

CONTENTS

Company Information	02
Vision Statement	03
Mission Statement	03
Notice of Annual General Meeting	04
Directors' Report to the Members	05
Key Operating and Financial Data of Last Six Years	08
Pattern of Shareholding	09
Statement of Compliance with the Code of Corporate Governance	14
Review Report to the Members on Statement of Compliance with best Practices of Code of Corporate Governance	16
Auditors' Report to the Members	17
Balance Sheet	18
Profit & Loss Account	20
Cash Flow Statement	21
Statement of Changes in Equity	23
Notes to the Financial Statements	24
Statement Pursuant To Section 218	48
Form of Proxy	

COMPANY INFORMATION

Board of Directors

Mr. Abdul Jalil Jamil
(Chairman)

Mr. Zafar Mahmood
(Chief Executive)

Mr. Khalid Mumtaz Qazi

Mr. Imran Afzal

Mr. Umar Iqbal

Mr. Aamir Jamil

Mr. Sh. Amar Hameed

Mr. Saeed-uz-Zaman

Mr. Abdul Jaleel Shaikh
(Nominee Pak Brunei Investment Company Limited)

Mr. Syed Abdul Razzaq
(Nominee The Bank of Punjab)

Audit Committee

Mr. Abdul Jalil Jamil
(Chairman)

Mr. Saeed-uz-Zaman

Mr. Imran Afzal

Mr. Abdul Jaleel Shaikh

Bankers

The Bank of Punjab
Pak Brunei Investment Company Limited
National Bank of Pakistan
MCB Bank Limited
Deutsche Bank

Chief Financial Officer

Mr. Khalid Mumtaz Qazi

Company Secretary

Mr. Shamshad A. Naushahi

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

Cornelius, Lane & Mufti
Advocates & Solicitors

Shares' Registrar

Corplink (Pvt.) Ltd.
Wings Arcade, 1-K (Commercial)
Model Town Lahore.

Registered / Factory

14.8 km., Sheikhpura-Faisalabad Road,
Mouza Bhikki, District Sheikhpura.
Ph: +92 56 3883001-10, 3882742,
3882199, 0301-8483950
Fax: +92 56 3882198

Web Site

www.nimir.com.pk

VISION STATEMENT

To become an industry leader through a persistent commitment to customer focus, technical innovation, managerial excellence, entrepreneurial spirit and social responsibility.

MISSION STATEMENT

To deliver unparalleled value to stakeholders and continually striving to exceed customer expectations by developing innovative industrial chemical solutions with special emphasis on workforce, health, safety, environment and contribution to the national economic development.

STATEMENT OF ETHICS AND 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 18th Annual General Meeting of Nimir Industrial Chemicals Limited will be held on Friday, 30th September, 2011 at 10:30 a.m. at 51-N, Industrial Area, Gulberg II, Lahore, to transact the following business:

1. To confirm the minutes of the Annual General Meeting of the Company held on 21st October, 2010.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 30th June, 2011 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year ending 30th June, 2012 and fix their remuneration. The retiring auditors M/s Ernst & Young Ford Rhodes Sidat Hyder - Chartered Accountants have offered themselves for re-appointment.
4. To transact any other business with the permission of the Chair.

By Order of the Board.

Lahore
22nd August, 2011

(Shamshad A. Naushahi)
Company Secretary

Notes:

- I. The share transfer books of the Company shall remain closed from 23rd September, 2011 to 30th September, 2011 (both days inclusive).
- II. A member eligible to attend and vote at 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 (48) hours before the meeting.
- III. 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 (48) hours before the time of holding the meeting.
- IV. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original National Identity Card (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 NIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
- V. 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.

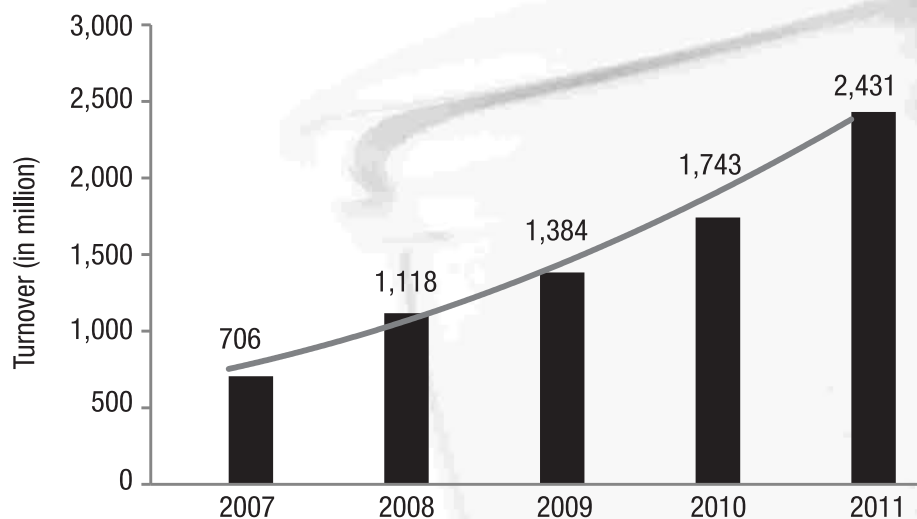
DIRECTORS' REPORT

The directors of the Company are pleased to present 18th Annual Report of the company for the year ended 30th June 2011.

Operating Results

	2011 Rs (000)	2010 Rs (000)
Sales	2,431,136	1,742,804
Gross Profit	312,097	180,741
Operating Profit	201,241	88,683
Remission of Subordinated Loan	711,085	-
Net Profit	786,960	4,568

It is indeed gratifying to note that in 2011 the company posted its best ever financial results despite challenging factors like floods, low GDP growth, high inflation and interest rates and impaired energy situation which severely impacted businesses in Pakistan. Customer focused approach with strong control on costs enabled us to achieve remarkable growth of 39% in sale turnover during the year.



2011 was a year of many firsts in which all previous performances were beaten. Therefore all previous benchmarks for production, volumes, turnover and margins came out better than previous years.

It was also a year the company embarked on a new identity with the change of its shareholding structure. The senior management of the company bought the majority shareholding from Knightsbridge Chemicals Limited. The management has been successful in getting remission of parent company loan of PKR 711 million in favor of the company. As a result the breakup value of the company increased from five paise per shares to over four rupees per share; hence adding value for all its stakeholders.

Due to the significant increase in sales, gross profit increased from Rs. 181 to Rs. 312 million showing a growth of 72% over the previous year. The company posted net profit of Rs. 787 million including gain from remission of parent company loan against net profit of Rs. 4 million in the last year.

Creating an engaged workforce would remain a key focus area for us and we have improved our employee engagement programs to create a culture of cooperation and co-creation. Our safety records have been satisfactory over the years, and we shall continue to strongly focus on behavior based safety programs.

Future Outlook

Through a customer focused approach we have been successful in developing a solid customer portfolio resulting in optimum capacity utilization. In order to maintain the momentum of growth and improvements, there is a need to expand the production base of the company. In this regard, the management is currently evaluating various options for the expansion of the plant.

This expansion would result in substantial increase in turnover and profitability.

Summary of Key operating and financial data of last six years

Summary of Key operating and financial data of last six years is annexed.

Outstanding statutory payments

All outstanding payments are of nominal and routine nature.

Gratuity Scheme

The company operates an un-funded gratuity scheme for its employee as referred in Note 4.10 to the accounts.

Board of Directors

As a result of change of shareholding on June 28, 2011, following changes were made in the board of directors of the company:

- Mr. Abdul Jalil Jamil has been appointed as chairman of the board of directors in place of outgoing chairman, Mr. Louis Tucker Link.
- Mr. Khalid Mumtaz Qazi and Mr. Aamir Jamil have been appointed as directors of the company in place of resigning directors;
- Mr. Abdual Jaleel Shaikh has been appointed as nominee director of the company on behalf of Pak Brunei Investment Company Ltd;
- Mr. Syed Abdul Razzaq has been appointed as nominee director of the company on behalf of The Bank of Punjab and
- Mr. Louis Tucker Link and Mr. Eric Tucker Link resigned as directors of the company;

During the year five board meetings were held and attended as follow:

Name of Directors	Meeting Attended	
• Louis Tucker Link	4	Represented by Mr. Kamal Nasir-ud-Din as alternate director. Resigned w.e.f. 28.06.2011
• Eric Tucker Link	5	Represented by Mr. Aamir Jamil as alternate director. Resigned w.e.f. 28.06.2011
• Abdul Jalil Jamil	5	
• Zafar Mahmood	5	
• Imran Afzal	5	
• Umar Iqbal	4	
• Sh. Amar Hameed	2	
• Saeed-uz-Zaman	4	

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

Mr. Zafar Mahmood was reappointed as CEO of the Company on 22.08.2011 (statement u/s 218 of the Companies Ordinance, 1984 is annexed herewith).

Corporate Governance

As required under the Code of Corporate Governance, the board of Directors states that:

- The Financials statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.

Corporate Social Responsibilities

The company recognizes its social responsibilities as a key member of the community. It is committed to contribute its resources for the better environment with an unprejudiced approach. Its safety, health and environmental (SHE) policies are geared towards unbiased betterment of employees and community.

