Contents

Company Information

Board of Directors	Mr. Louis Tucker Link (Chairman)
	Mr. Zafar Mahmood (Chief Executive)
	Sh. Amar Hameed
	Mr. George Rapport
	Mr. Abdul Jalil Jamil
	Mr. Saeed-uz-Zaman
	Mr. Umar Iqbal
Chief Financial Officer	Mr. Khalid Mumtaz Qazi
Audit Committee	Mr. Abdul Jalil Jamil (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
	Saudi Pak Commercial Bank Limited
	Trust Commercial Bank Limited
Shares' Registrar	Corplink (Pvt.) Limited Wings Arcade, 1-K (Commercial), Model Town, Lahore.
Registered / Head Office	51-N, Industrial Area, Gulberg-II, Lahore Ph : 92 42 5718001-9 Fax : 92 42 5718013 Email : contact@nimir.com.pk
Factory	14.8 km., Sheikhupura-Faisalabad Road, Mouza Bhikki, District Sheikhupura. 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 14th Annual General Meeting of Nimir Industrial Chemicals Limited will be held on Monday 29th October, 2007 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 29th December, 2006.

2. To receive, consider and adopt the audited accounts of the Company for the year ended 30th June, 2007 together with the Directors' and Auditors' reports thereon.

3. To appoint Auditors for the year ending 30th June, 2008 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
24th September, 2007

(Shamshad A. Naushahi)
Company Secretary

Notes:

I. The share transfer books of the Company shall remain closed from 20th October, 2007 to 29th October, 2007 (both days inclusive).

II. A member eligible to attend and vote at this meeting is entitled to appoint another member as his / her proxy to attend and vote instead of him / her. A proxy must be a member of the Company. Proxies in order to be effective must be received at the registered office of the company not later than forty-eight (48) hours before the meeting.

III. The corporate shareholders shall nominate someone to represent them at the annual general meeting. The nominations, in order to be effective must be received by the Company not later than forty-eight (48) hours before the time of holding the meeting.

IV. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original National Identity Card ("NIC") or passport, Account and participants' I.D. numbers to prove his / her identity, and in case of proxy must enclose an attested copy of his/her NIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.

V. Shareholders are requested to immediately notify change in address, if any, to the Company's share registrar, M/s Corplink (Pvt.) Limited, Wings Arcade, 1-K (Commercial), Model Town, Lahore.

Directors' Report to the Members

The directors of the company are pleased to present 14th Annual Report of the company for the year ended 30th June 2007.

Operating Results

There is a significant improvement in the performance of the company during the year ending June 30, 2007 against the previous year. Sales have increased by 15%. Gross loss of Rs.21 million has been converted into gross profit of Rs.18.8 million.

During the year under review, the company revamped the power plant which resulted in considerable reduction in the operating cost. The company de-bottlenecked the caustic soda and stearic acid plants and increased the capacities. These developments were made in the end of first half of the current financial year, therefore, full impact was not visible in the accounts under review.

The company managed to achieve operating profit during the second half of the current financial year against the first half loss. Gross loss of Rs.6.7 million is converted into gross profit of Rs.25.5 million and operating loss of Rs.33.4 million has been converted into operating profit of Rs.0.01 million.

Future Outlook

The company completed its soap noodles plant which started its commercial operations with effect from 1st July 2007. The soap noodle is a value added product which consumes our own fatty acids and caustic soda and used in toilet soap.

Revamping of power plant, de-bottlenecking of stearic and caustic soda plant was carried out in the later part of the first half of the current year. Therefore full financial impact of these improvements will be visible in next year.

In view of the above facts, we are therefore confident to post positive bottom line in the coming financial year, Insha Allah.

Summary of key operating and financial data of last six years

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

Dividend

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

Outstanding statutory payments

All outstanding payments are of nominal and routine nature.

Significant plan and decisions

The plans have been explained in the Future Outlook above.

Gratuity Scheme

The company operates an un-funded gratuity scheme for its employee as referred in Note 5.10 to the accounts.

Board of directors

Since last review only one change has been made in the Board of Directors of the company:

- Mr. Umar Iqbal has been elected in place of retiring director Mr. Javaid Bashir Sheikh.

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
• Abdul Jalil Jamil	4	-
• Javaid Bashir Sheikh	2	Retiring w.e.f. 30.12.2006
• Umar Iqbal	2	Appointed w.e.f 30.12.2006
• Sh. Amar Hameed	3	Represented by Mr. Muhammad Ashraf as alternate director in two meetings
• Saeed-uz-Zaman	4	Represented by Mr. Umar Iqbal and Imran Afzal as alternate directors
• George Rapport	4	Represented by Mr. Khalid Mehmood Khan as alternate director
• Zafar Mahmood	4	-

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

There have been changes in the chief executive and chief financial officer-ship of the company since the last review. Mr. Zafar Mahmood was appointed as CEO of the company on 22.08.2007 in place of resigning CEO, Sh. Amar Hameed (statement u/s 218 of the Companies Ordinance, 1984 is annexed herewith). Mr. Khalid Qazi was appointed as the CFO of the company on 22.08.2007 in place of resigning, CFO Mr. Zafar Mahmood.

Corporate Governance

We are pleased to inform you that the company after adopting the Code of Corporate Governance is duly complying with the provision of the said code applicable to the company as at June 30, 2007.

Statement on corporate and financial reporting framework

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

- There is no significant doubt upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.

Audit Committee

The board of directors reconstituted the audit committee as follows:

Mr. Abdul Jalil Jamil	(Non-Executive Director)	Chairman
Mr. Louis Tucker Link	(Non-Executive Director)	Member
Mr. Saeed uz Zaman	(Non-Executive Director)	Member

Auditors

The audit committee has recommended the re-appointment of M/s Ford Rhodes Sidat Hyder & Company, Chartered Accountant as auditors of the company for the year ending June 30, 2008.

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 the employees. We are also 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 24, 2007

Director

Key Operating & Financial Data of Last Six Years

	2007 Rs. '000'	2006 Rs. '000'	2005 Rs. '000'	2004 Rs. '000'	2003 Rs. '000'	2002 Rs. '000'
Net Sales	**705,904**	609,722	566,422	398,591	423,078	361,652
Gross Profit / (Loss)	**18,835**	(21,286)	706	(44,994)	(39,173)	(32,748)
Operating Profit / (Loss)	**(33,366)**	(71,178)	(40,129)	(79,614)	(74,320)	(64,972)
Loss before tax	**(93,943)**	(117,101)	(276,697)	(169,178)	(277,249)	(270,464)
Loss after tax	**(99,143)**	(120,095)	(279,539)	(171,442)	(279,973)	(272,272)
Paid-up Capital	**1,105,905**	1,150,905	884,724	707,779	1,415,559	1,251,179
Net Worth	**259,896**	359,039	257,953	360,547	531,989	654,930
Long Term Loans / Leases *	**909,160**	771,526	832,278	849,904	713,406	794,319
current Assets	**419,043**	310,806	328,314	200,376	157,764	92,411
current Liabilities *	**388,556**	292,461	319,460	197,521	282,592	582,024

