



Nimir Industrial Chemicals Limited

Annual Report 2010



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COMPANY INFORMATION

Board of Directors

Mr. Louis Tucker Link (Chairman)
Mr. Zafar Mahmood (Chief Executive)
Mr. Eric Tucker Link
Sh. Amar Hameed
Mr. Abdul Jalil Jamil
Mr. Saeed-uz-Zaman
Mr. Umar Iqbal
Mr. Imran Afzal

Audit Committee

Mr. Abdul Jalil Jamil (Chairman)
Mr. Louis Tucker Link
Mr. Saeed-uz-Zaman

Chief Financial Officer

Mr. Khalid Mumtaz Qazi

Company Secretary

Mr. Shamshad A. Naushahi

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

KMS Law Associates
Advocates

Bankers

The Bank of Punjab
MCB Bank Limited
National Bank of Pakistan
Deutsche Bank

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 35718001-9

Fax : 92 42 35718013

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

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 17th Annual General Meeting of Nimir Industrial Chemicals Limited will be held on Thursday, 21st October, 2010 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 Extraordinary General Meeting of the Company held on 30th December, 2009.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 30th June, 2010 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year ending 30th June, 2011 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
September 02, 2010

(Shamshad A. Naushahi)
Company Secretary

Notes:

- I. The share transfer books of the Company shall remain closed from 14th October, 2010 to 21st October, 2010 (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

The directors of the company are pleased to present 17th Annual Report of the company for the year ended 30th June 2010.

Operating Results

	<u>2010</u> Rs.'000	<u>2009</u> Rs.'000
Sales	1,742,804	1,383,578
Gross Profit	180,741	100,898
Operating Profit	88,683	34,034
Exchange (Loss)	(23,717)	(92,001)
Net Profit / (loss) after Tax	4,569	(146,718)

The impact of last year's global economic and financial turmoil has significantly reduced during the year under review. As a result, the international prices of the company's products started increasing. Despite tough business conditions in the country due to energy crisis and continued depreciation of Rupee, the company posted net profit of Rs.4.6 million during the year ending June 30, 2010 against net loss of Rs. 147 million incurred during the preceding year.

The sale volume of soap noodles increased during the year due to expansion of the plant. Resultantly total sales have grown up by 26% from Rs.1.38 billion to Rs.1.74 billion. The gross and operating profits of the company have increased by Rs.80 million and Rs.55 million respectively. Financial cost of the company also reduced significantly. However the company suffered exchange loss of Rs.24 million due to further depreciation of Pak Rupee.

Future Outlook

The recent floods in the country have adversely affected the economy of the country. This may pose challenges to the business in the immediate future as overall demand is expected to squeeze. In addition, ongoing energy crisis and deteriorated law and order situation is further deterioration the business environment.

Hence the year 2011 is seen challenging as the business expects difficult conditions to prevail in the country. However the management of the company is committed to put all its efforts to mitigate the above factors as much as possible, 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.

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

The election of the directors of the company was held on 30th December 2009. The following board has been elected by the members of the company:

- | | |
|---------------------|-----------------|
| • Louis Tucker Link | Chairman |
| • Zafar Mahmood | Chief Executive |
| • Eric Tucker Link | |
| • Sh. Amar Hameed | |
| • Abdul Jalil Jamil | |
| • Saeed-uz-Zaman | |
| • Umar Iqbal | |
| • Imran Afzal | |

During the year four 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.
• Zafar Mahmood	4	-
• Eric Tucker Link	2	Represented by Mr. Aamir Jamil as alternate director
• Sh. Amar Hameed	4	-
• Abdul Jalil Jamil	4	-
• Saeed-uz-Zaman	4	-
• Umar Iqbal	4	-
• Imran Afzal	3	-

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 02.09.2010 (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 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.

Corporate Social Responsibility

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 employee and community.

The company ensures environment friendly operations, product 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

After the elections of the directors, following audit committee has been constituted:

- Abdul Jalil Jamil
- Louis Tucker Link
(Represented by Mr. Kamal Nasiruddin)
- Saeed-uz-Zaman

Mr. Abdul Jalil Jamil is appointed as chairman of the audit committee.

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, 2011.

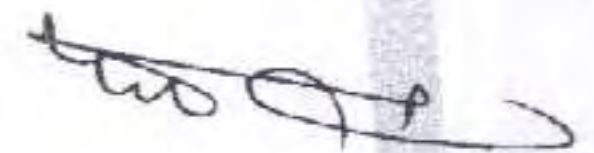
Pattern of shareholding

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, suppliers, bankers and all its employees. We are also thankful to our shareholders for reposing their confidence in the management.

For and on behalf of the Board



Chief Executive

Lahore
September 02, 2010

KEY OPERATING & FINANCIAL DATA FOR LAST SIX YEARS

	2010	2009	2008	2007	2006	2005
	Rs. '000					
Net Sales	1,742,804	1,383,579	1,118,405	705,904	609,722	566,422
Gross Profit / (Loss)	180,741	100,898	151,296	18,835	(21,286)	706
Operating Profit / (Loss)	88,683	34,034	90,222	(33,366)	(71,178)	(40,129)
Profit / (loss) before tax	13,458	(146,561)	27,852	(93,943)	(117,101)	(276,697)
Profit / (loss) after tax	4,569	(146,718)	23,620	(99,143)	(120,095)	(279,539)
Paid-up Capital	1,105,905	1,105,905	1,105,905	1,105,905	1,105,905	884,724
Net Worth	118,913	114,344	261,062	259,896	359,039	257,953
Long Term Loans / Leases &						
Deferred Liabilities	1,059,668	1,129,723	852,565	926,160	771,526	832,278
Current Assets	558,663	493,032	499,328	424,243	310,806	328,314
Current Liabilities	516,060	430,664	498,589	376,756	292,461	319,460

Pattern of Shareholding

As At June 30, 2010

SHAREHOLDING

No. of Shareholders	From	To	Total Shares Held
135	1	100	6,493
1,141	101	500	506,683
631	501	1,000	597,721
1,542	1,001	5,000	4,847,938
728	5,001	10,000	6,204,776
271	10,001	15,000	3,567,665
210	15,001	20,000	3,966,957
167	20,001	25,000	3,994,137
95	25,001	30,000	2,723,551
55	30,001	35,000	1,834,958
57	35,001	40,000	2,190,204
30	40,001	45,000	1,290,469
78	45,001	50,000	3,872,539
22	50,001	55,000	1,172,440
21	55,001	60,000	1,239,773
12	60,001	65,000	761,351
12	65,001	70,000	824,517
19	70,001	75,000	1,408,625
10	75,001	80,000	793,625
9	80,001	85,000	755,495
6	85,001	90,000	520,894
4	90,001	95,000	371,309
53	95,001	100,000	5,286,728
11	100,001	105,000	1,130,266
13	105,001	110,000	1,410,706
3	110,001	115,000	342,000
5	115,001	120,000	596,424
2	120,001	125,000	248,498
6	125,001	130,000	774,298
4	130,001	135,000	536,680
5	135,001	140,000	694,818
4	140,001	145,000	570,104
6	145,001	150,000	893,996
5	150,001	155,000	765,622
2	155,001	160,000	319,000
2	160,001	165,000	321,876
2	165,001	170,000	340,000
3	170,001	175,000	518,669
5	175,001	180,000	889,205
3	180,001	185,000	546,875
1	185,001	190,000	190,000
16	195,001	200,000	3,191,000
3	200,001	205,000	613,182
2	210,001	215,000	425,000
1	215,001	220,000	216,033
1	220,001	225,000	225,000
2	225,001	230,000	453,347
1	235,001	240,000	240,000
4	245,001	250,000	1,000,000
1	250,001	255,000	250,699
1	265,001	270,000	269,140
1	270,001	275,000	275,000
1	295,001	300,000	300,000
1	305,001	310,000	306,500
1	310,001	315,000	315,000
3	335,001	340,000	1,017,500
3	345,001	350,000	1,047,759
1	365,001	370,000	365,250
1	370,001	375,000	375,000
2	395,001	400,000	800,000
1	400,001	405,000	403,875
1	405,001	410,000	406,000

