

# C o n t e n t s

Company Information	02
Vision Statement	03
Mission Statement	03
Notice of Annual General Meeting	04
Directors' Report to the Members	05
Key Operating & Financial Data of Last Six Years	08
Pattern of Shareholding	09
Statement of Compliance with the Code of Corporate Governance	12
Review Report to the Members on Statement of Compliance With Best Practices of Code of Corporate Governance	14
Auditors' Report	15
Balance Sheet	16
Profit and Loss Account	18
Cash Flow Statement	19
Statement of Changes in Equity	21
Notes to the Accounts	22
Form of Proxy	

## Company Information

### Board of Directors

Mr. Louis Tucker Link  
(Chairman)

Sh. Amar Hameed  
(Chief Executive)

Mr. George Rapport  
Mr. Abdul Jalil Jamil  
Mr. Saeed-uz-Zaman  
Mr. Javaid Bashir Sheikh  
Mr. Zafar Mahmood  
(Chief Financial Officer)

### Audit Committee

Mr. Abdul Jalil Jamil  
(Chairman)

Mr. Louis Tucker Link

Mr. Javaid Bashir Sheikh

### Company Secretary

Mr. Shamshad A. Naushahi

### Auditors

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

### Legal Advisor

KMS Law Associates  
Advocates

### Bankers

The Bank of Punjab  
Crescent Commercial Bank Limited  
Saudi Pak Commercial Bank Ltd.

### Shares' Registrar

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

### Registered / Head Office

51-N, Industrial Area, Gulberg-II, Lahore  
Ph : 92 42 5718001-9  
Fax : 92 42 5718013  
Email : contact@nimir.com.pk

### Factory

14.8 km., Sheikhpura-Faisalabad Road,  
Mouza Bhikki,  
District Sheikhpura.  
Ph : 056 3882198-99  
Fax : 056 3882198

### Web Site

[www.nimir.com.pk](http://www.nimir.com.pk)

## Vision Statement

“To make Nimir Industrial Chemicals 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 13<sup>th</sup> Annual General Meeting of Nimir Industrial Chemicals Limited will be held on Monday, 30<sup>th</sup> October, 2006 at 11:00 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 24<sup>th</sup> October, 2005.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 30<sup>th</sup> June, 2006 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year ending 30<sup>th</sup> June, 2007 and fix their remuneration. The retiring auditors M/s Ford Rhodes Sidat Hyder and Company – 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  
September 28, 2006

(Shamshad A. Naushahi)  
Company Secretary

### Notes:

- I. The share transfer books of the Company shall remain closed from 21<sup>st</sup> October, 2006 to 30<sup>th</sup> October, 2006 (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 ("NIC") 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 to the Members

The directors of the company are pleased to present 13<sup>th</sup> Annual Report of the company together with audited accounts of the company for the year ended 30<sup>th</sup> June 2006.

### Operating and Financial Results

	2006 Rs. in (000)	2005 Rs. in (000)
Sales	609,722	566,422
Operating Loss	(56,122)	(40,129)
Loss before taxation	(117,101)	(276,697)
Loss after taxation	(120,095)	(279,539)

The company recorded 7.6% growth in its sales during the year. During the year caustic soda plant was started but due to initial teething problems the plant remained at lower volumes. The plant could not absorb its fixed cost and suffered operating loss in its first ten months of commercial operations.

Beside technical problems at plant, there have been two increases (overall 22%) in gas prices during last one year which also adversely affected the production cost.

### Future Outlook

We are now focused on optimizing operational efficiencies, ensuring growth in the existing volumes and adding value to existing products. In this respect following capital investments are being made to achieve above-mentioned objectives.

- Revamping of Power Plant
- De-bottlenecking of Caustic Soda
- Soap Noodle Plant

The above projects have been financed mainly by the majority shareholders through soft loans from the parent company.

In order to produce electricity at much lower costs, we have acquired four new gas fired generator sets with a total capacity of 4MW at an additional cost of Rs.100 million. The generators have been completed by the last week of September 2006 and are currently in full operations and are expected to reduce the electricity cost significantly.

The caustic soda plant was started in September 2005. Since start of the plant, there have been initial teething problems which have been fixed. By the grace of Almighty we have now achieved over 90% of the plant capacity. The positive impact of this would be reflected in the months ahead.

We have a unique advantage of being in both caustic soda and fatty acid businesses which enables us to expand to produce new value added products. Soap Noodles is a blend of fatty acids and caustic soda and can provide superior quality soap base to the quality toilet soap manufacturers in the country. We have ordered a new soap noodle plant which is currently in the fabrication stage and would be commissioned in third quarter of coming financial year.

Once all the above plans are in place, we expect a major turnaround on the bottom line, Insha Allah.

Summary of key operating and financial data of last six years

Summary of key operating and financial data of the company for last six years is annexed.

#### Dividend

Since the company has suffered net loss during the year, therefore, dividend is not declared for the year.

#### Outstanding statutory payments

All outstanding payments are of routine nature.

#### Significant plan and decisions

The plans have been explained in the Future Outlook above.

#### Gratuity Scheme

The company operates an un-funded gratuity scheme for its employee as referred in Note 4.11 to the accounts.

#### Board of directors

Since last review following changes have been made in the Board of Directors of the company:

- Mr. Abdul Jalil Jamil has been appointed in place of resigning director Mr. Fareedullah Qureshi.
- Mr. Akber Saifi was appointed in place of resigning director Mr. Javed Saleem Arif, but subsequently he has been replaced by Mr. Javaid B. Sheikh.

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

Name of directors	Meeting Attended	
• Louis Tucker Link	6	Represented by Mr. Kamal Nasir-ud-Din as alternate director
• Abdul Jalil Jamil	4	-
• Fareedullah Qureshi	2	Resigned w.e.f. 14.12.2005
• George Rapport	4	Represented by Mr. Abdul Jalil Jamil & subsequently by Mr. Khalid Khan as alternate director
• Sh. Amar Hameed	4	Represented by Mr. Muhammad Ashraf as alternate director
• Saeed-uz-Zaman	6	Represented by Mr. Umar Iqbal as alternate director
• Javed S. Arif	2	-
• Zafar Mahmood	7	-

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

There have been changes in the chief executive-ship of the company. Since the last review, Mr. Abdul Jalil Jamil was appointed as acting CEO of the company on 14.12.2005 in place of resigning CEO, Mr. Fareedullah Qureshi. Subsequently Mr. Akber Saifi was appointed as CEO of the company on 22.05.2006. Later Mr. Akber Saifi resigned on 12.09.2006 and now existing director, Sh. Amar Hameed has been appointed as chief executive of the company on 25.09.2006.

#### Corporate Governance

We are pleased to inform you that the company after adopting the Code of Corporate Governance is duly complying with the provision of the said code applicable to the company as at June 30, 2006.

### Statement on corporate and financial reporting framework

- The Financial statements, prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper books of accounts of the company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in 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.

### Audit Committee

The board of directors has reconstituted the audit committee as follows:

• Mr. Abdul Jalil Jamil	(Non-Executive Director)	Chairman
• Mr. Louis Tucker Link	(Non-Executive Director)	Member
• Mr. Javaid B. Sheikh	(Non-Executive Director)	Member

### Auditors

The audit committee has recommended the re-appointment of M/s Ford Rhodes Sidat Hyder and Company, Chartered Accountant as auditors of the company for the year ending June 30, 2007.

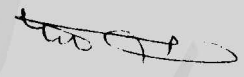
### Pattern of shareholding

A pattern of shareholding of the company is annexed.

### Acknowledgement

We acknowledge with thanks the continued patronage of our valued customers, bankers, leasing companies, Government authorities and shareholders in reposing trust and confident in the company and its management. We also appreciate the dedication and commitment of all employees and look forward to their continued support for all times in future.

