

ANNUAL REPORT

Nimir Resins Limited

NIMIR



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COMPANY INFORMATION

Board of Directors

Mr. A. Razak Dawood (Chairman)
Mr. Zafar Mahmood
(Alternate for Sh. Amar Hameed)
Syed Zamanat Abbas
Mr. Sheikh Azhar Ali
Mr. Faisal Dawood
Mr. Muhammad Sadiq
Mr. Taimur Dawood (Chief Executive)

Audit Committee

Mr. A. Razak Dawood (Chairman)
Mr. Faisal Dawood
Mr. Muhammad Sadiq

Company Secretary

Mr. Abdul Sohail

Auditors

Horwath Hussain Chaudhry & Co.
Chartered Accountants

Legal Advisor

Hassan & Hassan
Advocates

Bankers

Bank Al-Habib Limited
Habib Bank Limited

Shares' Registrar

Corplink (Pvt.) Limited
Wings Arcade 1-K (Commercial)
Model Town, Lahore.
Ph : 92 42 5887262, 5839182
Fax : 92 42 5869037

Registered Office

DESCON World Head Quarter,
18 KM Ferozepur Road Lahore-
53000 Pakistan.
Ph : 92 42 35805134
Fax : 92 42 35811135
Email : info@nimiresins.com

Factory

14.8 KM, Sheikhpura-Faisalabad Road,
Mouzo Bhikki, District Sheikhpura.
Ph : 056 3090955, 3091294
Fax : 056 882189

Web Site

www.nimiresins.com

VISION STATEMENT

“To make Nimir Resins Limited a customer-driven and result oriented company which brings success to all its stakeholders through a commitment to technical and managerial excellence, innovation, creativity and social responsibility”

MISSION STATEMENT

“To turn our Business around into a viable enterprise by reducing costs and increasing revenues”

STATEMENT OF ETHICS & BUSINESS PRACTICES

“We believe in a stimulating and challenging team oriented work environment that encourages, develops and rewards excellence.

We are committed to diligently serving our community and stakeholders while maintaining high standards of moral and ethical values.”

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 45th Annual General Meeting of Nimir Resins Limited, will be held on Monday, October 26, 2009 at 10.00 am at Descon Headquarters, 18-Km Ferozepur Road, Lahore, to transact the following business:

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting of the Company held on Friday, October 31, 2008.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 30th June 2009 together with the Directors and Auditors Reports thereon.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2010. The present auditors Horwath Hussain Chaudhry & Co. Chartered Accountants, retire and offer themselves for re-appointment.

SPECIAL BUSINESS:

4. To consider, and if thought fit, to pass the following special resolution:
"RESOLVED that the Authorized Capital of the Company be and is hereby increased from Rs. 650,000,000/- (Rupees Six Hundred Fifty Million Only) to Rs. 1,100,000,000/- (Rupees One Billion One Hundred Million Only) by creation of 90,000,000 (Ninety Million) ordinary shares of Rs. 5 each.
FURTHER RESOLVED that the Memorandum of Association of the Company be altered by substituting by the figures and words "650,000,000/- (Rupees Six Hundred Fifty Million only)" and "130,000,000 (One Hundred and Thirty Million)" appearing in clause V thereof, with the figures and words "Rs. 1,100,000,000/- (Rupees One Billion One Hundred Million only)" and "220,000,000/- (Two Hundred Twenty Million)" respectively.
FURTHER RESOLVED that the Articles of Association of the company be altered by substituting by the figures and words "650,000,000/- (Rupees Six Hundred Fifty Million only)" and "130,000,000 (One Hundred and Thirty Million)" appearing in clause 4 thereof, with the figures and words "Rs. 1,100,000,000/- (Rupees One Billion One Hundred Million only)" and "220,000,000/- (Two Hundred Twenty Million)" respectively.
FURTHER RESOLVED that Mr. Abdul Sohail, Company Secretary of the Company, be and is hereby authorized to fulfill all the legal requirements with SECP on behalf of the Company."
5. To transact any other business with the permission of the Chair.

By Order of the Board

Lahore
October 02, 2009

(ABDUL SOHAIL)
COMPANY SECRETARY

Notes:-

1. The share transfer books of the Company shall remain closed from 19-10-2009 to 26-10-2009 (both days inclusive).
2. Statement of material facts under Section 160 (1) (b) of the Companies Ordinance, 1984 pertaining to Special Business is being sent to the Shareholders with the Notice.
3. Member are requested to attend in person along with Computerized National Identity Card ("CNIC") or appoint some other member as proxy and send their proxy duly witnessed so as to reach the registered office of the Company not later than 48 hours before the time of holding the meeting.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his / her original CNIC or passport, Account and participants, I.D. Numbers to prove his / her identity, and in case of proxy must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
5. Shareholders are requested to immediately notify change in address, if any, to the Company's Share Registrar, M/s Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and also furnish attested photocopy of their CNIC as per Listing Regulations, if not provided earlier.

Statement under Section 160 (1)(b) of Companies Ordinance, 1984 pertaining to special business attached to the notice:

1. A petition has been filed in the Honorable Lahore High Court for sanction of a proposed scheme of merger of Nimir Resins Limited (NRL) and Descon Chemicals (Private) Limited (DCPL) by the transfer to and vesting in NRL of the entire undertaking of DCPL (the "Scheme"), subject to approval of requisite majority of shareholders of NRL and DCPL.
2. If the Scheme is so approved/sanctioned, an increase in shore capital will be required for the issuance of shares of NRL to the members/shareholders of DCPL according to the swap ratio fixed by the auditors Horwath Hussain Chaudhry & Co.
3. The directors of DCPL and NRL as beneficial and legal owners of shares in the respective companies are interested in the terms of the Scheme. Any benefit accruing to the directors of the respective companies as a result of the Scheme is in the capacity of shareholders of the respective companies and does not differ from the benefits accruing to other members of the respective companies. Further, as disclosed in the Scheme, DCPL is wholly owned by the three common directors, i.e. Mr. Abdul Rozok Dawood, Mr. Faisal Dawood and Mr. Taimur Dawood, and the said three directors, along with their family members and DCPL, owned 51.93% of the issued capital of NRL as of the Effective Date.
4. The Scheme and all other public documents related to this special business shall be available for inspection for the stakeholders throughout the notice period during the office hours at the registered offices of the NRL and DCPL i.e. 18 km Ferozepur Road, Lahore.

DIRECTOR'S REPORT TO SHAREHOLDERS

The Directors welcome you to the 45th Annual General Meeting of the Company and present before you the audited accounts and auditors' report for the year ended June 30, 2009.

Business Environment

The Company is facing a very challenging macro-economic environment. The prospects of rapidly rising inflation, increasing interest rates, depreciating rupee and fluctuations in fuel prices have significantly increased the cost of doing business in Pakistan.

Operational & Financial Highlights

The Company suffered an after tax loss of Rs. 26.1 million for the current year against after profit tax of Rs. 109.249 million last year. The gross margin for the year has decreased by Rs 69.4 million mainly due to a significant shortfall in volume owing to the impact of the worldwide recession coupled with an increase in certain direct expenses relating to production.

