

WAH NOBEL  
CHEMICALS  
LIMITED



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

# ANNUAL REPORT 2009



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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. Shujaat Zamir Dar, HI (M), S.Bt.	:	Chairman
Mr. Torbjorn Saxmo	:	Vice Chairman
Mr. Mr. Feroze Khan Malik	:	Director
Mr. Shahid Aziz	:	Director (N.I.T. Nominee)
Mr. Syed Naseem Raza	:	Director
Mr. Khalid Pervaiz	:	Director
Mr. Riaz Ahmad	:	Director

**CHIEF EXECUTIVE** : Mr. Shabbir Ahmed

### **AUDIT COMMITTEE**

Mr. Khalid Pervaiz	:	Chairman
Mr. Feroze Khan Malik	:	Member
Mr. Riaz Ahmad	:	Member

### **COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER**

: Mr. Tanveer Elahi, FCA

### **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, 2<sup>nd</sup> Floor, Rose Plaza,  
I-8 Markaz, Islamabad.  
Tel: 051-4102626-7, Fax: 051-4102628  
Email: iilyas@hotmail.com

### **BANKERS**

: MCB Bank Limited  
Allied Bank of Pakistan 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

### **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.

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## **WAH NOBEL CHEMICALS LIMITED**

### **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE is hereby given that 26<sup>th</sup> 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 27<sup>th</sup> October, 2009 at 11.00 hours to transact the following business:

1. To confirm Minutes of the Annual General Meeting held on 28<sup>th</sup> October, 2008.
2. To receive, consider and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30<sup>th</sup> June, 2009 together with Auditors' Report thereon.
3. To approve payment of cash dividend @ Rs. 5/- per share i.e. 50% as recommended by the Directors.
4. To appoint Auditors of the Company for the year 2009-10 and to fix their remuneration.
5. To transact any other business with the permission of the Chairman.

By Order of the Board

WAH CANTT.

(TANVEER ELAHI)  
COMPANY SECRETARY

DATED: 29-09-2009

NOTES:

1. To determine the entitlement of shareholders to the cash dividend the share transfer books of the Company will remain closed from 21<sup>st</sup> to 27<sup>th</sup> October, 2009 (both days inclusive).
2. Transfers received in order by the Shares Registrar of the Company by the close of business on 20<sup>th</sup> October, 2009 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 Shares Registrar the change of address, if any, immediately.

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# **WAH NOBEL CHEMICALS LIMITED**

## **DIRECTORS' 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 30 June 2009 along-with the Auditor's Report thereon.

<b>1. <u>FINANCIAL RESULTS</u></b>	<b><u>Rupees</u></b>
Profit before taxation	146,058,407
Less: Provision for taxation	<u>49,052,662</u>
Profit after taxation	97,005,745
Add: Un-appropriated profit brought forward	<u>105,175,803</u>
Profit available for appropriation	202,181,548
Dividend Paid (9,000,000 shares @ Rs. 5/- per share)	(45,000,000)
Transfer to reserve	<u>(30,000,000)</u>
Un-appropriated profit carried forward	<u>127,181,548</u>

### **2. APPROPRIATIONS**

Your Directors have recommended for the year 2008-09, a payment of cash dividend @ Rs. 5/- per share (i.e. 50%) and transfer to general reserve Rs. 50 million.

### **3. NET EARNING PER SHARE**

The net earning per share is Rs.10.78 (2008: Rs.11.33)

### **4. OPERATING PERFORMANCE**

The management of the Company maintained profitability level during year under review through achieving better sales revenue by adapting better marketing/selling strategy. The Operation of Formaldehyde and Urea

Formaldehyde plants was run at optimal efficiency which also resulted in achieving the better financial results.

**5. OUTLOOK FOR 2009-10**

Inspite of existing economic recession and energy crisis in the country, the management of the Company still expects to optimize the production and sale volume which would result in better profitability of the Company during 2009-10.

**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 30 June 2009 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 Meetings**

- ix) During the year ended 30 June, 2009 a total of seven 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 meetings of the Board of Directors is as under:

	<b>Directors</b>	<b><u>Number of meetings Attended</u></b>	
1.	Lt. Gen. Syed Sabahat Husain	Chairman (Retired w.e.f. 06.05.2009)	4
2.	Lt. Gen. Shujaat Zamir Dar, HI (M), S.Bt.	Chairman Appointed w.e.f. 06.05.2009)	1
3.	Mr. Rolf Ekberg	Vice Chairman (Retired w.e.f. 31.03.2009)	3
4.	Mr. Torbjorn Saxmo	Director Appointed w.e.f. 31.03.2009)	1
5.	Mr. Feroz Khan Malik		7
6.	Mr. Shahid Ahmed		7
7.	Mr. Muhammad Nawaz Tishna	Director (Retired w.e.f. 17.09.2008)	-
8.	Mr. Shahid Aziz	Director (Appointed w.e.f. 17.10.2008)	4
9.	Mr. Syed Naseem Raza	Director	6
10.	Mr. Aftab Iqbal	Director (Retired w.e.f. 18.03.2009)	2
11.	Mr. Khalid Pervaiz	Director (Appointed w.e.f. 18.03.2009)	2
12.	Mr. Shabbir Ahmed	Chief Executive	7

- x) Value of Investment of Provident Fund, Gratuity and Pension Funds Scheme for the financial year ending 30 June 2009 are as follows:

	<u>Rupees</u>
Provident Fund	15,196,131
Gratuity Fund	5,434,891
Pension Fund	8,421,000

**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 2009-10.

**9. PATTERN OF SHAREHOLDING**

The pattern of shareholding as at 30 June 2009 is annexed.

**10. CHANGES IN THE BOARD**

Consequent upon the retirement of Directors, Lt. Gen. Syed Sabahat Husain, Mr. Rolf Ekberg and Mr. Aftab Iqbal, and the nomination by the holding Company, M/s Wah Nobel (Pvt) Limited (WNPL), Lt. Gen. Shujaat Zamir Dar, Mr. Torbjorn Saxmo and Mr. Khalid Pervaiz, have been appointed as Directors respectively in place of the retiring Directors to represent WNPL on the Board of Wah Nobel Chemicals Limited.