For and on behalf of the Board



Lahore  
September 28, 2006

## Key Operating & Financial Data of Last Six Years

	2006 Rs. '000'	2005 Rs. '000'	2004 Rs. '000'	2003 Rs. '000'	2002 Rs. '000'	2001 Rs. '000'
Net Sales	609,722	566,422	398,591	423,078	361,652	182,264
Gross Profit / (Loss)	(21,286)	706	(44,994)	(39,173)	(32,748)	(38,373)
Operating (Loss)	(56,121)	(40,129)	(79,614)	(74,320)	(64,972)	(64,808)
Loss before amortization of deferred cost and tax	(117,101)	(96,772)	(140,397)	(161,451)	(162,996)	(142,562)
Loss before tax	(117,101)	(276,697)	(169,178)	(277,249)	(270,464)	(225,143)
Loss after tax	(120,095)	(279,539)	(171,442)	(279,973)	(272,272)	(226,059)
Paid-up Capital	1,105,905	884,724	707,779	1,415,559	1,251,179	1,251,179
Net Worth	359,039	257,953	360,547	531,989	654,930	927,204
Long Term Loans / Leases *	771,526	832,278	849,904	713,406	794,319	794,338
current Assets	310,806	328,314	200,376	157,764	92,411	74,115
current Liabilities *	292,461	319,460	197,521	282,592	582,024	348,706

\* 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, 2006

NO. OF SHAREHOLDERS	FROM	SHAREHOLDING	TO	TOTAL SHARES HELD
80	1		100	5952
1182	101		500	525106
615	501		1000	576252
1579	1001		5000	4787076
583	5001		10000	4725198
243	10001		15000	3143306
130	15001		20000	2415281
139	20001		25000	3347585
64	25001		30000	1815623
58	30001		35000	1886535
32	35001		40000	1227961
13	40001		45000	563468
57	45001		50000	2822857
20	50001		55000	1077811
15	55001		60000	882687
17	60001		65000	1063125
9	65001		70000	618313
11	70001		75000	813450
5	75001		80000	389750
3	80001		85000	246000
3	85001		90000	262525
9	90001		95000	842625
29	95001		100000	2888750
3	100001		105000	305625
4	105001		110000	428750
3	110001		115000	335000
1	115001		120000	120000
4	120001		125000	497500
6	125001		130000	767375
1	130001		135000	134500
8	135001		140000	1103400
1	140001		145000	140625
4	145001		150000	597000
3	150001		155000	462500
3	155001		160000	477875
3	160001		165000	489077
2	165001		170000	332062
1	170001		175000	175000
1	180001		185000	181375
3	185001		190000	567000
8	195001		200000	1596656
2	200001		205000	404084
1	215001		220000	217500
2	220001		225000	447500
1	225001		230000	229500
2	230001		235000	468111
2	245001		250000	499000
1	250001		255000	250281
1	260001		265000	264994
1	290001		295000	290250
2	295001		300000	600000
1	300001		305000	302500
2	305001		310000	617500
1	320001		325000	325000
1	325001		330000	325750
1	340001		345000	344000
1	350001		355000	350250
1	355001		360000	356500
1	385001		390000	389500
2	390001		395000	789000

1	395001	400000	400000
1	405001	410000	410000
1	435001	440000	440000
1	440001	445000	441675
1	445001	450000	450000
1	470001	475000	475000
1	490001	495000	493500
1	495001	500000	500000
1	580001	585000	582656
1	595001	600000	600000
1	620001	625000	625000
1	660001	665000	660469
1	695001	700000	699990
1	705001	710000	710000
2	755001	760000	1516750
1	795001	800000	797000
1	875001	880000	875500
1	980001	985000	984375
1	1055001	1060000	1056000
1	1070001	1075000	1071193
1	1095001	1100000	1100000
1	1165001	1170000	1169500
1	1180001	1185000	1182800
1	1215001	1220000	1215850
1	1245001	1250000	1250000
1	1395001	1400000	1400000
1	1925001	1930000	1927906
1	1995001	2000000	2000000
1	2990001	2995000	2993000
1	5075001	5080000	5077259
1	134965001	134970000	134965894
5013			221,181,093

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive, and their spouse and minor children	2008594	0.908
Parent Company (Knightsbridge Chemicals Limited)	134965894	61.021
NIT and ICP	4000	0.002
Banks Development Financial Institutions, Non Banking Financial Institutions	6210691	2.808
Insurance Companies	30000	0.014
Modaraba and Mutual Funds	256022	0.116
Shareholders holding 10% General Public	134965894	61.021
a. Local	68863220	31.134
b. Foreign	-	-
Others (to be specified)		
a. Joint Stock Companies	6551646	2.962
b. Foreign Companies	71700	0.032
c. Leasing Companies	1975926	0.893
d. Investment Companies	20400	0.009
d. Private & Other Companies	223000	0.101

## Detail of Pattern of Shareholding

### As Per Requirements of Code of Corporate Governance

Categories	Shares Held	
<b>Parent Company</b>		
Knightsbridge Chemicals Limited	134,965,894	
<b>NIT &amp; ICP</b>		
National Bank of Pakistan - Trustee wing	–	
Investment Corporation of Pakistan	4,000	
<b>Directors, CEO, &amp; their spouses and minor children</b>		
Sh. Amar Hameed Director/Chief Executive	582,656	
Mr. Saeed-uz-Zaman Director	1,562	
Mr. Zafar Mahmood Director	1,250	
Mr. Abdul Jalil Jamil Director	67,376	
Mrs. Nusrat Jamil w/o Abdul Jalil Jamil	1,354,750	
<b>Executives</b>	–	
<b>Public Sector Companies &amp; Corporations</b>	–	
<b>Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds</b>	15,339,385	
<b>General Public</b>	68,864,220	
<b>Shareholders holding 10% or more voting interest</b>	<b>Shares Held</b>	<b>Percentage</b>
Knightsbridge Chemicals Limited	134,965,894	61.021%

Detail of purchase / sale of shares by Directors, Company Secretary, Head of Internl Audit Department,

Chief Finance Officer, and their spouses / minor children during 2005-2006.

Name	Right Shares/Purchased	Gift/Sale
Mr. Abdul Jalil Jamil	13,475	900,000
Sh. Amar Hameed	96,531	–
Mr. Saeed-uz-Zaman	312	–
Mrs. Nusrat Jamil	319,950	–
Mr. Javed Saleem Arif	250	–
Mr. Akber Saifi	1,000	–

## 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. 37 of the Karachi Stock Exchange and Chapter XIII of the Listing Regulations of the 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 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 within 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, 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, 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.
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 Director 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 3 members, all of whom 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  
September 28, 2006



Zafar Mahmood  
Director

## 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 applicable to the Company for the year ended June 30, 2006 prepared by the Board of Directors of Nimir Industrial Chemicals Limited to comply with the Listing Regulations of the Karachi and Lahore Stock Exchange, where the Company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2006.

Lahore  
September 28, 2006

*Faisal Chaudhry*  
Chartered Accountants

## Auditors' Report To The Members

We have audited the annexed balance sheet of Nimir Industrial Chemicals Limited as at June 30, 2006 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 June 30, 2006 and of the loss, 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).