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

Pattern of Shareholding

As At June 30, 2007

No. of Shareholders	SHAREHOLDING From	To	Total Shares Held
78	1	100	5333
1197	101	500	523132
591	501	1000	557392
1499	1001	5000	4735353
616	5001	10000	5174768
225	10001	15000	2924943
157	15001	20000	2937106
133	20001	25000	3169828
69	25001	30000	1979012
49	30001	35000	1623223
30	35001	40000	1171406
18	40001	45000	782968
54	45001	50000	2669452
16	50001	55000	866000
17	55001	60000	997437
15	60001	65000	936875
14	65001	70000	969176
7	70001	75000	513662
6	75001	80000	470000
5	80001	85000	414030
8	85001	90000	710000
5	90001	95000	468625
33	95001	100000	3290250
9	100001	105000	914125
5	105001	110000	537000
2	110001	115000	230000
2	115001	120000	233125
4	120001	125000	488812
8	125001	130000	1031125
2	130001	135000	264312
8	135001	140000	1112750
5	140001	145000	714375
5	145001	150000	748000
1	150001	155000	152000
3	155001	160000	473375
1	160001	165000	165000
1	165001	170000	167500
2	170001	175000	350000
2	175001	180000	356500
1	180001	185000	181250
1	185001	190000	189500
1	190001	195000	195000
9	195001	200000	1797500
4	200001	205000	809522
1	205001	210000	207875
1	215001	220000	217500
1	225001	230000	225500
1	230001	235000	231000
5	245001	250000	1249000
2	250001	255000	506500
1	255001	260000	260000
1	265001	270000	267562
1	270001	275000	272500
1	285001	290000	285500
1	290001	295000	294500
4	295001	300000	1200000
2	320001	325000	647656
1	340001	345000	343500
1	350001	355000	354000
2	380001	385000	763500
1	390001	395000	395000
2	395001	400000	800000

1	440001	445000	441675
1	455001	460000	460000
1	460001	465000	461500
1	490001	495000	490250
1	495001	500000	500000
1	510001	515000	515000
1	570001	575000	575000
1	580001	585000	582656
2	620001	625000	1250000
1	635001	640000	637193
1	705001	710000	710000
1	755001	760000	757750
1	865001	870000	865500
1	900001	905000	902500
1	985001	990000	985250
2	1095001	1100000	2200000
1	1125001	1130000	1127000
1	1135001	1140000	1140000
1	1145001	1150000	1150000
1	1215001	1220000	1215850
1	1995001	2000000	2000000
1	2500001	2505000	2504875
1	2750001	2755000	2751106
1	2990001	2995000	2993000
1	5075001	5080000	5077259
1	131365001	131370000	131365894
4975			221181093

Categories of shareholders	Share held	Percentage
Directors, Chief Executive Officers, and their spouse and minor childern	3,607,694	1.6311%
Parent Company (Knightsbridge Chemicals Limited)	131,365,894	59.3929%
NIT and ICP	4,000	0.0018%
Banks Development Financial Institutions, Non Banking Financial Institutions.	6,346,484	2.8694%
Insurance Companies	30,000	0.0136%
Modarabas and Mutual Funds	231,647	0.1047%
Shareholders holding 10%	131,365,894	59.3929%
General Public		
a. Local	71,370,442	32.2679%
b. Foreign		
Others (to be specified)		
a. Joint Stock Companies	5,204,606	2.3531%
b. Foreign Companies	68,800	0.0311%
c. Leasing Companies	2,799,126	1.2655%
d. Investment Companies	9,400	0.0042%
e. Private & Other Companies	143,000	0.0647%

Detail of Pattern of Shareholding

As Per Requirements of Code of Corporate Governance

Categories		Shares Held
Parent Company		
Knightsbridge Chemicals Limited (KCL)		131,365,894
NIT & ICP		
National Bank of Pakistan - Trustee wing		-
Investment Corporation of Pakistan		4,000
Directors, CEO, & their spouses and minor children		
Mr. Zafar Mahmood	Director / Chief Executive	985,250
Mr. Abdul Jalil Jamil	Director	67,376
Sh. Amar Hameed	Director	582,656
Mr. Umar Iqbal	Director	625,000
Mr. Saeed-uz-Zaman	Director	1,562
Mrs. Nusrat Jamil w/o Abdul Jalil Jamil		1,345,850
Executives		521,500
Public Sector Companies & Corporations		-
Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds		14,833,063
General Public		70,848,942

Shareholders holding 10% or more voting interest	Shares Held	Percentage
Knightsbridge Chemicals Limited	131,365,894	59.393%

Detail of purchase / sale of shares by Directors, Company Secretary, Head of Internl Audit Department, Chief Financial Officer, and their spouses / minor children during 2006-2007.

Name	GIFTED BY KCL	SOLD
Mr. Zafar Mahmood	1,100,000	116,000
Mr. Khalid Mumtaz Qazi	180,000	118,500
Mr. Umar Iqbal	700,000	75,000
Mr. Shamshad A. Naushahi (Company Secretary)	60,000	30,000
Mrs. Nusrat Jamil	-	8,900

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 NBFI or, being a member of a stock exchange, has been declared a defaulter by that stock exchange.

4. All casual vacancies were filled up by the Board within fourteen days.

5. The Company has prepared a “statement of ethics and business practices”, which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board arranged one orientation course for its directors during the year to apprise them of their duties and responsibilities. The Board members are well aware of their duties and responsibilities.

10. The Board has approved the appointment of the CFO and internal auditor including their remuneration and terms and conditions of employment.

11. The directors’ report has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by the 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 24, 2007

Zafar Mahmood
Chief Executive

Review Report

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance applicable to the Company for the year ended June 30, 2007 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, 2007.

Lahore:
September 24, 2007

Chartered Accountants

Auditors' Report To The Members

We have audited the annexed balance sheet of Nimir Industrial Chemicals Limited as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion -
 i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 ii) the expenditure incurred during the year was for the purpose of the company's business; and
 iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 and of the loss, its cash flow and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 2 in the financial statements which indicates that the company incurred a net loss of Rs. 99,142,978 during the year ended June 30, 2007 and has an accumulated loss of Rs. 846,009,491 as of that date. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

F.C.A Chaudhri Siddiqui

Lahore:
September 24, 2007

Chartered Accountants

BALANCE SHEET

	Note	2007 (Rupees)	2006 (Rupees)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital: 290,000,000 (2006: 290,000,000) Ordinary shares of Rs. 5/- each (2006: Rs. 5/- each)		**1,450,000,000**	1,450,000,000
Issued, subscribed and paid up capital	6	**1,105,905,465**	1,105,905,465
Accumulated losses		**(846,009,491)**	(746,866,513)
		259,895,974	359,038,952
NON CURRENT LIABILITIES			
Subordinated loans - parent company-unsecured	7	**844,159,500**	614,715,083
Long term loans	8	**65,000,000**	156,810,893
Liabilities against assets subject to finance lease	9	**79,195,485**	19,660,096
Deferred liabilities - staff retirement benefits	10	**11,975,597**	9,302,753
CURRENT LIABILITIES			
Trade and other payables	11	**284,564,031**	236,015,480
Mark up accrued on secured loans	12	**5,647,514**	18,913,074
Short term borrowings-Secured	13	**557,783**	-
Current maturity of long term loans	8	**79,500,000**	32,500,000
Current maturity of liabilities against assets subject to finance lease	9	**18,286,210**	5,032,479
		388,555,538	292,461,033
CONTINGENCIES AND COMMITMENTS	14	-	-
		1,648,782,094	1,451,988,810

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE

AS AT JUNE 30, 2007

	Note	2007 (Rupees)	2006 (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	15	**1,211,452,316**	1,136,022,702
Long term deposits	16	**18,287,214**	5,160,464
CURRENT ASSETS			
Stores and spares	17	**5,796,410**	4,508,427
Stock in trade	18	**123,054,920**	66,871,264
Trade debts	19	**128,771,006**	121,461,554
Advances, deposits, prepayments and other receivables	20	**26,252,333**	24,603,090
Cash and bank balances	21	**135,167,895**	93,361,309
		419,042,564	310,805,644
		1,648,782,094	1,451,988,810

