

## COMPANY INFORMATION

### Board of Directors

Mr. Louis Tucker Link  
(Chairman)

Mr. Fareedullah Qureshi  
(Chief Executive)

Mr. George Rapport  
Mr. Chris McNulty  
Sh. Amar Hameed  
Mr. Saeed-uz-Zaman  
Mr. Javed S. Arif

### Audit Committee

Sh. Amar Hameed  
(Chairman)  
Mr. Louis Tucker Link  
Mr. Saeed-uz-Zaman

### Company Secretary

Mr. Shamshad A. Naushahi

### Auditors

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

### Legal Advisor

KMS Law Associates  
Advocates

### Bankers

United Bank Limited  
Saudi Pak Commercial Bank Limited  
Crescent Commercial Bank Limited  
Muslim 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  
Tel : +92 42 5718001 - 9  
Fax : +92 42 5718013  
E-mail : [contact@nimir.com.pk](mailto:contact@nimir.com.pk)

### Factory

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

### Web Site

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

## DIRECTORS' REVIEW

The company achieved 11.7% increase in sales value during the half year ended December 31, 2004 over the corresponding period of last year. Gross loss has been reduced by Rs.1.6 million (21%) over the corresponding period of the last year.

Financial cost has gone down by 37% due to settlement of leases and reduction in mark-up rates.

The increase in administrative, selling and general expenses is mainly due to certain non-recurring expenses and provisioning.

The right issue presently subscribed by the shareholders would help the company in meeting its targets. This along with the consistent growth in business would yield a better bottom line in the coming half year, Inshah Allah.

**By Order of the Board**

**Director**



## REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed Balance Sheet of NIMIR INDUSTRIAL CHEMICALS LIMITED "and reduced" as at December 31, 2004 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 half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended December 31, 2004 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2004.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. The Standard requires that we plan and perform the review to obtain moderate assurance as to whether the 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 provide 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 financial statements are not presented fairly, in all material respect 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, 2004;

We draw attention to note 2 in the financial statements, which indicates that the company incurred a loss of Rs. 121.974 million during the half year ended December 31, 2004. This condition, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty, which may cause significant doubts about the company's ability to continue as a going concern.

(unaudited)

**Half Yearly  
Accounts**  
December 2004

# BALANCE SHEET

AS AT DECEMBER 31, 2004

	Note	Unaudited	Audited
		December 31, 2004	June 30, 2004
		Rs. '000'	Rs. '000'
<b>CAPITAL AND LIABILITIES</b>			
Authorized Capital		1,450,000	1,450,000
290,000,000 Ordinary Shares of Rs. 5/- each			
Issued, Subscribed and Paid up Capital		707,779	707,779
Share Deposit Money		36,270	-
Accumulated Losses		(469,206)	(347,232)
		274,843	360,547
<b>NON CURRENT LIABILITIES</b>			
Parent Company loan		301,546	295,381
Long Term Loans		606,759	553,798
Liabilities Against Assets Subject To Finance Lease		-	507
Deferred Liabilities			
Provision for Gratuity		8,810	8,184
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables		216,423	146,655
Short Term Finances		25,981	50,865
Current Maturity of Liabilities Against Assets Subject to Finance Lease		-	219
		242,404	197,739
		1,434,362	1,416,156
<b>CONTINGENCIES AND COMMITMENTS</b>			
	5	-	-
<b>NON CURRENT ASSETS</b>			
<b>Tangible Fixed Assets</b>			
Property and Equipment		523,854	538,026
Capital Work in Progress		503,308	497,285
		1,027,162	1,035,311
Long Term Deposits		443	544
Deferred Cost		116,233	179,925
<b>CURRENT ASSETS</b>			
Stores and Spares		5,387	5,484
Stock in Trade		56,384	49,044
Trade Debts		110,078	68,179
Advances, Deposits, Prepayments and Other Receivable		28,540	29,397
Cash and Bank Balances		90,135	48,272
		290,524	200,376
		1,434,362	1,416,156

The annexed notes form an integral part of these financial statements

Lahore  
February 25, 2005

Chief Executive

Director

## PROFIT & LOSS ACCOUNT (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2004

	Note	6 months ended		3 months ended	
		December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
		Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Sales	6	274,497	245,704	135,932	127,135
Cost of Sales	7	280,334	253,129	137,591	129,086
Gross Loss		(5,837)	(7,425)	(1,659)	(1,951)
Administrative, Selling and General Expenses		21,897	15,828	12,340	7,508
Operating Loss		(27,734)	(23,253)	(13,999)	(9,459)
Finance Cost		24,308	38,724	12,014	16,961
		(52,042)	(61,977)	(26,013)	(26,420)
Other Income		420	2,977	265	2,967
Other Charges		5,287	178	903	-
		(56,909)	(59,178)	(26,651)	(23,453)
Amortization of Deferred Cost		63,692	63,692	31,846	31,846
		(120,601)	(122,870)	(58,497)	(55,299)
Gain on Settlement of Long Term Loans		-	22,631	-	22,631
Loss Before Taxation		(120,601)	(100,239)	(58,497)	(32,668)
Provision For Taxation		1,373	1,349	675	753
Loss After Taxation		(121,974)	(101,588)	(59,172)	(33,421)
Accumulated Loss Brought Forward		(347,232)	(883,570)	(410,034)	(951,737)
Accumulated Loss Carried Forward		(469,206)	(985,158)	(469,206)	(985,158)
Earnings Per Share (Rs.)		(0.86)	(0.72)	(0.42)	(0.24)