Without qualifying our opinion, we draw attention to note 2 in the financial statements which indicates that the company incurred a net loss of Rs. 120,095,196 during the year ended June 30, 2006 and has an accumulated loss of Rs. 746,866,513 as of that date. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Lahore  
September 28, 2006

*Fazal Chaudhry*  
Chartered Accountants

## Balance Sheet

	<u>Notes</u>	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Authorized capital: 290,000,000 (2005:290,000,000)			
Ordinary shares of Rs. 5/- each (2005: Rs. 5/- each)		1,450,000,000	1,450,000,000
Issued, subscribed and paid up capital	5	1,105,905,465	884,724,370
Accumulated losses		(746,866,513)	(626,771,317)
		359,038,952	257,953,053
<b>NON CURRENT LIABILITIES</b>			
Subordinated loans - parent company-unsecured	6	614,715,083	278,520,443
Long term loans	7	156,810,893	553,757,207
Liabilities against assets subject to finance lease	8	19,660,096	-
Deferred liabilities			
Employee benefits - gratuity scheme	9	9,302,753	9,576,662
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	236,015,480	237,672,566
Mark up accrued on secured loans	11	18,913,074	22,845,064
Short term borrowings-Secured	12	-	58,942,353
Current maturity of liabilities against assets subject to finance lease	8	5,032,479	-
Current maturity of long term loans	7	32,500,000	-
		292,461,033	319,459,983
		1,451,988,810	1,419,267,348
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
 Director



## As At June 30, 2006

	<u>Notes</u>	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
<b>TANGIBLE FIXED ASSETS</b>			
Property, plant and equipment	14	999,689,412	512,403,987
Capital work in progress	15	136,333,290	578,105,801
		1,136,022,702	1,090,509,788
Long term deposits	16	5,160,464	443,214
<b>CURRENT ASSETS</b>			
Stores and spares	17	4,508,427	3,480,324
Stock in trade	18	66,871,264	67,378,714
Trade debts	19	121,461,554	108,752,808
Advances, deposits, prepayments and other receivables	20	24,603,090	22,422,523
Cash and bank balances	21	93,361,309	126,279,977
		310,805,644	328,314,346
		<u>1,451,988,810</u>	<u>1,419,267,348</u>

The Chief Executive is out of Pakistan and in his absence, these financial statements have been signed by two directors, as required under section 241(2) of the Companies Ordinance, 1984.



Director

# Profit And Loss Account

For The Year Ended June 30, 2006


	Notes	2006 (Rupees)	2005 (Rupees)
Sales	22	609,721,610	566,421,851
Cost of sales	23	(631,007,389)	(565,715,621)
Gross (loss)/profit		(21,285,779)	706,230
Distribution costs	24	(25,905,486)	(16,288,345)
Administrative expenses	25	(29,159,600)	(24,788,207)
Other operating expenses	26	(3,741,981)	(1,176,675)
		(80,092,846)	(41,546,997)
Other operating income	27	23,971,315	1,417,869
Operating loss		(56,121,531)	(40,129,128)
Finance costs	28	(60,979,505)	(56,642,699)
		(117,101,036)	(96,771,827)
Amortization of deferred costs		-	(179,924,961)
Loss before taxation		(117,101,036)	(276,696,788)
Taxation	29	(2,994,160)	(2,841,936)
Loss after taxation		(120,095,196)	(279,538,724)
Accumulated loss brought forward		(626,771,317)	(347,232,593)
Accumulated loss carried forward		(746,866,513)	(626,771,317)
Earnings per share - Basic	30	(0.66)	(1.82)

The annexed notes from 1 to 37 form an integral part of these financial statements.

The Chief Executive is out of Pakistan and in his absence, these financial statements have been signed by two directors, as required under section 241(2) of the Companies Ordinance, 1984.



Director



Director

# Cash Flow Statement

For The Year Ended June 30, 2006

	2006 (Rupees)	2005 (Rupees)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss before taxation	(117,101,036)	(276,696,788)
Adjustment for:		
Gain on disposal of property, plant and equipment	(22,065,691)	(415,938)
Depreciation	45,973,195	28,322,912
Interest/mark-up	53,246,631	46,019,915
Amortization of deferred cost	-	179,924,961
Foreign exchange loss	7,732,874	3,446,729
Provision for doubtful debts	5,172,446	3,539,632
Provision for gratuity	3,337,915	2,267,315
	93,397,370	263,105,526
<b>OPERATING LOSS BEFORE WORKING CAPITAL CHANGES</b>	(23,703,666)	(13,591,262)
(Increase)/decrease in current assets		
Stores and spares	(1,028,103)	2,004,190
Stock in trade	507,450	(18,334,746)
Trade debts	(17,881,192)	(44,113,425)
Advances, deposits, prepayments and other receivables	(4,635,509)	4,783,433
	(23,037,354)	(55,660,548)
Increase/(decrease) in current liabilities		
Trade and other payables	(1,657,086)	122,456,504
	(24,694,440)	66,795,956
<b>CASH (USED IN)/GENERATED FROM OPERATIONS</b>	(48,398,106)	53,204,694
Gratuity paid	(3,611,824)	(874,519)
Interest/mark-up paid	(57,178,621)	(54,614,681)
Tax paid	(539,218)	(651,082)
	(61,329,663)	(56,140,282)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	(109,727,769)	(2,935,588)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	344,217,263	(3,886,854)
Capital work in progress	(441,772,511)	(80,820,289)
Sale proceeds from disposal of property, plant and equipment	28,134,830	1,601,650
Long term deposits	(4,717,250)	100,400
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(74,137,668)	(83,005,093)

	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
Balance brought forward	(74,137,668)	(83,005,093)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital	221,181,095	176,944,875
Loans received from parent company	328,461,766	(20,306,939)
Long term loans received	180,000,000	(41,213)
Long term loans repaid	(544,446,314)	-
Liabilities against assets subject to finance lease	24,692,575	(725,186)
Short term finances	(58,942,353)	8,077,149
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>150,946,769</b>	<b>163,948,686</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(32,918,668)</b>	<b>78,008,005</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>126,279,977</b>	<b>48,271,972</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>93,361,309</b>	<b>126,279,977</b>


Cash and cash equivalents include cash and bank balances as stated in Note: 21.

The annexed notes from 1 to 37 form an integral part of these financial statements.

The Chief Executive is out of Pakistan and in his absence, these financial statements have been signed by two directors, as required under section 241(2) of the Companies Ordinance, 1984.



Director



Director

# Statement Of Changes In Equity

For The Year Ended June 30, 2006


	Issued, Subscribed and Paid up Share Capital	Accumulated Loss	Total
	(Rupees)	(Rupees)	(Rupees)
Balance as on June 30, 2004	707,779,495	(347,232,593)	360,546,902
Issue of share capital	176,944,875	–	176,944,875
Loss for the year	–	(279,538,724)	(279,538,724)
Balance as on June 30, 2005	884,724,370	(626,771,317)	257,953,053
Issue of share capital	221,181,095	–	221,181,095
Loss for the year	–	(120,095,196)	(120,095,196)
Balance as on June 30, 2006	1,105,905,465	(746,866,513)	359,038,952

The annexed notes from 1 to 37 form an integral part of these financial statements.

The Chief Executive is out of Pakistan and in his absence, these financial statements have been signed by two directors, as required under section 241(2) of the Companies Ordinance, 1984.



Director



Director

# Notes To The Financial Statements

## For The Year Ended June 30, 2006

### 1. THE COMPANY AND ITS OPERATIONS

Nimir Industrial Chemicals Limited was incorporated in Pakistan on February 6, 1994 as a public limited company under the Companies Ordinance, 1984. The shares of the company are quoted on the Karachi and Lahore Stock Exchanges. The company started its commercial operations on January 01, 2000. The registered office of the company is situated at 51-N, Gulberg II, Lahore, Pakistan. The company is engaged in generation of power, manufacturing of fatty acids and caustic soda.

The parent company, Knightsbridge Chemicals Limited Bermuda, holds 139,265,894 (2005: 110,237,482) ordinary shares of Rs. 5/- each (2005: Rs.5/- each), representing 63% (2005: 62%) of the issued capital of the company as at June 30, 2006.

### 2. GOING CONCERN ASSUMPTION

The company has incurred a loss of Rs. 120,095,196 for the year ended June 30, 2006 and has accumulated losses of Rs. 746,866,513. These financial statements have been prepared under going concern assumption due to the following reasons:

- a) Since the start of caustic soda plant, energy requirements were being fulfilled with old steam turbines, which were not cost efficient. Twice rise in the gas prices had further worsened the situation and narrowed down the margins. In order to overcome this situation, the company decided to revamp the power plant by adding new gas fired generator sets, which are now in place and have started their operations. This will reduce the electricity cost by 40%, as electricity is the basic raw material for the production of caustic soda.
- b) The de-bottlenecking of the caustic soda plant has been done resulting in increase in production by approximately 26% viz a viz the average monthly production during the year under review.
- c) In order to add value to existing products, the company had decided to install Soap Noodles plant. The plant has been ordered and currently is in manufacturing phase and is expected to be commissioned in the third quarter of the coming financial year.