DIRECTOR

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2007

	Notes	2007 (Rupees)	2006 (Rupees)
Sales	22	**705,903,618**	609,721,610
Cost of sales	23	**(687,068,148)**	(631,007,389)
Gross profit / (loss)		**18,835,470**	(21,285,779)
Distribution costs	24	**(28,377,410)**	(20,733,040)
Administrative expenses	25	**(23,824,113)**	(29,159,600)
Operating loss		**(33,366,053)**	(71,178,419)
Other expenses	26	**(7,519,433)**	(8,914,427)
Other income	27	**3,167,393**	23,971,315
Finance costs	28	**(56,224,664)**	(60,979,505)
Loss before taxation		**(93,942,757)**	(117,101,036)
Taxation	29	**(5,200,221)**	(2,994,160)
Loss after taxation		**(99,142,978)**	(120,095,196)
Loss per share - Basic	30	**(0.45)**	(0.66)

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	2007 (Rupees)	2006 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss before taxation	**(93,942,757)**	(117,101,036)
Adjustment for:		
Gain on disposal of property, plant and equipment	**(1,212,505)**	(22,065,691)
Depreciation	**57,770,576**	45,973,195
Interest/mark-up	**55,230,731**	53,246,631
Foreign exchange loss	**993,933**	7,732,874
Provision for doubtful debts	**7,519,433**	5,172,446
Provision for gratuity	**3,686,720**	3,337,915
	123,988,888	93,397,370
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	**30,046,131**	(23,703,666)
(Increase)/decrease in current assets		
Stores and spares	**(1,287,983)**	(1,028,103)
Stock in trade	**(56,183,656)**	507,450
Trade debts	**(14,828,885)**	(17,881,192)
Advances, deposits, prepayments and other receivables	**(854,571)**	(4,635,509)
	(73,155,095)	(23,037,354)
Increase/(decrease) in current liabilities		
Trade and other payables	**47,554,618**	(1,657,086)
	(25,600,477)	(24,694,440)
CASH (USED IN)/GENERATED FROM OPERATIONS	**4,445,654**	(48,398,106)
Gratuity paid	**(1,013,876)**	(3,611,824)
Interest/mark-up paid	**(68,496,291)**	(57,178,621)
Tax paid	**(5,994,893)**	(539,218)
	(75,505,060)	(61,329,663)
NET CASH USED IN OPERATING ACTIVITIES	**(71,059,406)**	(109,727,769)

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2007

	2007 (Rupees)	2006 (Rupees)
Balance brought forward	**(71,059,406)**	(109,727,769)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(133,510,239)**	(97,555,248)
Sale proceeds from disposal of property, plant and equipment	**1,522,550**	28,134,830
Long term deposits	**(13,126,750)**	(4,717,250)
NET CASH USED IN INVESTING ACTIVITIES	**(145,114,439)**	(74,137,668)
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of share capital	-	221,181,095
Loans received from parent company	**277,724,421**	328,461,766
Loans repaid to parent company	**(48,280,000)**	-
Long term loans received	-	180,000,000
Long term loans repaid	**(44,810,893)**	(544,446,314)
Liabilities against assets subject to finance lease	**72,789,120**	24,692,575
Short term finances	**557,783**	(58,942,353)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**257,980,431**	150,946,769
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**41,806,586**	(32,918,668)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**93,361,309**	126,279,977
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR A	**135,167,895**	93,361,309

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

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2007

	Issued, Subscribed and Paid up Share Capital (Rupees)	Accumulated Loss (Rupees)	Total (Rupees)
Balance as on June 30, 2005	884,724,370	(626,771,317)	257,953,053
Right shares issued in the ratio of 1 share for every 4 shares held	221,181,095	-	221,181,095
Loss for the year	-	(120,095,196)	(120,095,196)
Balance as on June 30, 2006	1,105,905,465	(746,866,513)	359,038,952
Loss for the year	-	(99,142,978)	(99,142,978)
Balance as on June 30, 2007	**1,105,905,465**	**(846,009,491)**	**259,895,974**

The annexed notes from 1 to 36 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

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 Karachi and Lahore Stock Exchanges. The company started its commercial operations on January 01, 2000. The registered office of the company is situated at 51-N, Gulberg II, Lahore, Pakistan. The company is engaged in generation of power, manufacturing of fatty acids and caustic soda.

The parent company, Knightsbridge Chemicals Limited Bermuda, holds 131,365,894 (2006: 139,265,894) ordinary shares of Rs. 5/- each (2006: Rs.5/- each), representing 59.3% (2006: 63%) of the issued capital of the company as at June 30, 2007.

2. GOING CONCERN ASSUMPTION

The company has incurred a loss of Rs. 99,142,978 for the year ended June 30, 2007 and has accumulated losses of Rs. 846,009,491. These financial statements have been prepared under going concern assumption due to the following reasons:

a. There is significant improvement in the financial results of the company in the second half of the financial year ended June 30, 2007. The company achieved gross profit of Rs. 25.5 million in the second half as against gross loss of Rs 6.6 million in the first half of the financial year. The improvement took place due to reduction in energy cost by installing new generators and de-bottlenecking of stearic plant during the year. The full impact of these improvements will be reflected from the next financial year.

b. The Soap Noodles plant has been completed and has commenced its commercial operation from July 2007. Soap Noodle is a high margin product which adds value to our existing fatty acid and caustic soda products. This will significantly improve the profitability of the company.

c. The parent company provided additional interest free subordinated loans to the company used to meet working capital requirements and repayment of expensive bank loans.

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

3. STATEMENT OF COMPLIANCE

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

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

The following new standards and amendments to existing standards have been published that are applicable in Pakistan to the financial statements covering annual periods, beginning on or after the following dates:

		Effective Date
i)	IAS – 1 Presentation of Financial Statements - amendments relating to capital disclosure	January 01, 2007
ii)	IAS – 23 (Revised) Borrowing Costs	January 01, 2009
iii)	IAS – 41 Agriculture	May 22, 2007

A new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and eight IFRSs have been issued by International Accounting Standards Board (IASB). These standards will be applicable to the financial statements covering annual periods, beginning on or after the following dates:

		Effective Date
i)	IFRS – 2 Share based Payments	December 06, 2006
ii)	IFRS – 3 Business Combination	December 06, 2006
iii)	IFRS – 5 Non-Current Assets held for Sale and Discontinued Operations	December 06, 2006
iv)	IFRS – 6 Exploration for and Evaluation of Mineral Resources).	December 06, 2006
v)	IFRS – 8 Operating Segments	January 01, 2009

In addition, interpretations in relation to certain IFRSs have been developed by International Financial Interpretations Committee (IFRIC) and are only effective from the dates mentioned below against respective interpretations:

		Effective Date
i)	IFRIC – 10 Interim Financial Reporting and Impairment	November 01, 2006
ii)	IFRIC – 11 Group and Treasury Share Transaction	March 01, 2007
iii)	IFRIC – 12 Services Concession Arrangements	January 01, 2007

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

4. 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:

4.1. Defined benefit plan

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 June 30, 2007 is Rs. 11,975,597 (2006: Rs. 9,302,753). Further details are given in Note 10.

4.2. Provision for taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

4.3. Provision for doubtful receivables

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

4.4. Useful life and residual values of property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1. 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.

5.2. Property, plant and equipment

Owned assets

Property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and impairment, if any.

Depreciation is calculated using the straight line method at rates disclosed in note 15, 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 assets

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 7. 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.

5.3. 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.

5.4. 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.

5.5. 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.

5.6. 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 expired.

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

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

5.7. 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.

5.8. Taxation

Current

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

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

5.9. 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 are recognized at the time of issuance of bill of lading.

Sale of electricity

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

5.10. Staff retirement benefits

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

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

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

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 the Company's gratuity obligations are amortized over the expected average remaining working lives of the employees.

5.11. 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.

5.12. 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.

5.13. 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.

5.14. 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.

5.15. 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.