	2009 Rupees	2008 Rupees
Sales	894,683,231	1,063,872,887
Cost of sales	(829,282,230)	(929,056,801)
Gross Profit	65,401,001	134,816,086
Distribution cost	(17,684,861)	(14,978,483)
Administrative expenses	(22,062,326)	(3,831,399)
	(39,747,187)	(18,809,882)
Operating Profit	25,653,814	116,006,204
Finance cost	(37,100,729)	(27,750,539)
Other operating charges	(6,919,935)	(11,227,409)
Other operating income	209,338	14,755,453
(Loss) / Profit before Taxation	(18,157,512)	91,783,709
Taxation	(7,954,318)	17,465,641
Net (Loss) / Profit for the Year	(26,111,830)	109,249,350
Earnings per Share – Basic	(0.41)	1.73

The focus during the latter part of last year has been to restore margins, increase sales volume and have a very strict control on costs. These measures have taken hold and we started to see improvement in the last quarter of 2008-09.

Future Outlook

To realize the benefits of scale, it has been proposed to merge your company with Descan Chemicals (Private) Limited which provides an opportunity to have one manufacturing unit that will be able to cater to the production volumes of both entities thus providing all the benefits that accrue from having one entity. The merger of management will reduce overheads as well. The scheme of merger has been approved by the Board of Directors of your company and Descan Chemicals (Private) Limited. The petition for the merger has been filed and is subject to the sanction of the Honorable Lahore High Court, process of the legal merger has been initiated. We hope to have the requisite permissions in place after the due process of Law by the end of the year.

All the measures taken last year to cut costs, improve efficiencies and merge the managements of various businesses will result in higher margins and renewed focus on volume through organic growth and innovation.

Corporate Governance

Your Company is pleased to inform you that its Directors and management are fully conversant with the responsibilities as formulated in Code of Corporate Governance as incorporated in the listing regulations of stock exchanges issued by SECP. The prescribed practices are effectively under implementation in the Company and there has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

The statements as required by the Code of Corporate Governance are given below:

i. Presentation of Financial Statement

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

ii. Books of Accounts

The Company has maintained proper books of accounts.

iii. Accounting Policies

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

iv. International Accounting Standards (IAS)

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

v. Accounting Year

The accounting year of the company is from 1st July to 30th June.

vi. Safety and Environments

The Company strictly complies with the standards of the safety rules and regulations. It also follows environmental friendly policies.

vii. Going Concern

There is no significant doubt upon the Company's ability to continue as a going concern.

viii. Internal Control System

The system of internal control is sound in design and has been effectively implemented and monitored. The review will continue in future for the improvement in controls.

ix. Trading Company's Shares

During the year under review Directors, CEO, CFO, Company Secretary and their spouses and minor children sold or purchased following number of shares of the Company:

Sr. No.	Name	Purchase	Sold
1	Mr. Taimur Dawood	88500	-

x. Outstanding Statutory Dues

There are no outstanding statutory dues.

xi. Dividend

The Company could not declare any dividend due to loss arising during the year.

xii. Quality Control

To ensure implementation of the Management System, Internal Quality Audits, Surveillance Audits and Management Review meetings are conducted regularly.

xiii. Communication

Communication with the shareholders is given high priority. Annual, Half Yearly and Quarterly Accounts are distributed to them within the time specified in the Companies Ordinance, 1984. Every opportunity is given to the individual shareholders to attend and freely ask questions about the company operations at the Annual General Meeting.

xiv. Board of Directors

During the year under review, six (06) Board meetings were held and the attendance of the Directors was as under:

Name of Director	Meetings Attended	Remarks
Mr. Razak Dawood	6	
Sh. Amar Homeed	6	Represented by Mr. Zafar Mahmood, as alternate director.
Mr. Taimur Dawood	6	
Mr. Muhammad Sadiq	6	
Syed Zamanat Abbas	3	Leave of absence was granted in three meetings
Mr. Faisal Dawood	3	Leave of absence was granted in three meetings
Mr. Muhammad Nabeel Arif	2	Leave of absence was granted in two meetings and Resigned
Shaikh Azhar Ali	0	Appointed during the year and Leave of absence was granted in one meeting

xv. Auditors

In pursuance of the Code of Corporate Governance, the Audit Committee has recommended the re-appointment of M/s Horwath M. Hussain Choudhury & Co., Chartered Accountants, as Auditors of the Company for the year ending June 30, 2010.

xvi. Audit Committee

The Board of Directors in compliance to the Code of Corporate Governance established an audit committee and following non-executive Directors are its members:

Name of Director	Designation
Mr. Rozak Dawood	Chairman
Mr. Faisal Dawood	Member
Mr. Muhammad Sadiq	Member

During the year under review, the committee performed its function satisfactory and in accordance with the Code of Corporate Governance.

Acknowledgments

In the end, the management would like to take this opportunity to express their appreciation and thank all employees for their commitment, loyalty and hard work in surpassing targets set for the year. We also acknowledge the support and cooperation received from our esteemed customers, suppliers, bankers and stakeholders towards the development of the Company.

For and behalf of the Board of Directors

Lahore
October 02, 2009

Mr. Taimur Dawood
Chief Executive Officer

KEY OPERATING & FINANCIAL DATA FOR LAST SIX YEARS

	2009 Rs. '000	2008 Rs. '000	2007 Rs. '000	2006 Rs. '000	2005 Rs. '000	2004 Rs. '000
Net Sales	894,683	1,063,873	658,279	509,896	336,408	219,421
Gross Profit / (Loss)	65,401	134,816	52,538	31,778	19,516	6,210
Operating Profit / (Loss)	25,654	116,006	41,244	23,792	8,442	(16,283)
Profit / (Loss) before amortization of deferred cost and tax	(18,158)	91,784	12,730	5,445	2,089	(29,316)
Profit / (Loss) before tax	(18,158)	91,784	11,254	(34,816)	(38,171)	(69,577)
Profit / (Loss) after tax	(26,112)	109,249	7,951	(37,355)	(39,929)	(70,997)
Paid-up Capital	315,670	315,670	315,670	315,670	315,670	315,670
Net Worth	99,384	141,144	31,752	23,688	61,043	100,971
Long Term Loans / Leases *	62,495	70,305	78,115	78,115	78,115	78,353
Current Assets	283,707	381,736	267,791	158,825	150,749	107,849
Current Liabilities *	224,118	282,893	252,321	151,082	152,498	116,683

* Current maturities of long term loans and leases have been excluded from current liabilities and shown under Long Term Loans / Leases.