Further consequent upon the resignation of Mr. Muhammad Nawaz Tishna, Director, and nomination by M/s National Investment Trust (NIT), Mr. Shahid Aziz has been appointed as Director to represent M/s National Investment Trust (NIT) on the Board of Wah Nobel Chemicals Ltd.

**11. ACKNOWLEDGMENT**

The Directors wish to place on record that the good 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 commend the performance of the management and all employees. The Directors also thank all the valued customers for their continued patronage and support.

On behalf of the Board

WAH CANTT  
Dated:29-09-2009

**(SHABBIR AHMED)**  
**Chief Executive**

## SIX YEARS AT A GLANCE

	2004	2005	2006	2007	2008	2009
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### **(A) Trading Results:**

i) Net Sales Revenue	344.434	502.463	559.959	495.908	697.510	715.258
ii) Gross Profit	54.365	73.436	78.107	81.135	221.722	225.166
iii) Operating Profit	48.310	53.108	51.787	49.905	172.586	175.808
iv) Profit Before Tax	46.036	40.213	34.747	29.503	152.514	146.058
v) Profit After Tax	34.804	23.843	23.503	18.895	101.992	97.006

### **(B) Balance Sheet**

i) Paid-up Capital	75.000	75.000	90.000	90.000	90.000	90.000
ii) Shareholders Equity	203.205	200.798	213.050	215.128	299.12	351.126
iii) Property, Plants and Equipment	134.813	128.062	122.532	117.470	109.852	110.111
vi) Current Assets	229.552	250.036	265.177	283.163	428.841	397.847
v) Long Term Liabilities	56.250	37.500	18.750	-	-	-

### **(C) Key Financial Ratios**

i) Gross Profit %	15.79%	14.62%	13.94%	16.36%	31.78%	31.48%
ii) Profit Before Tax %	13.37%	8%	6.20%	5.95%	21.86%	20.42%
iii) Earning Per Share After Tax Rs.	4.64	2.65	2.61	2.10	11.33	10.78
iv) Yield Cash % (Dividend)	35%	15%	20%	20%	50%	-
v) Debt: Equity Ratio	3.61:1	5.35:1	11.36:1	-	-	-
vi) Break-up Value Per Share Rs.	27.10	26.77	23.67	23.90	33.23	39.01
vii) Current Ratio	2:1	2:1	1.70:1	1.51:1	1.69:1	2.28:1

## 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 9

No of shareholders	Shareholding	Total shares held
105	shareholding from 1 to 100 shares	5,667
418	shareholding from 101 to 500 shares	115,333
135	shareholding from 501 to 1000 shares	102,730
141	shareholding from 1001 to 5000 shares	320,539
32	shareholding from 5,001 to 10,000 shares	237,540
15	shareholding from 10,001 to 20,000 shares	207,800
14	shareholding from 20,001 to 30,000 shares	400,214
5	shareholding from 30,001 to 50,000 shares	173,302
4	shareholding from 50,001 to 100,000 shares	312,000
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
873	<i>Total</i>	9,000,000

Categories of shareholders	Shares held	Percentage
w Directors, Chief Executive Officer, and their spouse and minor children.	<i>Mr. Feroze Khan Malik, Director &amp; his spouse:</i> 60,100	0.67
w Associated Companies, undertakings and related parties. Wah Nobel (Pvt) Ltd WNPL Employees Provident Fund WNCL Employees Provident Fund	4,970,400 99,000 33,102	55.23 1.10 0.37
w NIT and ICP	<i>NIT:</i> 1,292,400 <i>ICP:</i> 625	14.36 0.01
w Banks Development Financial Institutions, Non Banking Financial Institutions.	2,385	0.03
w Insurance Companies	874,080	9.71
w Modarabas and Mutual Funds	30	0.00
w Shareholders holding 10%	-	-
w General Public a. Local b. Foreign	1,607,984 -	17.87 -
w Others (to be specified)	<i>Investment Companies:</i> 1,120 <i>Trust:</i> 18,600 <i>Joint Stock Coys.</i> 40,174	0.01 0.21 0.45
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.

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**STATEMENT OF COMPLIANCE WITH THE CODE OF  
CORPORATE GOVERNANCE FOR THE YEAR ENDED  
JUNE 30, 2009**

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, Lt. Gen. Syed Sabahat Husain, Mr. Rolf Ekberg and Mr. Aftab Iqbal, and the nomination by the holding Company, M/s Wah Nobel (Pvt) Limited (WNPL), Lt. Gen. Shujaat Zamir Dar, Mr. Torbjorn Saxmo and Mr. Khalid Pervaiz, have been appointed as Directors respectively in

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

Further Consequent upon the resignation of Mr. Muhammad Nawaz Tishna, Director, and nomination by M/s National Investment Trust (NIT), Mr. Shahid Aziz has been appointed as Director to represent M/s National Investment Trust (NIT) on the Board of Wah Nobel Chemicals Ltd.

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. No new appointments of Company Secretary, Chief Financial Officer and Internal Auditor have been made during the year.
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.

KHALID PERVAIZ  
CHAIRMAN BOARD OF  
AUDIT COMMITTEE

SHABBIR AHMED  
CHIEF EXECUTIVE

## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICE 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 Listing Regulation of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company’s Compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board’s statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company’s corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

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.

ANJUM ASIM SHAHID REHMAN  
CHARTERED ACCOUNTANTS

Islamabad.

Dated: 29.09.2009.

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of **Wah Nobel Chemicals Limited** as at **June 30, 2009** 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;
  - 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, 2009, 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. 589 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.