6. ISSUED, SUBSCRIBED, AND PAID UP CAPITAL

2007	2006		2007	2006
No. of shares			(Rupees)	(Rupees)
37,750,000	37,750,000	*Ordinary shares of Rs 5/- (2006: Rs. 5/- each) each fully paid in cash	**188,750,000**	188,750,000
78,937,999	78,937,999	*Ordinary shares of Rs 5/- each issued (originally at Rs.10 at a discount of Rs.6 per share) - paid in cash	**394,689,995**	394,689,995
24,867,900	24,867,900	*Ordinary shares of Rs 5/- each (2006: Rs. 5/- each) issued (originally at Rs.10/- at a discount of Rs. 6 per share) to the leasing companies and a bank to convert part of their finances into fully paid up shares.	**124,339,500**	124,339,500
35,388,975	35,388,975	25% Right issue of 25% Right issue of shares of Rs.5/- each offered at par	**176,944,875**	176,944,875
44,236,219	44,236,219	25% Right issue of shares of Rs.5/- each offered at par	**221,181,095**	221,181,095
221,181,093	221,181,093		**1,105,905,465**	1,105,905,465

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

6.1 The parent company Knightsbridge Chemicals Limited (Bermuda) holds 131,365,894 (2006: 139,265,894) ordinary shares of Rs. 5/- each (2006:Rs.5/-each), representing 59.4% (2006: 63%) of the issued capital of the company.

7. SUBORDINATED LOANS - PARENT COMPANY - Unsecured

	Note	2007 US $	2007 (Rupees)	2006 US$	2006 (Rupees)
Loan 1	7.1	**374,350**	**22,627,721**	374,350	22,592,023
Loan 2	7.2	**76,970**	**4,652,480**	76,970	4,645,140
Loan 3		-	-	800,000	48,280,000
Loan 4	7.3	**200,000**	**12,089,072**	200,000	12,070,000
Loan 5	7.4	**299,990**	**18,133,004**	299,990	18,104,397
Loan 6	7.5	**249,995**	**15,111,038**	249,995	15,087,198
Loan 7	7.6	**3,729,975**	**225,459,690**	3,729,975	225,103,991
Loan 8	7.7	**598,586**	**36,181,748**	598,586	36,124,665
Loan 9	7.8	**1,984,000**	**119,923,599**	1,984,000	119,734,400
Loan 10	7.9	**499,968**	**30,220,747**	499,968	30,173,069
Loan 11	7.10	**1,372,000**	**82,931,037**	1,372,000	82,800,200
Loan 12	7.11	**449,965**	**27,198,297**	-	-
Loan 13	7.12	**99,967**	**6,042,542**	-	-
Loan 14	7.13	**399,965**	**24,176,029**	-	-
Loan 15	7.14	**299,965**	**18,131,495**	-	-
Loan 16	7.15	**249,966**	**15,109,285**	-	-
Loan 17	7.16	**880,000**	**53,191,919**	-	-
Loan 18	7.17	**2,200,000**	**132,979,797**	-	-
			844,159,500		614,715,083
Less: Current Maturity			-		-
			844,159,500		614,715,083

7.1 Initially this loan was repayable in two equal installments in June and December 2008. The date of repayment of the first installment has now been extended to July 11, 2008 by the parent company. This is an interest free loan repayable in US Dollars.

7.2 This loan is repayable as bullet payment in July 2008 and is an interest free subordinated loan repayable in US Dollars.

7.3 This loan was received from the parent company. This loan was repayable in five years with a grace period of two years from the date of disbursement of January 11, 2005. The first installment which was due in July 07, 2007, has now been extended by the parent company to July 07, 2008. This is an interest free subordinated loan repayable in US Dollars.

7.4 This loan was received from the parent company. The date of bullet repayment of loan has been extended by the parent company from July 31, 2007 to July 31, 2008. This is an interest free subordinated loan repayable in US Dollars.

7.5 This loan was repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement of August 05, 2005. The repayment has been rescheduled by the parent company and now the first installment becomes payable in July

2008. The loan was convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This is an interest free subordinated loan repayable in US Dollars.

7.6 This loan was repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement of August 24, 2005. The repayment has been rescheduled by the parent company and now the first installment becomes payable in July 2008. The loan was convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This is an interest free subordinated loan repayable in US Dollars.

7.7 This loan was repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement of August 25, 2005. The repayment has been rescheduled by the parent company and now the first installment becomes payable in July 2008. The loan was convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This is an interest free subordinated loan repayable in US Dollars.

7.8 This loan was repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement. The repayment has been rescheduled by the parent company and now the first installment becomes payable in July 2008. The loan was convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This is an interest free subordinated loan repayable in US Dollars.

7.9 The repayment has been rescheduled by the parent company and now the first installment becomes payable in July 2008. The loan was convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This was an interest free subordinated loan repayable in US Dollars.

7.10 This loan was repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement in June 27, 2006. The first installment will be due in December 2008. The loan is convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This is an interest free subordinated loan repayable in US Dollars.

7.11 This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement in August 23, 2006. The first installment will be due in February 2009. The loan is convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This is an interest free subordinated loan repayable in US Dollars.

7.12 This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement in September 21, 2006. The first installment will be due in in March 2009. The loan is convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This is an interest free subordinated loan repayable in US Dollars.

7.13 This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement in December 2006.The first installment will be due in June 2009. The loan is convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This is an interest free subordinated loan repayable in US Dollars.

7.14 This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement in April 2007. The first installment will be due in October 2009. The loan is convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This is an interest free subordinated loan repayable in US Dollars.

7.15 This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement in May 2007. The first installment will be due in November 2009. The loan is convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This is an interest free subordinated loan repayable in US Dollars.

7.16 This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement in June 2007. The first installment will be due in December 2009. The loan is convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This is an interest free subordinated loan repayable in US Dollars.

7.17 This loan is repayable in six equal installments over a period of five years with a grace period of two years from the date of disbursement in June 2007. The first installment will be due in December 2009. The loan is convertible into equity, debentures and TFCs with the mutual consent of the parties thereto. This is an interest free subordinated loan repayable in US Dollars.

	Note	2007 (Rupees)	2006 (Rupees)
8. LONG TERM LOANS			
Banks and financial institutions- Secured	**8.1**	**144,500,000**	189,310,893
		144,500,000	189,310,893
Less: Current maturity shown under current liabilities		**(79,500,000)**	(32,500,000)
		65,000,000	156,810,893

8.1 BANKS AND FINANCIAL INSTITUTIONS - Secured

	Note	2007 (Rupees)	2006 (Rupees)
Banks			
Crescent Commercial Bank Limited			
Term Finance 2	**8.1.1**	**47,000,000**	50,000,000
The Bank of Punjab - Term Finance	**8.1.2**	**97,500,000**	130,000,000
		144,500,000	180,000,000
Financial Institutions			
First UDL Modaraba		-	9,310,893
Less: Current maturity		**(79,500,000)**	(32,500,000)
		65,000,000	156,810,893

8.1.1 This is repayable as a bullet payment on or before the expiry date i.e. July 31, 2007. It carries a markup @ six months KIBOR average ask rate plus 400 basis points with a floor of 13% per annum and subject to semi annual review. This facility is secured against 1st pari pasu charge on present and future fixed and current assets of the Company.

8.1.2 The facility is repayable in four years in eight equal half yearly installments starting from September 2006. It carries mark-up @ average six months KIBOR plus 400 BPS with no floor and cap. The facility is secured against ranking charge on the present and future fixed assets of the company and is also secured against the corporate guarantee of M/s Knightsbridge Chemicals Limited.