1	415,001	420,000	417,000
1	440,001	445,000	445,000
1	455,001	460,000	460,000
1	470,001	475,000	475,000
3	495,001	500,000	1,500,000
1	580,001	585,000	582,656
1	590,001	595,000	590,747
1	595,001	600,000	600,000
1	670,001	675,000	673,500
1	695,001	700,000	700,000
1	765,001	770,000	769,000
1	860,001	865,000	864,602
1	995,001	1,000,000	1,000,000
1	1,000,001	1,005,000	1,005,000
1	1,030,001	1,035,000	1,030,277
1	1,370,001	1,375,000	1,371,850
1	1,420,001	1,425,000	1,422,397
1	1,580,001	1,585,000	1,585,000
1	1,995,001	2,000,000	2,000,000
1	131,365,001	131,370,000	131,365,894

5,460

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)	131,365,894	59.3929%
NIT and ICP	3,000	0.0014%
Banks Development Financial Institutions, Non Banking Financial Institutions.	59,600	0.0269%
Insurance Companies	0	0.0000%
Modarabas and Mutual Funds	546,647	0.2471%
Share holders holding 10%	131,365,894	59.3929%
General Public		
a. Local	79,039,787	35.7353%
b. Foreign		
Others (to be specified)		
• Joint Stock Companies	7,803,751	3.5282%
• Foreign Companies	64,300	0.0291%
• Leasing Companies	48,020	0.0217%
• Investment Companies	7,900	0.0036%
• Private & Other Companies	190,000	0.0859%

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	MR. L. TUCKER LINK	-	-
8	MR. ERIC TUCKER LINK	-	-
9	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	KNIGHTSBRIDGE CHEMICALS LIMITED	59.3929	131,365,894
NIT & ICP			
1	INVESTMENT CORP. OF PAKISTAN	0.0014	3,000
FINANCIAL INSTITUTION			
1	AL FAYSAL INVESTMENT BANK LTD.	0.0002	500
2	AL FAYSAL INVESTMENT BANK LTD.	0.0046	10,100
		<u>0.0048</u>	<u>10,600</u>
FINANCIAL INSTITUTION (CDC)			
1	HABIB BANK AG ZURICH, SWITZERLAND	0.0217	48,000
2	ESCORTS INVESTMENT BANK LIMITED	0.0005	1,000
		<u>0.0222</u>	<u>49,000</u>
MODARABAS & MUTUAL FUNDS			
1	FIRST CRESCENT MODARABA	0.0009	2,000
MODARABAS & MUTUAL FUNDS (CDC)			
1	FIRST EQUITY MODARBA	0.1130	250,000
2	FIRST IBL MODARABA	0.0113	25,000
3	FIRST UDL MODARABA	0.0922	204,022
4	PRUDENTIAL STOCK FUND LTD.	0.0071	15,625
5	FIRST ALNOOR MODARABA	0.0226	50,000
		<u>0.2462</u>	<u>544,647</u>
INVESTMENT COMPANIES			
1	CAPITAL INVESTMENT & SECURITIES	0.0036	7,900
LEASING COMPANIES (CDC)			
1	INTERASIA LEASING COMPANY LTD.	0.0217	48,020
JOINT STOCK COMPANIES			
1	GENESIS SECURITIES (PVT) LTD.	0.0005	1,000
JOINT STOCK COMPANIES (CDC)			
1	128 SECURITIES (PVT) LTD.	0.0002	500
2	A.H.K.D. SECURITIES (PVT) LTD.	0.0062	13,646
3	ACE SECURITIES (PVT.) LIMITED	0.0037	8,082
4	ALI HUSAIN RAJABALI LTD	0.0678	150,000
5	AMCAP SECURITIES (PVT) LTD	0.0000	1
6	AMER SECURITIES (PVT) LTD	0.0488	108,000

7	AWJ SECURITIES (SMC-PRIVATE) LIMITED.	0.0086	19,000
8	CAPITAL VISION SECURITIES (PVT) LIMITED	0.0645	142,604
9	CAPITAL VISION SECURITIES (PVT) LTD	0.0142	31,500
10	CAPITAL VISION SECURITIES (PVT) LTD.	0.0000	58
11	CAPITAL VISION SECURITIES PVT LIMITED	0.0002	438
12	DARSON SECURITIES (PRIVATE) LIMITED	0.0535	118,251
13	DARSON SECURITIES (PVT) LIMITED	0.3909	864,602
14	DOSSLANI'S SECURITIES (PVT) LIMITED	0.0418	92,500
15	DR. ARSLAN RAZAQUE SECURITIES (SMC-PVT) LTD.	0.0113	25,000
16	DURVESH SECURITIES (PVT) LTD	0.0000	12
17	ELITE STOCK SERVICE (PVT.) LTD	0.0113	25,000
18	EXCEL SECURITIES (PVT.) LTD.	0.0011	2,375
19	FAIR DEAL SECURITIES (PVT.) LIMITED	0.0095	20,950
20	FAIR EDGE SECURITIES (PRIVATE) LIMITED	0.0001	250
21	FAIR EDGE SECURITIES (PVT) LTD	0.0036	8,000
22	FAIRTRADE CAPITAL SECURITIES (PVT.) LIMITED	0.0009	2,000
23	FAIRWAY SECURITIES PVT (LIMITED (00585)	0.0009	2,000
24	FOUNDATION SECURITIES (PRIVATE) LIMITED	0.2261	500,000
25	G. R. SECURITIES (SMC-PVT) LIMITED.	0.1526	337,500
26	GENERAL INVEST. & SECURITIES (PVT) LTD.	0.0001	250
27	H.S.Z. SECURITIES (PRIVATE) LIMITED	0.0002	500
28	HAJI ABDUL SATTAR SECURITIES (PVT.) LIMITED	0.0007	1,500
29	HIGHLINK CAPITAL (PVT) LTD	0.0769	170,001
30	HK SECURITIES (PVT) LTD.	0.0023	5,000
31	HORIZON SECURITIES (SMC-PRIVATE) LIMITED	0.0009	2,000
32	HUM SECURITIES LIMITED	0.0121	26,668
33	INTERMARKET SECURITIES LIMITED	0.0019	4,219
34	INVEST FORUM (SMC-PVT.) LIMITED	0.0093	20,500
35	ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED	0.0011	2,500
36	JAN MOHD. A.LATIF NINI & SONS (PVT) LTD	0.0588	130,000
37	KAI SECURITIES (PVT) LIMITED	0.0025	5,500
38	KSR STOCK BROKERAGE (PVT) LTD.	0.0033	7,375
39	M.R. SECURITIES (SMC-PVT) LTD.	0.0000	1
40	M.R.A. SECURITIES (PVT) LIMITED	0.2148	475,000
41	M/S RANG COMMODITIES (PVT) LTD	0.0226	50,000
42	MAHA SECURITIES (PVT.) LIMITED	0.0113	25,000
43	MAZHAR HUSSAIN SECURITIES (PVT) LIMITED	0.0123	27,312
44	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT.) LTD.	0.0176	39,000
45	MOOSA,NOOR MOHAMMAD,SHAHZADA&CO.PVT.LTD	0.0642	142,000
46	MOOSANI SECURITIES (PVT) LTD.	0.0045	10,000
47	MSMANIAR FINANCIALS (PVT) LTD.	0.0011	2,500
48	MUHAMMAD SALIM KASMANI SECURITIES (PVT.) LTD.	0.0045	10,000
49	N. H . SECURITIES (PVT.) LTD.	0.0045	10,000
50	NH SECURITIES (PVT) LIMITED.	0.0136	30,000
51	NURICON UNION (PVT) LIMITED	0.2080	460,000
52	PACE INVESTMENT & SECURITIES (PVT) LTD.	0.0054	11,900
53	PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED	0.0049	10,854
54	PROGRESSIVE SECURITIES (PVT) LTD.	0.0044	9,822
55	PROGRESSIVE INVESTMENT MANAGEMENT (PRIVATE) LIMITED	0.0005	1,000
56	PRUDENTIAL SECURITIES LIMITED	0.0036	8,000
57	PRUDENTIAL SECURITIES LIMITED	0.0005	1,000
58	QUETTA TEXTILE MILLS LTD	0.0452	100,000
59	RAMADA SECURITIES & DERVIATIVES LTD.	0.0000	75
60	RAMADA INVESTORS SERVICESLTD.	0.0001	200
61	SAAO CAPITAL (PVT) LIMITED	0.0452	100,000