Chartered Accounts  
**Date: 29-09-2009**  
**Islamabad**

**Nadeem Tirmizi**  
Partner

**WAH NOBEL CHEMICALS LIMITED**  
**BALANCE SHEET**  
**AS AT JUNE 30, 2009**

	Note	June 30 2009 Rupees	June 30 2008 Rupees
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	7	110,110,743	109,851,654
Long term investment	8	32,507,396	31,405,334
		<b>142,618,139</b>	<b>141,256,988</b>
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools	9	32,043,495	20,030,944
Stock in trade	10	50,339,369	117,444,804
Trade debts	11	283,804,965	247,918,034
Advances, deposits and prepayments	12	5,706,068	16,369,502
Other receivables	13	4,653,114	17,621,417
Short-term-investment	15	2,647,232	2,634,319
Cash and bank balances	16	18,652,577	6,822,034
		<b>397,846,820</b>	<b>428,841,054</b>
<b>TOTAL ASSETS</b>		<b>540,464,959</b>	<b>570,098,042</b>
<b>SHARE CAPITAL AND RESERVES</b>			
Issued, subscribed and paid up capital 9,000,000 (2008: 9,000,000) ordinary shares of Rs.10 each	17	90,000,000	90,000,000
Capital reserve	18	944,404	944,404
Revenue reserves	19	260,181,548	208,175,803
		<b>351,125,952</b>	<b>299,120,207</b>
<b>LIABILITIES</b>			
<b>NON CURRENT LIABILITIES</b>			
Deferred tax liability	20	11,769,652	14,516,261
Accumulated compensated absence	21	2,923,408	3,219,363
		<b>14,693,060</b>	<b>17,735,624</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	22	69,420,292	120,735,186
Due to associated companies	23	23,333	341,379
Accrued mark-up	24	3,160,446	1,622,346
Short term borrowings - secured	25	60,536,669	87,091,151
Taxation- Net	14	41,505,207	43,452,149
		<b>174,645,947</b>	<b>253,242,211</b>
<b>TOTAL LIABILITIES</b>		<b>189,339,007</b>	<b>270,977,835</b>
		<b>540,464,959</b>	<b>570,098,042</b>

The annexed notes from 1 to 48 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, 2009**

	Note	June 30 2009 Rupees	June 30 2008 Rupees
<b>MANUFACTURED GOODS</b>			
Sales - net	26	715,258,168	697,510,108
Cost of sales	27	(490,092,246)	(475,788,368)
<b>GROSS PROFIT</b>		<b>225,165,922</b>	<b>221,721,740</b>
<b>Profit from trading activity</b>	28	<b>1,569,340</b>	<b>2,566,978</b>
		<b>226,735,262</b>	<b>224,288,718</b>
<b>OPERATING EXPENSES</b>			
Administrative and general expenses	29	(17,775,474)	(24,874,508)
Selling and distribution expenses	30	(33,632,787)	(27,317,718)
Other operating income	31	481,054	489,024
<b>OPERATING PROFIT</b>		<b>175,808,055</b>	<b>172,585,517</b>
Finance cost	32	(19,701,492)	(13,737,037)
Other expenses	33	(11,150,218)	(12,036,384)
Share in profit/loss of associated company-net of tax	8	1,102,062	5,702,297
<b>PROFIT BEFORE TAXATION</b>		<b>146,058,407</b>	<b>152,514,393</b>
Provision for taxation	34	(49,052,662)	(50,521,719)
<b>PROFIT AFTER TAXATION</b>		<b>97,005,745</b>	<b>101,992,674</b>
<b>Earnings per share - basic and diluted</b>	35	<b>10.78</b>	<b>11.33</b>

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

The annexed notes from 1 to 48 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, 2009**

	Share Capital	Capital reserve	General reserve	Unappropriat ed profit	Total
	Rupees				
<b>Balance as at June 30, 2007</b>	<b>90,000,000</b>	<b>944,404</b>	<b>98,000,000</b>	<b>26,183,129</b>	<b>215,127,533</b>
Dividend @ Rs. 2.00 per share	-	-	-	(18,000,000)	(18,000,000)
Transfer to general reserve	-	-	5,000,000	(5,000,000)	-
Profit for the year	-	-	-	101,992,674	101,992,674
<b>Balance as at June 30, 2008</b>	<b>90,000,000</b>	<b>944,404</b>	<b>103,000,000</b>	<b>105,175,803</b>	<b>299,120,207</b>
Dividend @ Rs. 5.00 per share	-	-	-	(45,000,000)	(45,000,000)
Transfer to general reserve <b>19</b>	-	-	30,000,000	(30,000,000)	-
Profit for the year	-	-	-	97,005,745	97,005,745
<b>Balance as at June 30, 2009</b>	<b>90,000,000</b>	<b>944,404</b>	<b>133,000,000</b>	<b>127,181,548</b>	<b>351,125,952</b>

The annexed notes from 1 to 48 form an integral part of these financial statements.

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
CHIEF EXECUTIVE

**WAH NOBEL CHEMICALS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Note	June 30 2009 Rupees	June 30 2008 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		146,058,407	152,514,393
Adjustment	36	42,990,585	44,476,927
Changes in working capital			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		(12,012,551)	1,841,162
Stock in trade		67,105,436	(60,099,414)
Trade debts		(42,842,891)	(106,550,717)
Advances, deposits and prepayments		10,663,434	(7,857,448)
Short term investment		-	-
Other receivables		12,730,881	(12,687,208)
(Decrease) / increase in current liabilities:			
Trade and other payables		(54,512,810)	31,081,281
		<u>(18,868,501)</u>	<u>(154,272,344)</u>
Cash generated from operations		170,180,491	42,718,977
Payments for:			
Financial charges		(17,359,621)	(15,257,678)
WPPF		(8,704,120)	(1,664,599)
Employees' gratuity fund		-	(105,871)
Accumulated compensated absences		(694,320)	(490,000)
Taxation		(53,746,214)	(11,373,962)
		<u>(80,504,275)</u>	<u>(28,892,111)</u>
Net cash generated from operating activities		89,676,216	13,826,866
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital expenditure		(6,881,903)	(5,200)
Interest on Term Deposit Receipts		90,711	103,730
Proceeds from sale of property, plant and equipment		500,000	350,000
Net cash used in investing activities		(6,291,192)	448,530
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term financing repayments		-	(18,750,000)
Short term borrowings		(26,554,481)	1,987,820
Repayment against finance lease arrangement		-	(581,275)
Dividends paid		(45,000,000)	(18,000,000)
Net cash used in financing activities		(71,554,481)	(35,343,456)
<b>Net decrease in cash and cash equivalents</b>		11,830,543	(21,171,789)
<b>Cash and cash equivalents at beginning of the year</b>		<u>6,822,034</u>	<u>27,993,823</u>
<b>Cash and cash equivalents at end of the year</b>	16	<u><u>18,652,577</u></u>	<u><u>6,822,034</u></u>