9. 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 4% to 6 months KIBOR plus 4% (2006: 6 months KIBOR plus 4%) per annum. The amount of future payments and the period during which they will become due are:

		2007 (Rupees)	2006 (Rupees)
Year ending June 30,	2007	-	7,378,356
	2008	**28,135,531**	7,971,606
	2009	**25,761,360**	5,660,952
	2010	**24,815,230**	4,815,204
	2011	**24,062,366**	4,353,801
	2012	**18,947,825**	-
		121,722,312	30,179,919
Less: Future finance charges		**24,240,617**	5,487,344
		97,481,695	24,692,575
Less: Current maturity shown under current liabilities		**18,286,210**	5,032,479
		79,195,485	19,660,096

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.

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

	2007		2006	
	MLP (Rupees)	PV of MLP (Rupees)	MLP (Rupees)	PV of MLP (Rupees)
Due not later than 1 year	**28,135,531**	**18,286,210**	7,378,356	5,032,479
Due later than 1 year but not later than 5 years	**93,586,781**	**79,195,485**	22,801,563	19,660,096
	121,722,312	**97,481,695**	30,179,919	24,692,575

	Note	2007 (Rupees)	2006 (Rupees)

10. DEFERRED LIABILITY - STAFF RETIREMENT BENEFITS

	Note	2007	2006
Staff retirement benefits - gratuity	**10.1**	**11,975,597**	9,302,753

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

	2007	2006
Present value of defined benefits obligation	**14,051,419**	11,102,314
Benefits due but not paid	**396,569**	527,711
Unrecognized actuarial losses	**(2,472,391)**	(2,327,272)
	11,975,597	9,302,753

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

	2007	2006
Current service cost	**2,565,808**	2,307,276
Interest cost	**999,208**	953,858
Actuarial loss	**121,704**	76,781
Expense recognised in the profit & loss account.	**3,686,720**	3,337,915

The charge for the year has been allocated as follows:

	2007	2006
Cost of sales	**2,200,967**	2,288,707
Distribution costs	**292,952**	253,344
Administrative expenses	**1,192,801**	795,864
	3,686,720	3,337,915

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

	2007 (Rupees)	2006 (Rupees)
Opening balance	**9,302,753**	9,576,662
Charge for the year	**3,686,720**	3,337,915
Contributions / payments during the year	**(1,013,876)**	(3,611,824)
Closing balance	**11,975,597**	9,302,753

Movement in the present value of defined benefit obligation:

	2007	2006
Present value of defined benefits obligation as at July 01	**11,102,314**	10,598,420
Service cost	**2,565,808**	2,307,276
Interest cost	**999,208**	953,858
Benefits paid	**(882,734)**	(3,253,984)
Acturial loss	**266,823**	496,744
Present value of defined benefits obligation as at June 30	**14,051,419**	11,102,314

10.2	Present Value, June 30	Acturaial gain/(loss)
2007	11,975,597	(2,472,391)
2006	9,302,753	(2,327,272)
2005	9,576,662	(1,907,309)
2004	8,183,866	(611,279)
2003	7,206,659	(402,155)

	Note	2007 (Rupees)	2006 (Rupees)

11. TRADE AND OTHER PAYABLES

	Note	2007 (Rupees)	2006 (Rupees)
Creditors		**227,751,948**	184,494,564
Retention money		**5,905,170**	5,864,527
Accrued expenses		**9,852,445**	8,049,833
Due to associated undertaking	**11.1**	**8,591,912**	6,464,250
Security from distributor & transporter	**11.2**	**6,473,250**	2,262,493
Advances from customers		**21,593,496**	17,141,276
Tax and other payables		**205,181**	77,615
Custom and regulatory duty payable		**4,093,030**	11,564,300
Other liabilities		**97,599**	96,622
		284,564,031	236,015,480

11.1 This represents the amounts being payable to the following associated undertakings for the services received:

	2007 (Rupees)	2006 (Rupees)
Nimir Chemicals Pakistan Limited	**8,088,665**	2,162,326
Nimir Speciality Chemicals Sharjah	**431,906**	28,826
ICC Egypt	**71,341**	71,341
	8,591,912	2,262,493

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

	2007 (Rupees)	2006 (Rupees)

12. MARK-UP ACCRUED ON SECURED LOANS

	2007 (Rupees)	2006 (Rupees)
Mark up accrued on long term and short term loans	**5,647,514**	18,913,074

13. SHORT TERM BORROWINGS - SECURED

The aggregate facility of short term finances from commercial banks available at year end is Rs. 10 million (2006: Rs. 10 million). The rate of mark-up is 3 months KIBOR + 450 bps with no floor no cap (2006: 6.5 % to 12 %) per annum and the facility is secured against a raking charge on the present and future current assets of the company, amounting to Rs. 15 million.

The unutilized facility for opening letters of credit and for guarantees as at June 30, 2007 amounts to Rs. 41,075,327 (2006: Rs. 21,882,561) and Rs.50,000,000 (2006: Rs.50,000,000), respectively.

14. CONTINGENCIES AND COMMITMENTS

14.1 CONTINGENCIES

Nil

14.2 COMMITMENTS

Commitments in respect of letters of credit established at year end amounted to NIL (2006: 25,337,800).

15. PROPERTY, PLANT AND EQUIPMENT

	Note	2007 (Rupees)	2006 (Rupees)
Operating property, plant and equipment	**15.1**	**1,096,933,643**	999,689,412
Capital work in progress	**15.6**	**114,518,673**	136,333,290
		1,211,452,316	1,136,022,702

15.1 Operating property, plant and equipment

PARTICULARS	2007 COST As At July 01, 2006 (Rupees)	Additions (Disposals) (Rupees)	As At June 30, 2007 (Rupees)	Rate %	DEPRECIATION Accumulated as at July 01, 2006 (Rupees)	Charge for the year (Rupees)	(Disposals) (Rupees)	Accumulated as at June 30, 2007 (Rupees)	Book value As At. June 30, 2007 (Rupees)
OWNED									
Free hold land	9,301,483	-	9,301,483	-	-		-	-	9,301,483
Building on free hold Land	70,796,607	13,225,868	84,022,475	5	14,020,440	3,427,106		17,447,546	66,574,929
Plant & machinery	1,157,542,209	45,342,867	1,202,885,076	4-5	255,540,203	45,346,036		300,886,239	901,998,837
Furniture & fittings	2,257,192	44,620	2,301,812	10	2,210,062	52,223		2,262,285	39,527
Office equipment	4,080,121	9,068,681	12,985,342	10- 20	2,584,234	843,631		3,412,400	9,572,942
		(163,460)					(15,465)		
Vehicles	4,633,549	993,820	4,009,059	20	2,001,563	851,778		1,397,084	2,611,975
		(1,618,310)					(1,456,257)		
	1,248,611,161	68,675,856	1,315,505,247		276,356,502	50,520,774	-	325,405,554	990,099,693
	-	(1,781,770)					(1,471,722)		
LEASED									
Plant & machinery	28,555,000	85,900,000	114,455,000	4-5	1,120,250	7,224,833	-	8,345,083	106,109,917
Vehicles	1,716,393	749,000	2,023,113	20	1,716,390	24,969	(442,279)	1,299,080	724,033
		(442,280)							
	30,271,393	86,649,000	116,478,113		2,836,640	7,249,802	-	9,644,163	106,833,950
		(442,280)					(442,279)		
2007	**1,278,882,554**	**155,324,856**	**1,431,983,360**		**279,193,142**	**57,770,576**	**-**	**335,049,717**	**1,096,933,643**
		(2,224,050)					**(1,914,001)**		

