

WAH NOBEL
CHEMICALS
LIMITED



ISO 9001:2000, 14001, IEC 17025 & OHSAS 18000 CERTIFIED

ANNUAL REPORT 2008



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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

Lt. Gen. Syed Sabahat Husain, HI (M)	:	Chairman
Mr. Rolf Ekberg	:	Vice Chairman
Mr. Syed Naseem Raza	:	Director
Mr. Feroze Khan Malik	:	Director
Mr. Shahid Ahmed	:	Director
Mr. Muhammad Nawaz Tishna	:	Director (N.I.T. Nominee)
Mr. Aftab Iqbal	:	Director

CHIEF EXECUTIVE : Mr. Shabbir Ahmed

AUDIT COMMITTEE

Mr. Shahid Ahmed	:	Chairman
Mr. Feroze Khan Malik	:	Member
Mr. Aftab Iqbal	:	Member

COMPANY SECRETARY : Mr. Tauqir Sadiq

**ACTING GENERAL MANAGER
FINANCE & ACCOUNTS** : Mr. Tanveer Elahi

AUDITORS : Anjum Asim Shahid Rehman
Chartered Accountants

LEGAL ADVISORS : The Law Firm of Basit Musheer

SHARES REGISTRAR : Ilyas Saeed Associates (Pvt) Ltd.
Management Consultants,
Office # 26, 2nd Floor, Rose Plaza,
I-8 Markaz, Islamabad
Phone: (051) 4102626-7
Fax: (051) 4102628
E-mail: iilyas@hotmail.com

BANKERS : MCB Bank Limited
Bank Al-Habib 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.

COMPANY PROFILE

Wah Nobel Chemicals Limited is a Pakistan's leading manufacturer of Formaldehyde, UF and PF Resins.

Since its inception Wah Nobel Chemicals Limited has stood as a symbol of quality, safety, reliability, unparalleled after sale service and commitment. Its products enjoy the highest reputation throughout Pakistan. This has been achieved through innovation, expertise, state of the art technology and a vision for the future.

PRODUCTION PREMISES

- Total Area 45,100 Sqr. M
- Process Area 11,250 Sqr. M
- Auxiliary Building 1,000 Sqr. M
- Green Area 11,730 Sqr. M
- Open Plot For Future Expansion 21,120 Sqr. M

PRODUCT RANGE

- Formaldehyde 37 TO 55%
Concentration
- Urea Formaldehyde Glue Various Grades
- Phenol Formaldehyde Glue Various Grades
- Special Resins Various Grades
- UFC 85

INSTALLED CAPACITY

Formaldehyde	30,000 M. Tons per annum.
Urea/Phenol Formaldehyde	19,000 M. Tons per annum.

QUALITY LEADERSHIP

Quality is an integral part of our business environment and culture. The certification of ISO 9001-2000 affirms our commitment to the adherence of international quality standards. Further, our Laboratory Management System has also been awarded ISO 17025 Certification by Pakistan National Accreditation Council. Both of these certifications add to the confidence of our customers in our ability to provide them with the best products and services at most competitive prices.



WAH NOBEL CHEMICALS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 25th Annual General Meeting of the shareholders of WAH NOBEL CHEMICALS LIMITED will be held at the Registered Office of the Company, G.T. Road, Wah Cantt on Tuesday, the 28th October, 2008 at 11.00 hours to transact the following business:

1. To confirm Minutes of the Annual General Meeting held on 27th November, 2007.
2. To receive, consider and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30th June, 2008 together with Auditors' Report thereon.
3. To approve payment of cash dividend @ Rs.5.00 per share i.e. 50% as recommended by the Directors:
4. To appoint Auditors of the Company for the year 2008-09 and to fix their remuneration.
5. To transact any other business with the permission of the Chairman.

By Order of the Board

(TAUQIR SADIQ)
COMPANY SECRETARY

WAH CANTT.

DATED: 07-10-2008

NOTES:

1. To determine the entitlement of shareholders to the cash dividend the share transfer books of the Company will remain closed from 22nd to 28th October, 2008 (both days inclusive).
2. Transfers received in order at the Registered Office of the Company by the close of business on 21st October, 2008 will be treated in time for the purpose of above mentioned entitlement(s) to the transferees.
3. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. Proxies in order to be effective, must be received by the Company at its Registered Office not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
4. CDC Account Holders are advised to bring their original National Identity Cards to authenticate their identity along with CDC account numbers at the meeting. However, if any proxies are granted by such shareholders, the same shall also have to be accompanied with attested copies of the National Identity Card of the grantor, and the signature on the proxy form has to be the same as appearing on the National Identity Card.
5. The shareholders are requested to communicate to the Company the change of address, if any, immediately.

WAH NOBEL CHEMICALS LIMITED
DIRECTOR'S REPORT TO THE SHAREHOLDERS

Dear Shareholders,

The Directors of the company are pleased to present their Annual Report and the Audited Accounts for the year ended 30th June-2008 alongwith the Auditors's Report thereon

1. <u>FINANCIAL RESULTS</u>	<u>Rupees</u>
Profit before taxation	152,514,393
Less: Provision for taxation	<u>(50,521,719)</u>
Profit after taxation	101,992,674
Add: Un-appropriated profit brought forward	<u>26,183,129</u>
Profit available for appropriation	128,175,803
Dividend Paid @ Rs.2/- per share (No. of shares 9,000,000) @ Rs.2/- per share	(18,000,000)
Transfer to reserve	<u>(5,000,000)</u>
Un-appropriated profit carried forward	<u>105,175,803</u>

2. APPROPRIATIONS

Your Directors have recommended for the year 2007-08, a payment of cash dividend @ Rs.5.00 per share (i.e 50%) and transfer to general reserve Rs.30 Million.

3. NET EARNING PER SHARE

The net earning per share Rs.11.33 (2006: Rs.2.10)

4. OPERATING PERFORMANCE

The management of the company achieved better profitability level mainly through judicious procurement of raw material, operation of Formaldehyde and Urea Formaldehyde plants at optimal efficiency and overall better management during the year 2007-08.

5. **OUTLOOK FOR 2008-09**

The resin sector showed growth in the year 2007-08 which is also expected to continue during 2008-09. Therefore, the management of the company being vigilant of the resin market would put more emphasis on achieving the better financial results in 2008-09

6. **STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK**

Code of Corporate Governance

Securities and Exchange Commission of Pakistan (SECP) has formulated a "Code of Corporate Governance" (Code). The Company for the year ended 30th June-2008 has duly complied with the provisions of the code and the Directors hereby confirm the following.

- i) The financial statements present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.
- ii) The Company has maintained proper books of account.
- iii) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- iv) International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.
- v) The system of internal control is sound in design and has been effectively implemented and monitored.
- vi) There are no significant doubts upon the Company's ability to continue as a going concern.
- vii) There has been no material departure from the best practices of corporate governance, as detailed in the Stock Exchange Listing Regulations.
- viii) Summary of key operation and financial data of last six financial years is attached to this report.

BOARD MEETING

- ix) During the year ended 30th June, 2008 a total of five meetings of the Board of Directors were held. Leave was granted to the members of Board who were unable to attend the meeting. The attendance of each Director at the meeting of the Board of Directors is as under:

Directors		<u>Number of meetings Attended</u>	
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1.	Lt. Gen. Syed Sabahat Husain	Chairman	3
2.	Mr. Rolf Ekberg	Vice Chairman	2
3.	Mr. Feroz Khan Malik		4
4.	Mr. Shahid Ahmed		4
5.	Mr. Muhammad Nawaz Tishna		5
6.	Mr. Shabbir Ahmed	Director (Retired w.e.f 09.10.2007)	1
7.	Mr. Syed Naseem Raza	Director (Appointed w.e.f 09.10.2007)	4
8.	Mr. Muhammad Alamgir	Director (retired w.e.f 31.10.2007)	1
9.	Mr. Aftab Iqbal	Director (Appointed w.e.f 31.10.2007)	4
10.	Mr. Shabbir Ahmed	Chief Executive	5

x) Value of Investment of Provident Fund, Gratuity and Pension Funds Scheme for the financial year ending June 30, 2008 are as follows:

	<u>Rupees</u>
Provident Fund	16,846,400
Gratuity Fund	5,293,291
Pension Fund	4,634,652

7. VEND FEE AND PERMIT FEE

As regards vend fee and permit fee case, Sindh High Court has already pronounced favourable judgement. Presently the case is pending with the learned Supreme Court of Pakistan. In view of the merits of the case and favourable decision of the Sindh High Court, the management is expecting a favourable decision from the apex court and is making necessary efforts to continue as a going concern.

8. AUDITORS

The present Auditors M/s Anjum Asim Shahid Rehman & Company, Chartered Accountants, Islamabad retire and being eligible, offer themselves for re-appointment for the financial year 2008-09.

9. PATTERN OF SHAREHOLDING

The pattern of shareholding as at 30th June 2008 is annexed.