The annexed notes form an integral part of these financial statements

(Unaudited)

## Half Yearly Accounts December 2004

# CASH FLOW STATEMENT (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2004

	Half Year Ended	
	December 31, 2004	December 31, 2003
	Rs. '000'	Rs. '000'
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) before taxation	(120,601)	(100,239)
Adjustment for:		
Depreciation	14,168	24,258
(Profit)/ Loss on disposal of fixed assets	(420)	178
Finance cost	24,308	38,724
Amortization of deferred cost	63,692	63,692
Foreign exchange loss / (gain)	5,189	(337)
Gain on settlement of long term loans	-	(22,631)
Provision for doubtful debts	1,789	-
Provision for gratuity	1,356	1,356
	110,082	105,240
<b>OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL</b>	(10,519)	5,001
<b>WORKING CAPITAL CHANGES</b>		
(Increase)/Decrease in current assets		
Stores and spares	97	1,116
Stock in trade	(7,340)	(24,362)
Trade debts	(43,688)	(27,816)
Advances, deposits, prepayments and other receivables	(21)	1,347
	(50,952)	(49,715)
Increase/(Decrease) in current liabilities		
Trade and other payables	70,227	31,449
Short term finances	(24,884)	(7,590)
	45,343	23,859
<b>NET CHANGES IN WORKING CAPITAL</b>	(5,609)	(25,856)
<b>CASH GENERATED FROM OPERATIONS</b>	(16,128)	(20,855)
Gratuity paid	(730)	(183)
Finance cost paid	(24,767)	(36,226)
Tax paid	(495)	(343)
	(25,992)	(36,752)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	(42,120)	(57,607)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Addition to fixed assets	(1,174)	(1,480)
Sale proceeds of fixed asset	1,598	636
Long term deposits	101	-
Capital work in progress	(6,023)	(33)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(5,498)	(877)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share deposit money received	36,270	-
Repayment of long term loans	(31,778)	(33,388)
New long term loans	85,715	136,219
Liabilities against assets subject to finance lease	(726)	(89)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	89,481	102,742
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	41,863	44,258
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	48,272	35,386
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	90,135	79,644

The annexed notes form an integral part of these financial statements

Chief Executive

Director

## STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2004

	Share Capital	Share Deposit Money	Accumulated Loss	Total
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Balance as on June 30, 2003	1,415,559	-	(883,570)	531,989
Loss for the period	-	-	(101,588)	(101,588)
<b>Balance as on December 31, 2003</b>	<b>1,415,559</b>	<b>-</b>	<b>(985,158)</b>	<b>430,401</b>
Balance as on June 30, 2004	707,779	-	(347,232)	360,547
Share deposit money received	-	36,270	-	36,270
Loss for the period	-	-	(121,974)	(121,974)
<b>Balance as on December 31, 2004</b>	<b>707,779</b>	<b>36,270</b>	<b>(469,206)</b>	<b>274,843</b>

The annexed notes form an integral part of these financial statements

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

## NOTES TO THE ACCOUNTS (UNAUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2004

### 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. Besides generating power, the principal activity of the company is to manufacture fatty acid.

### 2 GOING CONCERN ASSUMPTION

The company has incurred a loss of Rs. 121.974 million for the half year ended December 31, 2004 and has accumulated losses of Rs. 469.206 million. These financial statements have been prepared under going concern assumption due to the following reasons:

- The company has offered 25% right issue equivalent to Rs. 170 million to the existing shareholders out of which general public, subsequent to period end subscribed Rs.55 million, which would substantially reduce the company's debt. The balance of Rs.101million has been converted from the parent company loan to equity and the underwriting portion of Rs.14 million received in cash from the parent company, subsequent to period end.
- The work on the caustic soda plant is in full swing with the financial support of parent company and it is expected that the plant will be in operation in the last quarter of the current financial year. This will give a substantial contribution to the company.
- The company is also diversifying its product range and adding value to the lower contributory products. In this respect, the company has already acquired few components of soap noodle plant and the remaining plant is in the manufacturing phase, according to the company's specification. This plant is expected to be operational by the first quarter of the next financial year.
- The company has managed to stabilize its sale volumes in the market since July 2004. It started its volumes from 1,000 tons in July which are being gradually increased every month. So far as the company has touched the figure of 1200 tons per month and expects to grow it to over 1500 tons per month. The soap noodle will give additional volume to the company.
- The company has also started exporting the stearic acid to its associate company in Sharjah which is also supporting the company in finding customers in Iran, Turkey and Hong Kong etc.
- The company has been able to obtain new long term financing at a very competitive rate from Cresbank with objective to swap the high cost borrowing from United Bank Limited. In this respect, the disbursement is at the final stage. All formalities in this respect have been completed in Iran, Turkey and Hong Kong etc.