PARTICULARS	As At July 01, 2005	Additions (Disposals)	As At June 30, 2006	Rate %	Accumulated as at July 01, 2006	Charge for the year	(Disposals)	Accumulated as at June 30, 2006	Book value As At. June 30, 2006
	2006 COST (Rupees)				DEPRECIATION (Rupees)				(Rupees)
OWNED									
Free hold land	13,001,709	1,105,644	9,301,483	-	-	-		-	9,301,483
		(4,805,870)							
Building on free hold Land	40,969,536	29,827,071	70,796,607	5	10,977,730	3,042,710		14,020,440	56,776,167
Plant & machinery	679,985,935	477,556,274	1,157,542,209	4-5	214,937,884	40,602,319		255,540,203	902,002,006
Furniture & fittings	2,222,842	34,350	2,257,192	10	2,098,440	111,622		2,210,062	47,130
Office equipment	3,687,378	461,443	4,080,121	10- 20	2,197,171	410,499		2,584,234	1,495,887
		(68,700)					(23,436)		
Vehicles	5,220,048	1,787,976	4,633,549	20	2,472,238	685,795		2,001,563	2,631,986
		(2,374,475)					(1,156,470)		
	745,087,448	510,772,758	1,248,611,161		232,683,463	44,852,945	-	276,356,502	972,254,659
	-	(7,249,045)					(1,179,906)		
LEASED									
Plant & machinery	-	28,555,000	28,555,000	4-5	-	1,120,250	-	1,120,250	27,434,750
Vehicles	1,716,393	-	1,716,393	20	1,716,390	-	-	1,716,390	3
	1,716,393	28,555,000	30,271,393		1,716,390	1,120,250	-	2,836,640	27,434,753
		-					-		
2006	746,803,841	539,327,758	1,278,882,554		234,399,853	45,973,195	-	279,193,142	999,689,412
		(7,249,045)					(1,179,906)		

15.2 Disposal of operating fixed assets:

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Loss / (Gain)	Mode of Disposal	Particulars of Purchasers
			(Rupees)				
Honda City	646,000	646,000	-	350,000	(350,000)	Negotiation	Mr. Qaiser Shahzad
Honda Civic	972,310	810,259	162,051	725,000	(562,949)	Negotiation	Mr. Wassi -ullah- khan
Laptop	138,500	7,694	130,806	134,000	(3,194)	Negotiation	Ex - CEO (Mr. Akbar Saifi)
Mobile phones	24,960	7,772	17,188	8,550	8,638	Negotiation	Various
Toyota Corolla	442,280	442,280	-	305,000	(305,000)	Negotiation	Mr. Tanveer Ahmad
Total	**2,224,050**	**1,914,005**	**310,045**	**1,522,550**	**(1,212,505)**		

15.3 Depreciation for the year has been allocated as under:

	Note	2007 (Rupees)	2006 (Rupees)
Cost of sales	24	**57,181,370**	45,269,897
Distribution costs	25	**397,427**	283,371
Administrative expenses	26	**128,029**	419,928
Capital work in progress	16	**63,750**	-
		57,770,576	45,973,196

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

15.5 Plant and machinery of the company include storage tanks amounting to Rs. 1,855,271 (2006: Rs. 1,964,405) held by customers of the transporter in normal course of the business.

15.6 Capital work in progress

	Note	Civil Works (R u p e e s)	Plant & Machinery	2007 (Rupees)	2006 (Rupees)
Opening balance		**1,583,946**	**134,749,344**	**136,333,290**	578,105,801
Additions during the year		**13,225,868**	**124,667,873**	**137,893,741**	93,140,594
		14,809,814	**259,417,217**	**274,227,031**	671,246,395
Transferred to fixed assets		**(13,225,868)**	**(139,011,220)**	**(152,237,088)**	(534,913,105)
Adjustments	**15.6.1**	**-**	**(7,471,270)**	**(7,471,270)**	-
		1,583,946	**112,934,727**	**114,518,673**	136,333,290

15.6.1 This adjustment has been made as a result of the settlement of customs and regulatory duty case in the Alternative Dispute Resolution Committee (ADRC).

	Note	2007 (Rupees)	2006 (Rupees)
16. LONG TERM DEPOSITS			
Security deposits			
- Leasing companies and Banks		**18,403,250**	4,283,250
- Others		**477,214**	877,214
		18,880,464	5,160,464
Less:			
- Current maturity shown under advances, deposits and prepayments		**593,250**	-
		18,287,214	5,160,464
17. STORES AND SPARES			
Stores		**1,709,990**	1,682,557
Spares and loose tools		**4,086,420**	2,825,870
		5,796,410	4,508,427
18. STOCK IN TRADE			
Raw and packing material	**18.1**	**22,897,259**	12,088,486
Material in transit		**90,286,920**	44,070,415
		113,184,179	56,158,901
Finished goods		**9,870,741**	10,712,363
		123,054,920	66,871,264

18.1 This includes steel drums amounting to Rs. 3,201,283 (2006: Rs. 3,739,727) held by customers of the company in normal course of the business.

	Note	2007 (Rupees)	2006 (Rupees)
19. TRADE DEBTS			
Unsecured			
Considered good-			
Due from Related parties-associated undertakings	**19.1**		
Nimir Resins Limited		**1,975,880**	2,033,817
Nimir Chemicals Pakistan Limited		**2,061,178**	-
Nimir Speciality Chemicals Sharjah		-	333,102
		4,037,058	2,366,919
Others		**124,733,948**	119,094,635
		128,771,006	121,461,554
Considered doubtful - Others		**18,062,081**	10,656,360
Provision for doubtful debtors		**(18,062,081)**	(10,656,360)
		-	-
		128,771,006	121,461,554

19.1 Maximum aggregate debit balance of associated companies at the end of any month during the year were as follows.

	2007 (Rupees)	2006 (Rupees)
Nimir Resins Limited	**2,485,310**	2,792,614
Nimir Chemicals Pakistan Limited	**4,936,178**	-
Nimir Speciality Chemicals Sharjah	**3,340,960**	4,400,114

20. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2007 (Rupees)	2006 (Rupees)
Other advances - unsecured	**20.1**	**4,774,498**	1,661,120
Advances to employees - considered good - unsecured	**20.2**	**807,743**	807,359
Advance income tax		**2,982,762**	2,188,090
Sales tax		**1,801,515**	2,099,002
Prepayments		**372,146**	1,196,073
Due from associated undertaking -			
Nimir Resins Ltd. Un-secured- considered good	**20.3**	**313,879**	313,879
Margin against bank guarantee		**5,100,000**	5,100,000
L/C margin deposit		**7,242,000**	7,946,797
Federal excise duty refundable		**2,258,500**	2,258,500
Others		**599,290**	1,032,270
		26,252,333	24,603,090

20.1 Other Advances

	2007 (Rupees)	2006 (Rupees)
Considered good	**4,774,498**	905,804
Considered doubtful	-	178,124
	4,774,498	1,083,928
Provision for doubtful advances	-	(178,124)
	4,774,498	905,804

20.2 No amount is due from directors, chief executive and executives of the company.

20.3 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, 2007 was Rs. 313,879 (2006: Rs. 2,025,163).

