

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

In The Name of Allah The Merciful, The Compassionate

## CONTENTS

Company Information	1
Vision Statement	2
Mission Statement	2
Notice of Annual General Meeting	3
Directors' Report	4
Key Operating & Financial Data of Last Six Years	7
Pattern of Shareholding	8
Statement of Compliance with the Code of Corporate Governance	10
Auditors' Report	13
Financial Statements	14
Balance Sheet	15
Profit & Loss Account	17
Cash Flow Statement	18
Statement of Changes in Equity	20
Notes to the Accounts	21
Form of Proxy	

# COMPANY INFORMATION

## **Board of Directors**

Mr. Louis Tucker Link  
(Chairman)  
Mr. Fareedullah Qureshi  
(Chief Executive Officer)

Sh. Amar Hameed  
Mr. George Rapport  
Mr. Saeed-uz-Zaman  
Mr. Javed S. Arif  
Mr. Zafar Mahmood

## **Audit Committee**

Sh. Amar Hameed  
(Chairman)

Mr. Louis Tucker Link  
Mr. Saeed-uz-Zaman

## **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  
United Bank Limited  
Saudi Pak Commercial Bank Limited

## **Share Registrar**

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

## **Registered/ Head Office**

51-N, Industrial Area, Gulberg-II,  
Lahore.  
Tel : +92 42 5718001 - 9  
Fax : +92 42 5718013  
E-mail : contact@nimir.com.pk

## **Factory**

14.8 km., Sheikhpura-Faisalabad  
Road, Mouza Bhikki, District  
Sheikhpura.  
Tel : +92 4931 882198 - 99  
Fax : +92 4931 882198

## **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 12<sup>th</sup> Annual General Meeting of Nimir Industrial Chemicals Limited will be held on Monday, 24<sup>th</sup> October, 2005 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 29<sup>th</sup> October, 2004.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 30<sup>th</sup> June, 2005 together with the Directors' and Auditors' reports thereon.
3. To appoint Auditors for the year ending 30<sup>th</sup> June, 2006 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 23, 2005

### Notes:

- I. The share transfer books of the Company shall remain closed from 14<sup>th</sup> October, 2005 to 24<sup>th</sup> October, 2005 (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

Your directors are pleased to submit the 12th annual report along with the financial statements of the company for the year ended June 30, 2005.

### Operating Results:

	<u>2005</u> RS '(000)	<u>2004</u> RS '(000)
Sales	566,422	398,591
Cost of sales	(565,716)	(443,585)
<b>Gross profit/ (loss)</b>	<b>706</b>	<b>(44,994)</b>
Distribution costs	(16,288)	(11,758)
Administrative expenses	(25,965)	(23,734)
Other income (expenses)	(2,029)	872
Operating loss	(43,576)	(79,614)
Finance cost	(53,196)	(60,783)
Provision for taxation	(2,842)	(2,264)
<b>Net Loss from business</b>	<b>(99,614)</b>	<b>(142,661)</b>
Amortization of deferred cost	(179,925)	(127,384)
Gain on settlement of long term loan	-	98,603
<b>Net loss for the year</b>	<b>(279,539)</b>	<b>(171,442)</b>

The improvement in the performance of the company is evident from the above results. The company started the year with a volume of over 1,100 tons per month and closed the financial year with a monthly tonnage of over 1,400 tons. Overall the company managed a growth of 42% in its sales value and earned a gross profit during the year (for the first time in the history of the company) against a gross loss of Rs.45 million in the last year.

Distribution cost increased due to increase in sales. Although administrative expenses increased by 9% but these are still much below the general rate of inflation in the country due to tight cost control measures undertaken by the management.

Although financial cost has been reduced by 12% during the year but this is still higher than the forecast due to the unexpected sharp increase in the bank interest rates. The decline in the financial cost was due to swap of the banking facilities during the year.

The company managed to reduce the net loss from business from Rs. 142 million to Rs. 99 million showing a reduction of over 30%.

In order to avoid deterioration of the P&L in future, the company decided to amortize the balance amount of the deferred cost during the current year. Although this has increased the net loss for the year but it would have positive impact on the future results.

### Future Outlook

The caustic soda plant lying redundant for the last ten years was completed, installed and commissioned by end of July 2005. We started the trial production of caustic soda products in August 2005. By the Grace of Almighty, the plant is running smoothly and would yield positive returns improving the bottom line.

Most of the loans appearing in the balance sheet (as explained in note 8 to the accounts) amounting to Rs. 415 million were collateralized against the Dollar deposits of the parent company. The parent company very kindly allowed the settlement of these loans into interest free subordinated parent company loan. The transaction took place by the end of August 2005. This would save substantial amount of financial cost in future.

Sales growth in the existing products of the fatty acids is expected to continue in coming period which will further improve the profitability of the company.

Presently we are using one turbine of power house having capacity of 4 mega watt. This turbine was under-utilized resulting in higher energy cost. To over come this problem generator set of 1 mega watt has already been imported and is under installation to cater the existing need of energy. This will also make a substantial reduction in the cost of production of the power house.

As the deferred cost has been fully amortized during the current period therefore no further deterioration of profit will take place in future.

As a result of the above mentioned measures, the company will post positive results in the coming year, Insha Allah.

### **Summary of key operating and financial data of last six years**

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

### **Dividend**

Since the company has suffered net loss during the year, therefore, no dividend is declared for the current year.

### **Outstanding statutory payments**

All outstanding payments are of normal and routine nature except for the custom duties on the plant as referred in Note 14 to the accounts under review.

### **Significant plan and decisions**

The company is expecting to complete the caustic soda plant expansion by the fourth quarter of current financial year. The company is also planning to set up the soap noodle plant during the current financial year which had been delayed due the caustic soda plant start up.

### **Gratuity Scheme**

The company operates an un-funded gratuity scheme for its employee as referred in Note 5.2 to the accounts.

### **Board of directors**

Since the last review Mr. Zafar Mahmood has been elected on the board of directors in place of resigning director Mr. Chris McNulty.

During the year six board meetings were held and attended as follows:

<b>Name of Directors</b>	<b>Meetings Attended</b>	
Mr. Louis Tucker Link	6	Represented by Mr. Kamal Nasir-ud-Din as alternate director
Mr. Fareedullah Qureshi	6	–
Mr. Sami Ba'arma	3	Resigned with effect from 04.10.2004
Mr. Amar Hameed	3	Represented by Mr. Zafar Mahmood as alternate director
Mr. George Rapport	3	Appointed as director as on 04.10.2004 in place of Mr. Sami Ba'arma
Mr. Chris McNulty	3	Appointed as director on 04.10.2004 in place of Mr. Cherif Sedky
Mr. Saeed-uz-Zaman	5	Two meetings attended personally and three represented by Mr. Umar Iqbal as alternate director
Mr. Javed S. Arif	2	Leave of absence was granted in three meetings.
Mr. Cherif Sedky	2	Resigned with effect from 04.10.2004
Mr. Zafar Mahmood	–	Appointed with effect from 16.06.2005

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

**Corporate governance**

We are pleased to inform you that the company after adopting the code of corporate governance is dully complying with the provisions of the said code applicable to the company as at June 2005.

**Statement of 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 the preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and motioned.
- There is no significant doubt upon the company's ability to continue as 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 constituted the audit committee as follows:

- |                         |                          |          |
|-------------------------|--------------------------|----------|
| ● Sh. Amar Hameed       | (Non-Executive Director) | Chairman |
| ● Mr. Louis Tucker Link | (Non-Executive Director) | Member   |
| ● Mr. Saeed-uz-Zaman    | (Non-Executive Director) | Member   |

**Auditors**

The present retiring auditors M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants being eligible have offered themselves for the reappointment and audit committee has recommended their appointment as auditors of the company for the next year.

**Pattern of shareholding**

A pattern of shareholding of the company is annexed.

**Acknowledgment**

The Board of Directors of the company highly appreciates the dedication, commitment and hard work of all its managers, officers, workers, contractors and suppliers in completing the caustic soda plant.

The Board also appreciates the cooperation extended to the company by the customers, suppliers, bankers and the employees. We are thankful to our shareholders for reposing their confidence in the management. We look forward to a turn around of the company soon, Insha Allah.