In view of the above developments, the management is confident that the company will be turned into a profit making entity.

### 3. STATEMENT OF COMPLIANCE

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

### 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 Significant accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards 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 historic experience and other factors, including expectations of future

events that are believed to be reasonable under the circumstances. In the process of applying the accounting policies, management has made the following estimates and judgments, which are significant to the financial statements.

#### Useful lives, pattern of economic benefits and impairment

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.

### 4.3 Fixed assets

#### Owned assets

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated using the reducing balance 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 asset's recoverable amount is estimated and impairment losses are recognized.

#### 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 assets

Leased assets held under finance lease are stated at cost less accumulated depreciation at the rates and basis applicable to Company owned assets. The outstanding obligations under the lease less finance charges allocated to future period are shown as liability. The financial charges are calculated at the interest rates implicit in the lease and are charged to the profit and loss account.

Repairs and maintenance are charged to revenue. Material renewals and improvements are capitalized.

Gains and losses on disposal of property, plant and equipment are recognized in the profit and loss account.

### 4.4 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

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.

#### 4.5 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.

#### 4.6 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.

#### 4.7 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 derecognised from the balance sheet when, and only when, it is extinguished, i.e.; when the obligation specified in the contract is discharged, cancelled or expired.

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 short term running finance utilized under mark-up arrangements, creditors, accrued and other liabilities. Mark-up bearing finances are recorded at the gross proceeds received. Other liabilities are stated at their nominal value.

#### 4.8 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.

#### 4.9 Taxation

##### Current

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any or 0.5% of turnover whichever is higher.

##### 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



#### 4.10 Revenue recognition

##### Sale of goods

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

##### Sale of electricity

Revenue is recognized on supply of electricity to consumers, based on meter readings at rates agreed with the customers.

#### 4.11 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:

Discount rate	9 %
Expected rates of salary increase in future years	8 %
Average expected remaining working lifetime of employees	10 years

Actuarial gains and losses are amortized over the average expected remaining working lives of the employees participating in that plan.

#### 4.12 Store, spares and loose tools

These are measured at lower of cost and net realizable value. The cost is determined by using the moving average method.

#### 4.13 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.

#### 4.14 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 income as and when incurred.

#### 4.15 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 except for subordinated loans from parent company which are interest free.

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

#### 4.16 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.

4.17 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.

4.18 Dividend and appropriations

Dividend and other appropriations are recognized in the period in which they are declared.

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2006	2005		2006	2005
No. of shares	No. of shares		(Rupees)	(Rupees)
37,750,000	37,750,000	*Ordinary shares of Rs 5/- (2005: Rs. 5/- each) 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 at Rs.10 at a discount of Rs.6/share) - paid in cash	394,689,995	394,689,995
24,867,900	24,867,900	*Ordinary shares of Rs 5/- (2005: Rs. 5/- each) each issued (originally at 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
35,388,975	35,388,975	25% Right issue of shares of Rs.5/- each offered at par	176,944,875	176,944,875
44,236,219	-	25% Right issue of shares of Rs.5/- each offered at par	221,181,095	-
<u>221,181,093</u>	<u>176,944,874</u>		<u>1,105,905,465</u>	<u>884,724,370</u>

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

The parent company Knightsbridge Chemicals Limited (Bermuda) holds 139,265,894 (2005: 110,237,482) ordinary shares of Rs. 5/- each (2005:Rs.5/-each), representing 63% (2005: 62%) of the issued capital of the company.

6. SUBORDINATED LOANS - PARENT COMPANY - Unsecured

	Notes	2006	2006	2005	2005
		US \$	(Rupees)	US\$	(Rupees)
Loan 1	6.1	374,350	22,592,023	374,350	22,416,078
Loan 2	6.2	76,970	4,645,140	1,776,970	106,404,964
Loan 3	6.3	800,000	48,280,000	800,000	47,904,000
Loan 4	6.4	200,000	12,070,000	200,000	11,976,000
Loan 5	6.5	299,990	18,104,397	299,990	17,963,401
Loan 6	6.6	-	-	1,200,000	71,856,000
Loan 7	6.7	249,995	15,087,198	-	-
Loan 8	6.8	3,729,975	225,103,991	-	-
Loan 9	6.9	598,586	36,124,665	-	-
Loan 10	6.10	1,984,000	119,734,400	-	-
Loan 11	6.11	499,968	30,173,069	-	-
Loan 12	6.12	1,372,000	82,800,200	-	-
			<u>614,715,083</u>		<u>278,520,443</u>
		Less: Current Maturity	-		-
			<u>614,715,083</u>		<u>278,520,443</u>

- 6.1 This loan is repayable in two equal installments in June and December 2008. This is an interest free subordinated loan repayable in US Dollars.
- 6.2 This loan was disbursed by the parent company for the completion of caustic soda plant. This loan is repayable in five years with a grace period of two years from the date of completion of disbursement. During the year a repayment of US\$ 1,700,000 (Rs. 102,179,000) was made. The balance is repayable as bullet payment in January 2009. This is an interest free subordinated loan repayable in US Dollars.
- 6.3 This loan was received from parent company to provide security against the loans from financial institution. This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement. The date of repayment of first two installments has been extended by the parent company from December 2006 and June 2007 to July 2007. This is an interest free subordinated loan repayable in US Dollars.
- 6.4 This loan was received from the parent company for the purchase of a generator set and soap noodles plant. This loan is repayable in five years with a grace period of two years from the date of disbursement. The first installment will be due in July 2007. This is an interest free subordinated loan repayable in US Dollars.
- 6.5 This loan was received from the parent company for the completion of caustic soda plant. The date of bullet repayment of loan has been extended from July 2006 to July 2007. This is an interest free subordinated loan repayable in US Dollars.
- 6.6 This loan was received last year from the parent company to provide security against the loans from financial institution. During the year this loan has been fully repaid.
- 6.7 This loan was received during the year from the parent company to meet working capital requirements. This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement. This is an interest free subordinated loan repayable in US Dollars.
- 6.8 This loan was received during the year from the parent company for repayment of long term loans received from financial institutions. This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement. This is an interest free subordinated loan repayable in US Dollars.
- 6.9 This loan was received during the year from the parent company for repayment of long term loans received from financial institutions. This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement. This is an interest free subordinated loan repayable in US Dollars.
- 6.10 This loan was received during the year from the parent company for repayment of long term loans received from financial institutions. This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement. This is an interest free subordinated loan repayable in US Dollars.
- 6.11 This loan was received during the year from the parent company to meet working capital requirements. This loan was repayable in December 2005, however repayment period has been extended by the parent company to July 2007. This is an interest free subordinated loan repayable in US Dollars.
- 6.12 This loan was received during the year from the parent company to meet working capital requirements. This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement. This is an interest free subordinated loan repayable in US Dollars.