	Note	2007 (Rupees)	2006 (Rupees)
21. CASH AND BANK BALANCES			
Cash at Bank:			
Current Accounts		**1,455,299**	93,361,309
Foreign Currency Accounts	**21.1**	**133,712,596**	-
		135,167,895	93,361,309

21.1 This represent an amount of US $ 2,199,944.

	Note	2007 (Rupees)	2006 (Rupees)
22. SALES			
Gross Sales:			
Local Sales		**706,863,845**	602,913,196
Export Sales		**4,571,700**	9,991,155
		711,435,545	612,904,351
Less: Discount		**5,531,927**	3,182,741
Net Sales	**22.1**	**705,903,618**	609,721,610

22.1 Sales are exclusive of sales tax of Rs. 105.412 million (2006: Rs. 91.077 million) and inclusive of sales relating to trading activity amounting to Rs. 54.753 million (2006: NIL)

22.2 This includes sale of electricity amounting to Rs. 16,710,262 (2006: 4,836,884).

	Note	2007 (Rupees)	2006 (Rupees)
23. COST OF SALES			
Raw and packing material consumed	**23.1**	**528,880,559**	491,887,865
Salaries, wages and benefits	**23.2**	**37,441,670**	31,942,448
Depreciation - Freehold	**15.3**	**50,020,287**	45,269,897
Depreciation - Leasehold		**7,161,083**	-
Fuel and power		**35,319,428**	50,438,983
Stores and spares consumed		**7,814,368**	5,205,322
Repairs and maintenance		**5,168,240**	2,155,417
Traveling, conveyance and entertainment		**7,002,854**	6,582,713
Communications		**306,792**	371,973
Insurance		**2,847,594**	2,346,266
Printing and stationery		**232,238**	232,902
Other expenses		**4,031,413**	2,154,250
		686,226,526	638,588,036
Services received from associated undertakings		-	60,022
		686,226,526	638,648,058
Add: Opening stocks-Finished Goods		**10,712,363**	3,071,694
Less: Closing stocks-Finished Goods		**(9,870,741)**	(10,712,363)
		687,068,148	631,007,389

23.1 Raw and packing material consumed

	2007	2006
Opening Balance	**56,158,901**	64,307,020
Purchases	**585,905,836**	483,739,746
	642,064,737	548,046,766
Less: Closing Balance	**(113,184,178)**	(56,158,901)
Raw & packing material consumed	**528,880,559**	491,887,865

23.2 This includes Rs. 2,200,967 (2006: Rs. 2,288,707) in respect of employee benefits - gratuity scheme.

	Note	2007 (Rupees)	2006 (Rupees)
24. DISTRIBUTION COSTS			
Salaries, wages and benefits	**24.1**	**4,148,636**	2,468,808
Repairs and maintenance		**11,478**	30,675
Traveling, conveyance and entertainment		**1,423,619**	1,698,766
Communications		**268,839**	377,744
Insurance		**644,106**	486,616
Distribution commission		**8,407,282**	8,049,205
Packing, carriage and forwarding		**12,389,907**	7,040,811
Printing and stationery		**59,555**	55,626
Advertising and sale promotion		**49,928**	69,495
Depreciation	**15.3**	**397,427**	283,371
Sales Tax Penalty		**245,513**	99,813
Other Expenses		**331,120**	72,110
		28,377,410	20,733,040

24.1 This includes Rs. 292,952 (2006: Rs. 253,344) in respect of employee benefits-gratuity scheme.

25. ADMINISTRATIVE EXPENSES

	Note	2007 (Rupees)	2006 (Rupees)
Salaries, wages and benefits	25.1	**8,131,185**	10,273,802
Fuel and power		**573,308**	578,499
Repairs and maintenance		**55,464**	65,727
Traveling, conveyance and entertainment		**2,313,909**	2,571,108
Communications		**767,741**	1,011,045
Insurance		**24,668**	289,737
Rent, rates and taxes		**1,691,667**	1,218,240
Printing and stationery		**364,359**	286,249
Advertising and sale promotion		**410,590**	232,030
Legal, professional and consultancy expense		**1,784,130**	2,706,500
Auditors' remuneration	25.2	**507,140**	440,355
Depreciation	15.3	**128,029**	419,928
Other Expenses		**1,464,983**	1,574,915
		18,217,173	21,668,135
Add: Services from associated undertakings	25.3	**5,606,940**	7,491,465
		23,824,113	29,159,600

25.1 This includes Rs. 1,192,801 (2006: Rs.795,864) in respect of employee benefits-gratuity scheme.

25.2 Auditors' remuneration

	2007 (Rupees)	2006 (Rupees)
Audit fee	**220,000**	200,000
Certification and review	**240,000**	180,000
Out of pocket expenses	**47,140**	60,355
	507,140	440,355

25.3 This represents the staff costs and other services shared during the year.

26. OTHER EXPENSES

	2007 (Rupees)	2006 (Rupees)
Right issue expenses	-	3,741,981
Provision for doubtful debts	**7,519,433**	5,172,446
	7,519,433	8,914,427

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

27. OTHER INCOME

	2007 (Rupees)	2006 (Rupees)
Gain on disposal of property, plant and equipment	**1,212,505**	22,065,691
Scrap sale	**1,446,011**	1,888,290
Miscellaneous	**508,877**	17,334
	3,167,393	23,971,315

28. FINANCE COST

	2007 (Rupees)	2006 (Rupees)
Mark-up on		
- Long term loans	**23,180,481**	27,661,868
- Short term loans	**17,328,978**	19,150,758
- Others	**2,037,694**	1,184,159
- Settlement of disputed balances (net)	**2,469,166**	-
Financial charges on lease	**9,195,056**	2,272,953
Bank charges & commission	**1,019,356**	2,976,893
Foreign exchange loss	**993,933**	7,732,874
	56,224,664	60,979,505

29. TAXATION

	2007 (Rupees)	2006 (Rupees)
Current year	**5,018,801**	3,048,608
Prior year	**181,420**	(54,448)
	5,200,221	2,994,160

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.1,320,540,731 as at June 30, 2007. However, no deferred tax asset has been recognized due to the uncertainty with regards to availability of the future taxable profit of the company against which the unused tax losses and unused tax credits can be utilized.

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

30. LOSS PER ORDINARY SHARE - BASIC

	Note	2007 (Rupees)	2006 (Rupees)
Loss attributable to ordinary shareholders (Rupees)		**(99,142,978)**	(120,095,196)
Weighted Average Number of ordinary shares	**30.1**	**221,181,093**	180,631,226
Loss per ordinary share (Rupees)		**(0.45)**	(0.66)

30.1 Weighted Average no. of ordinary shares

	2007 (Rupees)	2006 (Rupees)
Number of shares outstanding at the beginning of the year	**221,181,093**	176,944,874
Weighted average ordinary shares issued during the year	-	3,686,352
	221,181,093	180,631,226

30.2 No fully diluted earnings per share has been disclosed as the company is in losses and the calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

31. **FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

31.1 **Interest/mark-up rate risk exposure**

The Company's exposure to interest/mark-up rate risk on its financial assets and liabilities of June 30, 2007 is summarized as follows:

		INTEREST/MARK-UP BEARING						NON INTEREST/MARKUP BEARING						
	Rate of Profit	Maturity up to one year	Maturity after one year and up to two years	Maturity after two year and up to three years	Maturity after three year and up to four years	Maturity after four year and up to five years	Maturity after five years	Maturity up to one year	Maturity after one year and up to two years	Maturity after two year and up to three years	Maturity after three year and up to four years	Maturity after four year and up to five years	Maturity after five years	Total
		R U P E E S												
Financial assets														
Cash and bank balances		-	-	-	-	-	-	135,167,895	-	-	-	-	-	135,167,895
Long term deposits		-	-	-	-	-	-	-	540,000	3,150,000	14,120,000	-	477,214	18,287,214
Trade debts		-	-	-	-	-	-	146,833,087	-	-	-	-	-	146,833,087
Advances, deposits and other receivables		-	-	-	-	-	-	14,062,912	-	-	-	-	-	14,062,912
		-	-	-	-	-	-	296,063,894	540,000	3,150,000	14,120,000	-	477,214	314,351,108
Financial liabilities														
Subordinated Loan -Parent Company		-	-	-	-	-	-	-	126,021,160	170,025,168	128,490,560	128,490,560	291,132,054	844,159,500
Long term loans	Ranges from 3 months KIBOR plus 4% to 6 months KIBOR plus 4%	79,500,000	32,500,000	32,500,000	-	-	-	-	-	-	-	-	-	144,500,000
Liabilities against assets subject to finance lease	Average 6 months KIBOR plus 4%	18,286,210	18,393,075	20,042,724	22,046,948	18,712,738	-	-	-	-	-	-	-	97,481,695
Trade and other payables		-	-	-	-	-	-	280,471,001	-	-	-	-	-	280,471,001
Mark-up accrued on secured loans		-	-	-	-	-	-	5,647,514	-	-	-	-	-	5,647,514
		97,786,210	**50,893,075**	**52,542,724**	**22,046,948**	**18,712,738**	**-**	**286,118,515**	**126,021,160**	**170,025,168**	**128,490,560**	**128,490,560**	**291,132,054**	**1,372,259,710**
ON BALANCE SHEET GAP 2007		**(97,786,210)**	**(50,893,075)**	**(52,542,724)**	**(22,046,948)**	**(18,712,738)**	**-**	**9,945,379**	**(125,481,160)**	**(166,875,168)**	**(114,370,560)**	**(128,490,560)**	**(290,654,840)**	**(1,057,908,602)**