**For and on behalf of the Board**



**Lahore**  
**September 23, 2005**

## KEY OPERATING & FINANCIAL DATA OF LAST SIX YEARS

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000*</b>
	<b>Rs.'000'</b>	<b>Rs.'000'</b>	<b>Rs.'000'</b>	<b>Rs.'000'</b>	<b>Rs.'000'</b>	<b>Rs.'000'</b>
Net sales	566,422	398,591	423,078	361,652	182,264	44,652
Gross profit / (loss)	706	(44,994)	(39,173)	(32,748)	(38,373)	(28,602)
Operating profit / (loss)	(43,576)	(79,614)	(74,320)	(64,972)	(64,808)	(39,985)
Loss before amortization of deferred cost and tax	(96,772)	(140,397)	(161,451)	(162,996)	(142,562)	(81,277)
Loss before tax	(276,697)	(169,178)	(277,249)	(270,464)	(225,143)	(105,042)
Loss after tax	(279,539)	(171,442)	(279,973)	(272,272)	(226,059)	(105,266)
Paid-up capital	884,724	707,779	1,415,559	1,251,179	1,251,179	1,002,500
Net worth	257,953	360,547	531,989	654,930	927,204	904,582
Long term loans / leases **	832,278	849,904	713,406	794,319	794,338	803,316
Current assets	328,314	200,376	157,764	92,411	74,115	55,897
Current liabilities **	319,460	197,521	282,592	582,024	348,706	211,511

\* Six months commercial operations, as commercial production was started from 1st of January 2000.

\*\* Current maturities of long term loans and leases have been excluded from current liabilities and are shown under long term loans / leases.



## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2005

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
64	1	100	4996
1100	101	500	515318
410	501	1000	386091
1037	1001	5000	3220234
396	5001	10000	3271872
150	10001	15000	1957665
113	15001	20000	2083557
88	20001	25000	2117250
38	25001	30000	1070300
24	30001	35000	783416
16	35001	40000	615500
15	40001	45000	652000
27	45001	50000	1337800
12	50001	55000	630694
15	55001	60000	859750
11	60001	65000	690750
8	65001	70000	550375
6	70001	75000	447375
4	75001	80000	308200
6	80001	85000	505000
3	85001	90000	263000
1	90001	95000	94520
19	95001	100000	1884350
4	100001	105000	411350
1	105001	110000	105875
1	110001	115000	112500
1	115001	120000	119500
6	120001	125000	745375
4	125001	130000	516500
3	130001	135000	399000
3	135001	140000	411500
1	140001	145000	141000
3	145001	150000	445500
2	150001	155000	306125
1	155001	160000	158625
3	160001	165000	489500
2	170001	175000	346023
3	175001	180000	531750
2	185001	190000	374000
2	195001	200000	400000
1	200001	205000	202500
3	210001	215000	638100
2	215001	220000	435297
1	220001	225000	225000
1	240001	245000	241500
2	245001	250000	499000
1	250001	255000	252000
1	265001	270000	268075
1	295001	300000	300000
1	305001	310000	307600
1	310001	315000	313500
1	315001	320000	318500
1	320001	325000	321000
1	445001	450000	450000
1	450001	455000	453618
1	485001	490000	486125
4	495001	500000	1996707
1	580001	585000	584625
1	620001	625000	621375
1	785001	790000	787500
1	860001	865000	862801
1	865001	870000	869500
2	995001	1000000	2000000

1	1165001	1170000	1166993
1	1190001	1195000	1190675
1	1215001	1220000	1219100
1	1495001	1500000	1500000
1	1530001	1535000	1531000
1	2730001	2735000	2735000
1	3425001	3430000	3427906
1	5075001	5080000	5077259
1	5160001	5165000	5161000
1	110235001	110240000	110237482

3646

176,944,874

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive, and their spouse and minor children	489875	0.277
Parent Company (Knightsbridge Chemicals Limited)	110237482	62.300
NIT and ICP	6250	0.004
Banks, Development Financial Institutions, Non Banking Financial Institutions	7150816	4.041
Insurance Companies	125000	0.071
Modaraba and Mutual Funds	3302022	1.866
Shareholders holding 10%	110237482	62.300
General Public	42866928	24.227
<b>Others (to be specified)</b>		
a. Joint Stock Companies	9130675	5.159
b. Foreign Companies	78200	0.044
c. Leasing Companies	3522426	1.991
d. Investment Companies	35200	0.020

**Detail of Pattern of Shareholding As Per Requirements of Code of Corporate Governance**

Categories	Shares Held
<b>Parent Company</b>	
Knightsbridge Chemicals Limited (Formerly Nimir Chemicals Company Limited)	110,237,482
<b>NIT &amp; ICP</b>	
National Bank of Pakistan - Trustee wing	-
Investment Corporation of Pakistan	6,250
<b>Directors, CEO, &amp; their spouses and minor children</b>	
Mr. Fareedullah Qureshi	Chief Executive / Director 1,250
Sh. Amar Hameed	Director 486,125
Mr. Saeed-uz-Zaman	Director 1,250
Mr. Javed S. Arif	Director 1,250
<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>	23,344,339
<b>General Public</b>	42,866,928
<b>Shareholders holding 10% or more voting interest</b>	
Knightsbridge Chemicals Limited (Formerly Nimir Chemicals Company Limited)	110,237,482 62.300%

Detail of purchase / sale of shares by Directors, Company Secretary, Head of Internal Audit Department, Chief Financial Officer, and their spouses / minor children during 2004-2005.

Name	Purchased	Sold	
Mr. Fareedullah Qureshi	250	-	Right Shares
Sh. Amar Hameed	97,225	-	Right Shares
Mr. Javed S. Arif	250	-	Right Shares
Mr. Saeed-uz-Zaman	250	-	Right Shares

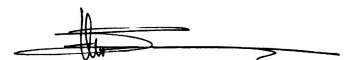
## Statement of Compliance with the Code of Corporate Governance

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. A casual vacancy occurred on 16.06.2005, which was filled up by the Board on the same day.
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 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 23, 2005**

## Review Report To The Members On Statement Of Compliance With Best Practices Of Code Of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Nimir 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 June 30, 2005.

*Fred Ch. S. Sidani*

Lahore  
September 23, 2005

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Nimir Industrial Chemicals Limited as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit. We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion -
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied except as mentioned in notes 5.3, 5.5 and 5.19 to the financial statements, to which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and 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, 2005 and of the loss, its cash flow and changes in equity for the year then ended; and  
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 to the financial statements, disclosing an accumulated loss of Rs. 626,771,317, which indicates a material uncertainty as to the company continuing as a going concern. However, the financial statements have been prepared without any adjustment, which might result from the outcome of uncertainty, detailed in the aforesaid note.

**Lahore**  
**September 23, 2005**

*Fazal Ch. & Partners*

**Chartered Accountants**

## **FINANCIAL STATEMENTS**

<b>Balance Sheet</b>	<b>15</b>
<b>Profit &amp; Loss Account</b>	<b>17</b>
<b>Cash Flow</b>	<b>18</b>
<b>Statement of Changes in Equity</b>	<b>20</b>
<b>Notes to the Accounts</b>	<b>21</b>

## BALANCE SHEET

	<u>Note</u>	<u>2005</u> (Rupees)	<u>2004</u> (Rupees)
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital And Reserves</b>			
<b>Authorized capital:</b>			
290,000,000 (2004:290,000,000)			
Ordinary shares of Rs. 5/- each (2004: Rs. 5/- each)		1,450,000,000	1,450,000,000
Issued, subscribed and paid up capital	6	884,724,370	707,779,495
Accumulated losses		(626,771,317)	(347,232,593)
		257,953,053	360,546,902
<b>NON CURRENT LIABILITIES</b>			
Subordinated loans - parent company	7	278,520,443	295,380,653
Long term loans	8	553,757,207	553,798,420
Liabilities against assets subject to finance lease	9	-	506,358
Deferred liability			
Employee benefits - gratuity scheme	10	9,576,662	8,183,866
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	237,672,566	115,216,062
Mark up accrued on secured loans	12	22,845,064	31,439,830
Short term finances	13	58,942,353	50,865,204
Current maturity of liabilities against assets subject to finance lease	9	-	218,828
		319,459,983	197,739,924
		1,419,267,348	1,416,156,123
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		