10. CHANGES IN THE BOARD

Consequent upon the retirement of Directors Mr. Shabbir Ahmed and Mr. Muhammad Alamgir and the nomination by the holding Company, M/s Wah Nobel (Pvt) Limited (WNPL), Mr. Syed Naseem Raza and Mr. Aftab Iqbal have been appointed as Directors respectively in place of the retiring Directors to represent WNPL on the Board of Wah Nobel Chemicals Limited.

11. ACKNOWLEDGMENT

The Directors wish to place on record that the turn around in operations and record financial results of the company during the year, have been due to the efficient management, constant hard work and concerted efforts of all employees of the company. The Directors wish to place on record their appreciation for the same. The Directors also thank all the valued customers for their continued patronage and support.

On behalf of the Board

WAH CANTT
Dated: 07-10-2008

(SHABBIR AHMED)
Chief Executive

SIX YEARS AT A GLANCE

	2003	2004	2005	2006	2007	2008
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(A) Trading Results:

i) Net Sales Revenue	203.265	344.434	502.463	559.959	495.908	697.510
ii) Gross Profit	53.926	54.365	73.436	78.107	81.135	221.722
iii) Operating Profit	41.929	48.310	53.108	51.787	49.905	172.586
iv) Profit Before Tax	40.350	46.036	40.213	34.747	29.503	152.514
v) Profit After Tax	26.896	34.804	23.843	23.503	18.895	101.992

(B) Balance Sheet

i) Paid-up Capital	75.000	75.000	75.000	90.000	90.000	90.000
ii) Shareholders Equity	168.401	203.205	200.798	213.050	215.128	299.12
iii) Property, Plants and Equipment	106.648	134.813	128.062	122.532	117.470	109.852
vi) Current Assets	184.754	229.552	250.036	265.177	283.163	428.841
v) Long Term Liabilities	40.000	56.250	37.500	18.750	-	

(C) Key Financial Ratios

i) Gross Profit %	26.53%	15.79%	14.62%	13.94%	16.36%	31.78%
ii) Profit Before Tax %	19.85%	13.37%	8%	6.20%	5.95%	21.86%
iii) Earning Per Share After Tax Rs.	3.59	4.64	2.65	2.61	2.10	11.33
iv) Yield Cash % (Dividend)	30%	35%	15%	20%	20%	-
v) Debt: Equity Ratio	4.21:1	3.61:1	5.35:1	11.36:1	-	-
vi) Break-up Value Per Share Rs.	22.45	27.10	26.77	23.67	23.90	33.23
vii) Current Ratio	1.80:1	2:1	2:1	1.70:1	1.51:1	1.69:1

WAH NOBEL CHEMICALS LIMITED
PATTERN OF SHAREHOLDING

Pattern of holding of the shares held by the shareholders as at

3 0

0 6

2 0 0 8

No of shareholders	Shareholding	Total shares held
100	shareholding from 1 to 100 shares	5,675
414	shareholding from 101 to 500 shares	113,980
153	shareholding from 501 to 1000 shares	108,065
171	shareholding from 1001 to 5000 shares	368,749
42	shareholding from 5,001 to 10,000 shares	238,740
18	shareholding from 10,001 to 20,000 shares	230,300
4	shareholding from 20,001 to 30,000 shares	82,000
17	shareholding from 30,001 to 50,000 shares	500,616
2	shareholding from 50,001 to 100,000 shares	227,000
3	shareholding from 100,001 to 1,000,000 shares	2,154,480
1	shareholding from 1,000,001 to 5,000,000 shares	4,970,395
925	Total	9,000,000

Categories of shareholders	Shares held	Percentage
♦ Directors, Chief Executive Officer, and their spouse and minor children.	Mr. Feroze Khan Malik, Director & his spouse: 57,600	0.64
♦ Associated Companies, undertakings and related parties. Wah Nobel (Pvt) Ltd WNPL Employees Provident Fund WNCL Employees Provident Fund WNDL Employees Provident Fund	4,970,400 87,000 33,102 12,000	55.23 0.97 0.37 0.13
♦ NIT and ICP	NIT: 636,624 ICP: 625	7.07 0.01
♦ Banks Development Financial Institutions, Non Banking Financial Institutions.	655,961	7.29
♦ Insurance Companies	874,080	9.71
♦ Modarabas and Mutual Funds	6,990	0.08
♦ Shareholders holding 10%	-	-
♦ General Public a. Local b. Foreign	1,596,795 -	17.74 -
♦ Others (to be specified)	Investment Companies: 1,920 Trust: 18,600 Joint Stock Coys. 48,303	0.02 0.21 0.54
Total:	9,000,000	100.00

STATEMENT OF ETHICS & BUSINESS PRACTICES

The Company's Ethics and Business Practices conform to the WNL Group Vision and the Company's Mission Statement.

THE PURPOSE AND VALUES OF BUSINESS

Manufacturing of Formaldehyde and Formaldehyde Resins that conform to the Specified Standards in order to achieve the qualitative edge over the competitors and save foreign exchange, develop and utilize technical capabilities in the resin industry.

EMPLOYEES

Recruitment of personnel on merit offering training and career development, equal opportunities of growth, no discrimination or harassment and reward for achievements. Improved working conditions, ensuring safety, security and health. Terminal benefits as per policy on retirement or redundancy.

Employees shall not use Company information and assets for their personal advantage. Conflict of interest shall be avoided and disclosed where it exists and guidance sought, if required.

CUSTOMER RELATION

Ensure customer satisfaction and delight by providing quality products at competitive prices and ensuring after sale service/advice.

SHAREHOLDERS, FINANCIAL INSTITUTIONS & CREDITORS

Protection of investment made in the Company and proper return on money lent/invested. A commitment to accurate and timely communication on achievements and prospects.

SUPPLIERS

Prompt settling of bills. Co-operation to achieve quality and efficiency. No bribery or excess hospitality accepted or given.

SOCIETY/COMMUNITY

Compliance with the spirit of laws. Timely payment of all Government taxes and dues. Eliminate the release of substance that may cause environmental damage. Financial assistance for promoting education and social activities including games and donations/charity to deserving.

GENERAL

The Company shall neither support any political party nor contribute funds to groups or associations whose activities promote political interest. The Company shall promote its legitimate business interest and look after the betterment of its employees.

IMPLEMENTATION

Company Board to ensure implementation of these codes, regular monitoring, review for modification/ amendment where necessary.

**STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE FOR THE YEAR ENDED
JUNE 30, 2008**

This statement is being presented to comply with the Code of Corporate Governance as contained in the Listing Regulation No.37 (Chapter XI) of the Karachi Stock Exchange, Clause 40 (Chapter XIII) of the Listing Regulation of the Lahore Stock Exchange and Section 36 (Chapter XI) of the Listing Regulations of the Islamabad 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 independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one independent non-executive director, five non-independent non-executive directors nominated by institutions and one non-executive director representing minority shareholders.
2. The directors have voluntarily confirmed that none of them is serving as director in more than ten listed companies.
3. 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 Development Financial Institution or a Non-Banking Financial Institution and has been declared as a defaulter by any Stock Exchange.
4. Consequent upon the retirement of Directors Mr. Shabbir Ahmed and Mr. Muhammad Alamgir and the nomination by the holding Company, M/s Wah Nobel (Pvt) Limited (WNPL), Mr. Syed Naseem Raza and Mr. Aftab Iqbal have been appointed as Directors respectively in place of the retiring

Directors to represent WNPL on the Board of Wah Nobel Chemicals Limited.

Further, resignation of Director, Mr. Muhammad Nawaz Tishna, has been received. Appointment of Director in his place shall be made upon the receipt of nomination from M/s NIT which is still awaited.

5. The Company has adopted 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 and mission statement, overall corporate strategy and significant policies. A complete record of particulars of significant policies along with the date 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 terms and conditions of employment of the Chief Executive have been taken by the Board. No director or Chief Executive is being remunerated by the Company.
8. The meeting of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, Company’s memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and

- responsibilities. The Company is committed to arrange orientation courses for its directors to apprise them of their duties and responsibilities in future.
10. Terms of appointment including remuneration of Company Secretary and Chief Financial Officer will be approved by the Board.
 11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
 12. The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer before submission to the Board for approval.
 13. The Directors, Chief Executive 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 three members, of whom all are non-executive directors including the chairman of the committee.
 16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
 17. The Company has 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 programme of the Institute of Chartered Accountants of Pakistan, that they

or any 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 Accountants (IFAC) guidelines on Code of ethics as adopted by the 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 have observed IFAC guidelines in this regard.
20. We confirm that all material principles contained in the Code have been complied with.

SHAHID AHMED
CHAIRMAN BOARD OF
AUDIT COMMITTEE

SHABBIR AHMED
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 prepared by the Board of Directors of Wah Nobel Chemicals Limited (the Company) to comply with the relevant Listing Regulation No.37 of Karachi Stock Exchange, Chapter XIII of the Listing Regulations of the Lahore Stock Exchange and Chapter XI of the Listing Regulations of the Islamabad 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 of Corporate Governance.