The company ensures environment friendly operations, products and services and promotes environmental awareness among its employees and the community. It inducts employees from the surrounding community and offers internships and apprenticeship opportunities to technical institutes. It also encourages visits by the students of different educational institutions and supports needy children of the employees for studies to promote education in the country.

Audit Committee

The audit committee has been reconstituted as follow:

- | | |
|-----------------------|----------|
| • Abdul Jalil Jamil | Chairman |
| • Saeed-uz-Zaman | Member |
| • Imran Afzal | Member |
| • Abdul Jaleel Shaikh | Member |

Auditors

The audit committee has recommended the re-appointment of M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants as auditors of the company for the year ending June 30, 2012.

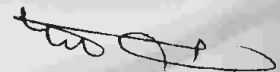
Pattern of shareholding

A pattern of shareholding of the company is annexed.

Acknowledgement

The board of Directors of the company highly appreciates the cooperation, dedication, commitment and hard work extended to the company by the customers, supplies, bankers and all its employees. We are also thankful to our shareholders for reposing their confidence in the management.

Lahore
August 22, 2011



Chief Executive

KEY OPERATING & FINANCIAL DATA FOR LAST SIX YEARS

	2011	2010	2009	2008	2007	2006
	Rs. '000					
Net Sales	2,431,136	1,742,804	1,383,579	1,118,405	705,904	609,722
Gross Profit / (Loss)	312,097	180,741	100,898	151,296	18,835	(21,286)
Operating Profit / (Loss)	201,241	88,683	34,034	90,222	(33,366)	(71,178)
Profit / (Loss) before tax	813,048	13,458	(146,561)	27,852	(93,943)	(117,101)
Profit / (Loss) after tax	786,960	4,569	(146,718)	23,620	(99,143)	(120,095)
Paid-up Capital	1,105,905	1,105,905	1,105,905	1,105,905	1,105,905	1,105,905
Net Worth	905,873	118,913	114,344	261,062	259,896	359,039
Long Term Loans / Leases &						
Deferred Liabilities	291,583	1,059,668	1,129,723	852,565	926,160	771,526
Current Assets	705,060	558,663	493,032	499,328	424,243	310,806
Current Liabilities	580,999	516,060	430,664	498,589	376,756	292,461

Pattern of Shareholding

As At June 30, 2011

SHAREHOLDING

No. of Shareholders	From	To	Total Shares Held
173	1	100	8,074
1,105	101	500	492,026
564	501	1,000	530,319
1,384	1,001	5,000	4,295,054
563	5,001	10,000	4,769,934
212	10,001	15,000	2,779,091
145	15,001	20,000	2,715,138
126	20,001	25,000	3,038,058
66	25,001	30,000	1,870,209
51	30,001	35,000	1,688,729
43	35,001	40,000	1,663,271
31	40,001	45,000	1,337,754
61	45,001	50,000	3,019,135
19	50,001	55,000	1,008,379
14	55,001	60,000	820,977
13	60,001	65,000	820,777
12	65,001	70,000	821,115
14	70,001	75,000	1,039,975
8	75,001	80,000	628,225
5	80,001	85,000	418,625
7	85,001	90,000	610,866
6	90,001	95,000	561,250
41	95,001	100,000	4,089,846
7	100,001	105,000	713,723
6	105,001	110,000	648,060
4	110,001	115,000	453,912
2	115,001	120,000	240,000
5	120,001	125,000	620,500
3	125,001	130,000	387,000
3	130,001	135,000	403,000
2	135,001	140,000	279,966
5	145,001	150,000	750,000
2	150,001	155,000	305,500
1	155,001	160,000	160,000
3	160,001	165,000	487,195
1	165,001	170,000	170,000
1	170,001	175,000	175,000
4	180,001	185,000	731,378
2	185,001	190,000	380,000
1	190,001	195,000	195,000
8	195,001	200,000	1,600,000
5	200,001	205,000	1,021,744
4	210,001	215,000	853,000
1	215,001	220,000	220,000
3	225,001	230,000	682,989
2	230,001	235,000	464,493
1	240,001	245,000	245,000
4	245,001	250,000	997,396
2	260,001	265,000	526,173
1	265,001	270,000	269,140
3	270,001	275,000	823,820
2	275,001	280,000	559,063
2	295,001	300,000	600,000
1	305,001	310,000	306,500
1	315,001	320,000	320,000
1	325,001	330,000	325,250
1	335,001	340,000	340,000
2	345,001	350,000	697,372
1	395,001	400,000	400,000
1	400,001	405,000	402,500
1	405,001	410,000	406,000
1	415,001	420,000	417,000

1	445,001	450,000	449,990
1	455,001	460,000	460,000
1	480,001	485,000	485,000
5	495,001	500,000	2,495,742
1	545,001	550,000	550,000
1	580,001	585,000	582,656
1	595,001	600,000	600,000
1	620,001	625,000	621,422
1	645,001	650,000	650,000
1	690,001	695,000	690,747
1	760,001	765,000	760,557
1	865,001	870,000	870,000
1	940,001	945,000	940,313
1	990,001	995,000	990,001
1	995,001	1,000,000	1,000,000
1	1,000,001	1,005,000	1,005,000
1	1,040,001	1,045,000	1,042,000
1	1,370,001	1,375,000	1,371,850
1	1,395,001	1,400,000	1,400,000
1	1,495,001	1,500,000	1,497,397
1	1,995,001	2,000,000	2,000,000
1	4,450,001	4,455,000	4,452,730
1	6,290,001	6,295,000	6,294,793
1	14,995,001	15,000,000	15,000,000
1	116,365,001	116,370,000	116,366,394

4,792

221,181,093

Categories of shareholders

Share held

Percentage

Directors, Chief Executive Officers,
and their spouse and minor children

2,052,194

0.9278%

Associated Companies,
undertakings and related
parties. (Parent Company)

116,366,394

52.6114%

NIT and ICP

3,000

0.0014%

Banks Development
Financial Institutions, Non
Banking Financial Institutions.

105,600

0.0478%

Insurance Companies

0

0.0000%

Modarabas and Mutual
Funds

318,647

0.1441%

Share holders holding 10%

116,366,394

52.6114%

General Public

a. Local

b. Foreign

81,500,326

36.8478%

Others (to be specified)

1- Joint Stock Companies

5,714,712

2.5838%

2- Foreign Companies

64,300

0.0291%

3- Leasing Companies

48,020

0.0217%

4- Investment Companies

15,007,900

6.7854%

Categories of Shareholders

As per Requirements of Code of Corporate Governance

S. No.	Name	% AGE	HOLDING
DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN			
1	MR. ABDUL JALIL JAMIL (CDC)	0.0305	67,376
2	SH. AMAR HAMEED (CDC)	0.2634	582,656
3	MR. SAEED UZ ZAMAN	0.0007	1,562
4	MR. ZAFAR MAHMOOD (CDC)	0.0121	26,750
5	MR. UMAR IQBAL (CDC)	0.0005	1,000
6	MR. IMRAN AFZAL (CDC)	0.0005	1,000
7	MRS. NUSRAT JAMIL W/O A. JALIL JAMIL (CDC)	0.6202	1,371,850
		<u>0.9278</u>	<u>2,052,194</u>
PARENT COMPANY			
1	ZM ASSOCIATES (PVT) LIMITED	<u>52.6114</u>	<u>116,366,394</u>
NIT & ICP			
1	INVESTMENT CORP. OF PAKISTAN	<u>0.0014</u>	<u>3,000</u>
FINANCIAL INSTITUTION			
1	AL FAYSAL INVESTMENT BANK LTD.	0.0019	4,100
2	AL FAYSAL INVESTMENT BANK LTD.	0.0002	500
		<u>0.0021</u>	<u>4,600</u>
FINANCIAL INSTITUTION (CDC)			
1	HABIB BANK AG ZURICH, DEIRA DUBAI	0.0452	100,000
2	ESCORTS INVESTMENT BANK LIMITED	0.0005	1,000
		<u>0.0457</u>	<u>101,000</u>
MODARABAS & MUTUAL FUNDS			
1	FIRST CRESCENT MODARABA	<u>0.0009</u>	<u>2,000</u>
MODARABAS & MUTUAL FUNDS (CDC)			
1	FIRST EQUITY MODARBA	0.0181	40,000
2	FIRST UDL MODARABA	0.0922	204,022
3	PRUDENTIAL STOCK FUND LTD.	0.0071	15,625
4	FIRST CAPITAL MUTUAL FUND LIMITED	0.0258	57,000
		<u>0.1432</u>	<u>316,647</u>
INVESTMENT COMPANIES			
1	CAPITAL INVESTMENT & SECURITIES	<u>0.0036</u>	<u>7,900</u>
INVESTMENT COMPANIES (CDC)			
1	PAK BRUNEI INVESTMENT COMPANY LIMITED (CDC)	<u>6.7818</u>	<u>15,000,000</u>
LEASING COMPANIES (CDC)			
1	INTERASIA LEASING COMPANY LTD.	<u>0.0217</u>	<u>48,020</u>
JOINT STOCK COMPANIES			
1	GENESIS SECURITIES (PVT) LTD.	<u>0.0005</u>	<u>1,000</u>
JOINT STOCK COMPANIES (CDC)			
1	128 SECURITIES (PVT) LTD.	0.0002	500
2	A.H.K.D. SECURITES (PVT) LTD.	0.0000	30