### 3 BASIS OF PREPARATION

These accounts 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 half yearly 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, 2004, except for the following:-

- Dividend is recognized as a liability in the period in which it is declared. Upto previous year, dividends that were proposed after the balance sheet date but before the financial statements were authorized for the issue, were recorded as a liability.
- No deferred cost is recognized during the period. Upto previous year deferred cost was recognized and being amortized over a period of five years on monthly basis from the commencement of commercial operation or from the date of incurrence, if later.

The above changes were considered necessary due to the revision of Fourth Schedule to the Companies Ordinance, 1984 effective July 05, 2004. However, above changes in accounting policies have no financial effect on presented financial statements.

### 5 CONTINGENCIES AND COMMITMENTS

There is no material change in contingencies and commitments since the last audited published financial statements.

6 SALES	6 months ended		3 months ended	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Gross Sales	279,551	250,543	138,526	129,956
Less: Discount	5,054	4,839	2,594	2,821
Net Sales	274,497	245,704	135,932	127,135
<b>7 COST OF SALES</b>				
Opening Stock of Finished Goods	7,898	1,648	5,290	2,426
Cost of Goods Manufactured	282,180	258,154	142,045	133,333
	290,078	259,802	147,335	135,759
Less: Closing Stock of Finished Goods	9,744	6,673	9,744	6,673
	280,334	253,129	137,591	129,086



**8 SEGMENT REPORTING**

	Fatty Acid		Power House		Total	
	6 months ended		6 months ended		6 months ended	
	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003	December 31, 2004	December 31, 2003
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
External sales	243,235	217,086	31,262	28,618	274,497	245,704
Internal sales	-	-	14,256	12,291	14,256	12,291
Total revenue	243,235	217,086	45,518	40,909	288,753	257,995
Cost of sales	(234,010)	(205,533)	(60,580)	(59,887)	(294,590)	(265,420)
Gross profit/(loss)	9,225	11,553	(15,062)	(18,978)	(5,837)	(7,425)
Administrative, selling and general expenses	(19,406)	(13,984)	(2,491)	(1,844)	(21,897)	(15,828)
Operating (loss)	(10,181)	(2,431)	(17,553)	(20,822)	(27,734)	(23,253)
Financial charges	(13,826)	(21,868)	(10,482)	(16,856)	(24,308)	(38,724)
<b>Segment results</b>	<b>(24,007)</b>	<b>(24,299)</b>	<b>(28,035)</b>	<b>(37,678)</b>	<b>(52,042)</b>	<b>(61,977)</b>
<b>Other information</b>						
Capital expenditure	1,086	1,426	88	54	1,174	1,480
Depreciation	8,290	13,600	5,878	10,658	14,168	24,258
<b>Non-cash expenses other than depreciation</b>						
(Profit)/Loss on sale of fixed assets	(239)	100	(181)	78	(420)	178
Amortization of deferred cost	36,226	35,968	27,466	27,724	63,692	63,692

	Fatty Acid		Power House		Total	
	December 31, 2004	June 30, 2004	December 31, 2004	June 30, 2004	December 31, 2004	June 30, 2004
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Segment assets (Fixed assets)	297,953	305,668	225,901	232,358	523,854	538,026

**9 TRANSACTIONS WITH RELATED PARTIES**

**ASSOCIATED COMPANIES**

	6 months ended	
	December 31, 2004	December 31, 2003
	Rs. '000'	Rs. '000'
Purchase of goods	-	5,898
Sales of power and goods	11,187	11,423
Premises rent shared	390	360
Management and other services received	4,688	3,780
Services rendered	333	210
Utility bills shared	312	359

**PARENT COMPANY**

Foreign currency loans obtained	-	136,556
Mark-up on foreign currency loan	-	1,696

Other transaction executed during the half year ended December 31, 2004 is as follows:

Name of related party	Transaction	Relationship	Rupees in thousands		
			Market price	Transaction value	Price difference
Mr. Saeed-uz-Zaman	Sale of car	Director	640	636	4

**10 GENERAL**

- 10.1 These financial statements were authorized for issue on February 25, 2005 by the Board of Directors of the Company.  
 10.2 The figures have been rounded off to the nearest thousand of rupees.

Chief Executive

Director