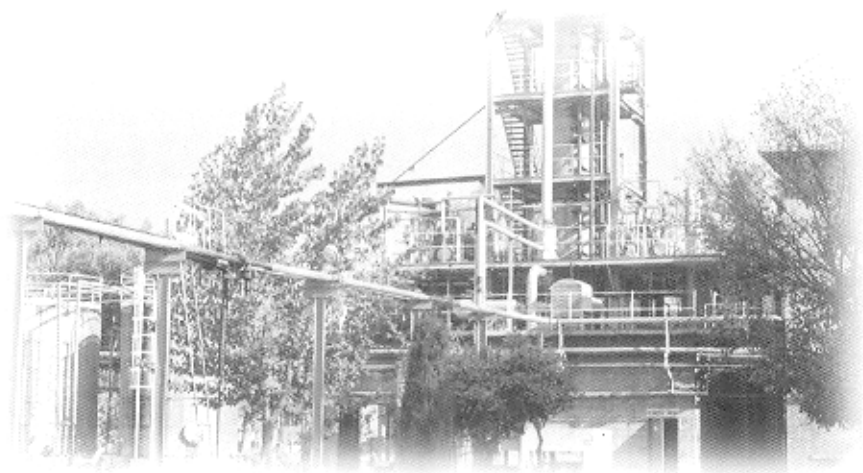


Report & Unaudited Accounts

FOR THE HALF YEAR
Ended December 31, 2005



WAH
NOBEL
CHEMICALS
LTD.



VISION STATEMENT

The Company's vision is to be the Market Leader and serve the needs of customers with total dedication, supply them the current and anticipate their future needs, create value for customers, shareholders, employees and the community

CORPORATE MISSION

- To meet the current needs of its customers and anticipate their future needs.
- To maintain close and direct contacts with the customers to ensure their complete satisfaction.
- Constantly improve the quality of all our activities through operational excellence.
- To give fullest regard to the safety and health of employees and customers.
- To promote professionalism at all levels through constant education, training and development of human resources.
- To safeguard the environment and the community from pollution.
- To create a conducive work environment and inspire people to perform to their fullest potential and to reward talent.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Maj. Gen. Muhammad Javed, HI (M)	:	Chairman
Mr. Rolf Ekberg	:	Vice Chairman
Mr. Syed Kaukab Mohyuddin	:	Chief Executive
Mr. Feroze Khan Malik	:	Director
Mr. Shabbir Ahmad	:	Director
Mr. Shahid Ahmed	:	Director
Mr. Muhammad Nawaz Tishna	:	Director (N.I.T. Nominee)

AUDIT COMMITTEE

Mr. Shahid Ahmed	:	Chairman
Mr. Feroze Khan Malik	:	Member
Mr. S.K. Mohyuddin	:	Member

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Mr. Amanullah Khan, FCA

AUDITORS	:	Ford Rhodes Sidat Hyder & Co., Chartered Accountants
LEGAL ADVISORS	:	The Law Firm of Basit Musheer
BANKERS	:	Muslim Commercial Bank Limited Askari Commercial Bank Limited
REGISTERED OFFICE	:	G.T. Road, Wah Cantt.
PHONES	:	(051) 5568760, 4545243-6 (4 Lines) (051) 9314101-21 (21 Lines) Ext. 22236
CABLE	:	DYNAMITE WAH CANTT.
FAX	:	(051) 4545241 (051) 4535862
E.MAIL	:	wahnobel@comsats.net.pk wahnobel@micro.net.pk
WEBSITE	:	www.wahnobel.com
FACTORY	:	Wah Cantt.

WAH NOBEL CHEMICALS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present un-audited financial statements of your company, duly reviewed by the auditors, for the half year ended 31st December, 2005.

The Company has been able to achieve net sales revenue of Rs.288.201 million during the half year under review vis-à-vis Rs.189.814 million (an increase of Rs.98.387 million i.e. 52%) and earned a pre-tax profit of Rs.27.572 million compared to Rs.25.621 million earned in the corresponding period. The after tax profit for the period ended 31st December 2005 is Rs.21.004 million against Rs.16.021 million for the corresponding period of the previous year.