PATTERN OF SHAREHOLDING AS AT JUNE 30 2009

Number of Shareholders	Shareholding From	To	Total Shares Held
735	1	100	28,867
696	101	500	212,234
664	501	1,000	586,631
870	1,001	5,000	2,573,570
268	5,001	10,000	2,256,110
87	10,001	15,000	1,154,558
70	15,001	20,000	1,344,692
49	20,001	25,000	1,170,209
28	25,001	30,000	789,130
10	30,001	35,000	335,500
9	35,001	40,000	350,000
11	40,001	45,000	478,046
29	45,001	50,000	1,440,500
5	50,001	55,000	269,809
10	55,001	60,000	589,028
5	65,001	70,000	339,500
9	70,001	75,000	661,000
2	75,001	80,000	158,500
6	80,001	90,000	509,000
1	90,001	95,000	93,500
7	95,001	100,000	700,000
4	100,001	105,000	409,000
3	105,001	110,000	326,000
1	110,001	115,000	115,000
4	120,001	125,000	496,105
1	125,001	130,000	130,000
1	140,001	145,000	140,500
5	145,001	150,000	745,500
2	155,001	160,000	318,000
1	160,001	165,000	162,000
1	170,001	175,000	174,500
1	190,001	195,000	191,000
3	195,001	200,000	600,000
2	200,001	205,000	407,000
1	210,001	215,000	214,500
1	235,001	240,000	237,000
2	245,001	250,000	500,000
1	255,001	260,000	260,000
1	265,001	270,000	270,000
1	270,001	275,000	272,500
2	305,001	310,000	614,597
1	315,001	320,000	320,000
1	320,001	325,000	321,500
1	395,001	400,000	397,500
1	435,001	440,000	436,500
1	450,001	455,000	454,000
1	510,001	515,000	513,395
1	535,001	540,000	536,360
1	620,001	625,000	622,000
1	635,001	640,000	637,000
1	655,001	660,000	656,500
1	895,001	900,000	895,500
1	935,001	940,000	938,500
1	1,260,001	1,265,000	1,264,000
4	4,995,001	5,000,000	20,000,000
1	5,250,001	5,255,000	5,253,640
1	7,265,001	7,270,000	7,266,097
3,628			63,134,078

CATEGORIES OF SHAREHOLDERS as at June 30, 2009

Description	Shares held	Percentage
Director, Chief Executive, their spouse and minor children	20,408,385	32.3255%
Associated Companies, undertakings and related parties	7,266,097	11.5090%
NIT and ICP	1,059,275	1.6778%
Banks Development Financial Institutions, Non Banking Financial Institutions	92,910	0.1472%
Insurance Companies	-	0.0000%
Moderabo and Mutual Funds	110,058	0.1743%
Shareholders holding 10%	7,266,097	11.5090%
General Public		
a. Local	29,522,786	46.7620%
b. Foreign	-	0.0000%
Others (to be specified)		
a. Joint Stock Companies	4,140,071	6.5576%
b. Investment Companies	796	0.0013%
c. Foreign Company	533,700	0.8453%

DETAIL OF PATTERN OF SHAREHOLDING AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2009

Categories	Shares held
Directors, CEO, & their spouses and minor children	
Mr. A. Razak Dawood	Chairman 5,253,643
Mr. Taimur Dawood	Chief Executive Officer 5,088,502
Mr. Faisal Dawood	Director 5,045,000
Mr. Muhammad Sadiq	Director 15,001
Syed Zamanat Abbas	Director 1,000
Sh. Amr Hameed	Director 1,239
Sh. Azhar Ali	Director 4,000
Mrs. Bilquis Dawood W/o A. Razak Dawood	5,000,000
Associated Companies, undertaking & related parties	
Descon Chemicals (Pvt) Limited	7,266,097
NIT & ICP	
National Bank of Pakistan	500
Investment Corporation of Pakistan	9,020
National Bank of Pakistan, Trustee Dept	1,049,755
Executives	
-	
Public Sector Companies & Corporations	
4,140,071	
Banks, Development Financial Institutions, Non Banking Financial Institutions, Insurance Companies, Modarabas and Mutual Funds	
736,668	
Investment Companies	
796	
Foreign Companies	
-	
General Public	
29,522,786	
Shareholders holding 10% or more voting interest	
Descon Chemicals (Pvt) Limited	Shares Held 7,266,097
	Percentage 11.5090%
	<hr/> 7,266,097
	<hr/> 11.5090%

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

Name	Purchase	Sold
Mr. Taimur Dawood	88,500	-

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

1. The Company encourages the representation of non-executive on its Board of Directors (Board). At present the Board includes six (06) independent non-executive directors representing minority interests on its Boards.
2. The directors have confirmed that none of them is serving as a director in more than ten (10) listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFIA, being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all directors and employees of the Company.
5. There is replacement of one Director in this year. The detail is in Directors' Report annexed to this report.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (07) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation course for its directors during the year to apprise them of their duties and responsibilities. The Board Members are well aware of their duties and responsibilities.
10. The Board has approved appointment of CFO, including his remuneration and terms and conditions of employment, as determined by the CEO. There were no new appointments of Company Secretary and Head of Internal Audit during the year.
11. The Directors' report for this year 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 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 Board has set up an effective internal audit function.
16. The Board has formed an audit committee. It comprises three (03) members, all of whom are non-executive directors including the chairman of the committee.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been framed and advised to the committee for compliance.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme (QCRP) of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of ethics as adopted by ICAP.
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.

For and on behalf of the Board

Lahore
October 02, 2009

Taimur Dawood
Chief Executive

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 **NIMIR RESINS LIMITED**, to comply with the Listing Regulation No. 37 (Chapter XI) and No. 40 (Chapter XIII) of the Karachi Stock Exchange and Lahore Stock Exchange respectively, 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 controls 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 as applicable to the Company for the year ended June 30, 2009.

Lahore
October 02, 2009

(HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **NIMIR RESINS LIMITED** as at June 30, 2009 and the related profit and loss account, cash flow statement and 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 accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and 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 June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was 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.

Lahore
October 02, 2009

(HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized capital 130,000,000 (2007: 130,000,000) Ordinary shares of Rs.5 each		650,000,000	650,000,000
Issued, subscribed and paid up share capital	4	315,670,390	315,670,390
Capital reserves - share premium		1,281,303	1,281,303
Accumulated loss		(217,567,786)	(175,807,893)
		99,383,907	141,143,800
Surplus on Revaluation of Property, Plant and Equipment	5	38,893,899	39,106,133
Non Current Liabilities			
Long term financing	6	54,685,116	62,495,116
Deferred liability	7	1,237,981	932,022
		55,923,097	63,427,138
Current Liabilities			
Trade and other payables	8	60,605,792	109,237,075
Accrued mark up	9	8,745,421	7,416,592
Short term borrowings	10	146,956,656	158,429,618
Current portion of long term financing	6	7,810,000	7,810,000
		224,117,869	282,893,285
Contingencies and Commitments	11	-	-
		418,318,772	526,570,356

The annexed notes form an integral part to these accounts.