## 7. LONG TERM LOANS

	<u>Notes</u>	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
Banks and financial institutions- Secured	7.1	189,310,893	553,757,207
Less: Current maturity shown under current liabilities		189,310,893 (32,500,000)	553,757,207 -
		<u>156,810,893</u>	<u>553,757,207</u>

	Notes	2006 (Rupees)	2005 (Rupees)
7.1	Banks and Financial Institutions - Secured		
	Banks		
	United Bank Limited -UBL	7.1.1	-
	Saudi Pak Commercial Bank Limited- SPCBL-Demand Finance 1	7.1.1	-
	Crescent Commercial Bank Limited -CCBL-Term Finance 1	7.1.1	-
	Saudi Pak Commercial Bank Limited Demand Finance 2	7.1.2	-
	Crescent Commercial Bank Limited Term Finance 2	7.1.2	-
	Crescent Commercial Bank Limited Term Finance 2	7.1.3	50,000,000
	The Bank of Punjab - Term Finance	7.1.4	130,000,000
			180,000,000
	Financial Institutions		512,449,562
	Crescent Standard Investment Bank Limited-CSIBL- Term finance 3	7.1.2	-
	First UDL Modaraba	7.1.5	9,310,893
	Inter Asia Leasing	7.1.6	-
			9,310,893
	Less: Current maturity		(32,500,000)
			156,810,893
			41,307,645
			-
			553,757,207

During the year, the Company settled all its loans from UBL, SPCBL and CCBL after receiving long term interest free subordinated loan from parent company and Rs.130 million term loan from The Bank of Punjab. In addition to the term loans, The Bank of Punjab also provided working capital lines.

- 7.1.1 These facilities were repaid in full during the year using the subordinated interest free loan from parent company.
- 7.1.2 These loans have been taken over by The Bank of Punjab during the year.
- 7.1.3 This facility was a conversion of an existing running finance facility into a long term loan. This facility is repayable as a bullet payment on or before the expiry date i.e. July 31, 2007. It carries mark-up @ six months KIBOR average ask rate plus 400 basis points with a floor of 13% per annum and subject to semi-annually review. This facility is secured against 1st pari passu charge on present and future fixed and current assets of the company.
- 7.1.4 This facility was obtained to replace the facilities obtained from CCBL, CSIBL and SPCBL (as referred in Note.7.1.2). The facility is repayable in four years in eight equal half yearly installments with a grace period of one quarter starting from September 2006. It carries mark-up @ average six months KIBOR plus 400 BPS with no floor no cap. The facility is secured against a charge on the present and future fixed assets of the company along with the corporate guarantee of M/s Knightsbridge Chemicals limited.
- 7.1.5 This facility represents the long term loan repayable over the period of six years. It carries a mark-up @ 18% per annum and is secured against the second charge on fixed and current assets of the company.
- 7.1.6 This facility was settled in full during the year.

## 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% (2005: Nil) per annum. The amount of future payments and the period during which they will become due are:

		2006	2005
		(Rupees)	(Rupees)
Year ending June 30,	2007	7,378,356	-
	2008	7,971,606	-
	2009	5,660,952	-
	2010	4,815,204	-
	2011	4,353,801	-
		-	-
		<u>30,179,919</u>	<u>-</u>
Less: Future finance charges		5,487,344	-
		<u>24,692,575</u>	<u>-</u>
Less: Current maturity shown under current liabilities		5,032,479	-
		<u>19,660,096</u>	<u>-</u>

The lease agreements have the option for purchase of assets at the end of the lease period. There are no financial restrictions in the lease agreements.

8.1 Minimum lease payments and their present value are regrouped as below :

	2006		2005	
	MLP	PV of MLP	MLP	PV of MLP
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Due not later than 1 year	7,378,356	5,032,479	-	-
Due later than 1 year but not later than 5 years	22,801,563	19,660,096	-	-
	<u>30,179,919</u>	<u>24,692,575</u>	<u>-</u>	<u>-</u>

## 9. DEFERRED LIABILITY - EMPLOYEE BENEFITS

Notes

2006  
(Rupees)2005  
(Rupees)

Staff retirement benefits - gratuity

9.1

9,302,7539,576,662

## 9.1 Gratuity scheme

Present value of defined benefits obligation

11,102,314

10,598,420

Benefits due but not paid

527,711

885,551

Unrecognized actuarial losses

(2,327,272)

(1,907,309)

Liability recognised in balance sheet

9,302,7539,576,662

Liability at the beginning of the year

9,576,662

8,183,866

Current service cost

2,307,276

1,628,178

Interest cost

953,858

639,137

Past service cost

-

29,290

Actuarial Loss

76,781

-

Benefits paid

(3,611,824)

(903,809)

Liability at end of the year

9,302,753

9,576,662

Current service cost

2,307,276

1,628,178

Interest cost

953,858

639,137

Past service cost

-

29,290

Actuarial loss

76,781

-

Expense recognised in the profit & loss account.

3,337,915

2,296,605

29

10. TRADE AND OTHER PAYABLES	<u>Notes</u>	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
Creditors		184,494,564	189,956,078
Retention money		5,864,527	5,774,871
Accrued expenses		8,091,285	6,218,261
Security from distributor & transporter	10.1	6,464,250	5,663,250
Due to associated undertaking	10.2	2,262,493	12,326,686
Advances from customers		17,141,276	6,123,208
Custom and regulatory duty payable		11,564,300	11,564,300
Other liabilities		132,785	45,912
		<u>236,015,480</u>	<u>237,672,566</u>

10.1 The distributor and transporter have given the company right to utilize this deposit in normal course of business.

10.2 The maximum aggregate balance due to associated undertaking at the end of any month during the year ended June 30, 2006 was Rs. 12,415,786 (2005: Rs.12,787,553)

11. MARK-UP ACCRUED ON SECURED LOANS	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
Mark up accrued on long term and short term loans	<u>18,913,074</u>	<u>22,845,064</u>

12. SHORT TERM BORROWINGS - SECURED

The aggregate facility of short term finances from commercial banks available at year end is Rs. 10 million (2005: Rs. 210 .5 million). The rate of mark-up ranges from 6.5% to 12% (2005: 6.5 % to 12 %) per annum and the facility is secured against a ranking charge on the present and future current assets of the company, amounting to Rs. 15 million.

The unutilized facility for opening letters of credit and for guarantees as at June 30, 2006 amounts to Rs. 21,882,561 (2005: Rs.8,607,733) and Rs. 50,000,000 (2005: Rs.50,000,000), respectively .

13. CONTINGENCIES AND COMMITMENTS

13.1 Contingencies

The customs department raised a demand notice for Rs. 50,257,203 for duty on the plant imported after June 30, 1995. The company is contesting this in Honourable Lahore High Court on the ground of applicability of SR0 484 (1) /92, which expired on June 30, 1995, with justifiable delay in import of concerned plant and machinery. Out of the total claim the management has paid Rs. 1,000,000 from the previous accrual balance of Rs. 12,564,300. The management is confident that the decision will be in company's favour.

13.2 A claim of Rs. 25,465,822 from a commercial bank, with regard to the loans settled in the previous years, has not been acknowledged by the company.

13.3 Commitments

Commitments in respect of letters of credit established for the import of raw materials amounted to Rs. 25,337,800 (2005: Nil)

## 14. PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	C O S T			Rate %	D E P R E C I A T I O N				Book value As at, June 30, 2006 (Rupees)
	As At July 01, 2005 (Rupees)	Additions (Disposals) (Rupees)	As At June 30, 2006 (Rupees)		Accumulated as at July 01, 2005 (Rupees)	Charge for the year (Rupees)	(Disposals) (Rupees)	Accumulated as at June 30, 2006 (Rupees)	
<b>OWNED</b>									
Free hold land	13,001,709	1,105,644 (4,805,870)	9,301,483	-	-		-	9,301,483	
Building on Free hold Land	40,969,536	29,827,071	70,796,607	5	10,977,730		14,020,440	56,776,167	
Plant & Machinery	679,985,935	477,556,274	1,157,542,209	4-5	214,937,884		255,540,203	902,002,006	
Furniture & Fittings	2,222,842	34,350	2,257,192	10	2,098,440		2,210,062	47,130	
Office Equipment	3,687,378	461,443 (68,700)	4,080,121	10-20	2,197,171	(23,436)	2,584,234	1,495,887	
Vehicles	5,220,048	1,787,976 (2,374,475)	4,633,549	20	2,472,238	(1,156,470)	2,001,563	2,631,986	
	745,087,448	510,772,758 (7,249,045)	1,248,611,161		232,683,463	(1,179,906)	276,356,502	972,254,659	
<b>LEASED</b>									
Plant & Machinery	-	28,555,000	28,555,000	4-5	-		1,120,250	27,434,750	
Vehicles	1,716,393	-	1,716,393	20	1,716,390		1,716,390	3	
2006	746,803,841	539,327,758 (7,249,045)	1,278,882,554		234,399,853		279,193,142	999,689,412	
2005	745,399,344	3,886,854 (2,482,357)	746,803,841		207,373,587	(1,179,906)	234,399,854	512,403,987	