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

**Lahore**  
**September 23, 2005**

  
**Chief Executive**



**AS AT JUNE 30, 2005**

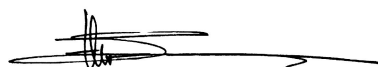
	<u>Note</u>	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
<b>TANGIBLE FIXED ASSETS</b>			
Property, plant and equipment	15	512,403,987	538,025,757
Capital work in progress	16	578,105,801	497,285,512
		1,090,509,788	1,035,311,269
Long term deposits	17	443,214	543,614
Deferred costs	18	-	179,924,961
<b>CURRENT ASSETS</b>			
Stores and spares	19	3,480,324	5,484,514
Stock in trade	20	67,378,714	49,043,968
Trade debts	21	108,752,808	68,179,015
Advances, deposits, prepayments and other receivables	22	22,422,523	29,396,810
Cash and bank balances	23	126,279,977	48,271,972
		328,314,346	200,376,279
		<u>1,419,267,348</u>	<u>1,416,156,123</u>


**Director**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Note</u>	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
Sales	24	566,421,851	398,591,381
Cost of sales	25	<u>(565,715,621)</u>	<u>(443,585,383)</u>
Gross profit / (loss)		706,230	(44,994,002)
Distribution costs	26	(16,288,345)	(11,758,151)
Administrative expenses	27	(25,964,882)	(23,734,038)
Other operating expenses	28	<u>(3,446,729)</u>	<u>(4,245,622)</u>
		(44,993,726)	(84,731,813)
Other operating income	29	<u>1,417,869</u>	<u>5,117,985</u>
Operating (loss)		(43,575,857)	(79,613,828)
Finance cost	30	<u>(53,195,970)</u>	<u>(60,783,385)</u>
		(96,771,827)	(140,397,213)
Amortization of deferred cost		(179,924,961)	(127,384,296)
Gain on settlement of long term loans	31	<u>-</u>	<u>98,603,355</u>
Loss before taxation		(276,696,788)	(169,178,154)
Taxation	32	<u>(2,841,936)</u>	<u>(2,264,254)</u>
Loss after taxation		(279,538,724)	(171,442,408)
Accumulated loss brought forward		<u>(347,232,593)</u>	<u>(883,569,680)</u>
		(626,771,317)	(1,055,012,088)
Reduction of share capital		-	707,779,495
Accumulated loss carried forward		<u>(626,771,317)</u>	<u>(347,232,593)</u>
Earnings per share - Basic	33	<u>(1.82)</u>	<u>(1.21)</u>

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



**Chief Executive**

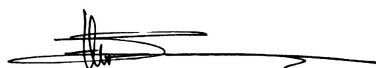


## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2005

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Loss before taxation	(276,696,788)	(169,178,154)
Adjustment for:		
(Profit) / Loss on sale of property, plant and equipment	(415,938)	178,733
Depreciation	28,322,912	48,598,952
Finance cost	49,466,644	59,497,892
Amortization of deferred cost	179,924,961	127,384,296
Foreign exchange loss	3,446,729	3,686,237
Gain on settlement of long term loans	-	(98,603,355)
Provision for doubtful debts	3,539,632	1,417,186
Provision for gratuity	2,267,315	2,245,941
	<u>266,552,255</u>	<u>144,405,882</u>
<b>OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL</b>	<b>(10,144,533)</b>	<b>(24,772,272)</b>
<b>WORKING CAPITAL CHANGES</b>		
(Increase)/decrease in current assets		
Stores and spares	2,004,190	616,208
Stock in trade	(18,334,746)	(10,081,350)
Trade debts	(44,113,425)	(12,014,998)
Advances, deposits, prepayments and other receivables	4,783,433	(11,707,595)
	<u>(55,660,548)</u>	<u>(33,187,735)</u>
Increase/(decrease) in current liabilities		
Trade and other payables	122,456,504	17,044,164
	<u>122,456,504</u>	<u>17,044,164</u>
	<u>66,795,956</u>	<u>(16,143,571)</u>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>56,651,423</b>	<b>(40,915,843)</b>
Gratuity paid	(874,519)	(1,268,734)
Financial charges paid	(58,061,410)	(50,246,967)
Tax paid	(651,082)	(220,762)
	<u>(59,587,011)</u>	<u>(51,736,463)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(2,935,588)</b>	<b>(92,652,306)</b>

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Balance brought forward	(2,935,588)	(92,652,306)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition to property, plant and equipment	(3,886,854)	(1,539,900)
Addition to capital work in progress	(80,820,289)	(13,618,674)
Sale proceeds of property, plant and equipment	1,601,650	647,700
Long term deposits	100,400	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(83,005,093)</b>	<b>(14,510,874)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issue of share capital	176,944,875	-
Loans from Parent company-net	(20,306,939)	214,853,690
Long term loans received	(41,213)	95,722,385
Long term loans repaid	-	(106,879,359)
Liabilities against assets subject to finance lease	(725,186)	(184,837)
Short term finances	8,077,149	(83,463,197)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>163,948,686</b>	<b>120,048,682</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>78,008,005</b>	<b>12,885,502</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>48,271,972</b>	<b>35,386,470</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>126,279,977</b>	<b>48,271,972</b>

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



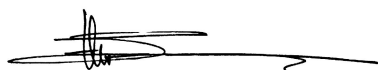
**Chief Executive**



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2005

	<u>Issued, Subscribed and Paid up Share Capital</u> (Rupees)	<u>Accumulated Loss</u> (Rupees)	<u>Total</u> (Rupees)
<b>Balance as on June 30, 2003</b>	<b>1,415,558,990</b>	<b>(883,569,680)</b>	<b>531,989,310</b>
Reduction of share capital	(707,779,495)	707,779,495	-
Loss for the year	-	(171,442,408)	(171,442,408)
<b>Balance as on June 30, 2004</b>	<b>707,779,495</b>	<b>(347,232,593)</b>	<b>360,546,902</b>
Issue of share capital	176,944,875	-	176,944,875
Loss for the year	-	(279,538,724)	(279,538,724)
<b>Balance as on June 30, 2005</b>	<b>884,724,370</b>	<b>(626,771,317)</b>	<b>257,953,053</b>

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



**Chief Executive**



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

### 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 operation 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 and manufacturing of fatty acids.

The parent company, Knightsbridge Chemicals Limited (formerly Nimir Chemicals Company Limited) Bermuda, holds 110,237,482 (2004: 85,937,833) ordinary shares of Rs. 5/- each (2004: Rs.5/- each), representing 62% (2004: 61%) of the issued capital of the company as at June 30, 2005.

### 2. GOING CONCERN ASSUMPTION

The company has incurred a loss of Rs. 279,538,724 for the year ended June 30, 2005 and has accumulated losses of Rs. 626,771,317. These financial statements have been prepared under going concern assumption due to following reasons:

- a) The profitability of the fatty acid products has improved due to substantial increase in the sales during the year. The growth in sales is expected to continue in future, which would further improve the profitability of the company.
- b) The caustic soda plant has commenced its operations in August 2005. The caustic soda plant is currently expected to generate contribution, which will substantially improve the overall profitability of the company.
- c) The management, subsequent to the year end, has repaid the loans of United bank limited, Saudi Pak commercial bank limited and Crescent commercial bank limited amounting to Rs. 415 million out of the proceeds of foreign currency deposits of parent company against which the loans were secured. This will result in a substantial reduction in finance cost. All the parent company subordinated loans are interest free.

In view of the above, the management is confident that the company would be in profits and out of liquidity crisis in the near future.

### 3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as modified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of 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 the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

### 4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention.

### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 5.1. 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 half percent of turnover under section 113 of the Income Tax Ordinance 2001, whichever is higher in accordance with the provisions of income tax law.

##### Deferred

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

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

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate 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 utilised.

**5.2. Retirement and Termination Benefits**

The company operates as unfunded gratuity scheme benefit 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.

Contributions to the fund are made based on the actuarial recommendations. The most recent actuarial valuation was carried out effective June 30, 2005 using the Projected Unit Credit method.

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 employee	11 years

**5.3. Operating fixed assets****Owned assets**

Fixed assets are stated at cost less accumulated depreciation except freehold land, which is stated at cost. Depreciation on fixed assets is provided using straight-line method at rates given in note 15 to these financial statements, which are considered appropriate to write off the cost of assets over their useful lives.

Full month's depreciation is charged on fixed assets purchased during the month whereas no depreciation is charged on assets disposed-off during the month.

The carrying values of tangible fixed assets are reviewed for impairment when event or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Gain or loss on disposal of fixed assets is included in income currently. Normal repairs and maintenance are charged to expenses as and when incurred. However, major renewals and improvements are capitalized.