3	A.I. SECURITIES LIMITED	0.0836	185,000
4	ACE SECURITIES (PVT.) LIMITED	0.0113	25,000
5	AMER SECURITIES (PVT) LTD	0.0023	5,000
6	AMER SECURITIES (PVT) LTD	0.0196	43,253
7	AXIS GLOBAL LIMITED	0.0025	5,625
8	B & B SECURITIES (PVT) LIMITED	0.0518	114,500
9	CAPITAL VISION SECURITIES (PVT) LIMITED	0.0263	58,104
10	CAPITAL VISION SECURITIES (PVT) LTD	0.0068	15,000
11	CAPITAL VISION SECURITIES (PVT) LTD.	0.1119	247,396
12	DALAL SECURITIES (PVT) LTD	0.0678	150,000
13	DARSON SECURITIES (PRIVATE) LIMITED	0.0123	27,100
14	DOSSLANI'S SECURITIES (PVT) LIMITED	0.0418	92,500
15	DJM SECURITIES (PRIVATE) LIMITED	0.0113	25,000
16	DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LTD.	0.0086	19,000
17	ELITE STOCK SERVICE (PVT.) LTD	0.0023	5,000
18	EXCEL SECURITIES (PVT.) LTD.	0.0015	3,312
19	FAIR DEAL SECURITIES (PVT.) LIMITED	0.0005	1,028
20	FAIR EDGE SECURITIES (PRIVATE) LIMITED	0.0006	1,250
21	FAIRTRADE CAPITAL SECURITIES (PVT.) LIMITED	0.0009	2,000
22	FAIRWAY SECURITIES PVT LIMITED (00585)	0.0009	2,000
23	FDM CAPITAL SECURITES (PVT) LIMITED	0.1356	300,000
24	FDM CAPITAL SECURITES (PVT) LIMITED	0.0904	200,000
25	HAJI ABDUL SATTAR SECURITIES (PVT.) LIMITED	0.0007	1,500
26	HH MISBAH SECURITIES (PVT) LIMITED	0.0034	7,500
27	HIGHLINK CAPITAL (PVT) LTD	0.0117	25,865
28	IMPERIAL INVESTMENT (PVT) LIMITED	0.0022	4,900
29	INTERMARKET SECURITIES LIMITED	0.0019	4,219
30	ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED	0.0011	2,500
31	KSR STOCK BROKERAGE (PVT) LIMITED	0.0033	7,375
32	M.R. SECURITIES (SMC-PVT) LTD.	0.0000	1
33	M.R.A. SECURITIES (PVT) LIMITED	0.0452	100,000
34	M/S RANG COMMODITIES (PVT) LTD	0.2241	495,742
35	MAHA SECURITIES (PVT.) LIMITED	0.0023	5,000
36	MAZHAR HUSSAIN SECURITIES (PVT) LIMITED	0.0122	27,000
37	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD.	0.0176	39,000
38	MOOSA,NOOR MOHAMMAD,SHAHZADA&CO.PVT.LTD	0.0814	180,003
39	MSMANIAR FINANCIALS (PVT) LTD.	0.0011	2,500
40	MULTILINE SECURITIES (PVT) LTD	0.0158	35,000
41	NH SECURITIES (PVT) LIMITED.	0.0181	40,000
42	NURICON UNION (PTE) LIMITED	0.2080	460,000
43	PEARL BROKERAGE PRIVATE LIMITED	0.3933	870,000
44	PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	0.0034	7,520
45	PRUDENTIAL SECURITIES LIMITED	0.0036	8,000
46	PRUDENTIAL SECURITIES LIMITED	0.0005	1,000
47	SAAO CAPITAL (PVT) LIMITED	0.0166	36,649
48	SAFE SECURITIES PRIVATE LIMITED	0.0002	427
49	SHADMAN INTERNATIONAL (PVT) LTD.	0.0226	50,000
50	SHAFFI SECURITIES (PVT) LIMITED	0.0001	300
51	SITARA CHEMICAL INDUSTRIES LTD.	0.0836	185,000
52	SITARA INTERNATIONAL (PVT) LTD	0.4521	1,000,000
53	SURAJ COTTON MILLS LTD.	0.1130	250,000
54	TAG HOLDING (PRIVATE) LIMITED	0.0025	5,500
55	TAURUS SECURITIES LIMITED	0.0018	4,000
56	TIME SECURITIES (PVT.) LTD.	0.0120	26,500
57	UNIFIED D-LABS (PRIVATE) LIMITED	0.0028	6,185

58	UNIFIED VENTURES (PRIVATE) LIMITED	0.0045	10,000
59	UNITED CAPITAL SECURITIES PVT. LTD.	0.0010	2,283
60	VALUE STOCK SECURITIES PRIVATE LIMITED	0.0023	5,000
61	WASI SECURITIES (SMC-PVT) LTD.	0.0000	82
62	MYK (PRIVATE) LTD	0.1262	279,063
63	APPLICATION XS (PVT) LIMITED	0.0002	500

2.5833	5,713,712
--------	-----------

FOREIGN COMPANY

1	ISLAMIC INVESTMENT COMPANY OF THE GULF (BAHRAIN) E.C.	0.0291	64,300
---	---	--------	--------

SHARES HELD BY THE GENERAL PUBLIC

36.8478	81,500,326
---------	------------

TOTAL

100.0000	221,181,093
----------	-------------

SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL

1	ZM ASSOCIATES (PVT) LIMITED	52.6114	116,366,394
---	-----------------------------	---------	-------------

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 **NIL**

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations No. 35 of the Karachi Stock Exchange (Guarantee) Ltd. and Chapter XI of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Ltd. 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 non-executive directors on its Board of Directors. During the year, the Board includes 5 non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. To the best of our knowledge 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 NBFIs or, being a member of a stock exchange, has been declared a defaulter by that stock exchange.
4. All casual vacancies were filled up by the Board with in fourteen days.
5. The Company has prepared a statement of ethics and business practices, which has been signed by all the directors and employees of the Company.
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 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, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged one 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 the appointment of the CFO and internal auditor including their remuneration and terms and conditions of employment in previous period.
11. The directors' report has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the CEO and the CFO before approval by 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 formed an audit committee. It comprises 4 members, among them 3 are non-executive directors including the chairman of the committee.
16. 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 formulated and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program 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 Association (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 observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

Lahore
August 22, 2011



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 (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2011 prepared by the Board of Directors of Nimir Industrial Chemicals Limited to comply with the Listing Regulation No. 35 (chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited, where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 and sub regulation (xiii a) of Listing Regulation No. 35 notified by the Lahore Stock Exchange (Guarantee) Limited requires the Company to place before the board of directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, for the year ended 30 June 2011.

Lahore
August 22, 2011



Chartered Accountants
Audit Engagement Partner: Farooq Hameed

Auditors' Report To The Members

We have audited the annexed balance sheet of Nimir Industrial Chemicals Limited (the Company) as at 30 June 2011 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 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 accounts 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 30 June 2011 and of the profit, its cash flow 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).

Lahore
August 22, 2011

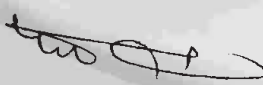
Farooq Hameed

Chartered Accountants
Audit Engagement Partner: Farooq Hameed

Balance Sheet

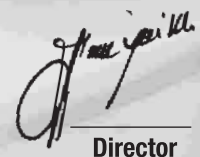
	<u>Note</u>	<u>2011</u> <u>(Rupees)</u>	<u>2010</u> <u>(Rupees)</u>
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital:			
290,000,000 (2010: 290,000,000)			
Ordinary shares of Rs. 5/- each (2010: Rs. 5/- each)			
		1,450,000,000	1,450,000,000
Issued, subscribed and paid up capital	5	1,105,905,465	1,105,905,465
Accumulated loss		(200,032,493)	(986,992,518)
		905,872,972	118,912,947
NON CURRENT LIABILITIES			
Subordinated loans-Unsecured	6	—	1,005,084,887
Long term loans	7	261,333,333	—
Liabilities against assets subject to finance lease	8	1,015,513	29,771,719
Deferred liabilities	9	29,234,457	24,811,080
		291,583,303	1,059,667,686
CURRENT LIABILITIES			
Trade and other payables	10	160,975,405	98,210,768
Mark up accrued	11	11,267,673	12,723,208
Unclaimed dividend		687,716	687,716
Short term borrowings-Secured	12	374,747,604	347,219,926
Current maturity of long term loans	7	32,666,667	31,183,784
Current maturity of liabilities against assets subject to finance lease	8	653,514	26,034,361
		580,998,579	516,059,763
CONTINGENCIES AND COMMITMENTS	13	—	—
		1,778,454,854	1,694,640,396

The annexed notes from 1 to 40 form an integral part of these financial statements.