The management of the Company made tenacious efforts to maintain the profitability level through increase in sales volume as the market conditions did not allow increase in selling prices of the products to fully absorb the impact of increased cost of inputs.

The management of the Company looks forward to the future with confidence and envisages sustained performance in the next six months of the financial year.

The Directors wish to express their appreciation of the team of dedicated officers and staff/workers who continue to make concerted efforts for the growth of the Company.

On behalf of the Board

WAH CANTT.
Dated: 28.02.2006.

SYED KAUKAB MOHYUDDIN
CHIEF EXECUTIVE

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **Wah Nobel Chemicals Limited** as at **December 31, 2005**, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements") 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.

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 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 financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

**FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS**

ISLAMABAD:

Dated: Feb 28th, 2006

WAH NOBEL CHEMICALS LIMITED
BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2005

	December 31, 2005	June 30, 2005	
Note	(Rupees '000')		
	(Audited)		
FIXED ASSETS			
Property, plant and equipment	4	124,841	128,062
LONG TERM INVESTMENT			
		25,000	25,000
CURRENT ASSETS			
Stores, spares and loose tools	20,196	19,959	
Stock in trade	77,245	49,237	
Trade debts	162,021	137,814	
Advances, deposits and prepayments	6,901	5,184	
Other receivables	8,607	6,212	
Advance income tax - net	17,435	18,211	
Cash and bank balances	15,008	13,418	
	307,413	250,035	
	<u>457,254</u>	<u>403,097</u>	
SHARE CAPITAL AND RESERVES			
Authorized capital:			
20,000,000 ordinary shares of Rs.10/- each	<u>200,000</u>	<u>200,000</u>	
Issued, subscribed and paid up capital:			
7,500,000 [June 2005: 7,500,000] ordinary shares of Rs.10/- each, fully paid up in cash	75,000	75,000	
Capital reserve	944	944	
Reserve for issue of bonus shares	5	15,000	-
General reserve	98,000	100,000	
Unappropriated profit	21,607	24,853	
	<u>210,551</u>	<u>200,797</u>	
NON CURRENT LIABILITIES			
Long term financing - secured	28,125	37,500	
Deferred liabilities	25,643	19,897	
CURRENT LIABILITIES			
Trade and other payables	77,174	39,192	
Interest and mark-up accrued	3,806	3,021	
Short term borrowings - secured	93,205	83,940	
Current portion of long term financing - secured	18,750	18,750	
	192,935	144,903	
Contingencies and Commitments	6		
	<u>457,254</u>	<u>403,097</u>	

The annexed notes from 1 to 9 form an integral part of these financial statements.

SHAHID AHMED
DIRECTOR

SYED KAUKAB MOHYUDDIN
CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Half year ended December 31, 2005	Half year ended December 31, 2004	Quarter ended December 31, 2005	Quarter ended December 31, 2004
(Rupees in '000')				
Gross sales	331,059	218,121	157,844	121,330
Sales tax	42,858	28,307	20,460	15,679
Net sales	<u>288,201</u>	<u>189,814</u>	<u>137,384</u>	<u>105,651</u>
Cost of sales	<u>239,667</u>	<u>154,260</u>	<u>110,303</u>	<u>84,550</u>
Gross profit	48,534	35,554	27,081	21,101
Trading income	<u>54</u>	<u>4,363</u>	<u>54</u>	<u>3,011</u>
	48,588	39,917	27,135	24,112
Operating expenses				
Administrative and general expenses	<u>4,311</u>	<u>5,839</u>	<u>2,503</u>	<u>4,463</u>
Distribution cost	<u>10,341</u>	<u>2,929</u>	<u>5,627</u>	<u>987</u>
	14,652	8,768	8,130	5,450
Operating profit	<u>33,936</u>	<u>31,149</u>	<u>19,005</u>	<u>18,662</u>
Other operating income	<u>2,552</u>	<u>99</u>	<u>2,520</u>	<u>65</u>
	36,488	31,248	21,525	18,727
Financial and other charges:				
Financial cost	<u>7,465</u>	<u>4,143</u>	<u>4,659</u>	<u>2,357</u>
Workers' profit participation fund	<u>1,451</u>	<u>1,484</u>	<u>843</u>	<u>948</u>
Workers welfare fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(204)</u>
	8,916	5,627	5,502	3,101
Profit before taxation	<u>27,572</u>	<u>25,621</u>	<u>16,023</u>	<u>15,626</u>
Provision for taxation	<u>(6,568)</u>	<u>(9,600)</u>	<u>(2,526)</u>	<u>(6,100)</u>
Profit after taxation	<u>21,004</u>	<u>16,021</u>	<u>13,497</u>	<u>9,526</u>
Earnings per share - basic and diluted:	<u>2.80</u>	<u>2.14</u>	<u>1.80</u>	<u>1.27</u>