Chief Executive

AS AT JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	12	120,014,898	122,497,908
Deferred tax asset - net	13	13,295,135	21,326,231
Long term deposits		1,302,000	1,009,765
		<u>134,612,033</u>	<u>144,833,904</u>
Current Assets			
Stores and spares	14	3,431,981	2,985,726
Stock in trade	15	61,633,620	155,275,291
Trade debts	16	187,248,094	203,690,451
Loans and advances	17	25,066,798	16,345,183
Short term prepayments and other receivables	18	478,605	478,682
Tax refunds due from Government	19	-	1,473,618
Cash and bank balances	20	5,847,641	1,487,501
		<u>283,706,739</u>	<u>381,736,452</u>
		<u><u>418,318,772</u></u>	<u><u>526,570,356</u></u>

Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 Rupees	2008 Rupees
Sales	21	894,683,231	1,063,872,887
Cost of sales	22	(829,282,230)	(929,056,801)
Gross Profit		65,401,001	134,816,086
Distribution cost	23	(17,684,861)	(14,978,483)
Administrative expenses	24	(22,062,326)	(3,831,399)
		(39,747,187)	(18,809,882)
Operating Profit		25,653,814	116,006,204
Finance cost	25	(37,100,729)	(27,750,539)
Other operating charges	26	(6,919,935)	(11,227,409)
Other operating income	27	209,338	14,755,453
(Loss) / Profit before Taxation		(18,157,512)	91,783,709
Taxation	28	(7,954,318)	17,465,641
Net (Loss) / Profit for the Year		(26,111,830)	109,249,350
Earnings per Share - Basic	29	(0.41)	1.73

The annexed notes form an integral part to these accounts.

Chief Executive

Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	2009 Rupees	2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(18,157,512)	91,783,709
Adjustments for:		
- Depreciation	6,563,914	7,010,865
- Gratuity	305,959	284,641
- Provision for doubtful debts	5,236,142	5,604,769
- Unclaimed liabilities written back	(209,338)	(14,487,608)
- Gain on disposal of property, plant and equipment	-	(267,845)
- Exchange loss	-	389,338
- Contribution to workers' (profit) participation fund	-	4,381,783
- Finance cost	37,100,729	27,750,539
	48,997,406	30,666,482
Operating profit before working capital changes	30,839,894	122,450,191
(Increase) / decrease in current assets		
- Stores and spares	(446,255)	(504,766)
- Stock in trade	93,641,671	(49,126,527)
- Trade debts	11,206,215	(68,224,819)
- Loans and advances	(1,705,379)	73,908
- Short term prepayments and other receivables	77	113,973
- Tax refunds due from Government	1,473,618	168,097
(Decrease) / increase in current liabilities		
- Trade and other payables	(44,450,411)	32,723,489
	59,719,536	(84,776,645)
Cash generated from operations	90,559,430	37,673,546
Finance cost paid	(35,284,950)	(27,812,738)
Workers' (profit) participation fund paid	(4,458,484)	(672,000)
Dividend paid	(15,783,520)	-
Income tax paid	(7,016,235)	(10,152,687)
Net Cash generated from / (used in) Operating Activities	28,016,241	(963,879)

	2009 Rupees	2008 Rupees
CASH FLOWS FROM INVESTING ACTIVITIES		
Property, plant and equipment purchased	(399,201)	(2,586,026)
Capital work-in-progress	(3,681,703)	(148,495)
Proceeds from disposal of property, plant and equipment	-	426,500
Long term deposits	(292,235)	-
Net Cash used in Investing Activities	(4,373,139)	(2,308,021)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long term financing	(7,810,000)	(7,810,000)
Short term borrowings	(11,472,962)	9,517,281
Net Cash (used in) / generated from Financing Activities	(19,282,962)	1,707,281
Net Increase / (Decrease) in Cash and Cash Equivalents	4,360,140	(1,564,619)
Cash and cash equivalents at the beginning of the year	1,487,501	3,052,120
Cash and Cash Equivalents at the End of the Year	5,847,641	1,487,501

Chief Executive

Director

STATEMENT OF CHANGES OF EQUITY FOR THE YEAR ENDED JUNE 30, 2009

Particulars	Share Capital Rupees	Capital Reserve Rupees	Accumulated Loss Rupees	Total Rupees
Balance as at June 30, 2007	315,670,390	1,281,303	(285,199,830)	31,751,863
Net profit for the year	-	-	109,249,350	109,249,350
Transfer from surplus on revaluation of property plant and equipment in respect of incremental depreciation charged in current year	-	-	142,587	142,587
Balance as at June 30, 2008	315,670,390	1,281,303	(175,807,893)	141,143,800
Net loss for the year	-	-	(26,111,830)	(26,111,830)
Transfer from surplus on revaluation of property plant and equipment in respect of incremental depreciation charged in current year	-	-	135,457	135,457
Dividend paid			(15,783,520)	(15,783,520)
Balance as at June 30, 2009	315,670,390	1,281,303	(217,567,786)	99,383,907

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

Note 1

The Company and its Operations

The Company was incorporated in Pakistan on December 17, 1964 as a Private Limited Company under the Companies Act, 1913 (now the Companies Ordinance, 1984) and was converted into Public Limited Company on August 19, 1991. The shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is located at Descon Headquarter, 18 Km Ferozepur Road, Lahore. The Company is engaged in the manufacturing of synthetic resins.

Merger with Descon Chemicals (Private) Limited

During the year on May 7, 2009, the Board of Directors passed a resolution to merge the Company with Descon Chemicals (Private) Limited, an associated undertaking. The Scheme of Merger/Arrangement (The Scheme) has been filled with the Honorable Lahore High Court, Lahore for approval. As per the Scheme, Descon Chemicals (Private) Limited shall be transferred to the Company by issuing 301 fully paid ordinary shares of Rs. 5 each of the Company against one share of Rs. 100 each of Descon Chemicals (Private) Limited.

Note 2

Basis of Preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

These accounts have been prepared under the historical cost convention except certain property, plant and equipment and investments that have been stated at revalued amounts and fair values, respectively.

2.3 Functional and presentation currency

The financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IASs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made.

Significant management estimates in these financial statements relate to the useful life of property, plant and equipment, provisions for doubtful receivables, provisions for defined benefit plans, slow moving inventory, obsolete inventory, export claims and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in the financial statements.

2.5 New / revised Standards and Interpretations

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards and interpretations.

Standards and interpretation	Effective date (accounting period beginning on or after)
IAS 1 - Presentation of Financial Statements	January 01, 2009
IAS 23 - Borrowing Cost	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements	January 01, 2009
IAS 32 - Financial Instruments: Presentation (Amended)	January 01, 2009
IAS 39 - Financial Instruments: Recognition and Measurement (Amended)	January 01, 2009
IFRS 3 - Business Combinations	January 01, 2009
IFRIC 12 - Service Concession arrangements	January 01, 2008

The Company expects that the adoption of above standards and interpretations will not have a material impact on the Company's financial statements in the period of initial application.

Note 3

Significant Accounting Policies

3.1 Provisions

A provision is recognized 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 of the amount can be made.

3.2 Staff retirement benefits

Defined contribution plan

The Company operates an approved provident fund for all eligible employees. The Company and the employees make equal monthly contributions to the fund at the rate of 8.33% of basic salary.

Defined benefits plan

The Company also operates an un-funded gratuity scheme for all its employees who did not opt for provident fund. Under this scheme, gratuity is paid to retiring employees on the basis of their last drawn gross salary for each completed year of service, calculated from the start of service to the date of joining of provident fund / retirement.