Chief Executive

As At 30 June, 2011

	Note	2011 (Rupees)	2010 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	1,060,461,362	1,108,764,558
Long term deposits	15	12,933,900	27,212,664
		1,073,395,262	1,135,977,222
CURRENT ASSETS			
Stores and spares	16	42,181,670	30,776,735
Stock in trade	17	257,877,586	202,372,272
Trade debts	18	232,514,911	196,423,547
Loans and advances	19	10,853,554	17,442,973
Trade deposits and short term prepayments	20	2,999,852	5,393,262
Short term investment	21	19,000,000	—
Other receivables	22	10,566,998	16,802,395
Taxation receivables	23	100,155,518	85,560,157
Cash and bank balances	24	28,909,503	3,891,833
		705,059,592	558,663,174
		<u>1,778,454,854</u>	<u>1,694,640,396</u>


Director

Profit And Loss Account

For The Year Ended 30 June, 2011

	<u>Note</u>	<u>2011</u> <u>(Rupees)</u>	<u>2010</u> <u>(Rupees)</u>
Sales	25	2,431,135,925	1,742,804,413
Cost of sales	26	(2,119,039,395)	(1,562,063,478)
Gross profit		312,096,530	180,740,935
Distribution costs	27	(61,093,868)	(50,404,991)
Administrative expenses	28	(49,762,067)	(41,652,841)
Operating profit		201,240,595	88,683,103
Other expenses	29	(7,806,868)	(6,708,787)
Other income	30	7,762,450	6,911,621
Finance costs	31	(96,959,415)	(51,709,997)
Foreign exchange loss	32	(2,273,810)	(23,717,539)
Remission of subordinated loan	33	711,084,887	-
Profit before taxation		813,047,839	13,458,401
Taxation	34	(26,087,814)	(8,889,597)
Profit after taxation		786,960,025	4,568,804
Other comprehensive income-Net of taxation		-	-
Total comprehensive income for the year		<u>786,960,025</u>	<u>4,568,804</u>
Earnings per share-Basic and diluted	35	<u>3.56</u>	<u>0.02</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



Chief Executive



Director

Cash Flow Statement


For The Year Ended 30 June, 2011

	2011 (Rupees)	2010 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	813,047,839	13,458,401
Adjustment for:		
Depreciation	68,493,716	67,711,097
Finance cost	96,959,415	51,709,997
Foreign exchange loss on foreign liabilities	2,273,810	1,658,986
Foreign exchange loss on parent company loan	-	22,058,553
Provision for doubtful debts	250,000	5,695,789
Reversal of provision for doubtful debts	(3,208,632)	-
Provision for gratuity	7,052,534	5,805,364
Remission of loan	(711,084,887)	-
Gain on disposal of property, plant and equipment	(478,013)	(291,704)
	(539,742,057)	154,348,082
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	273,305,782	167,806,483
(Increase)/ decrease in current assets		
Stores and spares	(11,404,935)	(10,621,379)
Stock in trade	(55,505,314)	(22,137,509)
Trade debts	(33,132,732)	6,104,059
Loans and advances	6,589,419	(3,970,473)
Trade deposits and short term prepayments	2,393,410	(2,347,394)
Other receivables	6,235,397	(2,843,193)
Short term investment	(19,000,000)	-
Taxation receivables	4,589,880	(2,369,016)
	(99,234,875)	(38,184,905)
Increase/ (decrease) in current liabilities		
Trade and other payables	60,490,827	(27,430,890)
	(38,744,048)	(65,615,795)
CASH GENERATED FROM OPERATIONS	234,561,734	102,190,688
Gratuity paid	(2,629,157)	(698,184)
Finance cost paid	(98,414,950)	(53,536,604)
Tax paid	(45,273,055)	(40,862,028)
	(146,317,162)	(95,096,816)
NET CASH GENERATED FROM OPERATING ACTIVITIES	88,244,572	7,093,872

	2011 (Rupees)	2010 (Rupees)
Balance brought forward	88,244,572	7,093,872
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(21,077,857)	(13,271,675)
Sale proceeds from disposal of property, plant and equipment	1,365,350	664,800
Long term deposits	14,278,764	(9,090,000)
NET CASH USED IN INVESTING ACTIVITIES	(5,433,743)	(21,696,875)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of subordinated loan	(294,000,000)	-
Dividend paid	-	(34,482)
Long term loan received	294,000,000	(66,671,750)
Long term loan (paid)	(31,183,784)	-
Repayment of liabilities against assets subject to finance lease	(54,137,053)	(23,885,123)
Short term borrowings	27,527,678	106,364,171
NET CASH (USED IN) / GENERATED FROM FINANCING ACTIVITIES	(57,793,159)	15,772,816
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,017,670	1,169,813
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,891,833	2,722,020
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR A	<u>28,909,503</u>	<u>3,891,833</u>

A Cash and cash equivalents include cash and bank balances as stated in Note 24.

The annexed notes from 1 to 40 form an integral part of these financial statements.



Chief Executive



Director

Statement Of Changes In Equity

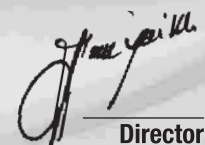
For The Year Ended 30 June, 2011

	Issued, Subscribed and Paid up Share Capital	Accumulated (Loss)	Total
	(Rupees)	(Rupees)	(Rupees)
Balance as on 01 July 2009	1,105,905,465	(991,561,322)	114,344,143
Total comprehensive income for the year	–	4,568,804	4,568,804
Balance as on 30 June 2010	1,105,905,465	(986,992,518)	118,912,947
Total comprehensive income for the year	–	786,960,025	786,960,025
Balance as on 30 June 2011	<u>1,105,905,465</u>	<u>(200,032,493)</u>	<u>905,872,972</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



Chief Executive



Director

Notes To The Financial Statements

For The Year Ended 30 June, 2011

1. THE COMPANY AND ITS OPERATIONS

Nimir Industrial Chemicals Limited (the Company) was incorporated in Pakistan on 6 February 1994 as a public limited Company under the Companies Ordinance, 1984. The shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The Company started its commercial operations on 01 January 2000. The registered office of the Company is situated at 51-N, Gulberg II, Lahore, Pakistan. The Company is engaged in manufacturing of Oleo Chemicals (Fatty Acids & Soap Noodle) and Chlor Alkali Products (Caustic Soda and related products).

On 28 June 2011 Knightsbridge Chemicals Limited sold its entire shareholding in the company to Z.M Associates (Pvt.) Limited.

2. 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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.1 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective:

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	01 July 2012
IFRS 7	Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	01 July 2011
IAS 12	Income Tax (Amendment) - Deferred Taxes : Recovery of Underlying Assets	01 January 2012
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	01 January 2013
IAS 24	Related Party Disclosures (Revised)	01 January 2011
IFRIC 14	Prepayments of a Minimum Funding Requirement (Amendment)	01 January 2011

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 Financial Instruments	01 January 2013
IFRS 10 Consolidated Financial Statements	01 January 2013
IFRS 11 Joint Arrangements	01 January 2013
IFRS 12 Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 Fair Value Measurement	01 January 2013

2.2 Standards, interpretations and amendments to published approved accounting standards effective in 2010-2011

New and amended standards and interpretations

The company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year:

IFRS 2	Group Cash-settled Share-based Payment Arrangements
IAS 32	Financial Instruments: Presentation - Classification of Rights Issues (Amendment)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS 5	Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements
IAS 7	Statement of Cash flows Presentation of Financial Statements
IAS 17	Leases
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement

Issued in April 2010

IFRS 3	Business Combinations
IAS 27	Consolidated and Separate Financial Statements

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

3.1 Defined benefit plans

The cost of defined benefit plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of this plan, such estimates are subject to significant uncertainty.

3.2 Provision for doubtful receivables

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. These estimates and underlying assumptions are reviewed on an ongoing basis.

3.3 Useful life and residual values of property, plant and equipment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of the assets for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Other areas where estimates and judgments involved are disclosed in respective notes to the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of presentation and measurement

These financial statements have been prepared under the historical cost convention, except for staff retirement and termination benefit plan which is stated at present value.

4.2 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated using the straight line method at rates disclosed in note 14, which are considered appropriate to write off the cost of the assets over their useful lives.

Depreciation on additions is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

The 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 carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in the income currently. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted for the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represents the difference between the sale proceeds and the carrying amount of the asset and is recognized as an income or expense in the period it relates.

Capital work in progress

These are stated at cost including capitalization of borrowing costs. It consists of expenditures incurred and advances made in respect of fixed assets in the course of their construction and installation.

Leased asset

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in note 8. The liabilities are classified as current and non-current depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term. The financial charges are calculated at the interest rates implicit in the lease and are charged to the profit and loss account.

Assets held under finance lease are stated at cost less accumulated depreciation at the rates and basis applicable to Company owned assets.

4.3 Stock in trade

Stocks, stores and spares are valued at lower of cost or net realizable value except those in transit, which are valued at invoice value including other charges, if any, incurred thereon. Basis of determining cost is as follows:

Raw and packing material	-	Monthly Weighted Average
Material in transit	-	Cost
Work in process	-	Cost
Finished goods	-	Monthly Weighted Average
Stores, spares and loose tools	-	Monthly Moving Average

Items considered obsolete are carried at nil value.

Net realizable value is determined on the basis of estimated selling price of the product in the ordinary course of business less costs of completion and costs necessary to be incurred for its sale.