**Change in accounting policy**

Exchange difference in respect of foreign currency transactions relating to fixed assets are not incorporated in the cost of the relevant assets. Hence, all the differences are charged to profit and loss account. Previously, such differences were incorporated in the cost of the relevant assets. However, this change has no effect on the financial statements.

**Change in accounting estimate**

The company has changed the rate of depreciation on plant and machinery during the year due to change in the estimate of useful lives, which has been revised to 20 year based on an independent valuer's report. Previously these assets were depreciated over the estimated useful life of 15 years. Had this change not been made, the loss during for the year would have been increased and fixed assets at the year end would have been decreased by Rs. 8,390,355.

**Leased assets**

Assets subject to finance lease are stated at the fair value of leased assets at inception of the lease or if lower at present value of minimum lease payments. Depreciation is charged at the rates and basis applicable to owned assets, as specified in note 15.

The outstanding obligation under finance lease less finance charges allocated to future periods are shown as liability. The finance charges are calculated at rates implicit in the leases.

**5.4. Capital work in progress**

Capital work in progress is stated at cost, which includes borrowing costs incurred for financing the project. All costs / expenditure relating to specific assets incurred during the project implementation period are carried under this head. These are transferred to specific assets as and when they are available for use.

**5.5. Deferred costs**

No deferred cost was recognized during the year. Previously deferred cost was recognized and being amortized over a period of five years on monthly basis from the commencement of commercial operation or from the date of incurrence, if later. Had this policy not been changed, the loss for the year would have been decreased and the deferred cost would have been increased by Rs.52,540,665.

**5.6. Stock in trade**

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

Raw and packing material	Monthly weighted average
Material in transit	Cost
Work in process	Cost
Finished goods	Monthly weighted average

Cost in relation to finished goods and work in process includes prime cost and appropriate proportion of production overheads. Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to be incurred in order to make the sale.

**5.7. 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.

**5.8. Foreign currency translation**

Assets and liabilities in foreign currencies are converted into Pak Rupees at the rates of exchange approximating to those prevalent on the balance sheet date except where forward exchange contracts have been made under the Exchange Risk Cover Scheme of the Government of Pakistan for payment of liabilities, in which case the contracted rates are applied.

All other exchange differences and exchange risk cover fee are included in the current year profit and loss. Also refer to the change in accounting policy as given in note 5.3.

**5.9. Borrowing cost**

Mark-up on liability against assets subject to finance lease and long term loans obtained from the banks and financial institutions less any income on the temporary investment of those borrowings are capitalised upto the date of commissioning of respective plant and machinery, acquired out of this proceeds. All other Mark-up/ interest and other charges are recognized on accrual basis and charged to income.

**5.10. Revenue recognition**

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

**5.11. Trade Debtors**

Trade debts originated by the company are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debt is made when collection of the full amount is no longer probable. Known bad debts are written off as incurred.

**5.12. Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprises cash in hand, cheques in hand and deposits in banks, are carried at cost.

**5.13. Provisions**

Provision is recognized when the company has an obligation (legal or constructive) as a result of a past events, 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 the obligation.

**5.14. Financial instruments**

All financial assets and financial liabilities are recognized when the company becomes a party to the contractual provision of the instruments. Financial assets are investments, long-term deposits, trade deposits, trade debts, short-term loans, advances, others receivables, trade deposits, cash and bank balances. These are stated at their nominal value as reduced by the appropriate allowances for estimated 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, obligation under lease finance, creditors, accrued and other liabilities. Mark-up bearing finances are recorded at the gross proceeds recovered. Other liabilities are stated at their nominal value. Financial charges are accounted for on an accrual basis.

The company derecognises 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 expelled.



**5.15. Offsetting of financial assets and financial liabilities**

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

**5.16. Un-allocated capital expenditure**

All cost or expenditure not directly relating to any specific asset incurred during the construction/ implementation period of the project are capitalized and apportioned to building and plant & machinery at the time of commencement of commercial operation.

**5.17. Related party transactions**

Transactions in relation to sales, purchases and technical services with related parties are made at arm's length prices determined in accordance with the Comparable Uncontrolled Price Method except for the allocation of expenses such as electricity, Gas, water, repair maintenance relating to the head office, shared with associated companies, which are allocated on actual basis.

**5.18. 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.

**5.19. Dividend**

Dividend is recognized as a liability in the period in which it is declared. Upto previous year dividends that were proposed after the balance sheet date but before the financial statements were authorized for issue, were recognized as a liability. However, this change has no effect on the financial statements.

**6. ISSUED, SUBSCRIBED, AND PAID UP CAPITAL**

<u>2005</u> NO. OF SHARES	<u>2004</u> NO. OF SHARES		<u>2005</u> (Rupees)	<u>2004</u> (Rupees)
37,750,000	37,750,000	Ordinary shares of Rs 5/- (2004: 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/- (2004 : Rs. 5/- each) each issued at a discount of Rs. 6/- paid in cash	394,689,995	394,689,995
24,867,900	24,867,900	Ordinary shares of Rs 5/- (2004 : Rs. 5/- each) each issued 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	-	25% Right issue of shares of Rs.5/- each offered at par to existing share holders.	176,944,875	-
<u>176,944,874</u>	<u>141,555,899</u>		<u>884,724,370</u>	<u>707,779,495</u>

**6.1** During the year company made a 25 % right issue of shares. Right shares of Rs. 5/- each were offered at par and were fully subscribed. The general public subscribed 11,089,326 shares out of 13,904,517 shares offered. Therefore the balance of 2,815,191 shares were subscribed by the parent company in addition to the entitlement of 21,484,458 shares.

**6.2** The entitlement of shares amounting to Rs. 107,422,290 to parent company was adjusted against the parent company loan. The unsubscribed shares taken up by the parent company amounting to Rs. 14,075,955 and the shares subscribed by the general public amounting to Rs. 55,446,630 were in cash.

**6.3** The parent company Knightsbridge Chemicals Limited (Formerly: Nimir Chemicals Company Limited). Bermuda, holds 110,237,482 (2004: 85,937,833) ordinary shares of Rs. 5/- each (2004:Rs.5/-each), representing 62% (2004: 61%) of the issued capital of the company.

**7. SUBORDINATED LOANS - PARENT COMPANY - Unsecured**

		<u>2005</u> US \$	<u>2005</u> (Rupees)	<u>2004</u> (Rupees)
Loan 1	(Note 7.1)	-	-	40,901,000
Loan 2	(Note 7.2)	374,350	22,416,078	103,907,296
Loan 3	(Note 7.3)	1,776,970	106,404,964	103,828,357
Loan 4	(Note 7.4)	800,000	47,904,000	46,744,000
Loan 5	(Note 7.5)	200,000	11,976,000	-
Loan 6	(Note 7.6)	300,000	17,963,401	-
Loan 7	(Note 7.7)	1,200,000	71,856,000	-
			<u>278,520,443</u>	<u>295,380,653</u>
	Less: Current Maturity		-	-
			<u>278,520,443</u>	<u>295,380,653</u>

**7.1** This Loan was adjusted against the issue of right shares to the parent company.

**7.2** This Loan was partly adjusted against the issue of right shares amounting to Rs.66,824,784 and a repayment amounting to Rs. 14,273,100. The balance will be repayable in five years with a grace period of one year from the date of completion of disbursement i.e. December 15, 2003. The date of repayment of first installment has been extended by parent company from June 15, 2006 to July 15, 2006. This is an interest free subordinated loan. This loan is repayable in US Dollars.

**7.3** This Loan was disbursed by the parent company for the completion of caustic soda plant. This loan will be repayable in five years with a grace period of two years from the date of completion of disbursement i.e. January 7, 2004. The first installment will be due on July 07, 2006. This is an interest free subordinated loan. This loan is repayable in US Dollars.

**7.4** This Loan was received from parent company to provide the security against the loans from financial institution. This loan is repayable as a bullet payment after five years from date of disbursement i.e. June 08, 2004. This is an interest free subordinated loan. This loan is repayable in US Dollars.

**7.5** This Loan was received during the year from 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 i.e. Jan 11, 2005. The first installment will be due on July 07, 2006. This is an interest free subordinated loan. This loan is repayable in US Dollars.

**7.6** This Loan was received during the year from parent company for the completion of caustic soda plant. This loan is repayable on July 31, 2006. This is an interest free subordinated loan. This loan is repayable in US Dollars.

**7.7** This Loan was received during the year from parent company to provide the security against the loans from financial institution. This loan is repayable on July 01, 2006. This is an interest free subordinated loan. This loan is repayable in US Dollars.