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, 2008.

ANJUM ASIM SHAHID REHMAN
CHARTERED ACCOUNTANTS

Islamabad.

Dated: 07.10.2008.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Wah Nobel Chemicals Limited** as at **June 30, 2008** and the related profit & 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 purpose of our audit.

It is the responsibility of the Company's management to establish and maintain a system of Internal Control, and prepare and present the above said Statements in conformity with the approved Accounting Standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a) In our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b) In our opinion;
 - i) the balance sheet and the profit & 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 account and are further in accordance with accounting policies consistently applied, except as disclosed in note 3 with which we concur;
 - 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 & 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, 2008, and of the profit, its cash flows and changes in equity for the year then ended; and
- d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 37.1.2 to the financial statements. The Company is defendant in a lawsuit alleging non-payment of vend and permit fee of Rs.548 million on methanol to the Excise and Taxation Department, Government of Sindh. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in these financial statements. In the event of an unsuccessful outcome, there is a substantial doubt that the Company will be able to continue as a going concern.

Islamabad:
Dated: 07.10.2007.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants

WAH NOBEL CHEMICALS LIMITED**BALANCE SHEET****AS AT JUNE 30, 2008**

	Note	June 30 2008 Rupees	June 30 2007 Rupees
Assets			
Non current assets			
Property, plant and equipment	6	109,851,654	117,469,699
Long term investment	7	31,405,334	25,703,037
		141,256,988	143,172,736
Current assets			
Stores, spares and loose tools	8	20,030,944	21,872,107
Stock in trade	9	117,444,804	57,345,390
Trade debts	10	247,918,034	157,117,394
Advances, deposits and prepayments	11	16,369,502	8,512,056
Other receivables	12	17,673,070	4,879,992
Taxation- Net	13	-	2,859,367
Cash and bank balances	14	9,404,700	30,576,489
		428,841,054	283,162,794
Total assets		570,098,042	426,335,530
Equity			
Issued, subscribed and paid up capital 9,000,000 (2007: 9,000,000) ordinary shares of Rs.10 each	15	90,000,000	90,000,000
Capital reserve	16	944,404	944,404
Revenue reserves	17	208,175,803	124,183,129
Total equity		299,120,207	215,127,533
Liabilities			
Non current liabilities			
Deferred tax liability	19	14,516,261	21,680,020
Accumulated compensated absence	20	3,219,363	2,401,315
		17,735,624	24,081,335
Current liabilities			
Current portion of finance lease	21	-	581,275
Current portion of long term financing - secured	18	-	18,750,000
Trade and other payables	22	120,735,186	79,000,344
Due to associated companies	23	341,379	444,686
Accrued mark-up	24	1,622,346	3,247,027
Short term borrowings - secured	25	87,091,151	85,103,331
Taxation- Net	13	43,452,149	-
		253,242,211	187,126,662
Total liabilities		270,977,835	211,207,997
		570,098,042	426,335,530

The annexed notes from 1 to 47 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30 2008 Rupees	June 30 2007 Rupees
Manufactured goods			
Sales - net	26	697,510,108	495,908,078
Cost of sales	27	(475,788,368)	(414,773,386)
Gross profit		221,721,740	81,134,692
Profit from trading activity	28	2,566,978	2,749,259
		224,288,718	83,883,952
Operating expenses			
Administrative and general expenses	29	(24,874,508)	(14,252,027)
Selling and distribution expenses	30	(27,317,718)	(20,177,681)
Other operating income	31	489,024	450,680
Operating result		172,585,517	49,904,923
Finance cost	32	(13,737,037)	(17,202,662)
Other expenses	33	(12,036,384)	(2,692,927)
Share in profit/loss of associated company-net of tax	8	5,702,297	(506,586)
Profit before taxation		152,514,393	29,502,749
Provision for taxation	34	(50,521,719)	(10,607,427)
Profit after taxation		101,992,674	18,895,323
Earnings per share - basic and diluted	35	11.33	2.10

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

The annexed notes from 1 to 47 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Share Capital	Capital reserve	issue of bonus shares	General reserve	Unappropriated profit	Total
	Rupees					
Balance as at June 30, 2006	90,000,000	944,404	-	98,000,000	25,287,806	214,232,210
Dividend @ Rs. 2.00 per share	-	-	-	-	(18,000,000)	(18,000,000)
Profit for the year	-	-	-	-	18,895,323	18,895,323
Balance as at June 30, 2007	90,000,000	944,404	-	98,000,000	26,183,129	215,127,533
Dividend @ Rs. 2.00 per share	-	-	-	-	(18,000,000)	(18,000,000)
Transfer to general reserve	17	-	-	5,000,000	(5,000,000)	
Profit for the year	-	-	-	-	101,992,674	101,992,674
Balance as at June 30, 2008	90,000,000	944,404	-	103,000,000	105,175,803	299,120,207

The annexed notes from 1 to 47 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	June 30 2008 Rupees	June 30 2007 Rupees
Cash flows from operating activities			
Profit before taxation		152,514,393	29,502,749
Adjustment	37	44,476,928	32,805,986
Changes in working capital			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		1,841,162	(1,677,659)
Stock in trade		(60,099,414)	(11,016,611)
Trade debts		(106,550,717)	(18,521,537)
Advances, deposits and prepayments		(7,857,448)	(1,199,365)
Other receivables		(12,687,208)	20,523,103
(Decrease) / increase in current liabilities:			
Trade and other payables		31,081,281	26,508,147
		<u>(154,272,344)</u>	<u>14,616,079</u>
Cash generated from operations		42,718,977	76,924,814
Payments for:			
Financial charges		(15,257,678)	(16,485,349)
WPPF		(1,664,599)	(1,979,076)
Employees' gratuity fund		(105,871)	-
Accumulated compensated absences		(490,000)	(702,838)
Taxation		(11,373,962)	(2,492,877)
		<u>(28,892,111)</u>	<u>(21,660,140)</u>
Net cash generated from operating activities		13,826,866	55,264,675
Cash flows from investing activities			
Payments for capital expenditure		(5,200)	(362,270)
Proceeds from sale of property, plant and equipment		350,000	7,250
Net cash used in investing activities		344,800	(355,020)
Cash flows from financing activities			
Long term financing repayments		(18,750,000)	(18,750,000)
Short term borrowings		1,987,820	3,866,982
Repayment against finance lease arrangement		(581,275)	(304,593)
Dividends paid		(18,000,000)	(18,000,000)
Net cash used in financing activities		<u>(35,343,456)</u>	<u>(33,187,612)</u>
Net decrease in cash and cash equivalents		(21,171,790)	21,722,043
Cash and cash equivalents at beginning of the year		30,576,489	8,854,446
Cash and cash equivalents at end of the year	14	<u>9,404,700</u>	<u>30,576,489</u>

The annexed notes from 1 to 47 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1 Status and nature of business

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.

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 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3 Change in accounting policies

3.1 Overall considerations

The Company has earlier adopted application of IFRS 7 Financial Instruments: Disclosures in its 2008 financial statements following notification of Securities and Exchange Commission of Pakistan (SECP) vide SRO 411(1)/2008. The Standard has been applied retrospectively, ie with amendments to the 2007 accounts and their presentation. The 2007 comparatives contained in these financial statements therefore differ from those published in the financial statements for the year ended June 30, 2007.

Other Standards or Interpretations relevant for IFRS financial statements did not become effective during the current financial year.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect of presentation, recognition and measurement of accounts are described in the following note. An overview of Standards and Interpretations that will become mandatory for the Company in future periods is given in note 3.4.

3.2 Amendment of IAS 1 Presentation of Financial Statements

In accordance with the amendment of IAS 1 Presentation of Financial Statements, the Company now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change in IAS 1 can be found in note 36.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

3.3 Adoption of IFRS 7 Financial Instruments: Disclosures

IFRS 7 Financial Instruments: Disclosures is mandatory for reporting periods beginning on April 28, 2008 or later according to SRO (411 (1)/2008 of SECP. The new Standard replaces and amends disclosure requirements previously set out in IAS 32 Financial Instruments: Presentation and Disclosures. All disclosures relating to financial instruments including all comparative information have been updated to reflect the new requirements. In particular, the Company's financial statements now feature

- a sensitivity analysis, to explain the Company's market risk exposure in regards to its financial instruments,
 - a maturity analysis that shows the remaining contractual maturities of financial liabilities,
- each as at the balance sheet date. The first-time application of IFRS 7, however, has not resulted in any prior-period adjustments of cash-flows, net income or balance sheet line items.