The future contribution rate of this plan includes allowances for deficit and surplus. As per latest actuarial valuation carried out on June 30, 2008, the following significant assumptions have been used for calculation of this plan.

	2009	2008
Discount rate	12%	12%
Expected rate of salary increase in future years	11%	11%
Average expected remaining working life time of employees	9 years	9 years
Actuarial valuation method	Projected Unit Credit Method	

3.3 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid or given in future for goods and services received or to be delivered or for any other amount, whether or not billed to the Company.

3.4 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that relates to items recognized directly in equity, in which case it is recognized in equity.

Current

The charge for current tax is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. All tax credits and tax rebates have been taken into account in calculating this charge.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets, as required by IAS-12 (Income Taxes), are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

3.5 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost / revalued amounts less accumulated depreciation and identified impairment losses except free hold land which is stated at revalued amount. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the assets into working condition.

Depreciation is charged to income on reducing balance method at the rates specified in Note 10. Full month's depreciation is charged on additions during the month, whereas no depreciation is charged on the assets disposed off during the month. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year income.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss.

3.6 Impairment

Carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized in the profit and loss account.

3.7 Stocks and stores

These have been valued at the lower of cost and net realizable value. Cost has been determined as follows:

Stores and spares	- at moving average cost
Raw and packing materials	- at moving average cost
Materials in transit	- at cost comprising invoice value plus incidental charges paid thereon
Work in process	- at estimated average cost
Finished goods	- at weighted average cost

Cost in relation to work in process and finished goods comprises cost of material, labour and appropriate manufacturing overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less necessary cost to make the sale.

3.8 Trade debts

All outstanding debts are reviewed at the year end. The Company recognizes and carries these debts at original invoice amount less an allowance for any uncollectible amounts. Bad debts, if any, are written off as incurred and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash at banks in current and saving accounts.

3.10 Borrowing cost

Borrowing cost are charged to income as and when incurred except costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

3.11 Foreign currency transactions and translation

Transactions denominated in foreign currencies are initially recorded at Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the balance sheet date except for balances covered under forward exchange contracts, which are converted at the contracted rates. Exchange differences are included in income currently.

3.12 Related party transactions

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the comparable uncontrolled price method except for the allocation of expenses such as utilities, rental and common overheads relating to the corporate office shared with related parties, which are on actual basis.

3.13 Financial instruments

Financial instruments are recognized in the financial statements when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when liability is extinguished. Any gain or loss on subsequent re-measurement / derecognizing is charged to income.

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.14 Segment reporting

A segment is a distinguishable component within the Company that is engaged in providing products 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.

3.15 Functional and presentation currency

The financial statements are prepared and presented in Pak Rupees which is the Company's functional and presentation currency.

3.16 Revenue recognition

Revenue from sales is recognized on dispatch of goods to customers.

3.17 Dividend

Dividend is recognized as a liability in the period in which it is declared.

Note 4
Issued, Subscribed and Paid Up Capital

2009	2008		2009 Rupees	2008 Rupees
No of Shares				
23,825,648	23,825,648	Ordinary shares of Rs. 5 each fully paid in cash	119,128,240	119,128,240
33,550,588	33,550,588	Ordinary shares of Rs. 5 each issued at 60 % discount	167,752,940	167,752,940
2,699,247	2,699,247	Ordinary shares of Rs. 5 each issued for consideration other than cash	13,496,235	13,496,235
3,058,595	3,058,595	Ordinary shares of Rs. 5 each issued as fully paid bonus shares	15,292,975	15,292,975
63,134,078	63,134,078		315,670,390	315,670,390

2009 **2008**

4.1	Shares held by associate	% age of equity	No. of Shares
-	Descon Chemicals (Private) Limited	11.51	7,266,097

Note 5
Surplus on Revaluation of Property, Plant and Equipment

	2009 Rupees	2008 Rupees
Land - freehold	36,320,203	36,320,203
Buildings on freehold land	4,167,927	4,387,291
	<u>40,488,130</u>	<u>40,707,494</u>
Related deferred tax	(1,458,774)	(1,458,774)
Incremental depreciation (net of deferred tax) charged on revalued property, plant and equipment during the year transferred to retained earnings	(135,457)	(142,587)
	<u>38,893,899</u>	<u>39,106,133</u>

- 5.1 The latest revaluation was carried out as on December 31, 2006 by an approved independent valuer using the replacement value method that resulted in revaluation surplus of Rs. 40,819,989
- 5.2 The incremental depreciation charged on revalued assets during the year has been transferred to retained earnings (accumulated loss) to record realization of surplus to the extent of incremental depreciation.

Note 6
Long Term Financing

Habib Bank Limited (Banking company - Secured)	2009 Rupees	2008 Rupees
Demand finance	62,495,116	70,305,116
Less: Current portion	(7,810,000)	(7,810,000)
	<u>54,685,116</u>	<u>62,495,116</u>

6.1 This represents long term financing facility obtained from Hobib Bank Limited to repay loans obtained from Knightsbridge Chemicals Limited, Bermuda pursuant to Share Purchase Agreement. The loan is repayable in seven years, with grace period of two years with the first principal installment due on December 1, 2007. After the lapse of the grace period, the repayment shall be made in annual installments of 10% of the loan amount for subsequent four years and the balance amount shall be repaid through a balloon payment of 60% at the end of the seventh year. The loan carries mark-up at three months KIBOR + 0.6% (2008: KIBOR + 0.6%) per annum and is payable on quarterly basis in arrears on outstanding principal amount. The loan is secured by lien on bank deposit of US\$ 1,201,829 (2008: US\$ 1,357,776) in the name of Knightsbridge Chemicals Limited, Bermuda and charge to the extent of Rs. 30 million on existing and future current assets of the Company.

Note 7

Deferred Liability

Provision for gratuity

The amounts recognized in the balance sheet are as follows:

	2009 Rupees	2008 Rupees
Present value of defined benefit obligation	1,284,454	1,110,333
Unrecognized actuarial loss	(46,473)	(178,311)
	<u>1,237,981</u>	<u>932,022</u>
Movement in net liability recognized		
Balance at the beginning of the year	932,022	647,381
Amount recognized during the year	305,959	284,641
	<u>1,237,981</u>	<u>932,022</u>
Benefits paid during the year	-	-
Balance at the end of the year	<u>1,237,981</u>	<u>932,022</u>
Charge for the defined benefit plan		
Current service cost	165,244	147,539
Interest cost	133,240	102,600
Actuarial losses charge	7,475	34,502
	<u>305,959</u>	<u>284,641</u>

Note 8

Trade and Other Payables

		2009 Rupees	2008 Rupees
Creditors	8.1	45,185,629	85,370,569
Accrued liabilities		1,637,742	1,152,064
Advances from customers		2,098,673	9,978,505
Provident fund payable		79,003	108,896
Unclaimed dividend		294,509	53,478
Workers' (profit) participation fund	8.2	8,350,327	12,321,861
Sales tax payable - Net		2,692,614	-
Other liabilities		267,295	251,702
		<u>60,605,792</u>	<u>109,237,075</u>

8.1 Creditors include amount due to related parties of Rs. 6,592,573 (2008: Rs. 60,352,392)

8.2 Workers' (profit) participation fund

Opening balance	12,321,861	8,112,029
Contribution for the year	-	4,381,783
Interest on funds utilized in Company's business	486,950	500,049
	<u>12,808,811</u>	<u>12,993,861</u>
Payments made during the year	(4,458,484)	(672,000)
	<u>8,350,327</u>	<u>12,321,861</u>

The Company has retained workers' (profit) participation fund for its business operation. Interest is provided at the prescribed rate under the Companies Profits (Workers' Participation) Act, 1968.

