

December 2006

Half Yearly
Accounts

(unaudited)

December 2006

NIMIR INDUSTRIAL CHEMICALS LIMITED

C o m p a n y I n f o r m a t i o n

Board of Directors

Mr. Louis Tucker Link
(Chairman)

Sh. Amar Hameed
(Chief Executive)

Mr. George Rapport
Mr. Abdul Jalil Jamil
Mr. Saeed-uz-Zaman
Mr. Umar Iqbal
Mr. Zafar Mahmood
(Chief Financial Officer)

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 Ltd.

Shares' Registrar

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

Registered / Head Office

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

Factory

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

Web Site

www.nimir.com.pk

DIRECTORS' REVIEW

Half Yearly
Accounts
(unaudited)
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Sales during the half year ended December 31, 2006 increased against the corresponding period of the last year.

Commercial start up of gas generator sets in October reduced the electricity cost significantly, which resultantly improved financial results of the second quarter.

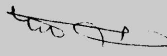
During the half year administrative expenses increased by 2.1%, which are still below to the general inflation rate in the country.

The Soap Noodle plant will start its production in the last quarter of the current financial year, which will further improve the performance of the company.

We are confident that the bottom line of the company will improve significantly in the coming quarters, Insha Allah.

By Order of the Board

Lahore
February 23, 2007


Director

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed Interim Condensed Balance Sheet of Nimir Industrial Chemicals Limited, as at December 31, 2006, and the related Interim Condensed Profit and Loss Account, Interim Condensed Cash Flow Statement and Interim Condensed Statement of Changes in Equity together with the Notes forming part thereof (here-in-after referred to as the "interim condensed financial statements") for the half-year then ended. These interim condensed financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed interim condensed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our opinion, we draw your attention to the following matter, in respect of which attention was also drawn in our report on the financial statements for the year ended June 30, 2006;

We draw attention to note 2 in the interim condensed financial statements which indicates that the company incurred a net loss of Rs. 66.7 million during the half year ended December 31, 2006 and has an accumulated loss of Rs. 813 million as of that date. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Lahore
February 23, 2007

F. A. Ch. A. V. I. S. S. A. F. I. E. R.
Chartered Accountants

Balance Sheet

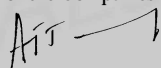
AS AT DECEMBER 31, 2006

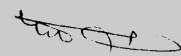
	Note	Unaudited	Audited
		December 31, 2006	June 30, 2006
		Rs '000'	Rs'000'
ASSETS			
NON CURRENT ASSETS			
TANGIBLE FIXED ASSETS			
Property, plant and equipment	5	1,083,858	999,690
Capital work in progress		121,965	136,333
		1,205,823	1,136,023
Long term deposits		19,280	5,161
CURRENT ASSETS			
Stores and spares		3,978	4,508
Stock in trade		84,577	66,871
Trade debts- Considered good -Unsecured		133,275	121,462
Advances, deposits, prepayments and other receivable		34,286	24,603
Cash and bank balances		36,853	93,361
		292,969	310,805
Total assets		1,518,072	1,451,989
EQUITY AND LIABILITIES			
Authorized capital			
290,000,000 (June 30, 2006: 290,000,000)		1,450,000	1,450,000
Ordinary shares of Rs. 5/- each (June 30, 2006: Rs. 5/- each)			
Issued, subscribed and paid up capital			
221,181,093 (June 30, 2006: 221,181,093)		1,105,905	1,105,905
Ordinary shares of Rs. 5/- each (June 30, 2006: Rs. 5/- each)			
Accumulated losses			
		(813,663)	(746,866)
		292,242	359,039
NON CURRENT LIABILITIES			
Subordinated loans-Parent company			
Long term loans	6	623,761	614,715
Liabilities against assets subject to finance lease		90,561	156,811
Defered liabilities		74,664	19,660
Employee benefits-Gratuity scheme		10,644	9,303
CURRENT LIABILITIES			
Trade and other payable		300,861	236,016
Mark up accrued on secured loans		20,461	18,913
Short term finances	7	8,917	-
Current maturity of long term loans		81,750	32,500
Current maturity of liabilities against assets subject to finance lease		14,211	5,032
		426,200	292,461
Total equity and liabilities		1,518,072	1,451,989
Contingencies and commitments	8	-	-

The annexed notes from 1 to 12 form an integral part to these interim condensed financial statements.