3.4 Statement, interpretations and amendments to published accounting standards that are not yet effecti

The following standards, interpretations and amendments of approved accounting standards effective for accounting period beginning on or after January 01, 2007 are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements other than certain increased disclosures in some cases:

Standards or Interpretation	Effective for in reporting periods starting on or after
- IAS 23 - Borrowing Costs (Revised 2007)	1 January 2009
- IFRS 2 - Share based Payment - amendment relating to vesting conditions and cancellations	1 January 2009
- IFRS 3 - (Revised) Business Combinations - Comprehensive revision on applying the acquisition method	1 July 2009
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 July 2009
- IAS-1 - Presentation of Financial Statements - Comprehensive revision including requiring a statement of comprehensive income	1 January 2009
- IAS-1 - Presentation of Financial Statements - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	1 January 2009
- IAS 1 - Presentation of Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2009
- IAS 16 Property, Plant and Equipment - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2009
- IAS-19 Employee Benefits - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2009

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

- IAS-20 Government Grants and Disclosure of Government Assistance - Amendments resulting from May 2008 Annual Improvements to IFRSs 1 January 2009
- IAS-23 Borrowing Costs - Amendments resulting from May 2008 Annual Improvements to IFRSs 1 January 2009
- IAS 27 (Revised) Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3 1 January 2009
- IAS 27 (Revised) Consolidated and Separate Financial Statements - Amendment relating to cost of an investment on first-time adoption 1 January 2009
- IAS 27 (Revised) Consolidated and Separate Financial Statements - Consolidated and Separate Financial Statements - Amendments resulting from May 2008 Annual Improvements to IFRSs 1 January 2009
- IAS 28 (Revised) Investments in Associates - Amendments resulting from May 2008 Annual Improvements to IFRSs 1 January 2009
- IAS 28 (Revised) Investments in Associates - Consequential amendments arising from amendments to IFRS 3 1 July 2009
- IAS-29 Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRSs 1 January 2009
- IAS-29 Financial Reporting in Hyperinflationary Economies - Amendments resulting from May 2008 Annual Improvements to IFRSs 1 July 2009
- IAS 31 (Revised) Interest in Joint Ventures - Amendments resulting from May 2008 Annual Improvements to IFRSs 1 January 2009
- IAS 32 (Revised) Financial Instruments: Presentation - Amendments relating to puttable instruments and obligations arising on liquidation 1 January 2009
- IAS-36 Impairment of Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs 1 January 2009
- IAS-38 Intangible Assets - Amendments resulting from May 2008 Annual Improvements to IFRSs 1 January 2009
- IAS-39 Financial Instruments: Recognition and Measurement - Amendments resulting from May 2008 Annual Improvements to IFRSs 1 January 2009

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

- IAS-40 Investment Property - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2009
- IAS-41 Agriculture - Amendments resulting from May 2008 Annual Improvements to IFRSs	1 January 2009
- IFRIC 11 - Group and Treasury Share Transactions	1 March 2007
- IFRIC 12 - Service Concession Arrangements	1 January 2008
- IFRIC 13 - Customer Loyalty Programmes	1 July 2008
- IFRIC 14 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

In addition to above, a new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and eight IFRSs have been issued by International Accounting Standard Board (IASB). Out of these four IFRSs have been adopted by the Institute of Chartered Accountant of Pakistan (ICAP) and approved by SECP. However, following IFRSs have not been adopted by SECP, therefore, do not form part of the approved local financial reporting framework:

- IFRS 1 - First-time Adoption of the International Financial Reporting Standard
- IFRS 4 - Insurance Contracts
- IFRS 8 - Operating Segments

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 Critical judgments in applying the accounting policies

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. In the process of applying the Company's accounting policies, which are described above, the management has made the following judgment that has the most significant effect on the amounts recognized in the financial statements. The areas where various assumptions and estimates are significant to the financial statements and where judgment was exercised in application of accounting policies are as follows:

4.1 Contingencies

The Company has disclosed significant contingent liabilities for the pending litigations and claims against the Company based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amount of the liabilities recognized at the balance sheet date. However, based on the judgment of the Company and its legal advisors, the likely outcomes of these litigations and claims is remote and there is no need to recognize any liability at the balance sheet date.

4.2 Provision for doubtful debts

The Company estimates the recoverability of the trade debts and provides for doubtful debts based on its experience. The carrying amount of the trade debts and provision for doubtful debts are disclosed in the note 10.1 to these financial statements.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

4.3 Employee benefit costs

Certain actuarial assumptions have been adopted as disclosed in note 12.1 and 20.1 to the financial statement for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are the best estimates of the variables that will determine the ultimate cost of providing the post retirement employment benefits. Changes in these assumptions in future years may effect the liability/asset under these plans in those years.

4.4 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment.

4.5 Taxation

In making the estimates for income taxes currently payable by the Company, management considers the current income tax laws and decisions of appellate authorities on certain issues in the past.

5 Basis of preparation

These financial statements have been prepared under the historical cost convention except obligations under certain employee benefits which are measured at the present value as referred to in notes 12.1 and 20.1.

6 Summary of significant accounting policies

6.1 Staff retirement benefits

a) The Company has the following plans for its employees:

Defined benefit gratuity scheme

The Company operates an approved gratuity fund established under an irrevocable trust to provide gratuity to all its eligible employees on retirement or cessation of their services. Annual contributions to the gratuity fund are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 12.1 to the financial statements. All contributions are charged to profit and loss account for the year. Actuarial gains / losses in excess of 10% of the higher of fair value of fund's assets and present value of defined benefit obligation are recognized over the average remaining service life of the employees.

Defined benefit insured pension scheme

The Company, under an insurance contract, operates an approved defined benefit pension scheme for its permanent employees eligible under Employees Pension Fund Rules. Premiums paid under the insurance policy are charged to the profit and loss account of related year. During the year Rs. 708,111 (2007 : 589,438) has been recognized as an expense by the Company.

Defined contributory provident fund

The Company also operates an approved defined contributory provident fund for all eligible employees for which contributions are charged to the profit and loss account. During the year Rs. 764,616 (2007 : 841,867) has been recognized as an expense by the Company.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

b) Accumulated compensated absences

The Company provides a facility to its employees for accumulating their annual earned leaves. Accumulated compensated absences are encashable on cessation of service. Provision is made for the additional amount that the Company expects to pay as a result of unused entitlement that has accumulated at the balance sheet date and related expense thereof is charged to the profit and loss account. The Company has changed its accounting policy for measurement of liability and related expense and now Projected Unit Credit Method has been used for actuarial valuation carried out for the first time on 30 June, 2007. The results of current valuation are summarized in note 20.

6.2 Taxation

Current taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits, rebates and exemptions available, if any, or minimum tax payable under Income Tax Ordinance, 2001, whichever is higher.

Deferred taxation

Deferred tax liability is accounted for using the balance sheet liability method on all taxable temporary differences, while deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax losses and tax credits can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

6.3 Trade and other payables

Liabilities for trade and other amounts payable 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.

6.4 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an out flow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

6.5 Dividend and appropriation to reserves

Dividends and appropriations to the reserves are recognized in the period in which these are approved.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

6.6 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any except capital work in progress which is stated at cost.

Depreciation is charged to income at rates given below applying the reducing balance method. The Company has a policy to depreciate the expansion in plant and machinery on written down value in proportion to utilized capacity till such time the expanded production capacity is fully utilized. Leasehold land is amortized over the period of the lease. Depreciation on additions during the year is calculated from the month of acquisition to the end of the financial year and depreciation on deletions is calculated up to the date of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired.

Gain/loss on disposal of property, plant and equipment is taken to profit and loss account in the year of disposal.

Applicable depreciation rates of the items are as under:

Office building	5%
Factory building	10%
Tube well	10%
Plant and machinery-old	10%
Plant and machinery-New	10% of utilized capacity
Furniture and fixtures	10%
Office equipment	10%
Tools and workshop equipment	10%
Computer installations	20%
Motor vehicles	20%
Leasehold land	30 Years

Leased assets

Assets held under finance leases are initially recorded at the lower of the present value of the minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligation under the lease less financial charges allocated to future periods are shown as liability.

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of interest on the outstanding liability.

Amortization on the lease assets is charged to the profit and loss account applying the rate and method used for similar owned assets so as to write off the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease.

6.7 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

6.8 Long term investments

Long term investment in an associated company is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit and loss of the investee after the date of acquisition. The Company's share of the profit and loss is recognized in profit and loss account. Distribution received from the investee reduces the carrying amount of the investment.

6.9 Stores, spares and loose tools

These are valued at lower of cost and net realizable value. Cost is determined using the weighted average method.

5.10 Stock in trade

This is valued at the lower of cost and net realizable value. Cost is determined on weighted average basis. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Cost is determined as follows:

Raw material		at weighted average cost
Work in process	}	at weighted average cost of purchases plus applicable manufacturing expenses
Finished Goods		

5.11 Trade and other receivables

Trade and other receivables are recognized and carried at original invoice amount / cost less an allowance for any uncollectible amounts.

5.12 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 cash in hand, cash with banks on current, saving and deposit accounts and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

5.13 Revenue recognition

Revenue from sales of Company's product and merchandise is recognized on delivery of goods to the customers while revenue from erection of plant is recognized on percentage of completion method. Revenue from indenting

Interest income is accounted for on time apportioned basis using the effective interest rate and dividend income is recognized when right to receive is established.