14.1 Depreciation for the year has been allocated as under:

Cost of Sales  
Distribution Costs  
Administrative Expenses

Notes	2006 Rupees	2005 Rupees
23	45,269,897	27,831,765
24	283,371	126,414
25	419,928	364,733
	45,973,196	28,322,912

14.2 Disposal of operating fixed assets:

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Loss / (Gain)	Mode of Disposal	Particulars of Purchasers
Land	4,805,870	-	4,805,870	26,715,000	(21,909,130)	Negotiation	Dr. Faqir Mohammad / Nimir Chemicals Pakistan Limited
Mobiles	68,700	23,436	45,264	36,830	8,434	Negotiation	Various
Honda Civic	1,000,110	950,104	50,006	647,000	(596,994)	Negotiation	Ex-CEO (Mr. Fareed Qureshi)
Honda Civic	1,319,565	153,394	1,166,171	720,000	446,171	Negotiation	Ex-CEO (Mr. Fareed Qureshi)
Motor Cycle	54,800	52,972	1,828	16,000	(14,172)	Negotiation	Employee (Mr. Abdul Khalid)
Total	7,249,045	1,179,906	6,069,139	28,134,830	(22,065,691)		

14.3 No asset was sold to the Chief Executive, Directors, Executives or Shareholders holding more than 10% of total paid-up capital, except otherwise stated.

14.4 Fixed Assets of the company include storage tanks amounting to Rs. 1,964,405 (2005: Rs. 2,073,538) held by customers of the company in normal course of the business.

15. CAPITAL WORK IN PROGRESS

	Civil Works	Plant & Machinery	Unallocated Expenditure	2006	2005
	(Rupees)			(Rupees)	(Rupees)
Opening balance	28,033,815	511,962,228	38,109,758	578,105,801	497,285,512
Additions during the year	3,377,202	89,763,392	-	93,140,594	80,820,289
	31,411,017	601,725,620	38,109,758	671,246,395	578,105,801
Transferred to fixed assets	(29,827,071)	(466,976,276)	(38,109,758)	(534,913,105)	-
	1,583,946	134,749,344	-	136,333,290	578,105,801

15.1 Un-allocated Capital Expenditure

	2006	2005
	(Rupees)	(Rupees)
Salaries, wages & benefits	40,458,130	40,458,130
Repair & Maintenance	6,655,979	6,655,979
Stores & spares consumed	1,126,428	1,126,428
Fuel & Power	1,302,589	1,302,589
Legal & Professional	5,941,661	5,941,661
Postage & telephone expenses	4,569,198	4,569,198
Utilities expenses	16,593	16,593
Entertainment	623,173	623,173
Traveling & conveyance	14,081,684	14,081,684
Consultancy charges	3,315,523	3,315,523
Insurance	8,166,839	8,166,839
Excise duty	554,420	554,420
Advertisement	814,751	814,751
Guarantee commission	979,240	979,240
Fees & Subscription	2,160,656	2,160,656
Security charges	2,857,675	2,857,675
Rent, rates & taxes	3,086,486	3,086,486
Printing & Stationery	1,511,605	1,511,605
Charity and Donation	112,523	112,523
Other expenses	5,270,251	5,270,251
Freight & octroi	832,205	832,205
Financial charges	2,346,783	2,346,783
Front end Fee	1,087,251	1,087,251
Auditor's Remuneration	305,000	305,000
Mark-up	81,768,299	81,768,299
Minimum tax U/S 80-D	866,287	866,287
Presumptive tax	91,348	91,348
Depreciation	6,255,736	6,255,736
Sales tax penalty	120,668	120,668
Claim against power shut down	4,363,023	4,363,023
Loss on power project	41,724,240	41,724,240
	243,366,244	243,366,244
Less:		
Profit on sale of fixed assets	412,001	412,001
Interest income on savings account	913,468	913,468
Income from tender fee	11,800	11,800
Profit on foreign currency account	121,898	121,898
Exchange profit	104,764	104,764
Electricity late payment charges	405,310	405,310
Sales of scrap	1,825,927	1,825,927
Other income	902,410	902,410
	4,697,578	4,697,578
Less: Unallocated expenditures capitalized	238,668,666	200,558,908
	-	38,109,758



16. LONG TERM DEPOSITS	<u>Notes</u>	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
Security deposits			
- Leasing companies		4,283,250	-
- Others		877,214	443,214
		<u>5,160,464</u>	<u>443,214</u>
17. STORES AND SPARES			
Stores		1,682,557	1,785,498
Spares and loose tools		2,825,870	1,694,826
		<u>4,508,427</u>	<u>3,480,324</u>
18. STOCK IN TRADE			
Raw and packing material	18.1	12,088,486	8,974,811
Material in transit		44,070,415	55,332,209
		56,158,901	64,307,020
Finished goods		10,712,363	3,071,694
		<u>66,871,264</u>	<u>67,378,714</u>
18.1	This includes empty steel drums amounting to Rs. 3,739,727 (2005: Rs. 3,409,316) held by customers of the company in normal course of the business.		
19. TRADE DEBTS	<u>Notes</u>	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
Unsecured			
Considered good			
Due from Related parties-associated undertakings	19.1		
Nimir Resins Limited		2,033,817	1,661,462
Nimir Specialty Chemicals Sharjah		333,102	138,746
		2,366,919	1,800,208
Others		119,094,635	106,952,600
		<u>121,461,554</u>	<u>108,752,808</u>
Considered doubtful - Others		10,656,360	5,483,914
Provision for doubtful debtors		(10,656,360)	(5,483,914)
		-	-
		<u>121,461,554</u>	<u>108,752,808</u>
19.1	Maximum aggregate debit balance of associated companies at the end of any month during the year were as follows.		
		<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
	Nimir Resins Limited	2,792,614	729,487
	Nimir Chemicals Pakistan Limited	-	4,159,247
	Nimir Specialty Chemicals Sharjah	4,400,114	2,379,693
19.2	No amount is due from directors, chief executive and executives of the company.		

20.	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	<u>Notes</u>	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
	Other advances - unsecured	20.1	1,661,120	905,840
	Advances to employees - considered good - unsecured		807,359	831,926
	Advance income tax		2,188,090	4,643,032
	Sales tax		2,099,002	952,009
	Prepayments		1,196,073	564,084
	Due from associated undertaking - Nimir Resins Ltd.			
	Un-secured- considered good	20.2	313,879	307,701
	Margin against bank guarantee		5,100,000	7,775,000
	L/C margin deposit		7,946,797	5,791,931
	Federal excise duty refundable		2,258,500	-
	Others		1,032,270	651,000
			<u>24,603,090</u>	<u>22,422,523</u>
20.1	Other Advances			
	Considered good		1,661,120	905,840
	Considered doubtful		178,124	178,124
			<u>1,839,244</u>	<u>1,083,964</u>
	Provision for doubtful advances		(178,124)	(178,124)
			<u>1,661,120</u>	<u>905,840</u>
20.2	This represents the actual amount receivable for the common services rendered from time to time, hence not being a loan or advance. The maximum amount due from associated undertaking at the end of any month during the year ended June 30, 2006 was Rs. 2,025,163 (2005: Rs. 492,840).			
21.	CASH AND BANK BALANCES	<u>Notes</u>	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
	Cash at Bank:			
	- Current Accounts		93,361,309	6,519,977
	- Foreign Currency Accounts		-	119,760,000
			<u>93,361,309</u>	<u>126,279,977</u>
22.	SALES			
	Gross Sales		612,904,351	573,646,214
	Less: Discount		3,182,741	7,224,363
	Net Sales	22.1	<u>609,721,610</u>	<u>566,421,851</u>
22.1	Sales are exclusive of sales tax of Rs. 91.077 Million (2005: Rs. 84.36 Million).			
22.2	This includes sale of electricity amounting to Rs. 4,836,884 (2005: 42,704,277).			

