board of Directors meeting held on 28 February 2007.

45. General

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

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

ICI Pakistan Limited

Admission Slip

The Fifty-fifth Annual General Meeting of ICI Pakistan Limited will be held on 26 April 2007 at 11:00 a.m. at the Registered Office of the Company at ICI House, 5 West Wharf, Karachi.

Company's transport will wait at the corner of Karachi Stock Exchange Road, between 9:45 a.m. and 10:15 a.m. on the date of the Meeting. Shareholders desirous of attending the Meeting may avail this facility.

Kindly bring this slip duly signed by you for attending the Meeting.

Company Secretary

Name ______________________________

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 original National Identity Card (NIC) 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

55th 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 Fifty-fifth Annual General Meeting of the Company to be held on 26 April 2007 and at any adjournment thereof.

As witness my / our hand / seal this ________ day of ________ 2007

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 NIC numbers shall be mentioned on the form.

ii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iii) The proxy shall produce his original NIC 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
5 West Wharf
Karachi-74000