4.4 Trade debts

Trade debts are carried at invoice amount on transaction date less any estimate for doubtful receivable. Known bad debts are written off as and when identified.

4.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost.

For the purpose of cash flow statement, cash and cash equivalents comprise of cheques in hand, cash and bank balances.

4.6 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets are investments, deposits, trade debts, advances, other receivables, cash and bank balances. These are stated at their nominal values as reduced by the appropriate allowances for estimating irrecoverable amount.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are long term loans, short term running finance utilized under mark-up arrangements, creditors, liabilities against assets subject to finance lease, accrued and other liabilities. Mark-up bearing finances are recorded at the gross proceeds received. Other liabilities are stated at their nominal value.

4.7 Offsetting of financial assets and financial liabilities

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

4.8 Taxation

Current

Provision for the current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying values. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

The carrying amounts of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

The tax rates enacted at the balance sheet date are used to determine deferred tax.

4.9 Revenue recognition

Sale of goods - Local

Revenue is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

Sale of goods - Export

Revenue from export of goods is recognized at the time of issuance of bill of lading.

4.10 Retirement and termination benefits

The Company operates an unfunded gratuity scheme benefits for all its employees. Under this scheme, gratuity is paid to the retiring employees on the basis of their last drawn gross salary for each completed year of service

Projected unit credit method based on the following significant assumptions is used for valuation of the scheme:

	2011	2010
Discount rate	14%	12%
Expected rates of salary increase in future years	13%	11%
Average expected remaining working lifetime of employees (years)	10	10

The amount recognized in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognized actuarial gains and losses. Cumulative net unrecognized actuarial gains and losses at the end of previous year which exceed 10% of the present value of defined benefit obligation are amortized over the expected average remaining working lives of employees.

4.11 Foreign currency translation

Foreign currency transactions are converted into rupees at the rates prevailing on the date of transactions. Monetary assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the date of balance sheet.

Profits or losses arising on translation are recognized in the profit and loss account.

4.12 Borrowing costs

Borrowing costs incurred on finances utilized for acquisition of fixed assets are capitalized up to commencement of commercial production of the respective assets. All other borrowing costs are charged to profit and loss account as and when incurred.

4.13 Pricing for related party transactions

All transactions with related parties and associated undertakings are entered into arm's length determined in accordance with comparable uncontrolled price method.

Parties are said to be related if they are able to influence the operating and financial decisions of the Company and vice versa.

4.14 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, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.15 Trade and other payables

Creditors relating to trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

5. ISSUED, SUBSCRIBED, AND PAID UP CAPITAL

2011	2010		2011	2010
No. of shares			(Rupees)	(Rupees)
37,750,000	37,750,000	*Ordinary shares of Rs 5/- each fully paid in cash	188,750,000	188,750,000
78,937,999	78,937,999	*Ordinary shares of Rs 5/- each issued (originally of Rs.10/- at a discount of Rs.6/- per share) - paid in cash	394,689,995	394,689,995
24,867,900	24,867,900	*Ordinary shares of Rs 5/- each (2010: Rs. 5/- each) issued (originally of Rs.10/- at a discount of Rs. 6/- per share) to the leasing companies and a bank to convert part of their finances into fully paid up shares.	124,339,500	124,339,500
79,625,194	79,625,194	Right issue of shares of Rs.5/- each offered at par	398,125,970	398,125,970
<u>221,181,093</u>	<u>221,181,093</u>		<u>1,105,905,465</u>	<u>1,105,905,465</u>

* The nominal value of Rs. 10 per share was reduced to Rs. 5 per share in accordance with the order of the Honorable Lahore High Court in April 2004.

5.1 At year end ZM Associates (Pvt.) Limited holds 116,366,394 ordinary shares of Rs. 5/- each, representing 52.6% (2010: Knightsbridge Chemicals Limited held 131,365,894 ordinary shares of Rs. 5/- each, representing 59.4%) of the issued capital.

6. SUBORDINATED LOANS - Unsecured

	2011	2011	2010	2010
	US \$	(Rupees)	US \$	(Rupees)
Balance as at 01 July	14,515,730	1,005,084,887	14,515,730	983,026,334
Payment during the year	(4,246,034)	(294,000,000)	-	-
	10,269,696	711,084,887	14,515,730	983,026,334
Exchange loss	-	-	-	22,058,553
Remission of loan	(10,269,696)	(711,084,887)	-	-
Closing balance	<u>-</u>	<u>-</u>	<u>14,515,730</u>	<u>1,005,084,887</u>

6.1 During the year the Company has repaid Rs. 294 million to KCL against the total outstanding, while KCL has allowed remission of remaining Rs. 711 million as per the share purchase agreement between ZM Associates (Pvt.) Limited and Knightsbridge Chemicals Limited.

	Note	2011 (Rupees)	2010 (Rupees)
7. LONG TERM LOANS			
Banks - Secured		-	31,183,784
Syndicated term finance - Secured	7.1	294,000,000	-
		<u>294,000,000</u>	<u>31,183,784</u>
Less: Current maturity shown under current liabilities		(32,666,667)	(31,183,784)
		<u>261,333,333</u>	<u>-</u>

7.1 This represents syndicated term finance facility obtained from financial institutions amounting to Rs. 294 million (2010: Nil) carrying mark-up at the rate of 6 months KIBOR plus 350 bps per annum with no floor and no cap. These facilities are secured against first pari - passu charge on the present and future, current and fixed assets of the Company for Rs. 392 million including land, personal guarantees of major sponsors and pledge of 51% of shares owned by ZM Associates (Private) Limited.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The interest rates used as the discounting factor (i.e. implicit in the lease) is 6 months KIBOR plus 4% (2010: ranges from 3 months KIBOR plus 2.5 % to 4% and 6 months KIBOR plus 3% to 4% per annum). The amount of future payments and the period during which they will become due are:

		2011 (Rupees)	2010 (Rupees)
Year ending 30 June	2011	-	30,373,784
	2012	847,865	24,474,511
	2013	1,077,031	5,243,829
	2014	-	2,535,896
		<u>1,924,896</u>	<u>62,628,020</u>
Less: Future finance charges		255,869	6,821,940
		<u>1,669,027</u>	<u>55,806,080</u>
Less: Current maturity shown under current liabilities		653,514	26,034,361
		<u>1,015,513</u>	<u>29,771,719</u>

8.1 The lease agreement has the option for purchase of asset at the end of the lease period. There are no financial restrictions in the lease agreement.

8.2 Minimum lease payments (MLP) and their present value (PV) are regrouped below :

	2011		2010	
	MLP (Rupees)	PV of MLP (Rupees)	MLP (Rupees)	PV of MLP (Rupees)
Due not later than 1 year	847,865	653,514	30,373,784	26,034,361
Due later than 1 year but not later than 5 years	1,077,031	1,015,513	32,254,236	29,771,719
	<u>1,924,896</u>	<u>1,669,027</u>	<u>62,628,020</u>	<u>55,806,080</u>

	<u>Note</u>	<u>2011</u> <u>(Rupees)</u>	<u>2010</u> <u>(Rupees)</u>
9. DEFERRED LIABILITY			
Staff retirement benefits - gratuity	9.1	29,234,457	24,811,080
9.1 The amounts recognised in the balance sheet are as follows:			
Present value of defined benefits obligation		27,415,992	25,983,036
Benefits due but not paid		360,425	711,746
Unrecognized actuarial gains / (losses)		1,458,040	(1,883,702)
		<u>29,234,457</u>	<u>24,811,080</u>
The amounts recognised in the profit and loss account against defined benefit scheme are as follows:			
Current service cost		3,934,570	3,392,650
Interest cost		3,117,964	2,412,714
Expense recognised in the profit & loss account		<u>7,052,534</u>	<u>5,805,364</u>
The charge for the year has been allocated as follows:			
Cost of sales		4,407,888	3,623,424
Distribution cost		612,180	503,232
Administrative expenses		2,032,466	1,678,708
		<u>7,052,534</u>	<u>5,805,364</u>
Movements in the net liability recognised in the balance sheet are as follows:			
Opening balance		24,811,080	19,703,900
Charge for the year		7,052,534	5,805,364
Payments during the year		(2,629,157)	(698,184)
Closing balance		<u>29,234,457</u>	<u>24,811,080</u>
Movements in the present value of defined benefit obligation:			
Present value of defined benefits obligation as at 01 July		25,983,036	20,105,951
Service cost		3,934,570	3,392,650
Interest cost		3,117,964	2,412,714
Benefits due but not paid		-	(319,077)
Benefits paid		(2,277,836)	(254,324)
Actuarial (gain)/ loss		(3,341,742)	645,122
Present value of defined benefits obligation as at 30 June		<u>27,415,992</u>	<u>25,983,036</u>

9.2 The present value of defined benefit obligations and the surplus or deficit of gratuity fund is as follows:

	2011	2010	2009	2008	2007
Present value of defined benefit obligations at the end of the year	27,415,992	25,983,036	20,105,951	17,929,155	14,051,419
Experience adjustment arising on plan liabilities	(3,341,742)	645,122	(1,156,778)	157,297	266,823

10. TRADE AND OTHER PAYABLES

	Note	2011 (Rupees)	2010 (Rupees)
Creditors		94,352,049	43,387,113
Accrued expenses		52,574,143	44,611,421
Due to related parties	10.1	392,515	4,235,087
Security from distributor & transporter	10.2	1,263,250	1,263,250
Advances from customers		4,000,578	2,987,149
Workers profit participation fund	10.3	5,336,733	887,340
Workers welfare fund		2,101,137	289,428
Tax and other payables		171,275	214,115
Other liabilities		783,725	335,865
		<u>160,975,405</u>	<u>98,210,768</u>

10.1 This represents the amount payable to the following related party for the services received:

	2011 (Rupees)	2010 (Rupees)
Knightsbridge Chemicals Limited	–	3,887,217
Nimir Specialty Chemicals Sharjah	–	347,870
Nimir Chemicals Pakistan Limited	392,515	–
	<u>392,515</u>	<u>4,235,087</u>

These ceased to be related parties w.e.f. 28 June 2011.