**8. LONG TERM LOANS**

		<u>2005</u> (Rupees)	<u>2004</u> (Rupees)
- Banks and Financial Institutions	(Note: 8.1)	553,757,207	539,798,420
- Related party-Associated Company	(Note: 8.2)	-	14,000,000
		<u>553,757,207</u>	<u>553,798,420</u>
	Less: Current Maturity	-	-
		<u>553,757,207</u>	<u>553,798,420</u>

**8.1 BANKS AND FINANCIAL INSTITUTIONS - Secured**

		<b>2005</b>	<b>2004</b>
		<b>(Rupees)</b>	<b>(Rupees)</b>
<b>Banks</b>			
United Bank Limited -UBL	(Note 8.1.1)	112,449,562	310,000,000
United Bank Limited -UBL	(Note 8.1.2)	-	142,222,222
Saudi Pak Commercial Bank Limited-SPCBL			
Demand Finance 1	(Note 8.1.3)	80,000,000	45,722,385
Demand Finance 2	(Note 8.1.4)	40,000,000	-
Crescent Commercial Bank Limited -CCBL			
Term Finance 1	(Note 8.1.5)	220,000,000	-
Term Finance 2	(Note 8.1.6)	60,000,000	-
		<u>512,449,562</u>	<u>497,944,607</u>
<b>Financial Institutions</b>			
Crescent Standard Investment Bank Limited-CSIBL			
Term finance 3	(Note 8.1.7)	20,000,000	-
Crescent Standard Investment Bank Limited	(Note 8.1.8)	-	20,546,168
First UDL Modaraba	(Note 8.1.9)	9,310,893	9,310,893
Inter Asia Leasing	(Note 8.1.9)	11,996,752	11,996,752
		<u>41,307,645</u>	<u>41,853,813</u>
Less: Current maturity		-	-
		<u>553,757,207</u>	<u>539,798,420</u>

During the year, the Company restructured its debts and arranged a syndicated financing package from CCBL, SPCBL and CSIBL by swapping various facilities provided by UBL. The syndicated package also include fresh working capital lines. Most of the existing loans were settled and new loans were created as a result of this restructuring as explained in the following notes:

- 8.1.1** This is a five year term loan repayable as bullet payment on maturity. It carries mark-up @11.30% (2004: 6.5%) per annum payable quarterly. This facility is secured by letter of guarantee issued by UBL Bahrain against the lien over the bank deposit of parent company.
- 8.1.2** This facility was settled in full as part of the restructuring.
- 8.1.3** This is a five year term loan payable as bullet and was enhanced to Rs. 80 million as part of the swapping the loan facilities of UBL. It carries mark-up @ six months KIBOR plus 25 BPS with a floor of 3.75%. This loan is secured against lien on foreign currency deposit with the bank.
- 8.1.4** This facility was obtained to replace the facilities obtained from UBL. The facility is repayable in eight equal half yearly installments starting from July 15, 2006. It carries mark-up @ six months KIBOR plus 3% with a floor of 6.5% and ceiling of 12%. The facility is secured against 1st charge on present and future fixed and current assets of the company. It is also secured against corporate guarantee of M/s Knightsbridge Chemicals Limited (Formerly Nimir Chemicals Company Limited) for Rs. 225. million. It is part of syndicated facility obtained from CCBL.
- 8.1.5** This facility was obtained to replace the facilities previously obtained from UBL. The loan is repayable upon maturity after five years as a bullet payment. It carries mark-up @ six months KIBOR plus 25 BPS (Floating) with a floor of 3.75% per annum. This loan is secured against lien over deposit amounting to US \$ 3.729 millions.
- 8.1.6** This facility was obtained to replace the UBL facilities. The loan is repayable in eight equal six monthly installments starting from July 15, 2006. It carries mark-up @ six months KIBOR ask rate plus 3% with a floor of 6.5% and ceiling of 12%, while for first six months rate will be 6.5% p.a. It is secured by 1st charge on the present and future fixed and current assets of the company. It is also secured against corporate guarantee of M/s Knightsbridge Chemicals Limited (Formerly Nimir Chemicals Company Limited) for Rs. 225 millions.
- 8.1.7** This facility was created as part of the syndicate facility. The facility is repayable in eight equal half yearly installments starting from July 15, 2006. It carries mark-up @ six months KIBOR plus 3% with a floor of 6.5% and ceiling of 12%. The facility is secured against 1st charge on present and future fixed and current assets of the company. It is also secured against corporate guarantee of M/s

Knightsbridge Chemicals Limited (Formerly Nimir Chemicals Company Limited) for Rs. 225 millions.

**8.1.8** This facility was settled in full during the year.

**8.1.9** These facilities represent the long term loans payable over the period of six years. The facilities carry markup @ 18% per annum and are secured against the second charge on fixed and current assets of the company and corporate guarantee issued by the parent company.

The parent company, Knightsbridge Chemicals Limited, provided additional interest free loans to the company on August 24 and 25, 2005 by converting its foreign currency deposits held with UBL, CCBL and SPCBL. All loans backed by this deposit amounting to Rs. 412.5million as referred in notes 8.1.1, 8.1.3 and 8.1.5, have been settled in full on the same dates.

**8.2 RELATED PARTY-ASSOCIATED COMPANY - Unsecured**

This loan was converted into short term payable to the associated company (Nimir Chemicals Pakistan Limited). Last year this was transferred into long term from short term as a result of agreement with the associated company, but this year the agreement of conversion was terminated.

**9. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

This carries markup @ Nil (2004:17%) per annum. The amount of future payments and periods during which they fall due are:

		<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Year ended June 30,	2005	-	308,511
	2006	-	308,511
	2007	-	254,656
		-	871,678
Less: Future finance charges		-	146,492
		-	725,186
Less: Current maturity		-	218,828
		-	506,358

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

	<b>2005</b>		<b>2004</b>	
	<b>MLP</b> <b>(Rupees)</b>	<b>PV of MLP</b> <b>(Rupees)</b>	<b>MLP</b> <b>(Rupees)</b>	<b>PV of MLP</b> <b>(Rupees)</b>
Due not later than 1 year	-	-	308,511	218,828
Due later than 1 year but-not later than 5 years	-	-	563,167	506,358
	-	-	871,678	725,186

**9.1** The company paid the total lease liability during the year and purchased the vehicle.

<b>10. EMPLOYEE BENEFITS</b>	<b>2005 (Rupees)</b>	<b>2004 (Rupees)</b>
Staff retirement benefits - gratuity (10.1)	9,576,662	8,183,866
<b>10.1 Gratuity scheme</b>		
Present value of defined benefits obligation	10,598,420	7,989,214
Benefits due but not paid	885,551	805,931
Unrecognized actuarial losses	(1,907,309)	(611,279)
Liability recognised in balance sheet	9,576,662	8,183,866
Liability at the beginning of the year	8,183,866	7,206,659
Current service cost	1,628,178	1,683,127
Interest cost	639,137	562,814
Past service cost	29,290	-
Benefits paid	(903,809)	(1,268,734)
Liability at end of the year	9,576,662	8,183,866
Current service cost	1,628,178	1,683,127
Interest cost	639,137	562,814
Past service cost	29,290	-
Expense recognised in the profit & loss account.	2,296,605	2,245,941
<b>11. TRADE AND OTHER PAYABLES</b>		
Creditors	189,956,078	76,115,968
Retention money	5,774,871	5,774,871
Accrued expenses	6,218,261	2,495,663
Security from distributor & transporter (Note: 11.1)	5,663,250	6,500,000
Due to associated undertaking (Note: 11.2)	12,326,686	4,330,058
Advances from customers	6,123,208	7,272,317
Custom and regulatory duty payable	11,564,300	12,564,300
Other liabilities	45,912	162,885
	237,672,566	115,216,062
<b>11.1</b>	The distributor and transporter have given the company right to utilize this deposit in normal course of business.	
<b>11.2</b>	The maximum aggregate balance due to associated undertaking at the end of any month during the year ended June 30, 2005 was Rs. 12,787,553 (2004: Rs.18,840,220)	
<b>12. MARK-UP ACCRUED ON SECURED LOANS</b>	<b>2005 (Rupees)</b>	<b>2004 (Rupees)</b>
- Mark up accrued on long term and short term loans	22,845,064	31,439,830
<b>13. SHORT TERM FINANCES - SECURED</b>		
The aggregate facility of short term finances from commercial banks is Rs. 210.5 millions (2004: Rs.123.750 millions). The rate of mark-up ranges from 6.5% to 12% (2004: 6.5% to 12%) per annum and these facilities are secured against lien on foreign currency deposit in Saudi Pak Commercial Bank Ltd, charge on present and		

future fixed and current assets of company, corporate guarantee of M/s Knightsbridge Chemicals Limited (Formerly Nimir Chemicals Company Limited) Bermuda amounting to Rs. 225 millions, pledge of imported raw material.