The annexed notes from 1 to 48 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, 2009**

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**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 STATEMENT, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE**

The following standards, interpretations and amendments of approved accounting standards effective for accounting period beginning on or after January 01, 2008 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:

<b>Standards or Interpretation</b>	<b>Effective for in reporting periods starting on or after</b>
- IFRS 2 - Share based Payment - Amendment relating to vesting conditions and cancellations	1 January 2009
- IFRS 3 - Business Combinations - (Revised) Comprehensive revision on applying the acquisition method	1 July 2009
- IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - Amendments	1 July 2009
- IAS-1 - Presentation of Financial Statements - Revised	1 January 2009
- IAS-7 - Statement of Cash Flow - Amendments	1 January 2009
- IAS-12 - Income Taxes - Amendments	1 January 2009
- IAS 16 - Property, Plant and Equipment - Amendments	1 January 2009
- IAS 18 - Revenue - Amendments	1 January 2009
- IAS-19 - Employee Benefits - Amendments	1 January 2009

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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- IAS-20 -	Government Grants and Disclosure of Government Assistance - Amendments	1 January 2009
- IAS-21 -	The effects of changes in foreign exchange rates - Amendments	1 January 2009
- IAS 23 -	Borrowing Costs (Revised 2007)	1 January 2009
- IAS-23 -	Borrowing Costs - Amendments	1 January 2009
- IAS 27 -	Consolidated and Separate Financial Statements - Consequential amendments arising from amendments to IFRS 3	1 July 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	1 January 2009
- IAS 31 -	Interest in Joint Ventures - Amendments	1 January 2009
- IAS 32 -	Financial Instruments: Presentation - Amendments	1 January 2009
- IAS-36 -	Impairment of Assets - Amendments	1 January 2009
- IAS-38 -	Intangible Assets - Amendments	1 January 2009
- IAS-39 -	Financial Instruments: Recognition and Measurement - Amendments	1 January 2009
- IAS-40 -	Investment Property - Amendments	1 January 2009
- IAS-41 -	Agriculture - Amendments	1 January 2009
- IFRIC 1 -	Changes in existing decommissioning - restoration and existing liabilities - Amendments	1 January 2009
- IFRIC 2 -	Member's shares in corporate entities and similar liabilities - Amendments	1 January 2009
- IFRIC 4 -	Determining whether an Arrangement contains a lease	1 July 2010
- IFRIC 12 -	Service Concession Arrangements	1 July 2010
- IFRIC 14 -	The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2009
- IFRIC 15 -	Agreements for the construction of real estate	1 January 2009
IFRIC 16 -	Hedges of a net investment in foreign operations	1 October 2008
- IFRIC 17 -	Distribution of non-cash assets to owners	1 July 2009

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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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 11.1 to these financial statements.

##### **4.3 Employee benefit costs**

Certain actuarial assumptions have been adopted as disclosed in note 13.1 and 21.1 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.

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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**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 13.1 and 21.1.

**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 13.1 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.

**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.

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 results of current valuation are summarized in note 21.

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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**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.

**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, 2009**

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**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

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, 2009**

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**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.

**6.10 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		

**6.11 Trade and other receivables**

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

**6.12 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.

**6.13 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 is recognized when received.

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.

**6.14 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, 2009**

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**6.15 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.

**6.16 Transactions with related parties**

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

**6.17 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.

**6.18 Investments held to maturity**

Investment with fixed or determinable payments and fixed maturity which the company has the positive intent and ability to hold to maturity, are carried at amortised cost using the effective yield method less impairment losses if so determined.

**6.19 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, 2009**

7 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
	Office	Factory	Tube well			Office	Tools and Workshop				Leasehold land	Motor vehicles	Total	
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	2,346,371	104,278,114
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	117,469,700
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	3,844,450	219,555,043	1,701,971	-	1,701,971	221,257,014
Accumulated depreciation	959,572	10,035,204	493,965	91,464,438	443,399	474,858	2,019,621	1,128,565	2,972,143	109,991,762	1,413,597	-	1,413,597	111,405,359
Carrying amount June 30, 2008	1,446,447	6,397,233	53,955	98,601,712	712,537	395,150	375,417	708,520	872,307	109,563,281	288,374	-	288,374	109,851,655
Gross Carrying Amount	2,406,019	16,432,437	547,920	195,784,626	1,159,636	870,008	2,395,038	1,837,085	3,844,450	225,277,219	1,701,971	-	1,701,971	226,979,190
Accumulated depreciation	1,031,894	10,674,927	499,361	95,688,496	515,023	514,373	2,057,167	1,270,269	3,146,604	115,398,114	1,470,331	-	1,470,331	116,868,446
Carrying amount June 30, 2009	1,374,125	5,757,510	48,560	100,096,130	644,613	355,635	337,871	566,816	697,846	109,879,105	231,640	-	231,640	110,110,743

The carrying amount of property, plant and equipment for the period presented in these financial statements as at June 30, 2009 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 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
Additions	-	-	-	-	3,000	-	-	2,200	-	5,200	-	-	-	5,200
Adjustment	-	-	-	-	-	-	-	-	386,662	386,662	-	386,662	386,662	773,324
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	(6,881,903)
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	-	288,373	109,851,653
Additions	-	-	-	6,878,203	3,700	-	-	-	-	6,881,903	-	-	-	6,881,903
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(122,569)	-	-	-	-	-	(122,569)	-	-	-	(122,569)
Depreciation	72,322	639,723	5,396	5,261,218	71,624	39,515	37,546	141,704	174,461	6,443,510	56,734	-	56,734	6,500,244
Carrying amount June 30, 2009	1,374,125	5,757,510	48,560	100,096,130	644,614	355,635	337,871	566,816	697,846	109,879,105	231,640	-	231,639	110,110,743

7.1 Production capacity achieved by the newly capitalized Formaldehyde and U.F Glue plants is 44% and 36%, respectively.

7.2 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.