Note 9

Accrued Mark up

	2009 Rupees	2008 Rupees
Long term financing (refer to Note 6.1)	2,208,800	1,883,638
Short term borrowings		
- Banking companies	5,617,990	5,506,104
- Associated company	918,631	26,850
	<u>8,745,421</u>	<u>7,416,592</u>

Note 10

Short Term Borrowings

		2009 Rupees	2008 Rupees
Banking companies - Secured			
Bank Al-Hobib Limited	10.1	115,729,902	116,857,249
Habib Bank Limited	10.2	26,226,754	31,572,369
		<u>141,956,656</u>	<u>148,429,618</u>
Associated company - Unsecured	10.3	5,000,000	10,000,000
		<u>146,956,656</u>	<u>158,429,618</u>

10.1 These facilities are obtained with sanctioned limit of Rs. 425 million (2008: Rs. 207.3 million) for retirement of letters of credit and working capital requirement. The mark up rate is three months KIBOR + 1.0 % (2008: three months KIBOR + 1.5 %) per annum, payable quarterly. These facilities are secured against ranking charge over current assets, first mortgage charge on fixed assets, accepted bill of exchange, lien on shipping documents, trust receipts and personal guarantee of two directors each for Rs. 450 million. These facilities shall expire on January 31, 2010.

10.2 These facilities are obtained with sanctioned limit of Rs. 130 million (2008: Rs. 130 million) for retirement of letters of credit and working capital requirement. The markup rate is one month KIBOR + 3 % (2008: one month KIBOR + 3%) per annum with a floor rate of 14 % p.a., payable quarterly. These facilities are secured against ranking charge over current assets, first mortgage charge on fixed assets, accepted bill of exchange, lien on shipping documents, trust receipts and personal guarantee of directors. These facilities shall expire on September 30, 2009.

10.3 This represents unsecured funds obtained from Descon Engineering Limited, to meet the working capital requirements of the Company. The markup rate is 14% per annum.

Note 11

Contingencies and Commitments

11.1 The Income Tax Department has raised demands of approximately Rs. 5.8 million (2008: Rs. 5.8 million) in taxes as a result of assessments relating to assessment years 2001-2002 and prior. The Company / Department has filed appeals against various orders that are pending at the relevant tax appellate forums.

11.2 The Sales Tax Department has created demand of Rs. 6.4 million (2008: Rs. 6.4 million) for in-admissible adjustment on Soya Oil and from sales tax audit. The demand of Soya Oil was created in terms of SRO No. 579 (1) 2000 dated 21-08-2000 which was implemented retrospectively. The Company has contested these demands and has made application that is pending.

11.3 The Custom Department passed an order under Section 25 of the Customs Act in the case of Ravi Resins Limited creating a demand of Rs. 1.02 million (2008: Rs.1.02 million). The Tribunal has dismissed the appeal filed against this order and the management has filed an appeal in the Lahore High Court that is pending adjudication. The Company has also filed an application before Alternate Dispute Resolution Committee for resolution of this pending issue.

No provision has been made in respect of the above tax / duty demands as the management believes that the above cases will be decided in the Company's favour.

11.4 Bank guarantee amounting to Rs. 1.7 million (2008: Rs. 1.7 million) issued in favour of Sui Northern Gas Pipelines Limited.

Commitments

Letter of credit amounting to Rs.29.205 million (2008: Rs. 102.147 million) were outstanding as at the balance sheet date.

Note 12
Property, Plant and Equipment

Note	2009 Rupees	2008 Rupees
12.1	116,184,700	122,349,413
	3,830,198	148,495
	120,014,898	122,497,908

Operating fixed assets
Capital work in progress

12.1 Operating fixed assets

Particulars	Cost Amount		Depreciation		Written Down Value as at 30.06.2009 Rupees	Rate %
	As at 01.07.2008 Rupees	As at 30.06.2009 Rupees	As at 01.07.2008 Rupees	For the year 30.06.2009 Rupees		
Freehold land	47,490,000	47,490,000	-	-	47,490,000	-
Factory building on freehold land	21,283,105	21,331,600	1,569,631	986,482	18,775,487	5
Plant and machinery	187,236,177	187,335,262	135,607,549	5,166,097	46,561,616	10
Office equipment	5,991,620	6,242,241	3,253,804	286,310	2,702,127	10
Furniture and fixtures	925,772	925,772	615,038	31,073	279,661	10
Vehicles	634,000	634,000	164,239	93,952	375,808	20
Total Rupees 2009	263,559,674	263,958,875	141,210,261	6,563,914	116,184,700	
Total Rupees 2008	261,634,497	263,559,674	134,199,396	7,010,865	122,349,413	

12.1.1 Depreciation charge is allocated as under:

Note	2009 Rupees	2008 Rupees
Cost of sales	22	6,378,142
Administrative expenses	24	185,772
		6,563,914
		7,010,865

12.1.2 Revaluation of land and buildings was carried out by an independent valuer as at December 31, 2006. Had there been no revaluation, the cost, accumulated depreciation and book values of revolved assets would have been as follows:

	As at June 30, 2009	
	Cost Rupees	Written Down Value Rupees
Land - freehold	11,169,797	11,169,797
Factory buildings on freehold land	27,028,557	14,768,272

Note 13
Deferred Tax Asset - Net

Debit / (Credit) balances arising in respect of:

- Accelerated tax depreciation
- Surplus on revaluation of property, plant and equipment
- Recognized losses
- Staff retirement benefits and others

2009 Rupees	2008 Rupees
(7,941,783)	(6,306,634)
(1,385,836)	(1,458,774)
22,189,461	28,765,431
433,293	326,208
<u>13,295,135</u>	<u>21,326,231</u>

Note 14
Stores and Spares

Stores
Spares

2009 Rupees	2008 Rupees
3,172,329	2,759,836
259,652	225,890
<u>3,431,981</u>	<u>2,985,726</u>

14.1 No identifiable stores and spares were held for specific capitalization

Note 15
Stock in Trade

Raw and packing materials
Raw materials in transit
Finished goods

2009 Rupees	2008 Rupees
25,717,063	68,724,959
8,217,610	42,573,640
27,698,947	43,976,692
<u>61,633,620</u>	<u>155,275,291</u>

Note 16
Trade Debts

Unsecured

Considered good 16.1
Considered doubtful

Less: Provision for doubtful debts 16.2

2009 Rupees	2008 Rupees
187,248,094	203,690,451
10,371,283	5,604,769
197,619,377	209,295,220
(10,371,283)	(5,604,769)
<u>187,248,094</u>	<u>203,690,451</u>