62	SAL SECURITIES (PVT) LIMITED	0.0009	2,000
63	SHAFFI SECURITIES (PVT) LIMITED	0.0001	300
64	SHERMAN SECURITIES (PRIVATE) LIMITED	0.0181	40,000
65	SITARA CHEMICAL INDUSTRIES LTD.	0.7166	1,585,000
66	SITARA INTERNATIONAL (PVT) LTD	0.4521	1,000,000
67	STOCK MASTER SECURITIES (PRIVATE) LTD.	0.0006	1,275
68	STOCK MASTER SECURITIES (PVT) LIMITED	0.0066	14,502
69	STOCK STREET (PVT) LIMITED.	0.0026	5,800
70	SURAJ COTTON MILLS LTD.	0.1130	250,000
71	TAG HOLDING (PRIVATE) LIMITED	0.0025	5,500
72	TARIQ VOHRA SECURITIES (PVT) LIMITED	0.0452	100,000
73	TAURUS SECURITIES LIMITED	0.0018	4,000
74	TIME SECURITIES (PVT.) LTD.	0.0165	36,500
75	UNITED CAPITAL SECURITIES (PVT.) LTD.	0.1133	250,699
76	VALUE STOCK SECURITIES PRIVATE LIMITED	0.0096	21,325
77	WASI SECURITIES (SMC-PVT) LTD.	0.0000	2
78	Y.S. SECURITIES & SERVICES (PVT) LTD.	0.0155	34,339
79	MYK (PRIVATE) LTD	0.0131	29,063
80	SHADMAN INTERNATIONAL (PVT) LTD.	0.0226	50,000
81	APPLICATION XS (PVT) LIMITED	0.0002	500
		<u>3.5278</u>	<u>7,802,751</u>
FOREIGN COMPANY			
1	ISLAMIC INVESTMENT COMPANY OF THE GULF (BAHRAIN) E.C.	0.0291	64,300
OTHER COMPANIES (CDC)			
1	PWR-1057 SARHAD RURAL SUPPORT PROGRAMME	0.0226	50,000
2	TRUSTEE NESTLE PAKISTAN LTD. EMPLOYEES PROVIDENT FUND	0.0633	140,000
		<u>0.0859</u>	<u>190,000</u>
SHARES HELD BY THE GENERAL PUBLIC			
		<u>35.7353</u>	<u>79,039,787</u>
	TOTAL:	<u>100.0000</u>	<u>221,181,093</u>
SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL			
S. No.	Name	% AGE	Holding
1	KNIGHTSBRIDGE CHEMICALS LIMITED	<u>59.3929</u>	<u>131,365,894</u>

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children: **NIL**

Statement of Compliance with the Code of Corporate Governance

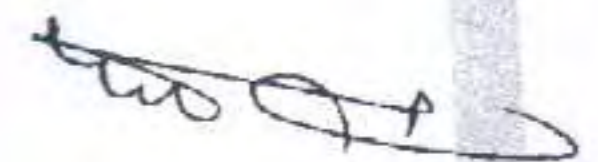
This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations No. 36 of the Karachi Stock Exchange and Chapter XIII of the Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed 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. No casual vacancies occurred during the year.
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.
11. The director's 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 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 02, 2010



Chief Executive

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

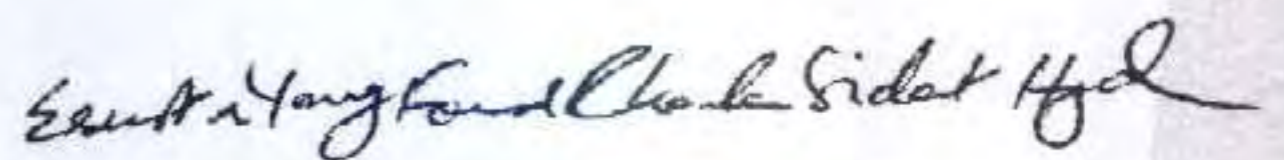
We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance applicable to the Company for the year ended 30 June 2010 prepared by the Board of Directors of Nimir Industrial Chemicals Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the 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 30 June 2010.

Lahore
September 02, 2010



Chartered Accountants
Audit Engagement Partner: Mohammed Junaid

Auditors' Report To The Members

We have audited the annexed balance sheet of Nimir Industrial Chemicals Limited (the Company) as at 30 June 2010 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 except for change as stated in note 2.3 of these financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the 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 2010 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).

Muhammad Yousaf Chaudhry

Chartered Accountants
Audit Engagement Partner: Mohammed Junaid

Lahore
September 02, 2010

Balance Sheet

	Note	2010 (Rupees)	2009 (Rupees)
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized capital:			
290,000,000 (2009:290,000,000)			
Ordinary shares of Rs. 5/- each (2009: 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 losses		(986,992,518)	(991,561,322)
		118,912,947	114,344,143
NON CURRENT LIABILITIES			
Subordinated loans - parent company-unsecured	6	1,005,084,887	983,026,334
Long term loans	7	-	71,186,834
Liabilities against assets subject to finance lease	8	29,771,719	55,806,116
Deferred liabilities-staff retirement benefits	9	24,811,080	19,703,900
		1,059,667,686	1,129,723,184
CURRENT LIABILITIES			
Trade and other payables	10	98,210,768	123,982,672
Mark up accrued	11	12,723,208	14,549,815
Unclaimed dividend		687,716	722,198
Short term borrowings-secured	12	347,219,926	240,855,755
Current maturity of long term loans	7	31,183,784	26,668,700
Current maturity of liabilities against assets subject to finance lease	8	26,034,361	23,885,087
		516,059,763	430,664,227
CONTINGENCIES AND COMMITMENTS	13	-	-
		1,694,640,396	1,674,731,554

The annexed notes from 1 to 38 form an integral part of these financial statements.