**WAH NOBEL CHEMICALS LIMITED**  
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**FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 Rupees	2008 Rupees
<b>7.3</b>	Depreciation charge for the year has been allocated as under:		
	Cost of sales	27.1	6,175,111
	Administrative expenses	29	325,133
		6,500,244	7,420,044
<b>7.4</b>	Details of property, plant and equipment sold:		
	<b>Descriptoin</b>	<b>Cost</b>	<b>Book Value</b>
			<b>Sale Proceeds</b>
	By Insurance claim against Blower		
	Askari Insurance Company	1,159,729	122,569
			500,000
<b>8</b>	<b>LONG TERM INVESTMENT</b>		
	<b>Wah Nobel Acetate Limited</b>		
	2,500,000 shares of Rs. 10/- each. (equity held: 8.33%)		25,000,000
	Share of profit of prior periods		6,405,334
	Share of profit / (loss) of current period-net of tax		1,102,062
			7,507,396
			6,405,334
		32,507,396	31,405,334
	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.		
	Assets		777,467,072
	Liabilities		455,907,974
	Revenues		616,327,744
	Profit (Loss)		13,230,037
			68,427,835
<b>9</b>	<b>STORE, SPARES AND LOOSE TOOLS</b>		
	Stores		9,855,585
	Spares		21,961,851
	Loose tools		226,059
			161,137
		32,043,495	20,030,944
<b>10</b>	<b>STOCK IN TRADE</b>		
	Raw and packing material		20,705,116
	Work in process		1,045,520
	Finished goods		3,010,030
	Goods in transit		25,578,703
			57,136,048
		50,339,369	117,444,804

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 Rupees	2008 Rupees
<b>11</b>	<b>TRADE DEBTS-SECURED</b>		
		283,804,965	247,918,034
		35,138,390	28,182,430
		<u>318,943,355</u>	<u>276,100,464</u>
	11.1	(35,138,390)	(28,182,430)
		<u>283,804,965</u>	<u>247,918,034</u>
<b>11.1</b>	<b>Reconciliation of provision for doubtful debts</b>		
		28,182,430	12,432,353
		7,540,442	15,750,077
		<u>35,722,872</u>	<u>28,182,430</u>
		(584,482)	-
		<u>35,138,390</u>	<u>28,182,430</u>
<b>12</b>	<b>ADVANCES, DEPOSITS AND PREPAYMENTS</b>		
	Advances - unsecured, considered good		
	to suppliers	5,219,714	15,796,996
	to employees for expenses	440,034	519,936
		<u>5,659,748</u>	<u>16,316,932</u>
	Deposits	40,070	40,070
	Prepayments	6,250	12,500
		<u>5,706,068</u>	<u>16,369,502</u>
<b>12.1</b>	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 (2008 : Rs Nil ).		
<b>13</b>	<b>OTHER RECEIVABLES</b>		
	Sales tax refundable	2,320,560	544,641
	Receivable from / (payable to) employees gratuity fund	1,962,254	2,199,676
	Letter of credit / gurantee margin	180,900	14,747,700
	Others	189,400	129,400
		<u>4,653,114</u>	<u>17,621,417</u>

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Notes	2009 Rupees	2008 Rupees
<b>13.1 Receivables from/(payable to) employees gratuity fund</b>			
<b>a) Movement in the asset / (liability) recognized in the balance sheet:</b>			
Balance at beginning of the year		2,199,676	2,093,805
Charge for the year		(237,422)	-
Payments to the fund during the year		-	(105,871)
Balance at end of the year		1,962,254	2,199,676
<b>b) Reconciliation of the asset / (liability) recognized in the balance sheet:</b>			
Present value of defined benefit obligation		(9,770,064)	(6,923,574)
Fair value of plan assets		9,954,667	10,872,010
Surplus / (deficit)		184,603	3,948,436
Unrecognized actuarial gain		1,777,651	(1,748,760)
Net asset / (liability)		1,962,254	2,199,676
<b>c) Amounts charged to profit and loss account during the current year:</b>			
Current service cost		766,364	(197,356)
Interest cost		830,829	(636,214)
Expected return on plan assets		(1,304,641)	939,441
Actuarial (gain) / losses charge		(55,130)	-
		237,422	105,871
<b>d) Actuarial valuation of these plans was carried out as at June 30, 2009 using Projected Unit Credit Method. Significant actuarial assumptions used were as follows:</b>			
		<b>2009</b>	<b>2008</b>
Discount rate		12%	12%
Expected rate of eligible salary increase in future years		11%	11%
Expected rate of return on plan assets per annum		12%	12%
Average expected remaining working life time of employees		12 years	12 years

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	2009 Rupees	2008 Rupees
<b>14 TAXATION-NET</b>		
Advance tax	28,746,214	14,979,350
Provision for taxation	(70,251,421)	(58,431,498)
	(41,505,207)	(43,452,149)
<b>15 SHORT-TERM-INVESTMENT</b>		
<p>Held-to-maturity financial assets comprise Term Deposit Receipts (TDR) having maturity up to 1 year and profit rate between 3% and 5% and under lien with bank. The carrying amount, measured at amortized cost, of these financial asset is as follows:</p>		
<b>Held in Local currency</b>		
TDR cost	2,582,666	2,582,666
Accrued interest	64,566	51,653
	2,647,232	2,634,319
<b>16 CASH AND BANK BALANCES</b>		
Cash in hand	63,873	146,597
Cash with banks		
in current accounts	18,588,704	6,675,437
	18,652,577	6,822,034

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**17 SHARE CAPITAL**

2009 Numbers	2008	2009 (Rupees)	2008 (Rupees)
<b>Authorized</b>			
20,000,000	20,000,000 Ordinary shares of Rs. 10 each	<u>200,000,000</u>	<u>200,000,000</u>
<b>Issued, subscribed and paid up</b>			
6,750,000	6,750,000 Ordinary shares of Rs. 10 each fully paid in cash	67,500,000	67,500,000
2,250,000	2,250,000 Ordinary shares of Rs. 10 each issued as fully paid bonus	22,500,000	22,500,000
<u>9,000,000</u>	<u>9,000,000</u>	<u>90,000,000</u>	<u>90,000,000</u>

Wah Nobel (Private) Limited (the holding company) held 4,970,400 (2008 : 4,970,400) ordinary shares of Rs. 10 /- each at balance sheet date.