5.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction and production of qualifying asset are capitalized as part of cost of that asset. All other borrowing costs are charged to the profit and loss account in the year when incurred.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

5.15 Operating leases

Lease payments under operating leases are recognized as an expense in the profit and loss account on a straight line basis over the respective lease term.

5.16 Transactions with related parties

All transactions with related parties are booked on the principles of normal commercial practice between independent businesses.

5.17 Financial instruments

All the financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and derecognized when the contractual rights that comprise the financial assets are realized, expired or surrendered. Financial liabilities are derecognized when they are extinguished - that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the profit and loss account currently. All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received, respectively, and subsequently carried at fair value, amortized cost or cost, as the case may be.

Financial instruments carried in the balance sheet include loans, trade and other payables, investments, trade debts, deposits, receivables and cash and bank balances. The particular recognition methods adopted are disclosed in the individual policy statement associated with each financial instrument.

5.18 Offsetting

Assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

6 PROPERTY, PLANT AND EQUIPMENT

Particulars	Buildings on leasehold land			Plant and Machinery	Furniture and Fixture	Equipment		Computer Installations	Motor Vehicles	Total Owned assets	Leased assets			Total assets
	Office	Factory	Tube well			Office	Tools and Workshop				Leasehold land	Motor vehicles	Total	
Gross carrying amount	2,406,019	16,432,437	547,920	189,906,100	1,152,936	856,008	2,384,538	1,664,415	2,664,410	218,014,783	1,701,971	1,676,040	3,378,011	221,392,794
Accumulated depreciation	803,313	8,534,618	481,306	80,814,001	276,934	382,686	1,931,755	754,330	1,905,588	95,884,531	1,300,125	817,888	2,118,013	98,002,544
Carrying amount July 01, 2006	1,602,706	7,897,819	66,614	#####	876,002	473,322	452,783	910,085	758,822	122,130,252	401,846	858,152	1,259,998	123,390,250
Gross carrying amount	2,406,019	16,432,437	547,920	190,066,150	1,152,936	870,008	2,395,038	1,834,885	2,664,410	218,369,803	1,701,971	1,676,040	3,378,011	221,747,814
Accumulated depreciation	883,443	9,324,400	487,970	85,453,560	364,534	430,952	1,977,908	951,622	2,057,354	101,931,743	1,356,861	989,510	2,346,372	104,278,115
Carrying amount June 30, 2007	1,522,576	7,108,037	59,950	104,612,590	788,402	439,056	417,130	883,263	607,056	116,438,060	345,110	686,530	1,031,639	117,469,699
Gross carrying amount	2,406,019	16,432,437	547,920	190,066,150	1,155,936	870,008	2,395,038	1,837,085	3,750,449	219,461,042	1,701,971	1,676,040	3,378,011	222,839,053
Accumulated depreciation	959,572	10,035,204	493,965	91,464,435	443,399	474,858	2,019,621	1,128,565	2,908,904	109,928,523	1,413,597	1,676,040	3,089,637	113,018,160
Carrying amount June 30, 2008	1,446,447	6,397,233	53,955	98,601,715	712,537	395,150	375,417	708,520	841,545	109,532,519	288,374	-	288,374	109,820,893

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

The carrying amount of property, plant and equipment for the period presented in these financial statements as at June 30, 2008 are:

Particulars	Buildings on leasehold land			Plant and Machinery	Furniture and Fixture	Equipment		Computer Installations	Motor Vehicles	Total Owned assets	Leased assets			Total assets
	Office	Factory	Tube well			Office	Tools and Workshop				Leasehold land	Motor vehicles	Total	
Carrying amount July 01, 2006	1,602,706	7,897,819	66,614	109,092,099	876,002	473,322	452,783	910,085	758,822	122,130,252	401,846	-	401,846	122,532,098
Additions	-	-	-	160,050	-	14,000	10,500	177,720	-	362,270	-	858,152	858,152	1,220,422
Disposals	-	-	-	-	-	-	-	4,640	-	4,640	-	-	-	4,640
Depreciation	80,130	789,782	6,664	4,639,559	87,600	48,266	46,153	199,902	151,766	6,049,822	56,736	171,622	228,359	6,278,181
Carrying amount June 30, 2007	1,522,576	7,108,037	59,950	104,612,590	788,402	439,056	417,130	883,263	607,056	116,438,060	345,110	686,530	1,031,640	117,469,699
Additions	-	-	-	-	3,000	-	-	2,200	-	5,200	-	-	-	5,200
Adjustment	-	-	-	-	-	-	-	-	386,662	386,662	-	386,662	386,662	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	203,202	203,202	203,202
Depreciation	76,129	710,804	5,995	6,010,876	78,865	43,906	41,713	176,943	121,411	7,266,642	56,736	96,666	153,402	7,420,044
Carrying amount June 30, 2008	1,446,447	6,397,233	53,955	98,601,714	712,537	395,150	375,417	708,520	872,307	109,563,280	288,374	-	288,374	109,851,654

Production capacity achieved by the newly capitalized Formaldehyde and U.F Glue plants is 52% and 43%, respectively.

Leasehold land measuring 10 acres was acquired on August 01, 1983 from the Cantonment Board, Wah, for an initial period of 30 years and is being amortized over the lease term. The lease is renewable for a period of another 60 years.

Note	2008 Rupees	2007 Rupees
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6.1 Depreciation charge for the year has been allocated as under:

Cost of sales	26	7,181,506	5,690,660
Administrative expenses	28	238,538	587,520
		7,420,044	6,278,180

6.2 Detail of leased vehicles disposed off during the year are:

	Original Cost	Accumulated depreciation	Book value	Proceeds	Mode of disposal	Purchaser
Vehicles-Suzuki Alto	496,000	292,798	203,202	350,000	Bid	M.Nazak Butt

WAH NOBEL CHEMICALS LIMITED
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	Note	2008 Rupees	2007 Rupees
8 Long term investment			
Wah Nobel Acetate Limited			
2,500,000 shares of Rs. 10/- each. (equity held: 8.33%)		25,000,000	25,000,000
Share of profit of prior periods		703,037	1,209,623
Share of profit / (loss) of current period-net of tax		5,702,297	(506,586)
Dividend received during the period		-	-
		6,405,334	703,037
		31,405,334	25,703,037

The company is associated with Wah Nobel Acetates Limited (WNAL) due to common directorship. WNAL is engaged in manufacture, compound, import and export, acquire, sell and otherwise deal in any and all types and kinds of chemicals including acetaldehyde, acetic acid, butyl acetate, ethyl acetate or any other acetate etc.

	Notes	2008 Rupees	2007 Rupees
9 Store, spares and loose tools			
Stores		6,187,845	6,035,109
Spares		13,681,962	15,680,650
Loose tools		161,137	156,347
		20,030,944	21,872,107
10 Stock in trade			
Raw and packing material		49,996,707	40,644,135
Work in process		1,932,418	868,052
Finished goods		8,379,631	12,038,559
Goods in transit		57,136,048	3,794,644
		117,444,804	57,345,390
11 Trade debts-secured			
Considered good		247,918,034	157,117,394
Considered doubtful		28,182,430	12,432,353
		276,100,464	169,549,747
Provision for doubtful debts	11.1	(28,182,430)	(12,432,353)
		247,918,034	157,117,394
11.1 Reconciliation of provision for doubtful debts			
Opening provision		12,432,353	6,639,778
Charge for the year		15,750,077	5,792,575
		28,182,430	12,432,353
Reversal during the year		-	-
Balance at the end of the year		28,182,430	12,432,353

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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12 Advances, deposits and prepayments

Advances - unsecured, considered good		
to suppliers	15,796,996	7,984,605
to employees for expenses	519,936	471,231
	<u>16,316,932</u>	<u>8,455,836</u>
Deposits	40,070	40,070
Prepayments	12,500	16,150
	<u>16,369,502</u>	<u>8,512,056</u>

12.1 The maximum aggregate amount of advances due from Chief Executive, Directors, Executives and from associated undertakings at the end of any month during the year was Rs. Nil (2007 : Rs Nil).