Chief Executive

As At 30 June, 2010

	<u>Note</u>	<u>2010</u> <u>(Rupees)</u>	<u>2009</u> <u>(Rupees)</u>
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	1,108,764,558	1,163,577,076
Long term deposits	15	27,212,664	18,122,664
		1,135,977,222	1,181,699,740
CURRENT ASSETS			
Stores and spares	16	30,776,735	20,155,356
Stock in trade	17	202,372,272	180,234,763
Trade debts	18	196,423,547	208,223,395
Loans and advances	19	17,442,973	13,472,500
Trade deposits and short term prepayments	20	5,393,262	3,045,868
Other receivables	21	16,802,395	13,959,202
Taxation recivables	22	85,560,157	51,218,710
Bank balances	23	3,891,833	2,722,020
		558,663,174	493,031,814
		<u>1,694,640,396</u>	<u>1,674,731,554</u>

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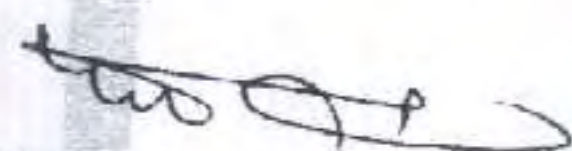
Director

Profit And Loss Account

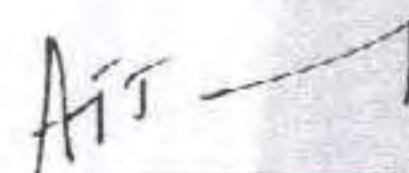
For The Year Ended 30 June, 2010

	Notes	2010 (Rupees)	2009 (Rupees)
Sales	24	1,742,804,413	1,383,578,736
Cost of sales	25	(1,562,063,478)	(1,282,680,781)
Gross profit		180,740,935	100,897,955
Distribution costs	26	(50,404,991)	(42,142,939)
Administrative expenses	27	(41,652,841)	(24,721,155)
Operating profit		88,683,103	34,033,861
Other expenses	28	(6,708,787)	(6,139,122)
Other income	29	6,911,621	5,545,983
Finance costs	30	(51,709,997)	(88,000,542)
Foreign exchange loss	31	(23,717,539)	(92,000,937)
Profit / (loss) before taxation		13,458,401	(146,560,757)
Taxation	32	(8,889,597)	(157,361)
Profit / (Loss) after taxation		4,568,804	(146,718,118)
Other comprehensive incom - net of taxation		-	-
Total comprehensive incom / (loss) for the year		4,568,804	(146,718,118)
Earnings per share - basic and diluted	33	0.02	(0.66)

The annexed notes from 1 to 38 form an integral part of these financial statements.



Chief Executive



Director

Cash Flow Statement

For The Year Ended 30 June, 2010

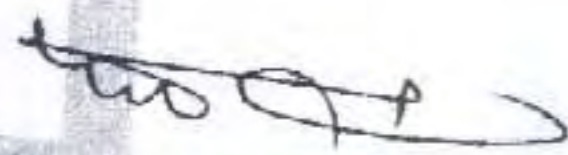
	2010 (Rupees)	2009 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (loss) before taxation	13,458,401	(146,560,757)
Adjustment for:		
Depreciation	67,711,097	66,019,237
Finance cost	51,709,997	88,000,542
Foreign exchange loss on foreign liabilities	1,658,986	45,139,300
Foreign exchange loss on parent company loan	22,058,553	46,861,637
Provision for doubtful debts	5,695,789	6,092,577
Provision for gratuity	5,805,364	5,539,633
(Gain) / loss on disposal of property, plant and equipment	(291,704)	46,545
	154,348,082	257,699,471
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	167,806,483	111,138,714
(Increase)/decrease in current assets		
Stores and spares	(10,621,379)	(7,491,394)
Stock in trade	(22,137,509)	30,442,038
Trade debts	6,104,059	(67,145,176)
Loans and advances	(3,970,473)	(4,862,900)
Trade deposits and short term prepayments	(2,347,394)	3,960,824
Other receivables	(2,843,193)	16,588,663
Taxation receivables	(2,369,016)	(2,197,297)
	(38,184,905)	(30,705,242)
(Decrease)/Increase in current liabilities		
Trade and other payables	(27,430,890)	(339,651,887)
	(65,615,795)	(370,357,129)
CASH GENERATED FROM / (USED IN) OPERATIONS	102,190,688	(259,218,415)
Gratuity paid	(698,184)	(1,689,194)
Finance cost paid	(53,536,604)	(78,079,897)
Tax paid	(40,862,028)	(20,405,886)
	(95,096,816)	(100,174,977)
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES	7,093,872	(359,393,392)


	2010 (Rupees)	2009 (Rupees)
Balance brought forward	7,093,872	(359,393,392)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,271,675)	(54,587,758)
Sale proceeds from disposal of property, plant and equipment	664,800	11,700
Long term deposits	(9,090,000)	(100,000)
NET CASH USED IN INVESTING ACTIVITIES	(21,696,875)	(54,676,058)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans received from parent company	-	143,100,000
Dividend paid	(34,482)	(35,803)
Long term loan (paid) / received - net	(66,671,750)	22,855,534
Long term deposits paid	-	(17,000,000)
Lease assets acquired	-	16,155,402
Repayment of liabilities against assets subject to finance lease	(23,885,123)	(19,788,928)
Short term finances	106,364,171	221,857,819
NET CASH GENERATED FROM FINANCING ACTIVITIES	15,772,816	367,144,024
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,169,813	(46,925,426)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,722,020	49,647,446
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3,891,833	2,722,020

A

A Cash and cash equivalents include cash and bank balances as stated in Note 23.

The annexed notes from 1 to 38 form an integral part of these financial statements.


Chief Executive

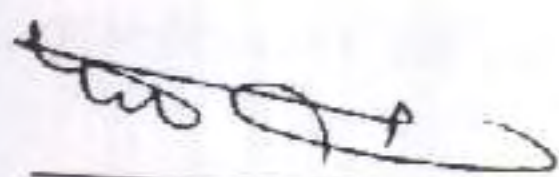

Director

Statement Of Changes In Equity

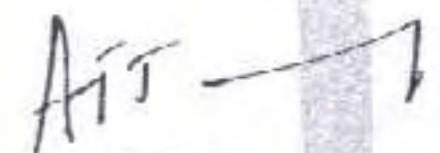
For The Year Ended 30 June, 2010

	Issued, Subscribed and Paid up Share Capital	Accumulated Profit/ (Loss)	Total
	(Rupees)	(Rupees)	(Rupees)
Balance as on 01 July 2008	1,105,905,465	(844,843,204)	261,062,261
Total comprehensive loss for the year	-	(146,718,118)	(146,718,118)
Balance as on 30 June 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	<u>1,105,905,465</u>	<u>(986,992,518)</u>	<u>118,912,947</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.



Chief Executive



Director

Notes To The Financial Statements

For The Year Ended 30 June, 2010

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).

The parent Company, Knightsbridge Chemicals Limited Bermuda, holds 131,365,894 (2009: 131,365,894) ordinary shares of Rs. 5/- each (2009: Rs.5/- each), representing 59.4% (2009: 59.4%) of the issued capital of the Company.