The unutilized facility for opening letters of credits as at June 30, 2005 amounts to Rs. 8,607,733 (2004: Rs. 81,000,000).

The parent company, M/s Knightsbridge Chemicals Limited (Formerly Nimir Chemicals Company Limited), provided additional interest free loans to the company on August 25, 2005 by converting its foreign currency deposits held with SPCBL. A loan from SPCBL amounting to Rs. 2.5 millions has been settled in full from the parent company loans.

#### **14. CONTINGENCIES AND COMMITMENTS**

##### 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 Lahore High Court on the ground of applicability of SRO 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 during the year from the previous accrual balance of Rs. 12,564,300. The management is confident that the decision will be in company's favour.

##### Commitments

NIL

**15. OPERATING FIXED ASSETS**

PARTICULARS	COST			Rate %	DEPRECIATION				W.D.V. As At, June 30, 2005 (Rupees)
	As At July 01, 2004 (Rupees)	Additions (Deletions) (Rupees)	As At June 30, 2005 (Rupees)		As At July 01, 2004 (Rupees)	For the year (Rupees)	(Deletions) (Rupees)	As At June 30, 2005 (Rupees)	
<b>OWNED</b>									
Free hold land	13,001,709	-	13,001,709	-	-	-	-	13,001,709	
Building on free hold land	40,969,536	-	40,969,536	5%	2,048,475	-	10,977,730	29,991,806	
Plant & machinery	678,533,429	1,452,506	679,985,935	5%	25,120,823	-	214,937,884	465,048,051	
Furniture & fittings	2,222,842	-	2,222,842	10%	215,120	-	2,098,440	124,402	
Office equipment	3,370,963	406,620 (90,205)	3,687,378	10-20%	389,399	(62,018)	2,197,172	1,490,206	
Vehicles	4,554,772	2,027,728 (1,362,452)	5,220,048	20%	463,250	(840,178)	2,472,238	2,747,810	
	742,653,251	3,886,854 (1,452,657)	745,087,448		28,237,067	(62,018) (840,178)	232,683,464	512,403,984	
<b>LEASED</b>									
Vehicles	2,746,093	(1,029,700)	1,716,393	20%	2,024,994	(394,449)	1,716,390	3	
	2,746,093	(1,029,700)	1,716,393		85,845	(394,449)	1,716,390	3	
2005	745,399,344	3,886,854 (2,482,357)	746,803,841		207,373,587	(1,296,645)	234,399,854	512,403,987	
2004	741,532,382	5,239,718 (1,372,756)	745,399,344		159,320,958	(546,323)	207,373,587	538,025,757	

**15.1 Depreciation for the year has been allocated as under:**

Note	2005 (Rupees)	2004 (Rupees)
25	27,831,765	47,756,757
26	126,414	503,096
27	364,733	339,099
	<u>28,322,912</u>	<u>48,598,952</u>

**15.2 Disposal of operating fixed assets:**

Particulars	Cost ( R u )	Accumulated Depreciation ( R u )	Book Value ( R u )	Sale Proceeds ( R u )	Loss / (Gain) ( R u )	Mode of Disposal	Particulars of Purchasers
Mobile Sets	90,205	62,018	28,187	21,650	6,537	Negotiation	Various
Honda Civic	1,362,452	840,178	522,274	680,000	(157,726)	Negotiation	Ex- CEO (Mr. Saeed-uz-Zaman)
Toyota Crolla	1,029,700	394,449	635,251	900,000	(264,749)	Negotiation	Nimir Chemicals Pakistan Ltd.
<b>Total</b>	<b>2,482,357</b>	<b>1,296,645</b>	<b>1,185,712</b>	<b>1,601,650</b>	<b>(415,938)</b>		

**16. CAPITAL WORK IN PROGRESS**

	Civil Works		Plant & Machinery		Unallocated Expenditure		2005 (Rupees)		2004 (Rupees)	
	( R u )	( R u )	( R u )	( R u )	( R u )	( R u )	( R u )	( R u )	( R u )	( R u )
Opening balance	28,033,815	431,141,939	38,109,758	497,285,512	487,366,656					
Additions during the year	-	80,820,289	-	80,820,289	-	80,820,289	13,618,674			
Transferred to fixed assets	28,033,815	511,962,228	38,109,758	578,105,801	-	578,105,801	500,985,330			
	-	-	-	-	-	-	3,699,818			
	<b>28,033,815</b>	<b>511,962,228</b>	<b>38,109,758</b>	<b>578,105,801</b>	<b>578,105,801</b>	<b>578,105,801</b>	<b>497,285,512</b>			



**16.1 Un-allocated Capital Expenditure**

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
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
	<u>243,366,244</u>	<u>243,366,244</u>
Less:		
Profit on sale of fixed assets	412,001	412,001
Interest income on saving accounts	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
	<u>4,697,578</u>	<u>4,697,578</u>
	<u>238,668,666</u>	<u>238,668,666</u>
Less: Unallocated expenditures capitalized	<u>200,558,908</u>	<u>200,558,908</u>
	<u>38,109,758</u>	<u>38,109,758</u>

These represents pre-operating expenses relating to Caustic Soda plant and will be capitalized at the time when commercial production starts.

**17. LONG TERM DEPOSITS**

		<b>2005</b>	<b>2004</b>
		<b>(Rupees)</b>	<b>(Rupees)</b>
Security deposits	- Leasing companies	-	100,400
	- Others	443,214	443,214
		<u>443,214</u>	<u>543,614</u>

**18. DEFERRED COSTS**

	<b>Discount on</b>	<b>Expenses on</b>	<b>Preliminary</b>	<b>2005</b>
	<b>Issue of Shares</b>	<b>Issue of Shares</b>	<b>Expenses</b>	<b>(Rupees)</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>	<b>(Rupees)</b>	
Opening Balance	622,835,394	13,677,967	408,128	636,921,489
Total Cost	622,835,394	13,677,967	408,128	636,921,489
Less: Accumulated amortized	622,835,394	13,677,967	408,128	636,921,489
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2004	<u>177,892,780</u>	<u>1,991,362</u>	<u>40,819</u>	<u>179,924,961</u>

**18.1** The cost amortized during the year is Rs. 179,924,961 (2004: Rs. 127,384,296).

**19. STORES AND SPARES**

	<b>2005</b>	<b>2004</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>
Stores	1,785,498	3,830,038
Spares and loose tools	1,694,826	1,654,476
	<u>3,480,324</u>	<u>5,484,514</u>

**20. STOCK IN TRADE**

Raw and packing material	8,974,811	5,669,512
Material in transit	55,332,209	35,475,891
	64,307,020	41,145,403
Finished goods	3,071,694	7,898,565
	<u>67,378,714</u>	<u>49,043,968</u>

**21. TRADE DEBTORS**

	<b>2005</b>	<b>2004</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>Unsecured</b>		
Considered good-		
Due from related parties-associated undertakings (Note: 21.1)		
Nimir Resins Limited	1,661,462	3,199,407
Nimir Speciality Chemicals, Sharjah.	138,746	6,123
	1,800,208	3,205,530
Others	106,952,600	64,973,485
	<u>108,752,808</u>	<u>68,179,015</u>
Considered doubtful - Others	5,483,914	1,649,878
Provision for doubtful debtors	(5,483,914)	(1,649,878)
	<u>-</u>	<u>-</u>
	<u>108,752,808</u>	<u>68,179,015</u>

- 21.1** Maximum aggregate debit balance of associated companies at the end of any month during the year were as follows:

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Nimir Resins Limited	729,487	5,550,311
Nimir Chemicals Pakistan Limited	4,159,247	965,549
Nimir Speciality Chemicals, Sharjah.	2,379,693	764,600
	<u>7,268,427</u>	<u>7,280,460</u>

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

## **22. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Advance income tax	4,643,032	6,833,886
Sales tax	952,009	4,874,217
Advances to employees - considered good - unsecured	831,926	677,091
Prepayments	564,084	180,305
Other advances - unsecured (Note 22.1)	905,840	607,917
Due from associated undertaking - Nimir Resins Ltd.		
Un-secured- considered good (Note 22.2)	307,701	354,938
Margin against bank guarantee	7,775,000	9,900,000
L/C margin deposit	5,791,931	5,968,456
Draw back duty	651,000	-
	<u>22,422,523</u>	<u>29,396,810</u>

### **22.1 Other advances**

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Considered good	905,840	607,917
Considered doubtful	178,124	178,124
	<u>1,083,964</u>	<u>786,041</u>
Provision for doubtful debtors	(178,124)	(178,124)
	<u>905,840</u>	<u>607,917</u>

- 22.2** 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, 2005 was Rs. 492,840 (2004: Rs. 354,938).