	Notes	2008 Rupees	2007 Rupees
13 Other receivables			
Interest accrued		51,653	51,653
Sales tax refundable		544,641	340,758
Receivable from / (payable to) employees gratuity fund	13.1	2,199,676	2,093,805
Letter of credit margin		14,877,100	-
Others		-	2,393,776
		<u>17,673,070</u>	<u>4,879,992</u>

13.1 Receivables from/(payable to) employees gratuity fund

a) Movement in the asset / (liability) recognized in the balance sheet:

Balance at beginning of the year	2,093,805	2,165,301
Charge for the year	-	(71,496)
Payments to the fund during the year	(105,871)	-
Balance at end of the year	<u>2,199,676</u>	<u>2,093,805</u>

b) Reconciliation of the asset / (liability) recognized in the balance sheet:

Present value of defined benefit obligation	(6,923,574)	(6,362,141)
Fair value of plan assets	10,872,010	9,394,412
Surplus / (deficit)	<u>3,948,436</u>	<u>3,032,271</u>
Unrecognized actuarial gain	(1,748,760)	(938,466)
Net asset / (liability)	<u>2,199,676</u>	<u>2,093,805</u>

c) Amounts charged to profit and loss account during the current year:

Current service cost	(197,356)	(600,353)
Interest cost	(636,214)	(600,240)
Expected return on plan assets	939,441	875,253
Actuarial (gain) / losses charge	-	-
Excess charge in prior year	-	253,844
	<u>105,871</u>	<u>(71,496)</u>

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- d) Actuarial valuation of these plans was carried out as at June 30, 2008 using Projected Unit Credit Method. Significant actuarial assumptions used were as follows:

	2008	2007
Discount factor per annum	12%	9%
Expected rate of increase in salary level per annum	11%	8%
Expected rate of return on plan assets per annum	12%	9%
Average expected remaining working life time of employees	12 years	12 years

	2008 Rupees	2007 Rupees
14 Taxation-net		
Advance tax	14,979,350	15,116,588
Provision for current taxation	(58,431,498)	(12,257,221)
	(43,452,149)	2,859,367

15 Cash and bank balances

Cash with banks		
in current accounts		6,675,437
in deposit accounts	15.1	2,582,666
		9,258,103
Cash in hand		146,597
		9,404,700
		30,452,170
		30,576,489

- 15.1 This represents Term Deposit Certificate with bank under lien.

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16 Share capital

2008	2007	2008	2007
Numbers		(Rupees)	
Authorized			
20,000,000	20,000,000	200,000,000	200,000,000
	Ordinary shares of Rs. 10 each		
Issued, subscribed and paid up			
6,750,000	6,750,000	67,500,000	67,500,000
	Ordinary shares of Rs. 10 each		
2,250,000	2,250,000	22,500,000	22,500,000
	Ordinary shares of Rs. 10 each issued as fully		
9,000,000	9,000,000	90,000,000	90,000,000

Wah Nobel (Private) Limited (the holding company) held 4,970,400 (2007 : 4,970,400) ordinary shares of Rs. 10 /- each at balance sheet date.

17 Capital reserve

Represents exchange gain arising on the translation of foreign currency accounts held by the Company and interest thereon, up to the date of allotment of shares to the overseas Pakistani shareholders who, under an agreement, had subscribed in foreign currency at the rate of Rs. 13 /- per US Dollar.

	Note	2008 Rupees	2007 Rupees
18 Revenue reserve			
General reserve	18.1	103,000,000	98,000,000
Unappropriated profit		105,175,803	26,183,129
		208,175,803	124,183,129
18.1 General reserve			
Balance at the beginning of the year		98,000,000	100,000,000
Transfer during the year		5,000,000	(2,000,000)
		103,000,000	98,000,000
19 Long term finance-secured			
Balance at the end of the year	19.1	-	18,750,000
Current portion shown under current liabilities		-	(18,750,000)

19.1 This amount represents loan obtained from Askari Commercial Bank Limited (ACBL) for a period of 5 years including one year grace period and carries mark up @ 6 months KIBOR plus 150 bps with a floor of 4.5% per annum. The loan is secured against first exclusive charge over plant and machinery financed through ACBL.

The principal amount of the loan is repayable in 8 semi-annual equal installments of Rs.9,375,000 each, which commenced from October 19, 2004. Mark up is payable on quarterly basis. In April 2008 the loan had been paid in full alongwith the mark up thereon.

WAH NOBEL CHEMICALS LIMITED
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	2008		2007	
	Liabilities	Assets	Liabilities	Assets
20 Deferred tax liabilities				
This is comprised of following temporary differences:				
Non current assets				
Property, plant and equipment	-	25,506,889	-	26,031,344
Current Assets				
Trade debtors	(9,863,851)	-	(4,351,324)	-
Deferred liabilities				
Accumulated compensated absence	(1,126,777)	-	-	-
	(10,990,628)	25,506,889	(4,351,324)	26,031,344
21 Accumulated compensated absences				
Provision for accumulated compensated absences		21.1	3,219,363	2,401,315
21.1 The amounts recognized in the balance sheet are determined as follows:				
Present value of defined benefit obligations as on June 30, 2007			2,401,315	1,892,329
Current service cost			1,067,916	775,897
Interest cost			240,132	168,092
Benefits paid during the year			(490,000)	(702,838)
Actuarial (gain)/loss on present value of defined benefit obligation			-	479,243
Transitional asset due to IAS 19 to be recognized in the later periods			-	(211,408)
			3,219,363	2,401,315
21.2 The amounts recognized in the profit and loss account are as follows:				
Current service cost			1,067,917	775,897
Interest cost			240,132	168,092
Actuarial (gains)/losses charge			-	479,243
Past service cost			-	-
Asset charged due to application of IAS 19			-	(211,408)
			1,308,049	1,211,824
21.3 The principal actuarial assumptions used were as follows:				
Discount rate			10%	10%
Expected rate of increase in salary			10%	10%
Average number of leaves accumulated per annum by the officers			10 days	10 days
Average number of leaves accumulated per annum by the staff			6 days	6 days
Average number of leaves accumulated per annum by the workers			3 days	3 days

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	2008 Rupees	2007 Rupees
22 Liabilities against assets subject to finance lease		
Minimum lease payments at the balance sheet date	-	595,740
Less: Finance charges allocated to future periods	-	14,465
Present value of minimum lease payments	-	581,275
Less: current portion shown under current liabilities	-	581,275
	-	-
Not later than one year		
Lease installments outstanding	-	595,740
Less: Finance charges	-	14,465
Present value of lease installments	-	581,275
Later than one year bur not later than five years		
Lease installments outstanding	-	-
Less: Finance charges	-	-
Present value of lease installments	-	-

The liabilities represent the present value of minimum lease payments discounted at the rate 8% implicit in the agreements and are payable in monthly installments including financial charges under finance lease. The Company has the option to purchase these assets at the end of the lease term and has the intention to exercise such option

	2008 Rupees	2007 Rupees
23 Trade and other payables		
Trade creditors	73,418,161	54,267,522
Advances from customers	6,955,689	-
Bills payable	4,183,189	826,914
Accrued expenses	2,222,264	8,192,619
Payable to employees' provident fund	170	286,297
Retention money	-	43,000
Bonus payable	7,315,271	2,321,007
Sales tax payable	6,375,179	3,752,047
Unclaimed dividends	1,085,133	1,192,867
Workers' Profit Participation Fund	23.1 7,904,769	1,579,445
Workers' Welfare Fund	23.2 9,574,687	5,814,952
Other liabilities	1,700,674	723,674
	120,735,186	79,000,344

23.1 Workers' Profit Participation Fund

Balance at the beginning of the year	1,579,445	1,579,445
Interest for the period on Fund utilized by the Company	89,574	117,076
Payments during the year	(1,664,599)	(1,696,515)
Allocation for the year	7,900,349	1,579,439
Balance at the end of the year	7,904,769	1,579,445

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	2008 Rupees	2007 Rupees
23.2 Workers' Welfare Fund		
Balance at the beginning of the year	5,814,952	5,100,974
Payments during the year	-	-
Allocation for the year	3,759,735	713,978
Balance at the end of the year	9,574,687	5,814,952
24 Due to associated companies		
Wah Nobel (Private) Limited - holding company	341,379	444,686
25 Accrued mark up		
On long term financing	-	622,479
On short term borrowings	1,622,346	2,624,548
	1,622,346	3,247,027
26 Short term finance-secured		
Bank Al-Habib	83,588,812	-
MCB Bank Limited	3,502,338	85,103,331
Short term running finance - secured	26.1	87,091,151
		85,103,331

26.1 This represents amount payable under finance facility of Rs. 150 million (2007: Nil) and 50 million (2007: 100 million) from Bank-Al-Habib and Muslim Commercial Bank Limited respectively. The facilities are carrying mark up at the rate of 1 month average KIBOR plus 0.70% and 1 month average KIBOR plus 0.90% spread respectively, with out a floor or cap, payable quarterly.

Facility by Bank-Al-Habib is secured against first Pari Passu charge with MCB on all present and future current assets of the Company worth Rs. 310 million (margin 25 %).