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

Lahore
February 23, 2007


Director


Director

Profit & Loss Account (Unaudited)

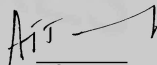
FOR THE HALF YEAR ENDED DECEMBER 31, 2006

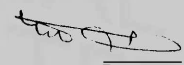
	Note	Half year ended		Second quarter ended	
		December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
		(Rupees in thousands)		(Rupees in thousands)	
Sales	9	321,376	302,428	164,345	172,460
Cost of sales	10	(328,034)	(301,870)	(161,842)	(169,973)
Gross (loss) / profit		(6,658)	558	2,503	2,487
Distribution costs		(12,686)	(11,239)	(4,618)	(6,479)
Administrative expenses		(13,950)	(13,662)	(4,589)	(5,980)
Other operating expenses		(1,002)	(3,058)	(1,006)	(2,708)
Other operating income		879	453	511	361
Operating (loss) / profit		(33,417)	(26,948)	(7,199)	(12,319)
Finance cost		(31,588)	(23,365)	(16,527)	(11,662)
(Loss) before taxation		(65,005)	(50,313)	(23,726)	(23,981)
Provision for taxation		(1,792)	(1,547)	(829)	(859)
(Loss) after taxation		(66,797)	(51,860)	(24,555)	(24,840)
Accumulated (loss) brought forward		(746,866)	(626,771)	(789,108)	(653,791)
Accumulated (loss) carried forward		(813,663)	(678,631)	(813,663)	(678,631)
Earnings per share - Basic (Rs.)		(0.30)	(0.23)	(0.11)	(0.11)

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Lahore
February 23, 2007


Director


Director

Cash Flow Statement (Unaudited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2006

(Unaudited)
December 2006

	Half year ended	
	December 31, 2006	December 31, 2005
	(Rupees in thousands)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) before taxation	(65,005)	(50,313)
Adjustment for:		
Depreciation	27,991	20,955
Loss on disposal of fixed assets	2	453
Finance cost	31,588	23,365
Foreign exchange (gain) / loss on parent company loan	(178)	2,216
Provision for doubtful debts	1,000	-
Provision for gratuity	1,848	1,506
	62,251	48,495
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	(2,754)	(1,818)
WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores and spares	530	(845)
Stock in trade	(17,706)	3,008
Trade debts	(12,813)	(5,242)
Advances, deposits, prepayments and other receivables	(6,212)	(3,572)
	(36,201)	(6,651)
Increase / (decrease) in current liabilities		
Trade and other payable	64,845	32,135
NET CHANGES IN WORKING CAPITAL	28,644	25,484
CASH GENERATED FROM OPERATIONS	25,890	23,666
Gratuity paid	(507)	(2,575)
Finance cost paid	(30,040)	(32,583)
Tax Paid	(5,263)	(292)
	(35,810)	(35,450)
NET CASH USED BY OPERATING ACTIVITIES	(9,920)	(11,784)
CASH FLOW FROM INVESTING ACTIVITIES		
Addition to property, plant & equipment	(112,303)	(468,585)
Sale proceeds of property, plant & equipment	142	756
Capital work in progress	14,368	431,332
Long term deposits	(14,119)	(4,467)
NET CASH USED IN INVESTING ACTIVITIES	(111,912)	(40,964)
CASH FLOW FROM FINANCING ACTIVITIES		
Short term finance	8,917	(7,323)
Repayment of long term loans	(17,000)	(532,950)
New long term loans	-	130,000
Long term loans received from parent company	57,504	421,311
Long term loans paid to parent company	(48,280)	(71,952)
Liabilities against assets subject to finance lease	64,183	(1,579)
NET CASH FROM FINANCING ACTIVITIES	65,324	(62,493)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(56,508)	(115,241)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	93,361	126,280
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	36,853	11,039

The annexed notes from 1 to 12 form an integral part to these interim condensed financial statements.

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Director


Director

Statement of Changes in Equity (Unaudited)

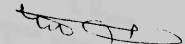
FOR THE HALF YEAR ENDED DECEMBER 31, 2006

	Share Capital	Accumulated (Loss)	Total
	Rs. '000'	Rs. '000'	Rs. '000'
Balance as on June 30, 2005	884,724	(626,771)	257,953
Loss for the period	-	(51,860)	(51,860)
Balance as on December 31, 2005	884,724	(678,631)	206,093
Issue of share capital	221,181	-	221,181
Loss for the period	-	(68,235)	(68,235)
Balance as on June 30, 2006	1,105,905	(746,866)	359,039
Loss for the period	-	(66,797)	(66,797)
Balance as on December 31, 2006	1,105,905	(813,663)	292,242

The annexed notes from 1 to 12 form an integral part to these interim condensed financial statements.

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


Director


Director

Notes to the Accounts

FOR THE HALF YEAR ENDED DECEMBER 31, 2006

1. THE COMPANY AND ITS OPERATIONS

The company was incorporated in Pakistan as public listed company and its shares are listed on Karachi and Lahore Stock exchanges. The company started its commercial operations on January 01, 2000. The principal activity of the company is to manufacture Fatty Acids and Caustic Soda.