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 9 form an integral part of these financial statements.

SHAHID AHMED
DIRECTOR

SYED KAUKAB MOHYUDDIN
CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	December 31, 2005	December 31, 2004
	(Rupees '000')	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	27,572	25,621
Adjustment for non cash charges and other items:		
Depreciation	3,419	3,343
Financial and other charges	7,295	5,627
Provision against doubtful debts	-	2,496
Allocation of Workers' Profit Participation Fund (WPPF)	1,451	-
Provision for accumulated compensated absences	746	-
Dividend income from associate	(2,500)	-
Interest on TDRs	(52)	(99)
	10,359	11,367
Changes in working capital		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(237)	(2,743)
Stock in trade	(28,008)	3,913
Trade debts	(24,207)	(41,715)
Advances, deposits, prepayments and other receivables	(1,560)	(16,177)
Increase in current liabilities:		
Trade and other payables	26,783	25,910
	(27,229)	(30,812)
Cash generated from operations	10,702	6,176
Income tax paid	(792)	(8,481)
Financial and other charges paid	(6,510)	(10,707)
WPPF paid	(1,500)	-
Interest received	-	60
	(8,802)	(19,128)
Net cash generated from/(used in) operating activities	1,901	(12,952)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(198)	(3)
Net cash used in investing activities	(198)	(3)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - repayments	(9,375)	(9,375)
Short term borrowings	9,265	25,363
Dividends paid	(3)	(12,583)
Net cash (used in)/generated from financing activities	(113)	3,405
Net increase/(decrease) in cash and cash equivalents	1,590	(9,549)
Cash and cash equivalents at beginning of the period	13,418	22,335
Cash and cash equivalents at end of the period	15,008	12,786

The annexed notes from 1 to 9 form an integral part of these financial statements.

SHAHID AHMED
DIRECTOR

SYED KAUKAB MOHYUDDIN
CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Share Capital	Capital Reserve	Reserve for issue of bonus shares	General Reserve	Un- appropriated Profit	Total
(Rupees in '000')						
Balance as at June 30, 2004 (Restated)	75,000	944	-	100,000	27,261	203,205
Final dividend @ Rs. 3.50 per share	-	-	-	-	(26,250)	(26,250)
Profit for the period ended December 31, 2004	-	-	-	-	16,021	16,021
Balance as at December 31, 2004	<u>75,000</u>	<u>944</u>	<u>-</u>	<u>100,000</u>	<u>17,032</u>	<u>192,976</u>
Balance as at June 30, 2005	75,000	944	-	100,000	24,853	200,797
Final dividend @ Rs. 1.50 per share	-	-	-	-	(11,250)	(11,250)
Reserve for issue of bonus shares	-	-	15,000	(2,000)	(13,000)	-
Profit for the period ended December 31, 2005	-	-	-	-	21,004	21,004
Balance as at December 31, 2005	<u>75,000</u>	<u>944</u>	<u>15,000</u>	<u>98,000</u>	<u>21,607</u>	<u>210,551</u>

The annexed notes from 1 to 9 form an integral part of these financial statements.