16.1 Debtors include amount due from related parties of Rs. 12,977,616 (2008: Nil)

16.2 Provision for doubtful debts

Opening balance
Provision for the year

Less: Bad debts written off

2009 Rupees	2008 Rupees
5,604,769	5,490,481
5,236,142	5,604,769
10,840,911	11,095,250
(469,628)	(5,490,481)
<u>10,371,283</u>	<u>5,604,769</u>

Note 17
Loans and Advances

	2009 Rupees	2008 Rupees
Advances - Considered good:		
- Suppliers and contractors	3,036,784	1,333,628
- Employees	42,800	70,820
- Letters of credit	73,560	43,317
- Income tax - net	21,913,654	14,897,418
	<u>25,066,798</u>	<u>16,345,183</u>

17.1 Amount due from directors, chief executive and executives of the Company and other related parties is Nil (2008: Nil)

Note 18
Short Term Prepayments and Other Receivables

	2009 Rupees	2008 Rupees
Prepayments	415,795	415,872
Receivable from Nimir Chemicals, Dubai (Related party)	62,810	62,810
	<u>478,065</u>	<u>478,682</u>

Note 19
Tax Refunds Due from Government
Sales tax refundable - Net

	2009 Rupees	2008 Rupees
	-	<u>1,473,618</u>

Note 20
Cash and Bank Balance

	2009 Rupees	2008 Rupees
Cash in hand	299,640	460,628
Cash at bank - in current accounts	5,548,001	1,026,873
	<u>5,847,641</u>	<u>1,487,501</u>

Note 21

Sales

Less: Sales tax

	2009 Rupees	2008 Rupees
	1,028,353,709	1,221,429,942
	(133,670,478)	(157,557,055)
	<u>894,683,231</u>	<u>1,063,872,887</u>

Note 22

Cost of Sales

		2009 Rupees	2008 Rupees
Raw materials consumed	22.1	766,222,045	900,694,284
Stores and spares consumed		2,347,359	2,653,349
Fuel and power		8,030,660	10,638,901
Salaries, wages and benefits	22.2	16,581,136	10,479,355
Services on contract		4,063,838	5,185,147
Repairs and maintenance		1,096,517	431,356
Travelling and entertainment		125,788	91,976
Insurance		1,383,829	1,411,469
Transportation		5,321,420	4,537,717
Communication		85,081	95,606
Depreciation	12.1	6,378,142	6,790,327
Miscellaneous		1,368,670	613,579
Cost of goods manufactured		813,004,485	943,623,066
- Opening finished goods		43,976,692	29,410,427
- Closing finished goods		(27,698,947)	(43,976,692)
		16,277,745	(14,566,265)
		<u>829,282,230</u>	<u>929,056,801</u>
22.1	Raw materials consumed:		
-	Opening stock	68,724,959	30,279,599
-	Purchases	723,214,149	939,139,644
		791,939,108	969,419,243
-	Closing stock	(25,717,063)	(68,724,959)
		<u>766,222,045</u>	<u>900,694,284</u>

22.2 This includes Rs. 908,568 (2008: Rs. 694,202) in respect of employee benefits.

Note 23

Distribution Cost

		2009 Rupees	2008 Rupees
Salaries, wages and benefits	23.1	7,662,444	2,743,053
Travelling, boarding and lodging		338,601	7,564
Insurance		298,538	397,418
Entertainment		28,228	32,792
Communication		143,729	81,525
Sampling		146,824	362,679
Packing, carriage and forwarding		8,586,278	10,679,668
Miscellaneous		480,219	673,784
		<u>17,684,861</u>	<u>14,978,483</u>

23.1 This includes Rs. 39,264 (2008: Rs. 7,116) in respect of employee benefits.

Note 24**Administrative Expenses**

		2009 Rupees	2008 Rupees
Salaries, wages and benefits	24.1	14,128,386	1,361,348
Travelling and conveyance		943,712	107,517
Rent, rates and taxes		-	140,400
Repairs and maintenance		353,227	133,240
Insurance		28,402	35,328
Electricity		-	48,000
Printing and stationery		565,771	339,692
Fees and subscription		1,225,873	308,204
Advertisement		44,460	88,920
Charity and donations		1,300,000	-
Entertainment		306,033	56,806
Communication		129,259	102,270
Legal and professional charges		865,352	469,924
Depreciation	12.1	185,772	220,538
Miscellaneous		1,986,079	419,212
		<u>22,062,326</u>	<u>3,831,399</u>

24.1 This includes Rs. 60,454 (2008: Rs. 44,521) in respect of employee benefits.

Note 25**Finance Cost**

	2009 Rupees	2008 Rupees
Markup on long term financing	9,370,487	7,785,888
Markup on short term borrowings from:		
- Banking companies	24,789,187	18,051,584
- Associated company	891,781	26,850
Interest on workers' (profit) participation fund	486,950	500,049
Bank charges	<u>1,562,324</u>	<u>1,386,168</u>
	<u>37,100,729</u>	<u>27,750,539</u>

Note 26**Other Operating Charges**

		2009 Rupees	2008 Rupees
Auditors' remuneration	26.1	555,000	620,000
Tax penalties		956,928	231,519
Exchange loss		-	389,338
Provision for doubtful debts		5,236,142	5,604,769
Irrecoverable deposits written off		171,865	-
Workers' (profit) participation fund		-	4,381,783
		<u>6,919,935</u>	<u>11,227,409</u>

26.1 Auditors' remuneration

Audit fee	375,000	375,000
Half yearly review and certifications	150,000	215,000
Out of pocket expenses	30,000	30,000
	<u>555,000</u>	<u>620,000</u>

Note 27

Other Operating Income

Gain on disposal of property, plant and equipment
Unclaimed liabilities written back

2009 Rupees	2008 Rupees
-	267,845
209,338	14,487,608
<u>209,338</u>	<u>14,755,453</u>

Note 28

Taxation

Current:

- Current year
- Prior years

Deferred

2009 Rupees	2008 Rupees
-	5,319,364
(76,778)	-
<u>(76,778)</u>	<u>5,319,364</u>
8,031,096	(22,785,005)
<u>7,954,318</u>	<u>(17,465,641)</u>

28.1 The assessments of the Company upto the tax year 2008 are deemed to be finalized under self assessment scheme.

28.2 Numerical reconciliation between the average effective tax rate and the applicable tax rate is not given due to accumulated accounting and tax losses.

Note 29

Earnings per Share

(Loss) / Profit after Taxation

2009 Rupees	2008 Rupees
(26,111,830)	109,249,350

Number of shares

Weighted average number of ordinary shares outstanding during the year

63,134,078 63,134,078

Earnings per share - basic (Rupees per share)

(0.41) 1.73

29.1 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

Note 30

Transactions with Related Parties

Related parties and associated undertaking comprise related group companies, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment are as follows.