		INTEREST/MARK-UP BEARING						NON INTEREST/MARKUP BEARING						
	Rate of Profit	Maturity up to one year	Maturity after one year and up to two years	Maturity after two year and up to three years	Maturity after three year and up to four years	Maturity after four year and up to five years	Maturity after five years	Maturity up to one year	Maturity after one year and up to two years	Maturity after two year and up to three years	Maturity after three year and up to four years	Maturity after four year and up to five years	Maturity after five years	Total
		R U P E E S												
Financial assets	Average 6 months KIBOR plus 4%													
Cash and bank balances		-	-	-	-	-	-	93,361,309	-	-	-	-	-	93,361,309
Long term deposits		-	-	-	-	-	-	-	593,250	540,000		3,150,000	877,214	5,160,464
Trade Debts	Average 6 months KIBOR plus 4%	-	-	-	-	-	-	132,117,914	-	-	-	-	-	132,117,914
Advances,Deposits and Other Receivables		-	-	-	-	-	-	14,168,035	-	-	-	-	-	14,168,035
		-	-	-	-	-	-	239,647,258	593,250	540,000	-	3,150,000	877,214	244,807,722
Financial liabilities														
Subordinated Loan -Parent Company		-	-	-	-	-	-	-	153,745,185	181,874,602	157,886,784	79,808,409	41,400,103	614,715,083
Long term loans		32,500,000	82,500,000	32,500,000	32,500,000	-	-	-	-	-	-	-	-	180,000,000
Liabilities against assets subject to finance lease		5,032,479	6,314,624	4,665,434	4,351,728	4,328,310	-	-	-	-	-	-	-	24,692,575
Short term finances		-	-	-	-	-	-	-	-	-	-	-	-	-
Trade and other payables		-	-	-	-	-	-	977	-	-	-	-	-	977
Mark-up accrued on secured loans		-	-	-	-	-	-	18,913,074	-	-	-	-	-	18,913,074
		37,532,479	88,814,624	37,165,434	36,851,728	4,328,310	-	18,914,051	153,745,185	181,874,602	157,886,784	79,808,409	41,400,103	838,321,709
ON BALANCE SHEET GAP 2006		(37,532,479)	(88,814,624)	(37,165,434)	(36,851,728)	(4,328,310)	-	220,733,207	(153,151,935)	(181,334,602)	(157,886,784)	(76,658,409)	(40,522,889)	(593,513,987)

31.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 314.351 million (2006 : Rs. 244.807 million), the financial assets which are subject to credit risk amounted to Rs. 160.895 million (2006 : Rs. 149.962 million). The company does not believe it is exposed to major concentration of credit risk, however to manage any possible exposure the company applies approved credit limits to its customers.

The Company's credit risk exposure is not significantly different from that reflected in the financial statements. 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 management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organization of sound financial standing covering various industrial sectors and segment.

31.3 Foreign exchange risk management

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

31.4 Fair value of financial assets and financial liabilities

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

31.5 Interest Rate Risk

Interest / yield rate risk arises from the possibility that changes in interest rate will affect the value of financial instruments. Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. The Company is exposed to interest / yield rate risk for certain deposits with the banks, loans obtained from the financial institutions and liabilities against assets subject to finance leases.

31.6 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.

32. TRANSACTIONS WITH RELATED PARTIES

The related parties and associated undertaking comprise parent company, related group companies, local associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated undertakings, other than remuneration and benefits to key management personnel under the term of their employment as disclosed in note 33, are as follows:

Relationship	Nature and Description of Related Party Transaction	Total Value of Transaction 2007	Total Value of Transaction 2006
Group compnies	Purchase of goods	**3,927,993**	-
	Sale of power and goods	**26,337,422**	19,464,316
	Management and other Services received	**5,703,993**	9,420,967
	Other services rendered	**98,322**	354,163
	Premises rent shared	**1,424,303**	1,052,917
	Utility bills charged by associated companies	**532,847**	564,545
Parent company	Loan received from Knightsbridge Chemicals Limited	**277,724,421**	503,822,747
	Loan repaid to Knightsbridge Chemicals Limited	**48,280,000**	174,126,980

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

Transaction during the year ended June 30, 2007 is as follows:

Name of Related Party	Relationship	Transaction	Market Price	Transaction Value	Price Difference
			(Rupees)		
Akbar Saifi	Ex-CEO	Sale of Laptop	134,000	134,000	-

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

33. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive				Executives	
	2007		2006		2007	2006
	(12/09/2006 to date)	(13/12/2005 to 12/09/2006)	(01/07/2005 to 13/12/2005)	(22/05/2006 onward)		
Number of persons					**4**	**2**
	Rupees					
Remuneration	-	**870,966**	2,216,437	213,319	**3,281,164**	1,451,616
Housing	-	**391,937**	997,401	95,994	**1,476,513**	653,220
Driver allowance	-	**29,700**	16,500	7,274	-	-
Utilities	-	**18,964**	221,645	21,332	**328,130**	145,164
Leave encashment	-	-	219,941	-	-	-
Gratuity	-	-	2,100,000	-	-	-
Bonus	-	**322,796**	-	-	**660,000**	-
	-	**1,634,363**	5,771,924	337,919	**5,745,807**	2,250,000

33.1 The Chief executive officer and some executives have been provided with company maintained cars and are also entitled to reimbursement of medical and entertainment expenses.

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

34. PRODUCTION CAPACITY IN METRIC TONS

	2007		2006	
	Maximum Capacity	Actual Capacity	Maximum Capacity	Actual Capacity
Fatty Acids (Metric Tons)	**24,000**	**11,140**	24,000	14,222
Power House (KWH in thousands)	**71,280**	**30,642**	39,600	24,880
Caustic Soda (Metric Tons)	**31,350**	**25,860**	31,350	20,497

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

35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 24th September 2008 by the board of directors of the company.

36. GENERAL

36.1 Figures have been rounded off to the nearest rupee.

36.2 Significant rearrangements are as follows:

	2007 (Rupees)	2006 (Rupees)
Provision for doubtful debts previously shown under distribution expenses now shown under other expenses	**7,519,433**	5,172,446

36.3 Segment reporting has not been presented in these financial statements because of in-house consumption of most of the electricity produced. The electricity sold to other companies is less than 3% of the total revenue of the company.

Nimir

CHIEF EXECUTIVE

DIRECTOR

Statement Pursuant To Section 218
of The Companies Ordinance, 1984

Mr. Zafar Mahmood has been appointed as Chief Executive Officer (CEO) of Nimir Industrial Chemicals Limited by the Board of Directors on 22nd August, 2007 in place of Sh. Amar Hameed. He is employed by the sister concern, Nimir Chemicals Pakistan Limited as Chief Financial Officer.

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 Officer with the associated company i.e. Nimir Chemicals Pakistan Limited not exceeding Rs.3,500,000 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.

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 14th Annual General Meeting of the Company to be held on 29th October, 2007 and at any adjournment thereof.
Signed this .... day of .... 2007.

Signature on Rs.5 Revenue Stamp

Notes:

I. The share transfer books of the Company shall remain closed from 20th October, 2007 to 29th October, 2007 (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.