Facility by Muslim Commercial Bank Limited is additionally secured against second hypothecation charge over current assets of the Company.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	Note	2008 Rupees	2007 Rupees
27 Sales			
Gross revenue from sale of manufactured products		810,195,761	571,527,723
Sales tax		(105,655,989)	(75,619,645)
Special excise duty		(7,029,664)	-
		697,510,108	495,908,078
28 Cost of sale			
Cost of goods manufactured	28.1	471,512,168	420,414,803
Packing material consumed		617,272	186,861
		472,129,440	420,601,664
Opening stock of finished goods		12,038,559	6,210,281
Closing stock of finished goods		(8,379,631)	(12,038,559)
		475,788,368	414,773,386
28.1 Cost of goods manufactured			
Raw material consumed	28.1.1	414,203,808	370,118,624
Stores and spares consumed		7,153,066	7,639,956
Salaries, wages and other benefits	31.1	19,580,302	17,191,737
Fuel and power		20,565,682	13,618,804
Rent, rates and taxes		288,106	269,927
Insurance		1,735,599	2,139,302
Repairs and maintenance of vehicles		311,755	505,583
Car lease rentals		191,772	242,460
Miscellaneous expenses		1,364,937	933,385
Depreciation	7	7,181,506	5,690,660
Manufacturing cost		472,576,534	418,350,437
Opening stock of work in process		868,052	2,932,418
Closing stock of work in process		(1,932,418)	(868,052)
		471,512,168	420,414,803
28.1.1 Raw material consumed			
Opening stock		40,644,135	13,793,711
Purchases during the year		423,556,381	396,969,047
		464,200,516	410,762,758
Closing stock		(49,996,707)	(40,644,135)
		414,203,808	370,118,624
29 Profit from trading activity			
Gross sales		9,565,554	13,183,261
Sales tax		(1,241,245)	(1,211,836)
		8,324,309	11,971,425
Cost of sales		(5,757,331)	(9,222,166)
Net profit on trading		2,566,978	2,749,259

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	Note	2008 Rupees	2007 Rupees
30 Administrative and general expenses			
Salaries, wages and other benefits	31.1	4,911,441	4,021,498
Management fee		800,000	800,000
Office rent		96,667	136,424
Electricity and water charges		436,899	339,184
Postage, telephone and telex		303,869	278,141
Printing and stationery		451,725	335,319
Traveling and conveyance		239,580	260,124
Entertainment		57,091	42,763
Legal and professional charges		472,760	322,619
Fees and subscription		122,188	154,550
Advertisement and publicity		57,776	279,850
Vehicles running and maintenance expenses		92,430	157,051
Car lease rentals		489,186	388,322
Provision for doubtful debts		15,750,077	5,792,575
Donations		-	1,500
Miscellaneous expenses		354,282	354,587
Depreciation	7	238,538	587,520
		24,874,508	14,252,027
31 Selling and distribution expenses			
Salaries, wages and other benefits	31.1	2,989,082	2,658,862
Postage, telephone and telex		151,909	96,861
Printing and stationery		26,488	11,592
Sales promotions		18,600	7,200
Traveling and conveyance		203,743	141,119
Carriage and octroi		22,484,985	15,178,903
Vehicle running expenses		318,638	1,168,414
Transit insurance		757,067	845,437
Entertainment		640	1,180
Car lease rental		269,948	4,095
Miscellaneous expenses		96,618	64,018
		27,317,718	20,177,681
31.1	Contributions towards provident fund and pension fund during the year is Rs. 764,616 and Rs. 708,111 respectively.		
32 Other operating income			
Interest on term deposits		103,730	103,730
Profit / (Loss) on sale of property, plant and equipment		146,797	2,610
Lease rent		232,495	
Others		6,002	344,340
		489,024	450,680

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	Note	2008 Rupees	2007 Rupees
33 Finance cost			
Mark up on long term financing		1,186,747	3,420,815
Interest on Workers' Profit Participation Fund		89,574	117,076
Finance charges on lease		14,465	39,747
Mark up on short term finances		11,941,655	13,116,627
Bank charges		504,596	508,397
		<u>13,737,037</u>	<u>17,202,662</u>
34 Other expenses			
Workers' Profit Participation Fund		7,900,349	1,579,439
Workers' Welfare Fund		3,759,735	713,978
Auditor's remuneration	34.1	376,300	399,510
		<u>12,036,384</u>	<u>2,692,927</u>
34.1 Auditors' remuneration			
Audit fee		280,000	280,000
Half yearly review		90,000	90,000
Out of pocket expenses		6,300	29,510
		<u>376,300</u>	<u>399,510</u>
35 Provision for taxation			
Current - for the year		57,685,478	12,257,221
Deferred		(7,163,759)	(1,649,794)
		<u>50,521,719</u>	<u>10,607,427</u>
35.1 Tax charge reconciliation			
Accounting profit		<u>152,514,393</u>	<u>29,502,749</u>
Tax rate		<u>35 %</u>	<u>35 %</u>
Tax on accounting profit at applicable rate		53,380,037	10,325,962
Tax effect of amounts/expenses that are inadmissible for tax purposes		6,464,664	5,383,562
Tax effect of amounts/expenses that are admissible for tax purposes		(2,273,622)	(3,452,303)
Tax effect of unabsorbed depreciation		-	-
Tax effect of timing differences		(7,163,759)	(1,649,794)
		<u>50,407,321</u>	<u>10,607,427</u>
36 Earnings per share - basic and diluted			
Net profit after tax		<u>101,992,674</u>	<u>18,895,323</u>
Number of ordinary shares outstanding during the year		<u>9,000,000</u>	<u>9,000,000</u>
Earnings per share-basic and diluted		<u>11.33</u>	<u>2.10</u>

WAH NOBEL CHEMICAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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37 Cash Flow Statement

The following non-cash flow adjustments have been made to the pre-tax result for the year to arrive at operating cash

	2008 Rupees	2007 Rupees
Adjustment:		
Depreciation	7,420,044	6,278,180.40
(Profit)/loss on sale of property, plant and equipment	(146,797)	(2,610.00)
Financial charges on bank borrowings	13,632,998	16,537,442
Other Accrued Charges	554,770	-
Charge based on actuarial valuation of employees' gratuity fund	-	71,496.00
Share in profit of associated company	(5,702,297)	506,586.00
Workers' Profit Participation Fund (WPPF)	7,900,349	1,696,514.71
Workers' Welfare Fund (WWF)	3,759,735	713,978.21
Provision for accumulated compensated absences	1,308,049	1,211,824.00
Provision for doubtful debts	15,750,077	5,792,575.00
	44,476,928	32,805,986

38 Contingencies and commitment

38.1 Contingencies

38.1.1 In 1990, the Government of Sindh levied excise duty @ Rs. 4 per bulk gallon on transport of imported Methanol outside the province of Sindh under the Sindh Abkari Act, 1878. The Company filed a Constitutional Petition No. D - 123/91 in the High Court of Sindh that the duty was ultra vires of article 151 of the Constitution. The Court granted interim relief by permitting the Company to remove Methanol by submitting bank guarantees in lieu of payment of excise duty. Accordingly, the Company has submitted bank guarantees of Rs. 8,845,220 (2006 : Rs. 8,845,220) for transport of 7200 tons of Methanol outside Sindh.

On August 12, 2004 the High Court Sindh decided the case in favor of the Company. Excise Department Sindh has filed a leave to appeal in the Supreme Court on September 07, 2004 against the said judgment which is pending adjudication by the Supreme Court.

38.1.2 In 1996, the Government of Sindh raised a demand of Rs. 67,294,724 in respect of vend fee and permit fee for the years 1990-91 to 1995-96, under the Sindh Abkari Act, 1878. The Company filed Constitutional Petition No. D-1412 of 1996 dated August 20, 1996 in the High Court of Sindh challenging the legality of the levy on the grounds that provincial taxation, under the Sindh Abkari Act, 1878 on imported Methanol temporarily stored in Karachi but meant for consumption outside the province of Sindh, was unlawful and ultravires of the Constitution, relying on the judgment of the High Court of Sindh in the case of Crescent Board Limited. The case was decided in the favor of the Company on June 12, 2001 by the High Court, but Sindh Government moved an appeal in the Supreme Court against the decision of the High Court.

After hearing the appeal of Excise Department Sindh against the Company and other Formaldehyde manufacturers, the Supreme Court remanded the case of levy of vend fee and permit fee to the High Court Sindh for adjudication on all points of law and fact. Vide its judgment dated March 26, 2003, High Court Sindh again decided the matter in favor of the Company and other manufacturers. Excise Department filed a leave to appeal in the Supreme Court on June 12, 2003. The Court has admitted the appeal for regular hearing. The case is now awaiting adjudication by the Supreme Court.

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Currently all imports of Methanol are being released on payment of Rs. 3/- per bulk gallon in cash and submission of guarantee @ Rs. 14/- per bulk gallon in the form of indemnity bonds. Accordingly, in case of an unfavorable decision of the Supreme Court, the Company is exposed to an aggregate obligation of Rs. 548 million (2007 : Rs. 490 million) on account of vend fee and permit fee based on the guarantees issued against methanol imported and released upto the balance sheet date. However, keeping in view the facts and previous decisions, the management is confident that no such exposure will arise to the Company.

38.1.3 Under the Punjab Excise Act, 1914, Excise Commissioner / Director General , Excise and Taxation Department, Punjab has issued a notification dated June 30, 2003 by which the department has levied fees on the import, possession, industrial use and sale of Methanol. The Company and other manufacturers, importers and vendors of Methanol have filed writ petitions in the High Court, Lahore and obtained stay order against these levies.