## **23. CASH AND BANK BALANCES**

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Cash at Bank:		
Current Accounts	6,519,977	1,527,972
Foreign Currency Accounts (note: 23.1)	119,760,000	46,744,000
	<u>126,279,977</u>	<u>48,271,972</u>

- 23.1** These accounts are under lien against long term and short term loans as stated in note 8 and note 13 to the financial statements.

**24. SALES**

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Gross Sales	573,646,214	406,896,745
Less: Discount	7,224,363	8,305,364
Net Sales	<u>566,421,851</u>	<u>398,591,381</u>

**24.1** Sales are exclusive of sales tax of Rs. 84.36 Million (2004: Rs. 89.23 Million)

**25 COST OF SALES**

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Raw and packing material consumed (Note:25.1)	465,792,195	340,206,330
Salaries, wages and benefits (Note:25.2)	20,712,732	21,116,872
Depreciation (Note: 15)	27,831,765	47,756,757
Fuel and power	33,558,283	25,085,654
Stores and spares consumed	1,613,205	4,052,090
Repairs and maintenance	443,879	984,312
Traveling, conveyance and entertainment	5,837,839	5,706,971
Communications	406,475	303,940
Insurance	2,263,359	2,587,124
Printing and stationery	155,213	178,179
Other expenses	1,238,360	798,609
	<u>559,853,305</u>	<u>448,776,838</u>
Services provided by associated undertakings	1,035,445	1,058,561
	<u>560,888,750</u>	<u>449,835,399</u>
Add: Opening stocks-Finished Goods	7,898,565	1,648,549
Less: Closing stocks-Finished Goods	(3,071,694)	(7,898,565)
	<u>565,715,621</u>	<u>443,585,383</u>

**25.1 Raw and packing material consumed**

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Opening balance	41,145,403	37,314,069
Purchases	488,953,812	344,037,664
	<u>530,099,215</u>	<u>381,351,733</u>
Less: Closing balance	64,307,020	41,145,403
Raw & packing material consumed	<u>465,792,195</u>	<u>340,206,330</u>

**25.2** This includes Rs. 1,401,285 (2004: Rs. 1,349,375) in respect of employee benefits - gratuity scheme.

**26 DISTRIBUTION COSTS**

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Salaries, wages and benefits (Note: 26.1)	1,770,057	2,395,949
Repairs and maintenance	19,345	2,045
Traveling, conveyance and entertainment	1,123,671	853,236
Communications	196,977	207,280
Insurance	473,527	438,830
Packing, carriage and forwarding	8,426,146	5,775,405
Printing and stationery	38,480	17,173
Advertising and sale promotion	79,673	12,813
Depreciation (Note: 15)	126,414	503,096
Sales tax penalty	348,534	20,495
Provision for doubtful debts	3,539,632	1,417,186
Other expenses	145,889	114,643
	<u>16,288,345</u>	<u>11,758,151</u>

**26.1** This includes Rs. 190,544 (2004: Rs. 198,513) in respect of employee benefits - gratuity scheme.

**27 ADMINISTRATIVE EXPENSES**

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Salaries, wages and benefits (Note: 27.1)	10,537,749	9,228,585
Fuel and power	525,824	577,467
Repairs and maintenance	130,003	90,601
Traveling, conveyance and entertainment	2,873,717	1,662,060
Communications	955,737	724,627
Insurance	313,688	252,140
Rent, rates and taxes	885,834	795,000
Printing and stationery	319,892	254,530
Advertising and sale promotion	222,210	141,985
Legal, professional and consultancy expense	1,276,000	2,401,029
Auditors remuneration (Note: 27.2)	307,685	303,275
Depreciation (Note: 15)	364,733	339,099
Other expenses	2,388,657	1,095,640
	<u>21,101,729</u>	<u>17,866,038</u>
Add: Services from associated undertakings	4,863,153	5,868,000
	<u>25,964,882</u>	<u>23,734,038</u>

**27.1** This includes Rs. 704,776 (2004: Rs. 734,249) in respect of employee benefits - gratuity scheme.

**27.2 AUDITOR'S REMUNERATION**

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Audit fee	150,000	150,000
Certification and review	135,000	125,000
Out of pocket expenses	22,685	28,275
	<u>307,685</u>	<u>303,275</u>

**28. OTHER OPERATING EXPENSES**

Loss on sale of property, plant and equipment	-	178,733
Exchange loss	3,446,729	4,066,889
	<u>3,446,729</u>	<u>4,245,622</u>

**29. OTHER OPERATING INCOME**

Profit on sale of property, plant and equipment	415,938	-
Scrap sale	780,362	305,750
Miscellaneous (note:29.1)	221,569	4,812,235
	<u>1,417,869</u>	<u>5,117,985</u>

**29.1** This includes Rs.Nil (2004: Rs. 3,163,746) in respect of accrued expenses written off.

**30. FINANCE COST**

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Mark-up on		
- Long term loans	28,320,340	42,837,066
- Short term loans	20,777,726	16,537,154
- Others	617,391	-
Financial charges on lease (Note: 30.1)	65,468	123,672
Bank charges & commission	3,415,045	1,285,493
	<u>53,195,970</u>	<u>60,783,385</u>

**30.1** This excludes financial charges of Rs. Nil (2004: Rs. 13,903,255) charged during the year but have been reversed due to the settlement with the financial institutions as stated in note 8 to the financial statements.

**31. GAIN ON SETTLEMENT OF LONG TERM LOANS**

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Principal	-	84,700,100
Mark-up	-	13,903,255
	<u>-</u>	<u>98,603,355</u>

**31.1** This represents principal and mark up waived by leasing companies and a bank as a result of final settlement in 2004 as stated in note 8 to the financial statements.

**32. TAXATION - CURRENT**

	<u>2005</u> <b>(Rupees)</b>	<u>2004</u> <b>(Rupees)</b>
Current year	2,851,535	2,002,556
Prior year	(9,599)	261,698
	<u>2,841,936</u>	<u>2,264,254</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. 872,051,434 as at June 30, 2005. 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.

**33. EARNINGS PER ORDINARY SHARE - BASIC**

	<u>2005</u> <b>(Rupees)</b>	<u>2004</u> <b>(Rupees)</b>
Loss attributable to ordinary shareholders (Rupees)	(279,538,724)	(171,442,408)
Weighted average number of ordinary shares (Note 33.1)	<u>153,352,224</u>	<u>141,555,899</u>
Earnings per ordinary share (Rupees)	<u>(1.82)</u>	<u>(1.21)</u>

**33.1 Weighted average no. of ordinary shares**

Number of shares outstanding at the beginning of the year	141,555,899	141,555,899
Weighted average ordinary shares issued during the year	11,796,325	-
	<u>153,352,224</u>	<u>141,555,899</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.