10.2 The distributor and transporter have given the Company right to utilize these deposits in normal course of business.

	2011 (Rupees)	2010 (Rupees)
10.3 Balance as at the beginning of the year	887,340	1,605,131
Add: Interest on funds utilized in company's business	–	34,639
Provision for the year	5,475,991	723,570
	5,475,991	758,209
Less: Payment to WPPF	(1,026,598)	(1,476,000)
	<u>5,336,733</u>	<u>887,340</u>

11. MARK UP ACCRUED

	2011	2010
	(Rupees)	(Rupees)
Mark up accrued on leases, long and short term loans	11,267,673	12,723,208

12. SHORT TERM BORROWINGS - SECURED

The aggregate facility of short term finances available from commercial banks at year end is Rs. 710 million (2010: Rs. 540 million). The rate of mark-up ranges from 1 months KIBOR + 100 bps per annum to 6 months KIBOR + 250 bps per annum with 12 % floor and no cap (2010: 3 months KIBOR + 125 bps per annum to 3 months KIBOR + 250 bps per annum with 11 % floor and no cap) recovered quarterly for utilized facility. The facilities are secured against 1st pari passu charge on the present and future, current and fixed assets of the company, including land along with construction thereon and easements, amenities therewith.

The unutilized facility for opening letters of credit and for guarantees as at 30 June 2011 amounts to Rs. 314 million (2010: Rs. 446 million) and Rs. 4 million (2010: Rs. 19 million), respectively.

13. CONTINGENCIES AND COMMITMENTS

13.1 CONTINGENCIES

Nil (2010: Nil)

13.2 COMMITMENTS

Commitments in respect of letters of credit established for the import of raw materials and spare parts amounted to Rs. 116 million (2010: Rs. 119 million).

Commitment in respect of letter of guarantee given to SNGPL amounts to Rs. 65.68 million (2010: Rs. 52.8 million).

14. PROPERTY, PLANT AND EQUIPMENT

	Note	2011	2010
		(Rupees)	(Rupees)
Operating fixed assets	14.1	982,374,483	1,030,470,049
Capital work in progress	14.7	78,086,879	78,294,509
		<u>1,060,461,362</u>	<u>1,108,764,558</u>

14.1 Operating fixed assets

PARTICULARS	C O S T			Rate %	D E P R E C I A T I O N			Book value As at 30 June, 2011 (Rupees)
	As At July 01, 2010	Additions (Disposals) (Adjustment)	Transfer to owned assets		As At 30 June, 2011	Charge for the year	(Disposals) (Adjustment)	
OWNED								
Free hold land	10,661,483	-	-	-	-	-	-	10,661,483
Building on free hold Land	96,104,281	-	-	5	30,245,506	4,495,298	-	34,740,804
Plant & machinery	1,298,191,001	19,275,188 (1,502,800)	123,047,500	3-5	448,640,393	50,862,667 (671,250)	43,773,458	61,363,477 896,405,621
Furniture & fittings	2,443,859	2,250	-	10	2,390,331	41,707	-	2,432,038
Office & factory equipment	17,326,531	1,558,049 (127,890)	-	3-33	7,210,722	1,775,983 (72,103)	-	8,914,602
Vehicles	6,318,044	450,000	2,069,882	20	3,127,117	1,553,510	1,251,870	2,905,429
	1,431,045,199	21,285,487 (1,630,690)	125,117,382		491,614,069	58,729,165 (743,353)	45,025,328	594,625,209
LEASED								
Plant & machinery	123,047,500	-	(123,047,500)	3-5	34,796,083	8,977,375	(43,773,458)	-
Vehicles	6,603,054	-	(2,069,882)	20	3,815,552	787,176	(1,251,870)	2,730,346
	129,650,554	-	(125,117,382)		38,611,635	9,764,551 (620,512)	(45,025,328)	2,730,346
2011	1,560,695,753	21,285,487 (1,630,690)	-		530,225,704	68,493,716	-	597,355,555 982,374,483

14.2 Disposal of operating fixed assets:

PARTICULARS	C O S T			Rate %	D E P R E C I A T I O N			Book value As at 30 June, 2010 (Rupees)
	As At July 01, 2009	Additions (Disposals)	Transfer to owned assets		As At 30 June, 2010	Charge for the year	(Disposals)	
OWNED								
Free hold land	10,661,483	-	-	-	-	-	-	10,661,483
Building on free hold Land	94,014,011	2,090,270	-	5	25,812,494	4,433,012	-	30,245,506
Plant & machinery	1,280,254,150	17,936,851	1,298,191,001	3-5	398,747,898	49,892,495	-	65,858,775 849,550,608
Furniture & fittings	2,374,312	69,547	-	10	2,347,836	42,495	-	2,390,331
Office & factory equipment	13,821,546	3,722,328 (217,343)	-	3-33	5,837,513	1,518,519 (145,310)	-	53,528 10,115,809
Vehicles	6,541,952	597,172 (821,080)	-	20	2,405,447	1,241,687 (520,017)	-	3,127,117 3,190,927
	1,407,667,454	24,416,168 (1,038,423)	-		435,151,188	57,128,208 (665,327)	-	491,614,069
LEASED								
Plant & machinery	123,047,500	-	-	3-5	25,293,708	9,502,375	-	34,796,083
Vehicles	6,603,054	-	-	20	2,735,039	1,080,513	-	2,787,502
	129,650,554	-	-		28,028,747	10,582,888	-	38,611,635
2010	1,537,318,008	24,416,168 (1,038,423)	-		463,179,935	67,711,096 (665,327)	-	530,225,704 1,030,470,049

14.2 Disposal of operating fixed assets:

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal		Particulars of Purchasers
						(Rupees)	(Rupees)	
Office equipment	100,040	44,261	55,779	33,800	(21,979)	Negotiation	Various	
Computers	27,850	27,842	8	1,550	1,542	Negotiation	Pak American Computers	
Plant & machinery	1,502,800	671,250	831,550	1,330,000	498,450	Insurance Claim	Adam Jee Insurance Co.	
Total	1,630,690	743,353	887,337	1,365,350	478,013			

- 14.3** No asset were sold to the Chief Executive, Directors, Executives or Shareholders holding more than 10% of total paid-up capital.
- 14.4** Plant and machinery includes storage tanks amounting to Rs. 1.42 million (2010: Rs. 1.53 million) held by customers of the Company in normal course of the business.
- 14.5** Title of the leased assets transferred to the owned assets is still in the name of the bank. It was mutually agreed that title will be transferred upon the settlement of certain bank charges.
- 14.6** Depreciation for the year has been allocated as under:

	<u>Note</u>	<u>2011</u> <u>(Rupees)</u>	<u>2010</u> <u>(Rupees)</u>
Cost of sales	26	66,628,589	65,902,530
Distribution costs	27	898,170	896,016
Administrative expenses	28	966,957	912,551
		<u>68,493,716</u>	<u>67,711,097</u>

14.7 Capital work in progress

	<u>2011</u> <u>(Rupees)</u>	<u>2010</u> <u>(Rupees)</u>
Opening balance	78,294,509	89,439,003
Additions during the year	20,013,603	8,882,627
	<u>98,308,112</u>	<u>98,321,630</u>
Transferred to fixed assets	(20,221,233)	(20,027,121)
	<u>78,086,879</u>	<u>78,294,509</u>

15. LONG TERM DEPOSITS

Security deposits

Leasing companies and banks		309,900	17,695,450
Others	15.1	12,624,000	12,667,214
		<u>12,933,900</u>	<u>30,362,664</u>
Less:			
Current maturity	20	-	3,150,000
		<u>12,933,900</u>	<u>27,212,664</u>

- 15.1** It includes deposit amounting to Rs. 12.24 million given to WAPDA for dedicated line.

		2011 (Rupees)	2010 (Rupees)
16.	STORES AND SPARES		
	Stores	27,205,833	17,992,422
	Spares and loose tools	14,975,837	12,784,313
		<u>42,181,670</u>	<u>30,776,735</u>
17.	STOCK IN TRADE		
	Raw and packing material	50,454,577	56,104,069
	Material in transit	151,478,359	101,233,765
		201,932,936	157,337,834
	Finished goods	55,944,650	45,034,438
		<u>257,877,586</u>	<u>202,372,272</u>

17.1 This includes steel drums amounting to Rs. 1.28 million (2010: Rs. 2.34 million) held by customers of the Company in normal course of business.