The case is pending adjudication by the High Court, Lahore.

	2008 Rupees	2007 Rupees
38.2 Commitments in respect of:		
38.2.1 Letters of credit for purchase of stocks	36,312,000	37,250,000
38.2.2 Rentals payable under non-cancelable vehicle lease arrangements:		
- not later than one year	-	581,275
- later than one year but not later than five years	-	-

39 Financial risk management

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks. The Company's risk management is coordinated in close co-operation with the board of directors by minimising the exposure to financial markets.

The most significant financial risks to which the Company's is exposed to are described below. See also note 36.2 for a summary of Company's financial assets and liabilities by category:

39.1 Financial risk factors

(a) Foreign currency sensitivity

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is not exposed to foreign currency risk.

(b) Interest rate sensitivity

Interest rate risk mainly arises through interest bearing liabilities and assets. At 30 June, 2008 the Company is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates - see note 16 for further information.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +40.90% and -10.35% (2007: +7.99%/-12.60%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's financial instruments held at each balance sheet date. All other variables are held constant.

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	2008 "Rupees"		2007	"Rupees"
	+40.90%	-10.35%	+7.99%	-12.60%
Net Result for the year	(3,600,173)	911,148	(650,802)	1,025,733

(c) Credit risk analysis

Credit risk represents the accounting loss that would be recognized on the reporting date if counter parties failed completely to perform as contracted. The company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2008 "Rupees"	2007 "Rupees"
Classes of financial assets - carrying amounts		
Long-term Investments	31,405,334	25,703,037
Trade debts	247,918,034	157,117,394
Advances, deposits and other receivables	15,448,689	2,956,730
Cash at bank	9,404,700	30,576,489
	304,176,757	216,353,650

The Company continuously monitors defaults of customers and other counterparties, identified individually, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and reports on customers and other counterparties are obtained and used.

The Company's management considers that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Company's financial assets are secured by collateral or other credit enhancements. In respect of trade receivables and other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty having similar characteristics and belongs to similar associations like AIATA, WCA which reasonably ensure the payments settlements among the members. The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks with high quality external credit ratings:

		Rating	2008 Rupees
National Bank of Pakistan	JCR-VIS	A-1+	3,364,919
Allied Bank Limited	PACRA	A1+	3,320
Askari Bank Limited	PACRA	A1+	5,256
Bank-Al Falah Limited	PACRA	A1+	430,846
MCB Bank Limited	PACRA	A1+	5,448,762
Habib Bank Limited	JCR-VIS	A-1+	5,000
			9,258,103

WAH NOBEL CHEMICAL LIMITED
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(d) Liquidity risk analysis

The Company manages its liquidity needs by monitoring cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and on the basis of a rolling 90-days projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified in 90 days projection.

The Company maintains cash to meet its liquidity requirements for up to 20-days periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities, dividend payout policy and additional equity injection by the sponsor company.

As at 30 June 2008, The Company's liabilities have contractual/probable maturities which are summarised below:

June 30, 2008	Current	
	Within 6 months	6 to 12 months
Trade and other payables	120,735,186	-
Due to associated undertakings	341,379	-
Accrued mark up	1,622,346	-
Short term borrowing	-	87,091,151
Current portion of long term financing	-	-
Current portion of finance lease	-	-
	122,698,912	87,091,151

This compares to the maturity of the Company's financial liabilities in the previous year in as follow:

June 30, 2007	Current	
	Within 6 months	6 to 12 months
Trade and other payables	79,000,344	-
Due to associated undertakings	444,686	-
Accrued mark up	3,247,027	-
Short term borrowing	85,103,331	-
Current portion of long term financing	-	18,750,000
Current portion of finance lease	-	581,275
	167,795,387	19,331,275

(e) Fair value estimation

The carrying value of financial assets and liabilities approximates their fair value.

WAH NOBEL CHEMICAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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39.2 Summary of financial assets and liabilities by category

The carrying amounts of Granthor's financial assets and liabilities as recognised at the balance sheet date of the reporting periods under review may also be categorised as follows.

	2008 Rupees	2007 Rupees
Non Current assets		
Investment at fair value	31,405,334	25,703,037
Current assets		
Trade debts and other receivables	263,366,723	160,074,123
Cash and cash at bank	9,404,700	30,576,489
	272,771,423	190,650,613
Current liabilities		
Trade and other payables		
- at fair value	178,979,568	175,112,646

40 Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders. The Company's overall strategy consists of short term debts, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and retained earnings respectively.

Gearing ratio

The Company's management reviews the capital structure on an annual base. As part of this review, the management considers the cost of capital and the associated risks. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

	2008 Rupees	2007 Rupees
Total equity	299,120,207	215,127,533
Cash and bank	(9,404,700)	(30,576,489)
Capital	289,715,507	184,551,044
Total equity	299,120,207	215,127,533
Borrowing	-	-
Overall financing	299,120,207	215,127,533
Capital-to-overall financing ratio	1:1.032	1:1.66

41 Remuneration of Chief executive, directors and Executives

41.1 No fee or remuneration was paid by the Company to Chief Executive and Directors except for the lump sum amount of Rs. 800,000/- (2007 : Rs. 800,000/-) charged by Wah Nobel (Private) Limited, as management fee as disclosed in note 30.

WAH NOBEL CHEMICAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

41.2 None of the employees other than Chief Executive and Directors, fall under the definition of "Executive" as given in Fourth Schedule to the Companies Ordinance, 1984.

42 Capacity and Production

	Designed Annual Capacity		Actual Production	
	2008	2007	2008	2007
	Metric Tones			
Formaldehyde and Formaline Solvent	30,000	30,000	22,766	19,755
Urea / Phenol Formaldehyde	19,000	19,000	23,193	18,938

43 Transaction with related parties

The related parties comprise holding company, ultimate holding company, related group companies, directors of the Company, other companies with common directorship, staff retirement benefit funds and key management personnel.

The Company's significant related party transactions consist of transactions with holding company and related group companies. Following are the related group companies with whom transactions were undertaken during the year:

Wah Nobel (Private) Limited - holding company

Wah Nobel Acetates Limited - fellow subsidiary

Wah Nobel Detonators (Private) Limited (WNDL) - fellow subsidiary

Details of transactions with these related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2008 Rupees	2007 Rupees
Receipts of funds from the holding company	-	31,429,768
Repayment of funds to the holding company	-	32,920,262
Expenses incurred (on behalf of) / by the group companies	510,900	220,872
Service charges billed and recovered through WNDL	-	-
Vehicles lease rentals paid by the holding company	950,906	913,735
Management services by holding company	800,000	800,000
Transfer of store and spares and raw material to holding company	270,946	-
Transfer of store and spare and raw material by holding company	769,680	-
Sale to holding company	3,340,000	-
Dividend paid to the holding company	9,940,800	9,940,800

Other related parties

Payment to:

Employees' Gratuity Fund Trust	-	-
Employees' Pension Fund Trust	-	-
Employees' Provident Fund Trust	-	-
Worker Profit Participation Fund	-	-

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44 Number of employees

Total number of permanent employees as at June 30, 2008 is 100 (2007 : 96)

45 Non-adjusting event after balance sheet date

The Board of directors at the meeting held on October, 2008 have proposed for the year ended June 30, 2008 cash dividend of Rs.5.00 per share (2007: Rs. 2.00 per share), amounting to Rs.45 million subject to approval of members at the annual general meeting.

46 Comparative figures

Previous year figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

47 Date of authorization

These financial statements were authorized for issue on October 07, 2008 by the Board of Directors of the Company.

48 Facilities of letter of guarantee and letter of credit

Facilities of letter of guarantee and letter of credit amounting to Rs. 10 million have been availed from the following banks:

		Letter of guarantee		Letter of Credit	
		2008	2007	2008	2007
MCB Bank Limited	48.1	10,000,000	10,000,000	80,000,000	80,000,000
Bank Al Habib Limited	48.2	20,000,000		180,000,000	

48.1 The facilities have been secured by second hypothication charge over current assets of the Company

48.2 Letter of guarantee is secured counter guarantee from the Company and letter of Credit is secured by lien on shipping documents duly insured in favour of the Bank.

49 General

Figures have been rounded off to the nearest rupee.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED

PROXY FORM

Please quote
Folio No.

I/We _____

of _____

in the District of _____

being a Member/Members of _____

hereby appoint _____

of _____

being a Member of the Company as my/our proxy to vote for me/us and on my/our behalf at 25th Annual General Meeting of the Company to be held on Tuesday, the 28th day of October, 2008 and at every adjournment thereof.

Signed by the said _____

this _____ day of _____ 2008 in my presence.

Signature of Witness

Signature of Member

- NOTES: 1) This form of proxy to be effective must be received by the Company duly completed at the Company's Registered Office at G.T. Road, Wah Cantt not less than 48 hours before the time for holding the meeting.
- 2) A proxy must be a Member of the Company.
- 3) Signature should agree with the specimen registered with the Company.