Associates

Purchase of materials, goods and utilities
Sale of materials and goods
Rent paid
Managerial services and common expenses - net
Funds (Paid back) / obtained

2009 Rupees	2008 Rupees
235,075,593	300,761,315
141,763,473	48,159,906
-	140,400
25,530,868	5,960,905
<u>(5,000,000)</u>	<u>10,000,000</u>

Related Party

Purchase of materials, goods and electricity
Expenses charged - net

3,794,655 26,923,769
- 120,392

Staff retirement fund :

Company's contribution to Employees' Provident Fund Trust

393,554 461,198

There were no transactions with key management personnel other than undertaken as per terms of their employment.

Note 31

Financial Instruments and Related Disclosures

31.1 Financial assets and liabilities

Financial assets and liabilities of the Company are as follow:

2009						
Interest / mark-up bearing			Non Interest / mark-up bearing			Total
Maturity upto one year	Maturity after one year	sub Total	Maturity upto one year	Maturity after one year	sub Total	
Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets						
Long term deposits	-	-	-	1,302,000	1,302,000	1,302,000
Trade debts	-	-	187,248,094	-	187,248,094	187,248,094
Other receivables	-	-	62,810	-	62,810	62,810
Cash and bank balances	-	-	5,847,641	-	5,847,641	5,847,641
	-	-	193,168,545	1,302,000	194,460,545	194,460,545
Financial liabilities						
Long term financing	7,810,000	54,685,116	62,495,116	-	-	62,495,116
Trade and other payables	-	-	-	47,464,178	-	47,464,178
Accrued mark up	-	-	-	8,745,421	-	8,745,421
Short term borrowings	146,956,656	-	146,956,656	-	-	146,956,656
	154,766,656	54,685,116	209,451,772	56,209,599	56,209,599	265,661,371
Sensitivity Gap	(154,766,656)	(54,685,116)	(209,451,772)	136,948,946	1,302,000	138,250,946
Off Balance Sheet Item						
Commitments						
Letter of credits	-	-	-	29,204,529	-	29,204,529
	-	-	-	29,204,529	-	29,204,529
2008						
Interest / mark-up bearing			Non Interest / mark-up bearing			Total
Maturity upto one year	Maturity after one year	sub Total	Maturity upto one year	Maturity after one year	sub Total	
Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets						
Long term deposits	-	-	-	1,009,765	1,009,765	1,009,765
Trade debts	-	-	203,690,451	-	203,690,451	203,690,451
Other receivables	-	-	62,810	-	62,810	62,810
Cash and bank balances	-	-	1,487,501	-	1,487,501	1,487,501
	-	-	205,240,762	1,009,765	206,250,527	206,250,527
Liabilities						
Long term financing	7,810,000	62,495,116	70,305,116	-	-	70,305,116
Trade and other payables	-	-	-	86,936,709	-	86,936,709
Accrued mark up	-	-	-	7,416,592	-	7,416,592
Short term borrowings	158,429,618	-	158,429,618	-	-	158,429,618
	166,239,618	62,495,116	228,734,734	94,353,301	94,353,301	323,088,035
Sensitivity Gap	(166,239,618)	(62,495,116)	(228,734,734)	110,887,461	1,009,765	111,897,226
Off Balance Sheet Item						
Commitments						
Letter of credits	-	-	-	102,147,001	-	102,147,001
	-	-	-	102,147,001	-	102,147,001

31.2 Risk management policies

31.2.1 Interest / markup rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company is exposed to interest rate risk in respect of long term financing and short term borrowings. Effective interest rates for monetary financial assets and financial liabilities are specified in respective notes to the accounts.

31.2.2 Concentration of credit risk and credit exposures of the financial statements

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 194,460,545 (2008: Rs. 206,250,527) the financial assets that are subject to credit risk are Rs. 194,160,905 (2008: Rs. 205,789,899). To manage exposure to credit risk and its concentration, the Company allows credit to major customers with good creditworthiness and in other cases it applies credit limits to its customers.

31.2.3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to sale and purchase transaction with foreign undertakings. The Company is exposed to foreign exchange risk in respect of payables in foreign currency. The management does not view hedging as being financially feasible.

31.2.4 Fair value of the financial instruments

Carrying value of all the financial instruments reflected in the financial statements approximates to their fair values.

Note 32

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal production and operating level, and regulate its dividend payout thus maintaining smooth capital management.

In line with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

As on the balance sheet date, the gearing ratio of the Company was as under:

	2009 Rupees	2008 Rupees
Total borrowings	209,451,772	228,734,734
Cash and bank balances	(5,847,641)	(1,487,501)
Net Debt	203,604,131	227,247,233
Equity	99,383,907	141,143,800
Total Capital	302,988,038	368,391,033
Gearing Ratio	67%	62%

Note 33**Remuneration of Chief Executive, Directors' and Executives**

33.1 No remuneration has been paid to the chief executive officer, directors and executives of the Company during the year.

33.2 No fee has been charged by the directors for attending the board meetings.

Note 34**Segment Information**

The entire revenue and expenses of the Company is due to manufacturing and sales of chemicals. There are no reportable segments of the Company and, therefore, segment information has not been prepared.

Note 35**Plant Capacity and Production**

	2009 Metric Ton	2008 Metric Ton
Actual Production - Alkyd, Polyvinyl Acetate & Acrylic	<u>8,326</u>	<u>12,771</u>

The plant production capacity is indeterminable because it is a multi-product plant involving varying processes of manufacturing.

Note 36**Authorization of Financial Statements**

These accounts have been authorized on _____ for issue by the Board of Directors of the Company.

Note 37**General**

- Figures have been rounded off to the nearest rupee

Chief Executive

Director

NIMIR RESINS LIMITED
FORM OF PROXY

The Company Secretary,
Nimir Resins Limited,
DESCON World Head Quarter,
18 KM Ferozpur Road,
Lahore-53000 Pakistan.

I / We _____ of

_____ being Member/s of

Nimir Resins Limited hereby appoint _____ of _____ as my / our proxy to

vote for me/us _____ on my / our behalf at the 45th Annual General meeting of

Company to be held on Monday, October 26, 2009 and at any adjournment thereof.

Signed this _____ day of _____ 2009.

Signature
on Rs. 5
Revenue
Stamp

Note:

1. ~~The share transfer books of the Company shall remain closed from 19-10-2009 to 26-10-2009 (both days inclusive).~~
2. ~~A member eligible to attend and vote of this meeting is entitled to appoint another member as his / her proxy to attend and vote instead of him / her. A proxy must be a member of the Company. Proxies in order to be effective must be received at the registered office of the company not later than forty-eight hours before the meeting.~~
3. ~~The corporate shareholders shall nominate someone to represent them at the annual general meeting. The nominations, in order to be effective must be received by the Company not later than forty-eight hours before the time of holding the meeting.~~
4. ~~Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting must bring his / original Computerized National Identity Card (CNIC) or passport, Account and participants, I.D. Number to prove his / her identity, and in case of proxy must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.~~
5. ~~Shareholders are requested to immediately notify change in address, if any, to the Company's Share Registrar, M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K, (Commercial) Model Town, Lahore.~~