**18 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.

**19 REVENUE RESERVE**

General reserve	19.1	133,000,000	103,000,000
Unappropriated profit		127,181,548	105,175,803
		<u>260,181,548</u>	<u>208,175,803</u>

**19.1 General reserve**

Balance at the beginning of the year	103,000,000	98,000,000
Transfer during the year	30,000,000	5,000,000
	<u>133,000,000</u>	<u>103,000,000</u>

	2009 (Rupees)		2008 (Rupees)	
	Liabilities	Assets	Liabilities	Assets
<b>20 DEFERRED TAX LIABILITIES</b>				
This is comprised of following temporary differences:				
<b>Non current assets</b>				
Property, plant and equipment	27,061,973		27,188,289	
<b>Current Assets</b>				
Trade debtors		(12,298,437)		(9,863,851)
<b>Deferred liabilities</b>				
Accumulated compensated absence		(1,023,193)		(1,126,777)
Share in Profit of Associate Company		(1,970,691)		(1,681,400)
	<u>27,061,973</u>	<u>(15,292,321)</u>	<u>27,188,289</u>	<u>(12,672,028)</u>

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

		2009 Rupees	2008 Rupees
<b>21</b>	<b>ACCUMULATED COMPENSATED ABSENCES</b>		
	Provision for accumulated compensated absences	21.1 2,923,408	3,219,363
<b>21.1</b>	<b>The amounts recognized in the balance sheet are determined as follows:</b>		
	Present value of defined benefit obligations as on June 30, 2009	3,219,363	2,401,315
	Current service cost	341,775	1,067,916
	Interest cost	321,936	240,132
	Benefits paid during the year	(694,320)	(490,000)
	Actuarial ( gain )/loss on present value of defined benefit obligation	(265,346)	-
		2,923,408	3,219,363
<b>21.2</b>	<b>The amounts recognized in the profit and loss account are as follows:</b>		
	Current service cost	341,775	1,067,917
	Interest cost	321,936	240,132
	Actuarial (gains)/losses charge	(265,346)	-
		398,365	1,308,049
<b>21.3</b>	<b>The principal actuarial assumptions used were as follows:</b>		
	Discount rate	12%	10%
	Expected rate of increase in salary	11%	10%
	Average number of leaves accumulated per annum by the officers	9 days	10 days
	Average number of leaves accumulated per annum by the staff	5 days	6 days
	Average number of leaves accumulated per annum by the workers	3 days	3 days
<b>22</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Trade creditors	24,327,536	73,418,161
	Advances from customers	3,651,065	6,955,689
	Accrued expenses	439,094	2,222,264
	Payable to employees' provident fund	352	170
	Bonus payable	7,169,959	7,315,271
	Sales tax payable	7,161,366	6,375,179
	Unclaimed dividends	1,078,856	1,085,133
	Workers' profit participation fund	22.1 7,791,248	7,904,769
	Workers' welfare fund	22.2 12,568,078	9,574,687
	Other liabilities	5,232,737	5,883,863
		69,420,292	120,735,186

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	2009 Rupees	2008 Rupees	
<b>22.1 Workers' Profit Participation Fund</b>			
Balance at the beginning of the year	7,904,769	1,579,445	
Interest for the period on Fund utilized by the Company	803,771	89,574	
Payments during the year	(8,704,120)	(1,664,599)	
Allocation for the year	7,786,828	7,900,349	
Balance at the end of the year	7,791,248	7,904,769	
<b>22.2 Workers' Welfare Fund</b>			
Balance at the beginning of the year	9,574,687	5,814,952	
Payments during the year	-	-	
Allocation for the year	2,993,391	3,759,735	
Balance at the end of the year	12,568,078	9,574,687	
<b>23 DUE TO ASSOCIATED COMPANIES</b>			
Wah Nobel (Private) Limited - holding company	23,333	341,379	
<b>24 ACCRUED MARK UP</b>			
On short term borrowings	3,160,446	1,622,346	
	3,160,446	1,622,346	
<b>25 SHORT TERM FINANCE-SECURED</b>			
Bank Al-Habib	25.1	60,166,591	83,588,812
Allied Bank Limited	25.1	370,078	-
MCB Bank Limited		-	3,502,338
Short term running finance - secured	25.1	60,536,669	87,091,151

**25.1** This represents amount payable under finance facility of Rs. 150 million (2008: 150), 50 million (2008: 50 million) and 100 million (2008: Nil) from Bank-AI-Habib, Muslim Commercial Bank Limited and Allied Bank Limited respectively. The facilities are carrying mark up at the rate of 1 month average KIBOR plus 0.50%, 1 month average KIBOR plus 0.90% and 1 month KIBOR plus 1% spread respectively, with out a floor or cap, payable quartely.

Presently facilities by Allied Bank Limited and Bank-AI-Habib are secured against ranking charge on all current and future assets of the Company for Rs 254 Million with 25% margin and 310 million (margin 25 %). Facility from MCB Bank Limited is against first hypotecation charge on all present and future current assets of the Company.