		Note	2011 (Rupees)	2010 (Rupees)
18.	TRADE DEBTS			
	Unsecured			
	Considered good-			
	Due from related parties	18.1	–	1,386,657
	Others		232,514,911	195,036,890
			<u>232,514,911</u>	<u>196,423,547</u>
	Considered doubtful - Others		19,617,842	22,576,474
	Provision for doubtful debtors		(19,617,842)	(22,576,474)
			–	–
			<u>232,514,911</u>	<u>196,423,547</u>

18.1 Maximum aggregate debit balance of related parties at the end of any month during the year were as follows:

	2011 (Rupees)	2010 (Rupees)
Nimir Chemicals Pakistan Limited	21,633	109,195

18.2 As at 30 June 2011, trade receivables at initial value of Rs. 20.48 million (2010: Rs. 22.58 million) were impaired and fully provided for. The movement in the amount provided for is as follows:

	Note	Provision for doubtful debts	
		2011 (Rupees)	2010 (Rupees)
As at 1 July		22,576,474	17,297,704
Charge for the year		250,000	5,695,789
Reversal of provision during the year		(3,208,632)	–
Utilised during the year		–	(417,019)
As at 30 June		<u>19,617,842</u>	<u>22,576,474</u>

19. LOANS AND ADVANCES

Considered good - unsecured

Suppliers

Employees

19.1

9,361,762	15,540,714
1,491,792	1,902,259
<u>10,853,554</u>	<u>17,442,973</u>

19.1 No amount is due from directors, chief executive and executives of the Company.

20. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Current maturity of security deposits

Prepayments

2011 (Rupees)	2010 (Rupees)
–	3,150,000
2,999,852	2,243,262
<u>2,999,852</u>	<u>5,393,262</u>

21. SHORT TERM INVESTMENT

This represents investment in term deposit receipt (TDR) of a commercial bank for 3 months bearing a markup of 12.74% per annum.

22. OTHER RECEIVABLES

Due from related parties

Margin against bank guarantee

Container security

Margin against LC's

Profit receivable on TDR

Others

Note	2011 (Rupees)	2010 (Rupees)
22.1	–	3,104,795
	8,384,150	7,097,600
	303,700	6,600,000
	1,199,400	–
	550,948	–
	128,800	–
	<u>10,566,998</u>	<u>16,802,395</u>

22.1 This represents the amount receivable for the common services rendered from time to time in the normal course of business, hence, it is neither a loan nor an advance. The maximum amount due from related parties at the end of any month during the year ended 30 June 2011 was Rs. 1.830 million (2010: Rs. 5.395 million).

	Note	2011 (Rupees)	2010 (Rupees)
23. TAXATION RECEIVABLES			
Advance income tax		77,483,799	58,298,558
Sales tax		18,923,219	23,513,099
Federal excise duty refundable		3,748,500	3,748,500
		<u>100,155,518</u>	<u>85,560,157</u>
24. CASH AND BANK BALANCES			
Cash in Hand		-	-
Cheques in Hand		3,674,660	-
Cash at Bank:			
Current Accounts		20,999,122	3,724,791
Savings Account	24.1	4,235,721	167,042
		<u>28,909,503</u>	<u>3,891,833</u>

24.1 The balance in savings account bear mark-up at rate of 5% (2010: 5%) per annum.

	Note	2011 (Rupees)	2010 (Rupees)
25. SALES			
Gross Sales			
Local Sales		2,887,833,911	2,038,322,005
Export Sales		1,464,150	5,848,650
		<u>2,889,298,061</u>	<u>2,044,170,655</u>
Less: Sales tax and excise duty		(451,244,153)	(295,715,964)
		<u>2,438,053,908</u>	<u>1,748,454,691</u>
Less: Discount		(6,917,983)	(5,650,278)
Net Sales		<u>2,431,135,925</u>	<u>1,742,804,413</u>

26. COST OF SALES			
Raw and packing material consumed	26.1	1,818,212,886	1,339,736,298
Salaries, wages and benefits	26.2	66,529,154	53,829,638
Depreciation	14.6	66,628,589	65,902,530
Fuel and power		114,499,464	96,666,899
Stores and spares consumed		36,612,167	21,467,353
Repairs and maintenance		10,956,808	6,678,687
Traveling, conveyance and entertainment		10,092,097	9,336,444
Communications		308,813	255,759
Insurance		2,836,207	2,974,013
Printing and stationery		411,655	304,814
Other expenses		2,861,767	2,857,579
		<u>2,129,949,607</u>	<u>1,600,010,014</u>

	Note	2011 (Rupees)	2010 (Rupees)
Add: Opening stock-Finished goods		45,034,438	7,087,902
Less: Closing stock-Finished goods		(55,944,650)	(45,034,438)
		<u>2,119,039,395</u>	<u>1,562,063,478</u>
26.1 Raw and packing material consumed			
Opening balance		157,337,834	173,146,861
Purchases		1,862,807,988	1,323,927,271
		<u>2,020,145,822</u>	<u>1,497,074,132</u>
Less: Closing balance		(201,932,936)	(157,337,834)
Raw and packing material consumed		<u>1,818,212,886</u>	<u>1,339,736,298</u>

26.2 This includes Rs. 4.41 million (2010: Rs. 3.62 million) in respect of employee benefits - Gratuity scheme.

	Note	2011 (Rupees)	2010 (Rupees)
27. DISTRIBUTION COSTS			
Salaries, wages and benefits	27.1	10,129,928	6,951,845
Repairs and maintenance		36,295	39,970
Traveling, conveyance and entertainment		1,127,255	1,881,736
Communications		180,616	205,914
Insurance		1,588,405	1,127,412
Freight outward		13,865,198	12,881,111
Distribution commission and reimbursement of expenses		30,777,806	23,993,023
Packing, carriage and forwarding		1,884,446	1,618,529
Printing and stationery		95,070	68,863
Depreciation	14.6	898,170	896,016
Other expenses		510,679	740,572
		<u>61,093,868</u>	<u>50,404,991</u>

27.1 This includes Rs. 0.61 million (2010: Rs. 0.50 million) in respect of employee benefits - Gratuity scheme.

	Note	2011 (Rupees)	2010 (Rupees)
28. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	28.1	13,360,759	10,218,801
Fuel and power		1,104,326	949,983
Repairs and maintenance		1,107,815	790,468
Traveling, conveyance and entertainment		2,896,806	3,231,044
Communications		773,511	581,224
Insurance		160,840	147,497
Rent, rates and taxes		1,859,710	1,918,810
Printing and stationery		466,643	484,012
Advertising and sale promotion		99,560	254,870
Legal, professional and consultancy charges		5,179,680	2,762,285
Auditors' remuneration	28.2	756,000	790,000

	Note	2011 (Rupees)	2010 (Rupees)
Depreciation	14.6	966,957	912,551
Other expenses		2,070,774	1,898,770
		30,803,381	24,940,315
Add: Services from related parties	28.3	18,958,686	16,712,526
		49,762,067	41,652,841

28.1 This includes Rs. 2.03 million (2010: Rs.1.68 million) in respect of employee benefits - Gratuity scheme.

	2011 (Rupees)	2010 (Rupees)
28.2 Auditors' remuneration		
Audit fee	550,000	500,000
Certifications and reviews	140,000	230,000
Out of pocket expenses	66,000	60,000
	756,000	790,000

28.3 This represents staff costs and other services shared with related parties and the management fee of KCL.

29. OTHER EXPENSES	Note	2011 (Rupees)	2010 (Rupees)
Workers profit participation fund	10.3	5,475,991	723,570
Workers welfare fund	29.1	2,080,877	289,428
Provision for doubtful debts		250,000	5,695,789
		7,806,868	6,708,787

29.1 Based on the opinion of legal advisor, the management has not made provision for WWF against remission of subordinated loan.

30. OTHER INCOME	2011 (Rupees)	2010 (Rupees)
Non financial assets		
Gain on disposal of property, plant and equipment	478,013	291,704
Scrap sale	933,830	2,076,918
Income from related parties	1,492,500	2,197,998
Reversal of provision for doubtful debts	3,208,632	—
Miscellaneous income	282,522	—
Financial assets		
Creditors written back	665,888	2,203,093
Profit on saving account	150,117	141,908
Profit on term deposit receipt	550,948	—
	7,762,450	6,911,621

	2011	2010
	(Rupees)	(Rupees)
31. FINANCE COST		
Mark-up on		
Long term loans	3,727,668	10,274,093
Short term loans	71,042,684	29,621,785
Others	–	34,639
Financial charges on lease	3,832,270	7,776,792
Bank charges, fee and commission	18,356,793	4,002,688
	<u>96,959,415</u>	<u>51,709,997</u>
32. FOREIGN EXCHANGE LOSS		
Foreign liabilities	2,273,810	1,658,986
KCL company loan	–	22,058,553
	<u>2,273,810</u>	<u>23,717,539</u>

33. Remission of subordinated loan

This represents gain on remission of the subordinated loan after the payment of Rs. 294 million as per the share purchase agreement between Z.M Associates Private Limited and Knightsbridge Chemicals Limited.