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 (accounting periods Beginning on or after)
IAS 32	Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01 February 2010
IAS 24	Related Party Disclosures (Revised)	01 January 2011
IFRS 2	Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	01 January 2010
IFRIC 14	IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

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

2.2. Standards, interpretations and amendments to published approved accounting standards effective in 2009-10

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

IFRS 2	Share Based Payment - Amendments regarding Vesting Conditions and Cancellations (Amendment)
IFRS 3	Business Combinations (Revised)
IFRS 7	Financial Instruments: Disclosures (Amendments)
IFRS 8	Operating Segments

IAS 1	Presentation of Financial Statements (Revised)
IAS 23	Borrowing Costs (Revised)
IAS 27	Consolidated and Separate Financial Statement - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
IAS 27	Consolidated and Separate Financial Statements (Amendment)
IAS 32	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
IAS 39	Financial Instruments: Recognition and Measurement - Eligible hedged items (Amendments)
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distributions of Non-cash Assets to owners
IFRIC 18	Transfers of Assets from Customers

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements other than as described below:

2.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

- 2.3.1** The Company has applied IAS 1 (Revised) from 01 July 2009, and has elected to present one performance statement (profit and loss account). The change in accounting policy has not affected the assets and liabilities of the Company for either the current or prior periods and hence restated balance sheet has not been presented.
- 2.3.2** The Company has applied IFRS 8, 'Operating Segments', from 01 July 2009. The application of the standard does not have any impact on the Company's financial statements as the management assesses the Company as a unit and separate operating segments could not be identified on discrete financial information basis.

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. The net liability as at 30 June 2010 is Rs. 24.8 million (2009: Rs.19.7 million). Further details are given in Note 9.

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 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.

4.7. 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:

	2010	2009
Discount rate	12 %	12%
Expected rates of salary increase in future years	11%	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 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.

4.14. 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

2010	2009		2010	2009
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 (2009: 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 The parent company Knightsbridge Chemicals Limited (Bermuda) holds 131,365,894 (2009: 131,365,894) ordinary shares of Rs. 5/- each (2009: Rs.5/-each), representing 59.4% (2009: 59.4%) of the issued capital of the company.

6. SUBORDINATED LOANS - PARENT COMPANY - Unsecured

	2010 US \$	2010 (Rupees)	2009 US \$	2009 (Rupees)
Balance as at 01 July	14,515,730	983,026,334	12,715,730	793,064,697
Additions during the year	-	-	1,800,000	143,100,000
	14,515,730	983,026,334	14,515,730	936,164,697
Exchange loss	-	22,058,553	-	46,861,637
Closing balance	<u>14,515,730</u>	<u>1,005,084,887</u>	<u>14,515,730</u>	<u>983,026,334</u>

- 6.1 Out of total subordinated loan of US \$ 14.5 million (2009: US\$ 14.5 million) Knightsbridge Chemicals Limited (KCL) has capped US \$ 9.38 million (2009: US\$ 9.38 million) at the exchange rate of Rs. 60.30/1US\$.
- 6.2 Loans amounting to US \$ 2.5 million (2009: US \$ 2.5 million) carry markup at six months LIBOR plus 1.5 percent payable quarterly. KCL has waived the interest due upto 30 June 2010.
- 6.3 The above loans were obtained for working capital, caustic soda plant, soap noodles plant and gas genset. These loans are repayable in US\$ and are partly convertible into equity, debentures and TFCs with the mutual consent of parties thereto.

	Note	2010 (Rupees)	2009 (Rupees)
7. LONG TERM LOANS			
Banks and financial institutions- Secured	7.1	31,183,784	97,855,534
Less: Current maturity shown under current liabilities		(31,183,784)	(26,668,700)
		-	71,186,834

7.1 This is a term finance facility obtained from a commercial bank. It carries mark-up at the rate of three months KIBOR plus 250 bps per annum with no floor and no cap (2009: three months KIBOR plus 250 bps per annum with no floor and no cap). The facility is secured against first charge on the present and future fixed assets of the Company.

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 3 months KIBOR plus 2.5 % to 4% and 6 months KIBOR plus 3% to 4% (2009: 3 months KIBOR plus 4% and 6 months KIBOR plus 4%) per annum. The amount of future payments and the period during which they will become due are:

		2010 (Rupees)	2009 (Rupees)
Year ending 30 June	2010	-	32,046,956
	2011	30,373,784	30,373,784
	2012	24,474,511	24,474,511
	2013	5,243,829	5,243,829
	2014	2,535,896	2,535,896
		62,628,020	94,674,976
Less: Future finance charges		6,821,940	14,983,773
		55,806,080	79,691,203
Less: Current maturity shown under current liabilities		26,034,361	23,885,087
		29,771,719	55,806,116

8.1 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.

8.2 Minimum lease payments and their present value are regrouped below :

	2010		2009	
	MLP (Rupees)	PV of MLP (Rupees)	MLP (Rupees)	PV of MLP (Rupees)
Due not later than 1 year	30,373,784	26,034,361	32,046,956	23,885,087
Due later than 1 year but not later than 5 years	32,254,236	29,771,719	62,628,020	55,806,116
	62,628,020	55,806,080	94,674,976	79,691,203

	Note	2010 (Rupees)	2009 (Rupees)
9. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS			
Staff retirement benefits - gratuity	9.1	24,811,080	19,703,900

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

Present value of defined benefits obligation	25,983,036	20,105,951
Benefits due but not paid	711,746	836,529
Unrecognized actuarial losses	(1,883,702)	(1,238,580)
	<u>24,811,080</u>	<u>19,703,900</u>

The amounts recognised in the profit and loss account against defined benefit scheme are as follows:

	2010 (Rupees)	2009 (Rupees)
Current service cost	3,392,650	3,315,129
Interest cost	2,412,714	2,151,499
Actuarial loss	-	73,005
Expense recognised in the profit & loss account	<u>5,805,364</u>	<u>5,539,633</u>

The charge for the year has been allocated as follows:

Cost of sales	3,623,424	3,474,000
Distribution cost	503,232	453,862
Administrative expenses	1,678,708	1,611,771
	<u>5,805,364</u>	<u>5,539,633</u>

Movements in the net liability recognised in the balance sheet are as follows:

Opening balance	19,703,900	15,853,461
Charge for the year	5,805,364	5,539,633
Payments during the year	(698,184)	(1,689,194)
Closing balance	<u>24,811,080</u>	<u>19,703,900</u>

Movements in the present value of defined benefit obligation:

Present value of defined benefits obligation as at 01 July	20,105,951	17,929,155
Service cost	3,392,650	3,315,129

Interest cost	2,412,714	2,151,499
Benefits due but not paid	(319,077)	(443,860)
Benefits paid	(254,324)	(1,689,194)
Actuarial loss /(Gain)	645,122	(1,156,778)
Present value of defined benefits obligation as at 30 June	<u>25,983,036</u>	<u>20,105,951</u>

9.2

	2010	2009	2008	2007	2006
Present value of defined benefit obligations at the end of the year	<u>25,983,036</u>	<u>20,105,951</u>	<u>17,929,155</u>	<u>14,051,419</u>	<u>11,102,314</u>
Experience adjustment arising on plan liabilities (gain) / losses	<u>645,122</u>	<u>(1,156,778)</u>	<u>157,297</u>	<u>266,823</u>	<u>496,744</u>

10. TRADE AND OTHER PAYABLES

	Note	2010 (Rupees)	2009 (Rupees)
Creditors		43,387,113	60,828,971
Retention money		-	3,695,293
Accrued expenses		44,611,421	37,726,677
Due to related parties	10.1	4,235,087	4,716,579
Security from distributor & transporter	10.2	1,263,250	1,263,250
Advances from customers		2,987,149	13,931,306
Workers profit participation fund	10.3	887,340	1,605,131
Workers welfare fund		289,428	-
Tax and other payables		214,115	70,238
Other liabilities		335,865	145,227
		<u>98,210,768</u>	<u>123,982,672</u>