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 Rupees	2008 Rupees
<b>26 SALES</b>			
Gross revenue from sale of manufactured products		836,856,484	810,195,761
Sales tax		(114,415,268)	(105,655,989)
Special excise duty		(7,183,048)	(7,029,664)
		<u>715,258,168</u>	<u>697,510,108</u>
<b>27 COST OF SALE</b>			
Cost of goods manufactured	27.1	484,286,722	471,512,168
Packing material consumed		435,923	617,272
		<u>484,722,645</u>	<u>472,129,440</u>
Opening stock of finished goods		8,379,631	12,038,559
Closing stock of finished goods		(3,010,030)	(8,379,631)
		<u>490,092,246</u>	<u>475,788,368</u>
<b>27.1 Cost of goods manufactured</b>			
Raw material consumed	27.1.1	417,784,958	414,203,808
Stores and spares consumed		8,577,770	7,153,066
Salaries, wages and other benefits	30.1	21,837,085	19,580,302
Fuel and power		24,629,475	20,565,682
Rent, rates and taxes		612,503	288,106
Insurance		1,545,121	1,735,599
Repairs and maintenance of vehicles		357,221	311,755
Car lease rentals		118,525	191,772
Miscellaneous expenses		1,762,055	1,364,937
Depreciation	7.3	6,175,111	7,181,506
Manufacturing cost		<u>483,399,824</u>	<u>472,576,534</u>
Opening stock of work in process		1,932,418	868,052
Closing stock of work in process		(1,045,520)	(1,932,418)
		<u>484,286,722</u>	<u>471,512,168</u>
<b>27.1.1 Raw material consumed</b>			
Opening stock		49,996,707	40,644,135
Purchases during the year		388,493,367	423,556,381
		<u>438,490,074</u>	<u>464,200,516</u>
Closing stock		(20,705,116)	(49,996,707)
		<u>417,784,958</u>	<u>414,203,808</u>
<b>28 PROFIT FROM TRADING ACTIVITY</b>			
Gross sales		3,335,105	9,565,554
Sales tax		(101,710)	(1,241,245)
		<u>3,233,395</u>	<u>8,324,309</u>
Cost of sales		(1,664,055)	(5,757,331)
Net profit on trading		<u>1,569,340</u>	<u>2,566,978</u>

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 Rupees	2008 Rupees
<b>29 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries, wages and other benefits	30.1	4,569,308	4,911,441
Management fee		900,000	800,000
Office rent		99,680	96,667
Electricity and water charges		488,422	436,899
Postage, telephone and telex		318,157	303,869
Printing and stationery		462,947	451,725
Traveling and conveyance		735,939	239,580
Entertainment		94,729	57,091
Legal and professional charges		856,842	472,760
Fees and subscription		35,188	122,188
Advertisement and publicity		167,720	57,776
Vehicles running and maintenance expenses		111,686	92,430
Car lease rentals		406,964	489,186
Provision for doubtful debts		7,540,442	15,750,077
Miscellaneous expenses		662,317	354,282
Depreciation	7.3	325,133	238,538
		17,775,474	24,874,508
<b>30 SELLING AND DISTRIBUTION EXPENSES</b>			
Salaries, wages and other benefits	30.1	3,592,837	2,989,082
Postage, telephone and telex		182,343	151,909
Printing and stationery		1,580	26,488
Sales promotions		-	18,600
Traveling and conveyance		331,009	203,743
Carriage		28,138,147	22,484,985
Vehicle running expenses		430,632	318,638
Transit insurance		706,703	757,067
Entertainment		1,060	640
Car lease rental		201,054	269,948
Miscellaneous expenses		47,422	96,618
		33,632,787	27,317,718
<b>30.1</b>	Contributions towards provident fund and pension fund during the year is Rs. 857,172 and Rs. 991,336 respectively.		
<b>30.2</b>	Insurance contract has been terminated during the year and the company is in negotiations with other insurance companies for insurance coverage of pension scheme		
<b>31 OTHER OPERATING INCOME</b>			
Interest on term deposits		103,623	103,730
Profit / (Loss) on sale of property, plant and equipment		377,431	146,797
Lease rent		-	232,495
Others		-	6,002
		481,054	489,024

**WAH NOBEL CHEMICALS LIMITED**  
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**FOR THE YEAR ENDED JUNE 30, 2009**

	Note	2009 Rupees	2008 Rupees
<b>32 FINANCE COST</b>			
Mark up on long term financing		-	1,186,747
Interest on Workers' Profit Participation Fund		803,771	89,574
Finance charges on lease		-	14,465
Mark up on short term finances		18,240,823	11,941,655
Bank charges		656,898	504,596
		<u>19,701,492</u>	<u>13,737,037</u>
<b>33 OTHER EXPENSES</b>			
Workers' Profit Participation Fund		7,786,828	7,900,349
Workers' Welfare Fund		2,993,391	3,759,735
Auditor's remuneration	33.1	370,000	376,300
		<u>11,150,218</u>	<u>12,036,384</u>
<b>33.1 Auditors' remuneration</b>			
Audit fee		280,000	280,000
Half yearly review		90,000	90,000
Out of pocket expenses		-	6,300
		<u>370,000</u>	<u>376,300</u>
<b>34 PROVISION FOR TAXATION</b>			
Current - for the year		51,799,272	57,685,478
Deferred		(2,746,610)	(7,163,759)
		<u>49,052,662</u>	<u>50,521,718</u>
<b>34.1 Tax charge reconciliation</b>			
Accounting profit		<u>146,058,407</u>	<u>152,514,393</u>
Tax rate		<u>35 %</u>	<u>35 %</u>
Tax on accounting profit at applicable rate		51,120,442	53,380,037
Tax effect of amounts/expenses that are inadmissible for tax purposes		8,164,779	6,464,664
Tax effect of amounts/expenses that are admissible for tax purposes		(7,485,949)	(2,273,622)
Tax effect of unabsorbed depreciation		-	-
Excess provision for the year			114,398
Tax effect of timing differences		(2,746,610)	(7,163,759)
		<u>49,052,662</u>	<u>50,521,718</u>
<b>35 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Net profit after tax		<u>97,005,745</u>	<u>101,992,674</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>10.78</u>	<u>11.33</u>

**WAH NOBEL CHEMICAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**36 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 flow:

	2009 Rupees	2008 Rupees
<b>Adjustment:</b>		
Depreciation	6,500,244	7,420,044
(Profit)/loss on sale of property, plant and equipment	(377,431)	(146,797)
Interest on Term Deposit Receipts	(103,623)	(103,730)
Financial charges on bank borrowings	18,897,721	13,632,998
Other Accrued Charges	803,771	554,770
Charge based on actuarial valuation of employees' gratuity fund	237,422	-
Share in profit of associated company	(1,102,062)	(5,702,297)
Workers' Profit Participation Fund (WPPF)	7,786,828	7,900,349
Workers' Welfare Fund (WWF)	2,993,391	3,759,735
Provision for accumulated compensated absences	398,365	1,308,049
Provision for doubtful debts net	6,955,960	15,750,077
	<b>42,990,585</b>	<b>44,476,927</b>

**37 CONTINGENCIES AND COMMITMENTS**

**37.1 Contingencies**

**37.1.1** 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 (2008 : 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.