23. COST OF SALES	<u>Notes</u>	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
Raw and packing material consumed	23.1	491,887,865	465,792,195
Salaries, wages and benefits	23.2	31,942,448	20,712,732
Depreciation	14.1	45,269,897	27,831,765
Fuel and power		50,438,983	33,558,283
Stores and spares consumed		5,205,322	1,613,205
Repairs and maintenance		2,155,417	443,879
Traveling, conveyance and entertainment		6,582,713	5,837,839
Communications		371,973	406,475
Insurance		2,346,266	2,263,359
Printing and stationery		232,902	155,213
Other expenses		2,154,250	1,238,360
		<u>638,588,036</u>	<u>559,853,305</u>
Services provided by associated undertakings	23.3	60,022	1,035,445
		<u>638,648,058</u>	<u>560,888,750</u>
Add: Opening stocks-Finished Goods		3,071,694	7,898,565
Less: Closing stocks-Finished Goods		(10,712,363)	(3,071,694)
		<u>631,007,389</u>	<u>565,715,621</u>
<b>23.1 Raw and packing material consumed</b>			
Opening Balance		64,307,020	41,145,403
Purchases		483,739,746	488,953,812
		<u>548,046,766</u>	<u>530,099,215</u>
Less: Closing Balance		(56,158,901)	(64,307,020)
		<u>491,887,865</u>	<u>465,792,195</u>
<b>23.2</b>	This includes Rs. 2,288,707 (2005: Rs. 1,401,285) in respect of employee benefits - gratuity scheme.		
<b>23.3</b>	This represents the technical services received during the year.		
24. DISTRIBUTION COSTS	<u>Notes</u>	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
Salaries, wages and benefits	24.1	2,468,808	1,770,057
Repairs and maintenance		30,675	19,345
Traveling, conveyance and entertainment		1,698,766	1,123,671
Communications		377,744	196,977
Insurance		486,616	473,527
Distribution commission		8,049,205	4,258,817
Packing, carriage and forwarding		7,040,811	4,167,329
Printing and stationery		55,626	38,480
Advertising and sale promotion		69,495	79,673
Depreciation	14.1	283,371	126,414
Sales tax penalty		99,813	348,534
Provision for doubtful debts		5,172,446	3,539,632
Other expenses		72,110	145,889
		<u>25,905,486</u>	<u>16,288,345</u>
<b>24.1</b>	This includes Rs. 253,344 (2005: Rs. 190,544) in respect of employee benefits - gratuity scheme.		

	<u>Notes</u>	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
25.	<b>ADMINISTRATIVE EXPENSES</b>		
	Salaries, wages and benefits	10,273,802	10,537,749
	Fuel and power	578,499	525,824
	Repairs and maintenance	65,727	130,003
	Traveling, conveyance and entertainment	2,571,108	2,873,717
	Communications	1,011,045	955,737
	Insurance	289,737	313,688
	Rent, rates and taxes	1,218,240	885,834
	Printing and stationery	286,249	319,892
	Advertising and sale promotion	232,030	222,210
	Legal, professional and consultancy expense	2,706,500	1,276,000
	Auditors' remuneration	440,355	307,685
	Depreciation	419,928	364,733
	Other expenses	1,574,915	1,211,982
		<u>21,668,135</u>	<u>19,925,054</u>
Add:	Services from associated undertakings	7,491,465	4,863,153
		<u>29,159,600</u>	<u>24,788,207</u>
25.1	This includes Rs. 795,864 (2005: Rs.704,776) in respect of employee benefits - gratuity scheme.		
25.2	<b>Auditors' remuneration</b>	<u>2006</u> (Rupees)	<u>2005</u> (Rupees)
	Audit fee	200,000	150,000
	Certification and review	180,000	135,000
	Out of pocket expenses	60,355	22,685
		<u>440,355</u>	<u>307,685</u>
25.3	This represents the staff costs and other services shared during the year.		
26.	<b>OTHER OPERATING EXPENSES</b>		
	Right issue expenses	3,741,981	1,176,675
		<u>3,741,981</u>	<u>1,176,675</u>
27.	<b>OTHER OPERATING INCOME</b>		
	Gain on disposal of property, plant and equipment	22,065,691	415,938
	Scrap sale	1,888,290	780,362
	Miscellaneous	17,334	221,569
		<u>23,971,315</u>	<u>1,417,869</u>
28.	<b>FINANCE COST</b>		
	Mark-up on		
	- Long term loans	27,661,868	28,320,340
	- Short term loans	19,150,758	20,777,726
	- Others	1,184,159	617,391
	Financial charges on lease	2,272,953	65,468
	Bank charges & commission	2,976,893	3,415,045
	Foreign exchange losses	7,732,874	3,446,729
		<u>60,979,505</u>	<u>56,642,699</u>

29. TAXATION - CURRENT	2006 (Rupees)	2005 (Rupees)
Current year	3,048,608	2,851,535
Prior year	(54,448)	(9,599)
	<u>2,994,160</u>	<u>2,841,936</u>

In view of the losses for the year, tax provision has been calculated @ 0.5% of turnover as required under Section 113 of the Income Tax Ordinance, 2001.

The company has assessed losses amounting to Rs. 957,250,972 as at June 30, 2006. However, no deferred tax asset has been recognized due to the uncertainty with regards to availability of the future taxable profit of the company against which the unused tax losses and unused tax credits can be utilized.

No numerical tax reconciliation have been prepared as the company is subject to minimum tax under section 113 of the Income Tax Ordinance, 2001.

30. EARNINGS PER ORDINARY SHARE - BASIC	<u>Notes</u>	2006 (Rupees)	2005 (Rupees)
Loss attributable to ordinary shareholders (Rupees)		(120,095,196)	(279,538,724)
Weighted Average Number of ordinary shares	30.1	<u>180,631,226</u>	<u>153,352,224</u>
Earnings per ordinary share (Rupees)		<u>(0.66)</u>	<u>(1.82)</u>
30.1 Weighted Average No. of ordinary shares			
Number of shares outstanding at the beginning of the year		176,944,874	141,555,899
Weighted average ordinary shares issued during the year		<u>3,686,352</u>	<u>11,796,325</u>
		<u>180,631,226</u>	<u>153,352,224</u>

No fully diluted earnings per share has been disclosed as the company has not issued an instrument which would have an impact on earnings per share when exercised.

31. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 Interest/mark-up rate risk exposure

The Company's exposure to interest/mark-up rate risk on its financial assets and liabilities as at June 30, 2006 is summarized as follows:

	INTEREST/MARK-UP BEARING					NON INTEREST/MARK-UP BEARING					Total
	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto three years	Maturity after three years upto four years	Maturity after four years upto five years	Maturity upto one year	Maturity after one year upto two years	Maturity after two years upto three years	Maturity after three years upto four years	Maturity after four years upto five years	
Financial assets											
Cash and bank balances	-	-	-	-	-	89,361,309	-	-	-	-	89,361,309
Long term deposits	-	-	-	-	-	-	593,250	540,000	-	-	1,133,250
Trade debts	-	-	-	-	-	132,117,914	-	-	-	3,150,000	135,267,914
Advances, deposits and other receivables	-	-	-	-	-	14,168,035	-	-	-	-	14,168,035
Financial liabilities											
Subordinated Loan -Parent Company	-	-	-	-	-	239,647,258	593,250	540,000	-	3,150,000	243,430,508
Long term loans	32,500,000	82,500,000	32,500,000	32,500,000	-	-	153,745,185	181,874,802	157,886,784	79,808,409	414,715,083
Liabilities against assets subject to finance lease	5,032,479	6,314,624	4,665,434	4,351,728	4,328,310	-	-	-	-	-	24,692,575
Trade and other payables	-	-	-	-	-	224,451,180	-	-	-	-	224,451,180
Mark-up accrued on secured loans	-	-	-	-	-	18,913,074	-	-	-	-	18,913,074
ON BALANCE SHEET GAP	37,532,479	88,814,624	37,165,434	36,851,728	4,328,310	243,364,254	153,745,185	181,874,602	157,886,784	79,808,409	1,062,771,912
	(37,532,479)	(88,814,624)	(37,165,434)	(36,851,728)	(4,328,310)	(3,716,996)	(153,151,935)	(181,334,602)	(157,886,784)	(76,658,409)	(817,964,190)
Financial assets											
Cash and bank balances	-	-	-	-	-	126,280,000	-	-	-	-	126,280,000
Long term deposits	-	-	-	-	-	-	-	-	-	443,214	443,214
Trade Debts	-	-	-	-	-	114,237,000	-	-	-	-	114,237,000
Advances, Deposits and Other Receivables	-	-	-	-	-	126,280,000	-	-	-	-	126,280,000
Financial liabilities											
Subordinated Loan -Parent Company	-	-	-	-	-	366,797,000	-	-	-	443,214	367,240,214
Long term loans	540,949,562	12,807,645	-	-	-	-	173,915,824	22,608,541	39,152,039	31,168,039	778,520,443
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	-
Short term finances	58,942,000	-	-	-	-	-	-	-	-	-	58,942,000
Trade and other payables	-	-	-	-	-	226,108,266	-	-	-	-	226,108,266
Mark-up accrued on secured loans	-	-	-	-	-	22,845,064	-	-	-	-	22,845,064
ON BALANCE SHEET GAP	599,891,562	12,807,645	-	-	-	248,953,330	173,915,824	22,608,541	39,152,039	31,168,039	1,140,172,980
	(599,891,562)	(12,807,645)	-	-	-	(117,843,670)	(173,915,824)	(22,608,541)	(39,152,039)	(31,168,039)	(772,932,766)

R U P E E S

R U P E E S

### 31.2 Concentration of credit risk

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. 244.807 Million (2005 : Rs. 257.787 Million), the financial assets which are subject to credit risk amounted to Rs. 149.962 Million (2005 : Rs. 367.240 Million). 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.

### 31.3 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to sales, purchase and long term loan, transactions with foreign undertakings. Payables exposed to foreign currency risks are identified as either "Creditors", "Bills Payable" or "long term loans". The company does not view hedging as being financially feasible owing to immaterial amounts involved.

### 31.4 Fair value of financial assets and financial liabilities

The fair value of all financial assets and liabilities reflected in the financial statements approximates their carrying amount.

## 32. TRANSACTIONS WITH RELATED PARTIES

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

	2006 (Rupees)	2005 (Rupees)
Associates		
Sale of power and goods	18,872,284	20,996,799
Management and other services received	9,420,967	8,933,126
Other services rendered	354,163	431,210
Premises rent shared	1,052,917	973,334
Utility bills charged by associated companies	564,545	519,824
Parent Company		
Loan received from Knightsbridge Chemicals Limited	503,822,747	101,795,401
Loan repaid to Knightsbridge Chemicals Limited	174,126,980	14,273,100

Vehicles are sold to key employees and associated companies as per the company's policy

Transaction during the year ended June 30, 2006 is as follows:

Name of Related Party	Relationship	Transaction	Market Price	Transaction Value	Price Difference
( Rupees )					
Fareed ullah Qureshi	Ex-CEO	Sale of Vehicle	647,000	647,000	-
Fareed ullah Qureshi	Ex-CEO	Sale of Vehicle	960,000	720,000	240,000
Nimir Chemicals Pakistan Limited	Associated Company	Sale of Land	26,715,000	26,715,000	-
Nimir Resins Limited	Associated Company	Purchase of Land	790,500	790,500	-

- The transactions were carried out at an arm's length basis.
- No buying or selling commission has been paid to any associated undertaking.
- Vehicles was sold to Ex-CEO as per company's policy.

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Executives	
	2006 (01/07/2005 to 13/12/2005)	2005 (22/05/2006 onward)	2006	2005
Number of persons	1	1	2	1
	R u p e e s			
Remuneration	2,216,437	213,319	2,374,085	1,451,616
Housing	997,401	95,994	1,068,343	653,220
Driver allowance	16,500	7,274	68,838	-
Utilities	221,645	21,332	237,411	79,359
Leave encashment	219,941	-	123,167	-
Gratuity	2,100,000	-	-	-
Bonus	-	-	-	147,000
	5,771,924	337,919	3,871,844	2,250,000
				1,377,000

33.1 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.

33.2 No amount has been paid to the Directors for rendering of services and attending board meetings.

34. PRODUCTION CAPACITY IN METRIC TONS

	2006	2006	2005	2005
	Maximum Capacity	Actual Capacity	Maximum Capacity	Actual Capacity
Fatty Acids (Metric Tons)	24,000	14,222	24,000	14,857
Power House (KWH in thousands)	39,600	24,880	34,560	15,280
Caustic Soda	31,350	20,497	-	-

The under utilization of capacity is due to shortage of working capital.

35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 28, 2006 by the board of directors of the company.

36. NEW ACCOUNTING DEVELOPMENTS

36.1 Following amendments to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after January 01, 2006 or later periods:

IAS-19 (Amendments) - Employee Benefits	Effective from January 01, 2006
IAS-39 Financial Instruments: Recognition and Measurement - Fair Value Option, Accounting for Financial Guarantees and Cash flow hedge for forecast intra group transactions	Effective from January 01, 2006
IAS-1 Presentation of Financial Statements Capital Disclosures	Effective from January 01, 2007

Adoption of the above amendments may only impact the extent of disclosures presented in the financial statements.



36.2 In addition to above, a new series of standards called “International Financial Reporting Standards (IFRSs)” have been introduced and seven IFRSs have been issued by IASB. Out of these following four IFRS have been adopted by Institute of Chartered Accountant of Pakistan (ICAP) however since these have not been adopted by SECP therefore, do not form part of the approved local financial reporting framework:

IFRS-2 (Share based Payments);

IFRS-3 (Business Combinations);

IFRS-5 (Non-current Assets held for Sale and Discontinued Operations); and

IFRS-6 (Exploration for and Evaluation of Mineral Resources).

The company expects that the adoption of these pronouncements mentioned above will have no significant impact on the company’s financial statements in the period of initial application.

### 37. GENERAL

37.1 Figures have been rounded off to the nearest rupee.

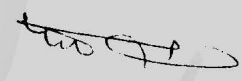
37.2 Significant rearrangements are as follows:

	2006 (Rupees)	2005 (Rupees)
Foreign exchange loss previously shown under other operating expenses now shown under finance costs	7,732,874	3,446,729
Right issue expenses previously shown under administrative now shown under other operating expenses	3,741,981	1,176,675

37.3 Segment reporting has not been presented in these financial statements because of inhouse consumption of most of the electricity produced and the electricity sold during the year was less than 1% of the total revenue of the company, further in comparison to last year electricity sold was about 7% of overall revenues of the company.

37.4 The Chief Executive is out of Pakistan and in his absence, these financial statements have been signed by two directors, as required under section 241(2) of the Companies Ordinance, 1984.

  
Director

  
Director

*NICL*

# NIMIR INDUSTRIAL CHEMICALS LIMITED

## 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 13<sup>th</sup> Annual General Meeting  
of the Company to be held on Monday, 30<sup>th</sup> October, 2006 and at any adjournment thereof.

Signed this ..... day of ..... 2006.

Signature on  
Rs.5  
Revenue  
Stamp

### Notes:

- I. The share transfer books of the Company shall remain closed from 21<sup>st</sup> October, 2006 to 30<sup>th</sup> October, 2006 (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 ("NIC") 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.