10.1 This represents the amounts being payable to the following related parties for the services received:

	2010 (Rupees)	2009 (Rupees)
Knightsbridge Chemicals Limited	3,887,217	2,349,822
Nimir Chemicals Pakistan Limited	-	2,018,887
Nimir Speciality Chemicals Sharjah	347,870	347,870
	<u>4,235,087</u>	<u>4,716,579</u>

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

	2010	2009
	(Rupees)	(Rupees)
10.3 Balance as at the beginning of the year	1,605,131	1,465,873
Add: Interest on funds utilized in company's business	34,639	139,258
Provision for the year	723,570	-
	758,209	139,258
Less: Payment to WPPF	(1,476,000)	-
	<u>887,340</u>	<u>1,605,313</u>

11. **MARK UP ACCRUED**

Mark up accrued on leases, long and short term loans

12,723,208	14,549,815
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12. **SHORT TERM BORROWINGS - SECURED**

The aggregate facility of short term finances from commercial banks available at year end is Rs. 540 million (2009: Rs. 290 million). The rate of mark-up ranges from 3 months KIBOR + 125 bps per annum to 3 months KIBOR + 250 bps per annum with 11 % floor and no cap (2009: 3 months KIBOR + 250 bps per annum with 11 % floor and no cap) recovered quarterly for utilized facility. The facilities are secured against 1st charge on the present and future current and fixed assets of the company.

The unutilized facility for opening letters of credit and for guarantees as at 30 June 2010 amounts to Rs.446 million (2009: Rs. 264 million) and Rs. 19 million (2009: Rs. Nil), respectively.

13. **CONTINGENCIES AND COMMITMENTS**

13.1 **CONTINGENCIES**

Nil (2009: Nil)

13.2 **COMMITMENTS**

Commitments in respect of letters of credit established for the import of raw materials and spare parts amounted to Rs. 119 million (2009: 25 million).

Commitment in respect of letter of guarantee given to SNGPL amounts to Rs. 52.8 million (2009: 51 million)

14. **PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets

Capital work in progress

Note	2010	2009
	(Rupees)	(Rupees)
14.1	1,030,470,049	1,074,138,073
14.6	78,294,509	89,439,003
	<u>1,108,764,558</u>	<u>1,163,577,076</u>

14.1 Operating fixed assets

PARTICULARS	C O S T			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 (Rupees)	As At July 01, 2009	Charge for the year (Disposals) (Rupees)	Accumulated as at 30 June, 2010	
	As At 30 June, 2010			Rate %			
OWNED							
Free hold land	10,661,483	-	-	-	-	-	10,661,483
Building on free hold Land	94,014,011	2,090,270	-	5	4,433,012	30,245,506	65,858,775
Plant & machinery	1,280,254,150	17,936,851	-	4-5	49,892,495	448,640,393	849,550,608
54 Furniture & fittings	2,374,312	69,547	-	10	42,495	2,390,331	53,528
Office & factory equipment	13,821,546	3,722,328	-	10-20	1,518,519	7,210,722	10,115,809
Vehicles	6,541,952	(217,343)	-	20	(145,310)	3,127,117	3,190,927
	1,407,667,454	597,172	-		1,241,687		
		(821,080)	-		(520,017)		
	1,407,667,454	24,416,168	-		57,128,208	491,614,069	939,431,130
		(1,038,423)	-		(665,327)		
LEASED							
Plant & machinery	123,047,500	-	-	4-5	9,502,375	34,796,083	88,251,417
Vehicles	6,603,054	-	-	20	1,080,513	3,815,552	2,787,502
	129,650,554	-	-		10,582,888	38,611,635	91,038,919
2010	1,537,318,008	24,416,168	-		67,711,096	530,225,704	1,030,470,049
		(1,038,423)			(665,327)		

PARTICULARS	C O S T			D E P R E C I A T I O N			Book value As at 30 June, 2009 (Rupees)
	As At July 01, 2008	Additions (Disposals)	Transfer to owned assets (Rupees)	As At July 01, 2008	Charge for the year (Disposals) (Rupees)	Accumulated as at 30 June, 2009	
	As At 30 June, 2009			Rate %			
OWNED							
Free hold land	10,661,483	-	-	-	-	-	10,661,483
Building on free hold Land	89,840,906	4,173,105	-	5	4,274,031	25,812,494	68,201,517
Plant & machinery	1,253,267,680	23,386,470	3,600,000	4-5	49,178,422	398,747,893	881,506,252
Furniture & fittings	2,367,812	6,500	-	10	42,194	2,347,836	25,476
Office & factory equipment	13,804,811	522,940	-	10-20	1,455,922	5,837,513	7,984,033
Vehicles	4,321,996	(506,205)	-	20	(447,960)	2,405,447	4,136,505
	1,374,264,688	30,308,971	3,600,000		55,927,271	435,151,188	972,516,266
		(506,205)			(447,960)		
LEASED							
Plant & machinery	110,500,000	16,147,500	(3,600,000)	4-5	9,024,125	25,293,708	97,753,792
Vehicles	6,595,152	7,902	-	20	1,067,839	2,735,039	3,868,015
	117,095,152	16,155,402	(3,600,000)		10,091,964	28,028,747	101,621,807
	1,491,359,840	46,464,373	-		66,019,235	463,179,935	1,074,138,073
		(506,205)			(447,960)		

14.2 Disposal of operating fixed assets:

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Purchasers
Office equipment (Mobile phones)	61,800	41,615	20,185	7,800	(12,385)	Negotiation	Market & Ex-employees
Laptop	155,543	103,695	51,848	92,000	40,152	Insurance claim	
Vehicle	821,080	520,017	301,063	585,000	263,937	Negotiation	International Auto
Total	1,038,423	665,327	373,096	664,800	291,704		

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. 1.527 million (2009: Rs. 1.673 million) held by customers of the Company in normal course of the business.

14.5 Depreciation for the year has been allocated as under:

	Note	2010 (Rupees)	2009 (Rupees)
Cost of sales	25	65,902,530	64,535,733
Distribution costs	26	896,016	656,088
Administrative expenses	27	912,551	827,416
		<u>67,711,097</u>	<u>66,019,237</u>

14.6 Capital work in progress

	Civil Works (Rupees)	Plant & Machinery (Rupees)	2010 (Rupees)	2009 (Rupees)
Opening balance	-	89,439,003	89,439,003	81,315,619
Additions during the year	2,090,270	6,792,357	8,882,627	48,619,666
	<u>2,090,270</u>	<u>96,231,360</u>	<u>98,321,630</u>	<u>129,935,285</u>
Transferred to fixed assets	(2,090,270)	(17,936,851)	(20,027,121)	(40,496,282)
	<u>-</u>	<u>78,294,509</u>	<u>78,294,509</u>	<u>89,439,003</u>

15. LONG TERM DEPOSITS

	Note	2010 (Rupees)	2009 (Rupees)
Security deposits			
- Leasing companies and banks	15.1	17,695,450	17,695,450
- Others		12,667,214	427,214
		<u>30,362,664</u>	<u>18,122,664</u>
Less:			
- Current maturity	20	3,150,000	-
		<u>27,212,664</u>	<u>18,122,664</u>

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

16. STORES AND SPARES

	2010 (Rupees)	2009 (Rupees)
Stores	17,992,422	9,920,777
Spares and loose tools	12,784,313	10,234,579
	<u>30,776,735</u>	<u>20,155,356</u>

17. STOCK IN TRADE

	Note	2010 (Rupees)	2009 (Rupees)
Raw and packing material	17.1	56,104,069	35,982,239
Material in transit		101,233,765	137,164,622
		<u>157,337,834</u>	<u>173,146,861</u>
Finished goods		45,034,438	7,087,902
		<u>202,372,272</u>	<u>180,234,763</u>

- 17.1** This includes steel drums amounting to Rs. 2.34 million (2009: Rs. 2.587 million) held by customers of the Company in normal course of the business.