### 34. SEGMENT REPORTING

	Fatty Acid		Power House		Total	
	2005	2004	2005	2004	2005	2004
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
<b>Revenue</b>						
External sales	523,717,574	343,856,440	42,704,277	54,734,941	566,421,851	398,591,381
Internal sales 34.1	-	-	29,275,506	22,624,101	29,275,506	22,624,101
Total Revenue	523,717,574	343,856,440	71,979,783	77,359,042	595,697,357	421,215,482
Cost of sales	488,827,583	351,847,105	106,163,544	114,362,379	594,991,127	466,209,484
Gross (loss)/ profit	34,889,991	(7,990,665)	(34,183,761)	(37,003,337)	706,230	(44,994,002)
Distribution costs	15,060,317	10,143,511	1,228,028	1,614,640	16,288,345	11,758,151
Administrative expenses	24,008,064	22,470,733	1,956,818	1,263,305	25,964,882	23,734,038
Other operating expenses	3,170,991	4,033,341	275,738	212,281	3,446,729	4,245,622
Other operating income	(1,304,439)	(4,862,086)	(113,430)	(255,899)	(1,417,869)	(5,117,985)
Operating loss	(6,044,942)	(39,776,164)	(37,530,915)	(39,837,664)	(43,575,857)	(79,613,828)
Finance cost	30,264,551	34,532,741	22,931,419	26,250,644	53,195,970	60,783,385
<b>Segment results</b>	<b>(36,309,493)</b>	<b>(74,308,905)</b>	<b>(60,462,334)</b>	<b>(66,088,308)</b>	<b>(96,771,827)</b>	<b>(140,397,213)</b>

#### Other information

	Fatty Acid		Power House		Total	
	2005	2004	2005	2004	2005	2004
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Segment assets (Fixed assets)	291,519,763	305,667,481	220,884,224	232,358,276	512,403,987	538,025,757
Capital expenditure	2,862,715	5,169,020	1,024,139	70,698	3,886,854	5,239,718
Depreciation	16,529,858	27,197,669	11,793,054	21,401,283	28,322,912	48,598,952
Non-cash expenses other than depreciation						
Provision for doubtful debts	2,013,787	805,143	1,525,845	612,043	3,539,632	1,417,186
Gain/ (Loss) on sale of fixed assets	236,638	(101,543)	179,300	(77,190)	415,938	(178,733)
Amortization of deferred cost	102,363,923	72,370,582	77,561,038	55,013,714	179,924,961	127,384,296

34.1 Sales between business segments are recorded at cost.

34.2 The amount of other assets and liabilities can not be segregated into segments due to their nature.



**35. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE**

	Interest/Mark-up bearing				Non interest bearing				Total (Rupees in Thousands)	
	Maturity up to one year		Maturity after one year upto five years		Maturity up to one year		Maturity after one year upto five years			
	2005	2004	2005	2004	2005	2004	2005	2004		
	(R u p e e s i n T h o u s a n d s)	(R u p e e s i n T h o u s a n d s)	(R u p e e s i n T h o u s a n d s)	(R u p e e s i n T h o u s a n d s)	(R u p e e s i n T h o u s a n d s)	(R u p e e s i n T h o u s a n d s)	(R u p e e s i n T h o u s a n d s)	(R u p e e s i n T h o u s a n d s)	(R u p e e s i n T h o u s a n d s)	
<b>Financial assets</b>										
Long term deposits	-	-	-	-	-	-	443	544	443	544
Trade debts	-	-	-	-	114,237	69,829	-	-	114,237	69,829
Advances, deposits and other receivables	-	-	-	-	16,827	17,689	-	-	16,827	17,689
Cash and bank balances	-	-	-	-	126,280	48,272	-	-	126,280	48,272
	-	-	-	-	257,344	135,790	443	544	257,787	136,333

**Financial liabilities**

Loans from parent company	-	-	-	-	-	-	278,520	295,381	278,520	295,381
Long term loans	-	-	553,757	553,798	-	-	-	-	553,757	553,798
Liabilities against assets subject to finance lease	-	219	-	506	-	-	-	-	-	725
Short term finances	58,942	50,865	-	-	58,942	50,865	-	-	58,942	50,865
Trade and other payables	-	-	-	-	248,953	134,092	-	-	248,953	134,092
	58,942	51,084	553,757	554,305	612,700	605,389	248,953	278,520	527,474	429,472
On balance sheet gap	(58,942)	(51,084)	(553,757)	(554,305)	(612,700)	(605,389)	8,391	1,698	(269,686)	(293,139)
									(882,386)	(898,528)

**Off balance sheet items  
Financial commitments**

Contingencies	-	-	-	-	38,693	37,693	-	-	38,693	37,693
Capital commitments	-	-	-	-	-	-	-	-	-	-
Guarantees	-	-	-	-	-	-	-	-	-	-
Letter of credit	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	38,693	37,693	-	-	38,693	37,693

**35.1 Interest rate risk exposure**

The company is exposed to interest/ mark-up rate risk on some of the financial assets and obligations. The rates of interest/ mark-up and their maturities are given in the respective notes.

### 35.2 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. 257.787 Millions (2004 : Rs. 136.333 Millions), the financial assets which are subject to credit risk amounted to Rs. 131.507 Millions (2004 : Rs. 88.061 Millions). 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.

### 35.3 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.

### 35.4 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.

## 36. 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:

	<b>2005</b> <b>(Rupees)</b>	<b>2004</b> <b>(Rupees)</b>
Purchase of raw materials	-	27,446,618
Sale of power and goods	20,996,799	22,566,461
Management and other services received	8,933,126	7,666,810
Other services rendered	431,210	433,050
Premises rent shared	973,334	720,000
Utility bills charged by associated companies	519,824	573,467
<b>Parent company</b>		
Loan received from Knightsbridge Chemicals Limited (Formerly: Nimir Chemicals Company Limited).	101,795,401	218,539,927
Loan repaid to Knightsbridge Chemicals Limited (Formerly: Nimir Chemicals Company Limited).	14,273,100	-
<b>Associated company</b>		
Loan from Nimir Chemicals Pakistan Limited	-	14,000,000

Vehicles are sold to key employees and associated companies as per the company policy Transaction during the year ended June 30, 2005 is as follows:

Name of related Party	Relationship	Transaction	Market Price	Transaction Value	Price Difference
			( R u p e e s )		
Saeed-Uz- Zaman	Ex-CEO	Sale of vehicle	680,000	680,000	-
Nimir Chemicals Pakistan Ltd.	Associated company	Sale of vehicle	900,000	900,000	-

- The transactions were carried out at an arm's length basis.

- No buying or selling commission has been paid to any associated undertaking.

### 37. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
	<b>Ex-Chief Executive</b> (1/7/2004 to 11/7/2004)	<b>Chief Executive</b> (12/7/2004 onward)				
Number of persons	1	1	1	1	1	2
Remuneration	51,509	2,322,576	870,966	-	632,904	793,548
Housing	23,179	1,045,164	391,938	-	284,808	357,093
Driver allowance	2,838	66,000	48,000	-	30,000	-
Utilities	5,151	232,260	87,096	-	63,288	79,359
Leave encashment	-	123,167	-	-	-	-
Bonus	-	-	-	-	-	147,000
	82,677	3,789,167	1,398,000	-	1,011,000	1,377,000
						2,043,000

**37.1** The C.E.O. and certain executives are provided with company maintained cars and are also entitled for reimbursement of medical and entertainment expenses.

**37.2** No fees are paid to directors for attending board meetings.

### 38. PRODUCTION CAPACITY IN METRIC TONS

	2005	2005	2004	2004
	Maximum Capacity	Actual Capacity	Maximum Capacity	Actual Capacity
Fatty Acids (Metric Tons)	24,000	14,857	24,000	9,872
Power House (KWH in thousands)	34,560	15,280	34,560	18,051

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

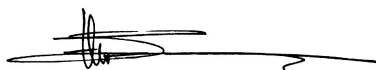
<b>39. NUMBER OF EMPLOYEES</b>	<b><u>2005</u></b>	<b><u>2004</u></b>
Number of employees as at June 30	153	144

**40. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on September 23, 2005 by the board of directors of the company.

**41. GENERAL**

- Figures have been rounded off to the nearest rupee.
- Previous years figures have been rearranged wherever considered necessary for the purpose of comparison.



**Chief Executive**



# 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 12th Annual

General Meeting of the Company to be held on Monday, 24th October, 2005 and at any adjournment thereof.

Signed this ..... day of ..... 2005.

Signature on Rs. 5 Revenue Stamp
-------------------------------------------

Notes:

1. The share transfer books of the Company shall remain closed from 14th October, 2005 to 24th October, 2005 (both days inclusive).
2. A member eligible to attend and vote at this meeting is entitled to appoint another member as his / her proxy to attend and vote instead of him / her. A proxy must be a member of the Company. Proxies in order to be effective must be received at the registered office of the company not later than forty-eight (48) hours before the meeting.
3. The corporate shareholders shall nominate someone to represent them at the annual general meeting. The nominations, in order to be effective must be received by the Company not later than forty-eight (48) hours before the time of holding the meeting.
4. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original 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.
5. Shareholders are requested to immediately notify change in address, if any, to the Company's share registrar, M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K (Commercial), Model Town, Lahore.