SHAHID AHMED
DIRECTOR

SYED KAUKAB MOHYUDDIN
CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

1. STATUS AND NATURE OF BUSINESS

- 1.1** Wah Nobel Chemicals Limited (the Company) was incorporated in Pakistan on May 31, 1983 as a public limited company under the Companies Act, 1913, (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The holding company of the Company is Wah Nobel (Private) Limited and the ultimate holding company is Wah Industries Limited. The registered office and manufacturing facilities of the Company are situated in Wah Cantt, Pakistan.
- 1.2** The principal activity of the Company is to manufacture Formaldehyde and Formaldehyde based liquid resins for use as bonding agent in the chip board, plywood and flush door manufacturing industries. It is also engaged in erection of plants and trading activities.

2. BASIS OF PREPARATION

These financial statements are unaudited but subject to limited scope review by the external auditors, as required by the Code of Corporate Governance, and are being circulated to the shareholders in compliance with section 245 of the Companies Ordinance, 1984. These financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as applicable in Pakistan.

3. ACCOUNTING POLICIES

- 3.1** The accounting policies adopted in preparation of these half yearly financial statements are same as those applied in the preparation of preceding annual financial statements of the Company.
- 3.2** Dividend income is recognised when the right to receive dividend is established.

4. PROPERTY, PLANT AND EQUIPMENT - AT BOOK VALUE

Following is the statement of additions to operating assets during the period:

	December 31, 2005	
	Additions	Deletions
	(Rupees '000')	
Furniture and fixtures	38	-
Office equipment	92	-
Computer installations	68	-
	198	-

5. RESERVE FOR ISSUE OF BONUS SHARES

This represents reserve created for issuing bonus shares pursuant to the resolution passed by shareholders of the Company in the 22nd Annual General Meeting held on December 22, 2005, approving the issue of bonus shares in the proportion of 1 ordinary share for every 5 ordinary shares held, i.e., 20%. However, since the Company could not meet the "free reserves" requirement stipulated under Rule 6 of the Companies (Issue of Capital) Rules, 1996 (the Rule), the bonus shares could not be issued. Subsequently, the management of the Company applied to the Securities and Exchange Commission of Pakistan (SECP) for relaxing the requirements specified under the above Rule, specifically sub-rule (iv), for the purpose of calculating the free reserves of the Company. The SECP, accepting the justification submitted by the Company's management, has allowed the requested relaxation as a consequence of which the Company is able to meet the relaxed free-reserves requirement and can proceed with the issue of bonus shares subject to compliance with the other stipulated conditions as specified in the Rule.

6. CONTINGENCIES AND COMMITMENTS

6.1 Contingencies

The contingencies reported in the preceding annual financial statements have undergone the following changes:

- 6.1.1** The contingent liability of the Company on account of vend fee and permit fee has increased from Rs. 355 million to Rs. 396 million on account of further import of Methanol from July 01, 2005 to December 31, 2005.

	December 31, 2005	June 30, 2005
	<u>(Rupees '000')</u>	
6.2 Commitments in respect of:		
6.2.1 Letters of credit for purchase of stocks	<u>34,400</u>	<u>48,700</u>

7. RELATED PARTY TRANSACTIONS

Significant transactions with related parties during the period were as follows:

Transfer of funds	<u>900</u>	<u>115,388</u>
Receipts of funds	<u>36,117</u>	<u>125,530</u>
Expenses incurred on behalf of group companies	<u>480</u>	<u>4,762</u>
Expenses incurred by group companies on behalf of the Company	<u>1,891</u>	<u>5,439</u>
Service charges billed and recovered through Wah Nobel Detonators (Pvt) Ltd.	<u>-</u>	<u>34,392</u>
Vehicles lease rentals paid by the holding company	<u>415</u>	<u>349</u>
Dividend income from Wah Nobel Acetates Ltd.	<u>2,500</u>	<u>-</u>

8. CORRESPONDING FIGURES

8.1 The figures of the profit and loss account for the quarters ended December 31, 2004 and December 31, 2005 have not been reviewed by the auditors of the Company as they have reviewed the commulative figures for the half years ended December 31, 2004 and December 31,2005.

8.2 Figures have been rounded off to the nearest thousand Rupees.

9. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 28, 2006 by the Board of Directors of the Company.

SHAHID AHMED
DIRECTOR

SYED KAUKAB MOHYUDDIN
CHIEF EXECUTIVE