18. TRADE DEBTS	Note	2010 (Rupees)	2009 (Rupees)
Unsecured Considered good-			
Due from related parties	18.1		
Nimir Chemicals Pakistan Limited		-	43,586
Descon Chemicals Limited (Formerly Nimir Resins Limited)		56,007	25,392
Nimir Speciality Chemicals Sharjah		1,330,650	2,274,000
		1,386,657	2,342,978
Others		195,036,890	205,880,417
		196,423,547	208,223,395
Considered doubtful - Others		22,576,474	17,297,704
Provision for doubtful debtors		(22,576,474)	(17,297,704)
		-	-
		196,423,547	208,223,395

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

	2010 (Rupees)	2009 (Rupees)
Nimir Chemicals Pakistan Limited	109,195	73,153
Descon Chemicals Limited (Formerly Nimir Resins Limited)	60,102	3,708,316
Nimir Speciality Chemicals Sharjah	1,330,650	2,991,240

- 18.2** As at 30 June 2010, trade receivables at initial value of 22.58 million (2009: 17.3 million) were impaired and fully provided for. The movement in the amount provided for is as follows:

	Provision for doubtful debts	
	2010 (Rupees)	2009 (Rupees)
As at 1 July	17,297,704	13,575,383
Charge for the year	5,695,789	6,011,337
Utilised	(417,019)	(2,289,016)
As at 30 June	22,576,474	17,297,704

19. LOANS AND ADVANCES

Considered good - unsecured

- Suppliers
- Employees

19.1

	2010 (Rupees)	2009 (Rupees)
- Suppliers	15,540,714	11,542,592
- Employees	1,902,259	1,929,908
	17,442,973	13,472,500

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

	<u>Note</u>	<u>2010</u> <u>(Rupees)</u>	<u>2009</u> <u>(Rupees)</u>
20. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Current maturity of security deposits		3,150,000	-
Prepayments		2,243,262	3,045,868
		<u>5,393,262</u>	<u>3,045,868</u>
21. OTHER RECEIVABLES			
Due from related parties	21.1	3,104,795	3,862,934
Margin against bank guarantee		7,097,600	6,916,000
Container Security		6,600,000	3,180,268
		<u>16,802,395</u>	<u>13,959,202</u>
21.1 Due from related parties - considered good			
Descon Chemicals Limited (Formerly Nimir Resins Limited)		1,161,015	2,124,245
Nimir Chemicals Pakistan Limited		1,943,780	1,738,689
		<u>3,104,795</u>	<u>3,862,934</u>

This represents the amount receivable for the common services rendered from time to time in the normal course of business, hence, it is not a loan or an advance. The maximum amount due from related parties at the end of any month during the year ended 30 June 2010 was Rs. 5.395 million (2009: Rs. 4.453 million).

	<u>2010</u> <u>(Rupees)</u>	<u>2009</u> <u>(Rupees)</u>
22. TAXATION RECEIVABLES		
Advance income tax	58,298,558	26,326,127
Sales tax	23,513,099	21,144,083
Federal excise duty refundable	3,748,500	3,748,500
	<u>85,560,157</u>	<u>51,218,710</u>
23. BANK BALANCES		
Cash at Bank:		
Current Accounts	3,891,833	2,722,020

24. SALES

Gross Sales			
Local Sale		1,742,606,041	1,380,627,755
Export Sales		5,848,650	5,265,240
		<u>1,748,454,691</u>	<u>1,385,892,995</u>
Less: Discount		5,650,278	2,314,259
Net Sales		<u>1,742,804,413</u>	<u>1,383,578,736</u>

24.1 Sales are exclusive of sales tax amounts to Rs. 295.715 million (2009: Rs. 220.659 million).

25. COST OF SALES

	Note	2010 (Rupees)	2009 (Rupees)
Raw and packing material consumed	25.1	1,339,736,298	1,009,944,721
Salaries, wages and benefits	25.2	53,829,638	46,716,137
Depreciation	14.3	65,902,530	64,535,733
Fuel and power		96,666,899	74,504,901
Stores and spares consumed		21,467,353	14,336,494
Repairs and maintenance		6,678,687	5,211,504
Traveling, conveyance and entertainment		9,336,444	8,964,334
Communications		255,759	226,225
Insurance		2,974,013	3,217,953
Printing and stationery		304,814	252,671
Other expenses		2,857,579	2,719,646
		<u>1,600,010,014</u>	<u>1,230,630,319</u>
Add: Opening stock-finished goods		7,087,902	59,138,364
Less: Closing stock-finished goods		(45,034,438)	(7,087,902)
		<u>1,562,063,478</u>	<u>1,282,680,781</u>
25.1 Raw and packing material consumed			
Opening Balance		173,146,861	151,538,437
Purchases		1,323,927,271	1,031,553,145
		<u>1,497,074,132</u>	<u>1,183,091,582</u>
Less: Closing Balance		(157,337,834)	(173,146,861)
Raw and packing material consumed		<u>1,339,736,298</u>	<u>1,009,944,721</u>

25.2 This includes Rs.3.608 million (2009: Rs. 3,474 million) in respect of employee benefits - gratuity scheme.

26. DISTRIBUTION COSTS

	Note	2010 (Rupees)	2009 (Rupees)
Salaries, wages and benefits	26.1	6,951,845	5,972,860
Repairs and maintenance		39,970	37,770
Traveling, conveyance and entertainment		1,881,736	1,472,804
Communications		205,914	240,615
Insurance		1,127,412	894,466

Freight outward		12,881,111	8,990,996
Distribution commission and reimbursement of expenses		23,993,023	21,613,346
Packing, carriage and forwarding		1,618,529	1,624,309
Printing and stationery		68,863	50,978
Depreciation	14.3	896,016	656,088
Sales tax penalty		-	19,202
Other expenses		740,572	569,505
		<u>50,404,991</u>	<u>42,142,939</u>

26.1 This includes Rs.0.503 million (2009: Rs. Rs.0.454 million) in respect of employee benefits - gratuity scheme.

	Note	2010 (Rupees)	2009 (Rupees)
27. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefit	27.1	10,218,801	8,704,240
Fuel and power		949,983	863,902
Repairs and maintenance		790,468	179,445
Traveling, conveyance and entertainment		3,231,044	1,766,487
Communications		581,224	737,848
Insurance		147,497	127,905
Rent, rates and taxes		1,918,810	1,542,100
Printing and stationery		484,012	363,652
Advertising and sale promotion		254,870	79,560
Legal, professional and consultancy charge		2,762,285	1,107,050
Auditors' remuneration	27.2	790,000	658,880
Depreciation	14.3	912,551	827,416
Other expenses		1,898,770	2,271,646
		<u>24,940,315</u>	<u>19,230,131</u>
Add: Services from related parties	27.3	16,712,526	5,491,024
		<u>41,652,841</u>	<u>24,721,155</u>

27.1 This includes Rs. 1.678 million (2009: Rs.1.611 million) in respect of employee benefits - gratuity scheme.

	2010 (Rupees)	2009 (Rupees)
27.2 Auditors' remuneration		
Audit fee	500,000	350,000
Certifications and reviews	230,000	250,000
Out of pocket expenses	60,000	58,880
	<u>790,000</u>	<u>658,880</u>

27.3 This represents the staff costs & other services shared with related parties and the management fee of the parent company.