**37.1.2** 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.

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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.

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. 589 million (2008 : Rs. 548 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.

**37.1.3** 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.

	<b>2009</b>	<b>2008</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>37.2 Commitments in respect of:</b>		
Letters of credit for purchase of stocks	20,450,219	36,312,000
	20,450,219	36,312,000

**38 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 38.2 for a summary of Company's financial assets and liabilities by category:

**38.1 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, 2009 the Company is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates - see note 25 for further information.

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The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +10.26% and -19.03% (2008: +40.90%/-10.35%), 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.

	2009		2008	
	"Rupees"		"Rupees"	
	+10.26%	-19.30%	+40.90%	-10.35%
Net Result for the year	6,210,749	(11,521,895)	(3,600,173)	911,148

**(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:

	2009	2008
	"Rupees"	"Rupees"
Classes of financial assets - carrying amounts		
Long-term Investments	32,507,396	31,405,334
Trade debts	283,804,965	247,918,034
Advances, deposits and other receivables	810,334	15,448,689
Cash at bank	18,652,577	6,822,034
	<b>335,775,271</b>	<b>301,594,091</b>

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	2009
			Rupees
National Bank of Pakistan	JCR-VIS	A-1+	3,188,477
Askari Bank Limited	PACRA	A1+	5,256
Bank-AI Falah Limited	PACRA	A1+	12,898,254
MCB Bank Limited	PACRA	A1+	5,075,813
Habib Bank Limited	JCR-VIS	A-1+	3,570
			<b>21,171,370</b>

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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 2009, The Company's liabilities have contractual/probable maturities which are summarised below:

<b>June 30, 2009</b>	<b>Current</b>	
	<b>Within 6 months</b>	<b>6 to 12 months</b>
Trade and other payables	69,420,292	-
Accrued mark up	3,160,446	
Due to associated Companies	23,333	
Short term borrowing	-	60,536,669
	<b>72,604,071</b>	<b>60,536,669</b>

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

<b>June 30, 2008</b>	<b>Current</b>	
	<b>Within 6 months</b>	<b>6 to 12 months</b>
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		-
	<b>122,698,912</b>	<b>87,091,151</b>

**(e) Fair value estimation**

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

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**38.2 Summary of financial assets and liabilities by category**

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

	<b>2009</b>	<b>2008</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Non Current assets</b>		
Investment at fair value	32,507,396	31,405,334
<b>Current assets</b>		
Trade debts and other receivables	289,835,012	263,366,723
Cash and cash at bank	18,652,577	6,822,034
	<b>308,487,589</b>	<b>27,088,757</b>
<b>Current liabilities</b>		
Trade and other payables		
- at fair value	81,292,160	178,979,568

**39 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.

	<b>2009</b>	<b>2008</b>
	<b>Rupees</b>	<b>Rupees</b>
Total equity	351,125,952	299,120,207
Cash and bank	(18,652,577)	(6,822,034)
<b>Capital</b>	<b>332,473,375</b>	<b>292,298,173</b>
Total equity	351,125,952	299,120,207
Borrowing	-	-
<b>Overall financing</b>	<b>351,125,952</b>	<b>299,120,207</b>
<b>Capital-to-overall financing ratio</b>	<b>1:1.06</b>	<b>1:1.023</b>

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**40 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES**

- 40.1** No fee or remuneration was paid by the Company to Chief Executive and Directors except for the lump sum amount of Rs. 900,000/- (2008 : Rs. 800,000/-) charged by Wah Nobel (Private) Limited, as management fee as disclosed in note 30.
- 40.2** 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.

**41 CAPACITY AND PRODUCTION**

	Designed Annual Capacity		Actual Production	
	2009	2008	2009	2008
	Metric Tones			
Formaldehyde and Formaline	30,000	30,000	21,646	22,766
Urea / Phenol Formaldehyde	19,000	19,000	23,435	23,193

**42 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

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

	2009 Rupees	2008 Rupees
Expenses incurred (on behalf of) / by the group companies net	(2,461,473)	1,009,634
Vehicles lease rentals paid by the holding company	1,116,903	950,906
Management services by holding company	900,000	800,000
Sale to holding company	-	3,340,000
Purchases from Associate Company	40,379	-
Dividend paid to the holding company	24,852,000	9,940,800

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	2009 Rupees	2008 Rupees
<b>Other related parties</b>		
<b>Payment to:</b>		
Employees' Gratuity Fund Trust	-	105,871
Employees' Pension Fund Trust	991,336	708,111
Employees' Provident Fund Trust	857,172	764,616
Worker Profit Participation Fund	8,704,120	1,664,599

**43 NUMBER OF EMPLOYEES**

Total number of permanent employees as at June 30, 2009 is 115 (2008 : 100)

**44 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of directors at the meeting held on September 29, 2009 have proposed for the year ended June 30, 2009 cash dividend of Rs. 5.00 per share (2008: Rs. 5.00 per share), amounting to Rs. 45 million subject to approval of members at the annual general meeting.

**45 DATE OF AUTHORIZATION**

These financial statements were authorized for issue on September 29, 2009 by the Board of Directors of the Company.

**46 FACILITIES OF LETTER OF GUARANTEE AND LETTER OF CREDIT**

Following banks have extended facilities of Letter of Guarantee and Letter of Credit

		Letter of guarantee		Letter of Credit	
		2009	2008	2009	2008
MCB Bank Limited	46.1	10,000,000	10,000,000	100,000,000	80,000,000
Bank Al Habib Limited	46.2	20,000,000	20,000,000	180,000,000	180,000,000
Allied Bank limited	46.3	-	-	190,000,000	-

**46.1** The facilities have been secured by first hypothication charge over current assets of the Company

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

**46.3** Letter of credit is secured by lien on shipping documents duly insured in favour of the Bank.

**47 COMPARATIVE FIGURES**

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

**48 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 26<sup>th</sup> Annual General Meeting of the Company to be held on Tuesday, the 27<sup>th</sup> day of October, 2009 and at every adjournment thereof.

Signed by the said \_\_\_\_\_

this \_\_\_\_\_ day of \_\_\_\_\_ 2009 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.