	2011	2010
	(Rupees)	(Rupees)
34. TAXATION		
Current year	25,680,232	8,714,021
Prior year	407,582	175,576
	<u>26,087,814</u>	<u>8,889,597</u>

34.1 Keeping in view the accumulated tax losses, tax provision for the year has been calculated @ 1% of turnover as required under Section 113 of Income Tax Ordinance, 2001.

34.2 The Company has assessed losses amounting to Rs 1.160 billion (2010: Rs.1.319 billion). The net deferred tax asset of Rs. 134 million has not been recognized due to uncertainty with regard to availability of the future taxable profits of the Company against which the unused tax losses and unused tax credits can be utilized.

	2011	2010
	(Rupees)	(Rupees)
35. EARNINGS PER ORDINARY SHARE - BASIC AND DILUTED		
Profit attributable to ordinary shareholders (Rupees)	786,960,025	4,568,804
Weighted average number of ordinary shares	221,181,093	221,181,093
Earnings per ordinary share (Rupees)	<u>3.56</u>	<u>0.02</u>

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The management reviews and agrees policies for managing each of these risks which are summarised below.

36.1 Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company does not believe it is exposed to major concentration of credit risk, however to manage any possible exposure the Company applies approved credit limits to its customers.

The management monitors and limits Company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy.

The Company is exposed to credit risk on long-term deposits, trade debts, short term deposits, other receivables and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	Carrying values	
	2011 (Rupees)	2010 (Rupees)
Long-Term deposits	12,933,900	27,212,664
Trade debts-Unsecured	232,514,911	196,423,547
Short term investment	19,000,000	—
Other receivables	10,566,998	16,802,395
Bank balances	28,909,503	3,891,833

The credit quality of financial assets can be assessed by reference to external credit ratings or the historical information about counter party defaults as shown below:

36.1.1 Trade Debts

	2011 (Rupees)	2010 (Rupees)
Neither past due nor impaired	232,514,911	196,423,547
Past due but not impaired	—	—
	<u>232,514,911</u>	<u>196,423,547</u>

As at 30 June 2011, trade debts of Rs. 20.48 million (2010: Rs.22.58 million) were impaired and provided for.

	2011	2010
	(Rupees)	(Rupees)
36.1.2 Bank		
A1+	23,844,472	3,839,860
A1	–	32,967
A1-	1,387,442	–
A2-	2,929	–
A3	–	19,006
	25,234,843	3,891,833
36.1.3 Short term investment		
A1+	19,000,000	–
	19,000,000	–

36.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored regularly and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

Financial liabilities are analysed below, with regard to their remaining contractual maturities.

Year 2011	Maturity Upto One Year	Maturity After One Year	Total
	(Rupees)		
Long term loans	32,666,667	261,333,333	294,000,000
Liabilities against assets subject to finance lease	653,514	1,015,513	1,669,027
Short term borrowings	374,747,604	–	374,747,604
Mark up accrued	11,267,673	–	11,267,673
Unclaimed dividend	687,716	–	687,716
Trade and other payables	149,365,682	–	149,365,682
Total financial liabilities	569,388,856	262,348,846	831,737,702
Year 2010	Maturity Upto One Year	Maturity After One Year	Total
	(Rupees)		
Long term loans	31,183,784	–	31,183,784
Liabilities against assets subject to finance lease	26,034,361	29,771,719	55,806,080
Short term borrowings	347,219,926	–	347,219,926
Mark up accrued	12,723,208	–	12,723,208
Unclaimed dividend	687,716	–	687,716
Trade and other payables	95,009,504	–	95,009,504
Total financial liabilities	512,858,499	29,771,719	542,630,218

36.3 Market Risk

36.3.1 Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the foreign trade payables. The Company does not view hedging as financially viable.

Sensitivity analysis

With all other variables remain constant, a 1 % change in the rupee dollar parity existed at 30 June 2011 would have affect the profit and loss account and liabilities and equity by Rs. 0.48 million (2010: Rs. 4.39 million).

36.3.2 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. The Company is exposed to interest rate risk for loans obtained from the financial institutions and liabilities against assets subject to finance lease, which have been disclosed in the relevant note to the financial statements.

Sensitivity analysis

If interest rates at the year end, fluctuate by 1% higher/ lower, profit for the year would have been Rs. 6.70 million (2010: Rs. 4.34 million) higher/ lower. This analysis is prepared assuming that all other variables held constant and the amounts of liabilities outstanding at the balance sheet dates were outstanding for the whole year.

36.4 Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. Capital includes ordinary share capital, reserves and subordinated loan. The gearing ratio of the Company is 29% (2010: 5%).

37. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise parent company, related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the term of their employment as disclosed in note 36 are as follows:

Relationship	Nature and Description of Related Party Transaction	Total Value of Transaction 2011 (Rupees)	Total Value of Transaction 2010 (Rupees)
Group companies	Purchase of goods	20,978	1,484,325
	Sale of goods	136,853	498,249
	Management and other Services received	6,628,742	11,228,262
	Other services rendered	2,281,565	6,596,065
	Premises rent shared	2,186,000	1,444,800

		2011 (Rupees)	2010 (Rupees)
Descon Chemicals Limited (Formrly Nimir Resins Ltd.)	Other services rendered	826,500	-
Nimir Specialty Chemicals Sharjah	Sale of goods	1,464,150	-
Knightsbridge Chemicals Limited	Loans paid back to Knightsbridge Chemicals Limited	294,000,000	-
	Remission of Knightsbridge Chemicals Limited Loan	711,084,887	-
	Exchange loss on Knightsbridge Chemicals Limited loans	-	22,058,553
	Management fee	16,529,101	9,418,017

Assets are sold to employees and associated companies as per the Company policy.

- The transactions were carried out at an arm's length basis.
- No buying or selling commission has been paid to any associated undertaking.

These ceased to be related parties during the year.

38. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2011	2010	2011	2010	2011	2010
Number of persons	1	1	1	1	7	7
	R u p e e s					
Remuneration 38.1	1,788,386	1,707,095	2,224,092	2,038,758	7,207,634	6,595,290
Housing	804,773	768,193	1,000,836	917,442	3,243,440	2,967,888
Driver allowance	-	-	60,000	60,000	-	-
Utilities	170,712	170,712	222,432	203,880	720,767	659,532
ICP / bonus	231,000	-	287,280	-	2,349,517	-
	2,994,871	2,646,000	3,794,640	3,220,080	13,521,358	10,222,710

38.1 This represents the company's share of Chief Executive's remuneration, which is shared with the related party i.e. M/s Nimir Chemicals Pakistan Limited.

38.2 The Chief Executive Officer and some executives have been provided with Company maintained cars and are also entitled to reimbursement of medical and entertainment expenses.

38.3 An amount of Rs. 1.6 million (2010: Rs. 1.6 Million) has been paid to a Director for rendering of services.

38.4 No fee was paid to directors for attending meetings.

39. PRODUCTION CAPACITY IN METRIC TONS


	2011	2011	2010	2010
	Maximum Capacity	Actual Production	Maximum Capacity	Actual Production
Oleo Chemicals (Metric Tons)	24,000	18,966	24,000	18,022
Chlor Alkali Products (Metric Tons)	31,350	31,071	31,350	29,668

The under utilization of capacity is due to prevailing market conditions.

40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 22 August 2011 by the board of directors of the Company.


 Chief Executive


 Director

STATEMENT PURSUANT TO SECTION 218

OF THE COMPANIES ORDINANCE, 1984

TO ALL MEMBERS OF THE COMPANY

Dear Sir/Madam,

This to inform you that the Board of Directors in their meeting held on 22nd August, 2011 has re-appointed Mr. Zafar Mahmood as Chief Executive Officer of the Company.

In pursuance of Section 218 of the Companies Ordinance, 1984 this is to inform you that the terms and conditions of Mr. Zafar Mahmood's appointment are in accordance with his terms of service with the Company.

The Board of Directors had decided the remuneration of CEO for which the following resolution was passed:

Resolved that "the Company hereby authorizes the payment as remuneration to Chief Executive, an amount not exceeding Rs. 4.62 million per annum (subject to annual review) exclusive of perquisites, bonus, Company maintained car and other incidentals relating to his office in accordance with the Company Policy".

Mr. Zafar Mahmood is concerned / interested in the appointment to the extent mentioned above. No other director is concerned/ interested in the appointment.

Your faithfully,

Shamshad A. Naushahi

Company Secretary

22 August 2011

FORM OF PROXY

The Company Secretary,
Nimir Industrial Chemicals Limited,
51-N, Industrial Area, Gulberg-II,
Lahore.

I / We of
..... being
Member/s of Nimir Industrial Chemicals Limited hereby appoint of
..... as my/our proxy to vote for me / us on my / our behalf
at the 18th Annual General Meeting of the Company to be held on 30th September, 2011 and at any adjournment thereof.
Signed this day of 2011.

**Signature
on Rs.5
Revenue
Stamp**

Notes:

1. The share transfer books of the Company shall remain closed from 23rd September, 2011 to 30th September 2011 (both days inclusive).
2. A member eligible to attend and vote at 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 the forty-eight (48) 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 at the registered office of the Company not later the forty-eight (48) hours before the meeting.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/ her original National Identity Card (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 NIC or Passport. Representative 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.