		2010 (Rupees)	2009 (Rupees)
28.	OTHER EXPENSES		
	Workers profit participation fund	723,570	-
	Workers welfare fund	289,428	-
	Bad debts written off	-	81,240
	Provision for doubtful debts	5,695,789	6,011,337
	Loss on disposal of property, plant and equipment	-	46,545
		<u>6,708,787</u>	<u>6,139,122</u>
29.	OTHER INCOME		
	Non Financial assets	291,704	-
	Gain on disposal of property, plant and equipment	2,076,918	819,842
	Scrap sale	2,197,998	3,783,885
	Income from related parties	2,203,093	-
	Creditors written back	141,908	942,256
	Miscellaneous	6,911,621	5,545,983
30.	FINANCE COST		
	Mark-up on		
	- Long term loans	10,274,093	20,908,983
	- Short term loans	29,621,785	48,047,546
	- Others	34,639	2,556,315
	Financial charges on lease	7,776,792	12,259,640
	Bank charges and commission	4,002,688	4,228,058
		<u>51,709,997</u>	<u>88,000,542</u>
31.	FOREIGN EXCHANGE LOSS		
	- on foreign liabilities	1,658,986	45,139,300
	- on parent company loan	22,058,553	46,861,637
		<u>23,717,539</u>	<u>92,000,937</u>
32.	TAXATION		
	Current year	8,714,021	-
	Prior year	175,576	157,361
		<u>8,889,597</u>	<u>157,361</u>

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

32.2 The Company has assessed losses amounting to Rs 1.319 billion @ 35% as at 30 June 2010 (2009: Rs.1.443 billion). However, no deferred tax asset has 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.

	Note	2010 (Rupees)	2009 (Rupees)
33. EARNINGS PER ORDINARY SHARE - BASIC AND DILUTED			
Profit / (loss) attributable to ordinary shareholders (Rupees)		4,568,804	(146,718,118)
Weighted average number of ordinary shares	33.1	221,181,093	221,181,093
Earnings per ordinary share (Rupees)		0.02	(0.66)
33.1 Weighted average No. of ordinary shares			
Number of shares outstanding at the beginning of the year		221,181,093	221,181,093
Weighted average ordinary shares issued during the year		-	-
		221,181,093	221,181,093

34. 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.

34.1 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, advances, 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	
	2010 (Rupees)	2009 (Rupees)
Long-term deposits	27,212,664	18,122,664
Trade debts - unsecured	196,423,547	208,223,395
Bank balances	3,891,833	2,722,020

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:

34.1.1 Trade Debts

	2010 (Rupees)	2009 (Rupees)
Neither past due nor impaired	196,423,547	199,021,053
Past due but not impaired		
1- 90 days	-	3,622,149
91-180 days	-	2,108,534
181 days & above	-	3,471,659
	196,423,547	208,223,395

As at 30 June 2010, trade debts of Rs. 22.58 million (2009: Rs.17.3 million) were impaired and provided for.

34.1.2 Bank

	2010 (Rupees)	2009 (Rupees)
A1+	3,839,860	2,656,276
A1	32,967	55,442
A3	19,006	10,090
P1	-	212
	3,891,833	2,722,020

34.2 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.

	Maturity Upto One Year	Maturity After One Year (Rupees)	Total
Subordinated Loan -Parent Company	-	1,005,084,887	1,005,084,887
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	1,034,856,606	1,547,715,105

34.3 Market Risk**34.3.1 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 Company's subordinated loans. 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

2010 would have affected the profit and loss account and liabilities and equity by Rs. 4.39 million (2009: Rs. 4.1 million).

34.3.2 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. 4.34 million (2009: Rs. 4.18 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.

34.4 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 5% (2009: 13%).

35. 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:

<u>Relationship</u>	<u>Nature and Description of Related Party Transaction</u>	<u>Total Value of Transaction 2010</u> Rs.	<u>Total Value of Transaction 2009</u> Rs.
Group companies	Purchase of goods	1,484,325	42,080,653
	Sale of goods	498,249	5,595,016
	Management and other Services received	11,228,262	5,491,024
	Other services rendered	6,596,065	8,998,670
	Premises rent shared	1,444,800	1,542,100
Parent company	Loans received from Knightsbridge Chemicals Limited	-	143,100,000
	Exchange loss on parent company loans	22,058,553	46,861,637
	Management fee	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.

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2010	2009	2010	2009	2010	2009
Number of persons	1	1	1	1	7	7
	R u p e e s					
Remuneration 36.1	1,707,095	1,625,803	2,038,758	1,809,294	6,595,290	5,878,206
Housing	768,193	731,614	917,442	814,188	2,967,888	2,645,196
Driver allowance	-	-	60,000	60,000	-	-
Utilities	170,712	162,583	203,880	180,918	659,532	587,826
	2,646,000	2,520,000	3,220,080	2,864,400	10,222,710	9,111,228

36.1 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.

36.2 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.

36.3 An amount of Rs 1.6 million (2009: Nil) has been paid to a Director for rendering of services.

36.4 No fee was paid to directors for attending meetings.

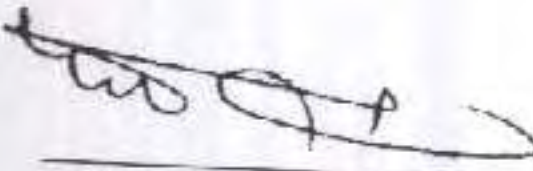
37. PRODUCTION CAPACITY IN METRIC TONS

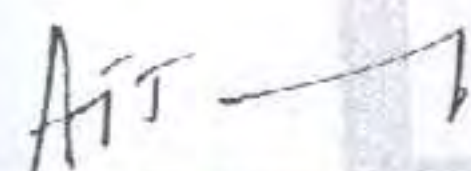
	2010 Maximum Capacity	2010 Actual Production	2009 Maximum Capacity	2009 Actual Production
Oleo Chemicals (Metric Tons)	24,000	18,022	24,000	14,013
Chlor Alkali Products (Metric Tons)	31,350	29,668	31,350	29,421

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

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 02, 2010 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 is to inform you that the Board of Directors in their meeting held on 2nd September, 2010 has re-appointed Mr. Zafar Mahmood as Chief Executive Officer of the Company. He is employed by the sister concern, Nimir Chemicals Pakistan Limited as Chief Financial Officer.

In pursuance of Section 218 of the Companies Ordinance, 1984 this is to advise 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 has decided the remuneration of CEO for which the following resolution was passed:

Resolved that "the consent be and is hereby given to share the remuneration of Chief Executive with the associated company i.e. Nimir Chemicals Pakistan Limited not exceeding Rs.4,620,000 per annum (subject to annual salary review) and for the provision of company maintained car, performance bonus and other incidentals relating to his office in accordance with the Company's policy".

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

Yours faithfully,

Shamshad A. Naushahi
Company Secretary

September 02, 2010

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 17th Annual General Meeting of the Company to be held on 21st October, 2010 and at any adjournment thereof.
Signed this day of 2010.

**Signature
on Rs.5
Revenue
Stamp**

Notes:

- I. The share transfer books of the Company shall remain closed from 14th October, 2010 to 21st October, 2010 (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.