2. GOING CONCERN ASSUMPTION

The company has incurred a loss of Rs. 66.7million for the half year ended December 31, 2006 and has accumulated losses of Rs.813 million. Also its current liabilities exceed current assets by Rs. 133 millions. These interim condensed financial statements have been prepared under going concern assumption due to the following reasons:

- There has been a significant reduction (approx 40%) in electricity cost (being the major raw material for caustic soda production) after the commissioning of new generator sets during the second quarter. Further, caustic soda plant capacity is now optimized and improvements have been made to reduce the operating cost.
- The company has successfully increased the volume of high value added product (Stearic Acid) during the second quarter and gradually reducing the volumes of low margin products. The capacity of Stearic Acid is now being increased by 20% through plant de-bottlenecking to meet the domestic demand which is currently met through imports.
- The Soap Noodles plant is under fabrication stage and would be in operation in the fourth quarter of the current fiscal year. However, in order to establish its market, the company has just started the toll manufacturing of the product.

As a result of the measures so far, the company has earned a gross profit of Rs. 2.5 million in the second quarter against gross loss of Rs. 9.1 million in the first quarter. In view of the above developments, the management is confident that the company will be turned into a profit making entity.

3. BASIS OF PREPARATION

These interim condensed financial statements are unaudited but subject to limited scope review by the auditors and being presented to the shareholders as required under section 245 of the Companies Ordinance 1984 and have been prepared in accordance with the requirements of the International Accounting Standard-34 "Interim Financial Reporting".

4. ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these interim condensed financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2006.

5. ADDITIONS / (DELETIONS) IN PROPERTY, PLANT AND EQUIPMENTS - AT COST

Followings are the additions / (deletions) in the fixed assets made during the half year ended December 31, 2006

	Additions	Disposals
	Rupees in thousands	
Building on free hold land	4,090	-
Plant and machinery		
- Own	31,571	-
- Leasehold	70,600	-
	102,171	-
Furniture and fittings	9	-
Office equipments	5,115	156
Vehicles	919	-
	<u>112,304</u>	<u>156</u>

6. SUBORDINATED LOANS - PARENT COMPANY

During the period, the parent company Knightsbridge Chemicals Limited has provided additional interest free loans of Rs. 57.504 million to the company.

7. SHORT TERM LOANS -Secured

During the period company has availed short term running finance of Rs. 8.9 million from the Bank of Punjab. These loans carry mark up at the rate of six month kibar plus 400 bps and the facility is secured against a ranking charge on the present and future current assets of the company.

8. CONTINGENCIES AND COMMITMENTS

There is no material change in contingencies and commitments since the last audited published financial statements, except on prudence basis a provision of Rs. 7.5 million has been made against the claim of a commercial bank.

9. SALES

	Half year ended		Second quarter ended	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
	(Rupees in thousands)		(Rupees in thousands)	
Gross Sales	324,829	303,893	167,179	173,362
Less: Discount	3,453	1,465	2,834	902
Net Sales	321,376	302,428	164,345	172,460

10. COST OF SALES

	Half year ended		Half year ended	
	December 31, 2006	December 31, 2005	December 31, 2006	December 31, 2005
Opening stock of finished goods	10,712	3,072	8,752	10,992
Cost of goods manufactured	330,469	309,706	166,237	169,889
	341,181	312,778	174,989	180,881
Less: closing stock of finished goods	13,147	10,908	13,147	10,908
	328,034	301,870	161,842	169,973

11. TRANSACTIONS WITH RELATED PARTIES

	Half year ended	
	December 31, 2006	December 31, 2005
	(Rupees in thousands)	
Associated companies		
Sales of power and goods	13,170	12,314
Premises rent shared	438	440
Management and other services received	2,807	4,406
Services rendered	10	116
Utility bills shared	314	345
Parent company		
Foreign currency loans obtained	57,504	421,311
Foreign currency loans paid	(48,280)	(71,952)

Other transaction executed during the half year ended December 31, 2006 is as follows:

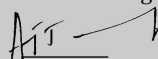
Name of related party	Relationship	Transaction	Rupees in thousands		
			Market price	Transaction value	Price Difference
Mr. Akber Safi (Ex CEO)	Employee	Sale of Lap Top	134	134	-

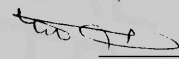
12. GENERAL

12.1 These interim condensed financial statements were authorized for issue on February 23, 2007 by the Board of Directors of the Company.

12.2 The figures have been rounded off to the nearest thousand of rupees.

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


Director


Director

