



# ANNUAL REPORT 2023



**Wah Nobel Chemicals Limited**



# WAH NOBEL CHEMICALS

FAST MOVING CONSUMER GOODS (FMCG) - HYGIENE PRODUCTS



Wah Nobel Chemicals Limited, G.T Road, Wah Cantt, Pakistan.

(051) 4545243-6 (4 Lines), Ext. 226 (0300) 5538509 (Mob) | [fmcg@wahnobel.com](mailto:fmcg@wahnobel.com) | [www.wahnobel.com](http://www.wahnobel.com)



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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.

# Corporate Information

## BOARD OF DIRECTORS

|                                   |   |          |
|-----------------------------------|---|----------|
| Lt. Gen. Ali Amir Awan, HI(M)     | : | Chairman |
| Mr. Mats-Olof Rydberg             | : | Director |
| Maj Gen Rashid Mahmood            | : | Director |
| Maj Gen Mumtaz Hussain, HI(M) TBT | : | Director |
| Mr. Tariq M. Rangoonwala          | : | Director |
| Mr. Manzoor Ali Shaikh            | : | Director |
| Mr. Usman Ali Bhatti              | : | Director |

**CHIEF EXECUTIVE** : Brig Shiraz Ullah Choudhry, SI(M) ®

## AUDIT COMMITTEE

|                                   |   |          |
|-----------------------------------|---|----------|
| Mr. Tariq M. Rangoonwala          | : | Chairman |
| Maj Gen Mumtaz Hussain, HI(M) TBT | : | Member   |
| Mr. Usman Ali Bhatti              | : | Member   |

## HUMAN RESOURCE & REMUNERATION (HR&R) COMMITTEE

|                                     |   |          |
|-------------------------------------|---|----------|
| Mr. Tariq M. Rangoonwala            | : | Chairman |
| Maj Gen Mumtaz Hussain, HI(M) TBT   | : | Member   |
| Brig Shiraz Ullah Choudhry, SI(M) ® | : | Member   |

## COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

: Mr. Tanveer Elahi, FCA

## AUDITORS

: Grant Thornton Anjum Rahman  
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: 051-4938026-7, Fax: 051-4102628  
Email: [iilyas@hotmail.com](mailto:iilyas@hotmail.com)

## BANKERS

: MCB Bank Limited  
Allied Bank of Pakistan Limited  
Bank Al-Habib Limited  
Askari Bank Limited  
Meezan Bank Limited

## REGISTERED OFFICE

: G.T. Road, Wah Cantt.

## FACTORY

: Wah Cantt.

## PHONES

: (051) 4545243-6 (4 Lines)  
(051) 905525204

## FAX

: (051) 4545241, (051) 4535862

## E.MAIL

: [ce@wahnobel.com](mailto:ce@wahnobel.com)

## WEBSITE

: [www.wahnobel.com](http://www.wahnobel.com)

## Company Profile

Wah Nobel Chemicals Limited is a Pakistan's leading manufacturer of Formaldehyde, UF, PF Resins and Urea Formaldehyde Moulding Compound. 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                   | 24,350 Sqr. M |
| ● Auxiliary Building             | 2,200 Sqr. M  |
| ● Green Area                     | 11,730 Sqr. M |
| ● Open Plot for Future Expansion | 6,820 Sqr. M  |

### PRODUCT RANGE

|                                       |                         |
|---------------------------------------|-------------------------|
| ● Formaldehyde                        | 37 TO 50% Concentration |
| ● Urea Formaldehyde Glue              | Various Grades          |
| ● Phenol Formaldehyde Glue            | Various Grades          |
| ● Special Resins                      | Various Grades          |
| ● UFC 85                              |                         |
| ● Urea Formaldehyde Moulding Compound | Various Grades          |

### INSTALLED CAPACITY

|                                     |                           |
|-------------------------------------|---------------------------|
| Formaldehyde                        | 80,000 M. Tons per annum. |
| Urea/Phenol Formaldehyde            | 19,000 M. Tons per annum. |
| Urea Formaldehyde Moulding Compound | 13,000 M. Tons per annum. |

### QUALITY LEADERSHIP

Quality is an integral part of our business environment and culture. The certification of ISO 9001-2015 affirms our commitment to the adherence of international quality standards. Further, our Company has also been awarded two other Certificates namely Environmental Management System ISO 14001:2015 and Health & Safety Management System OHSAS 18001:2007. All 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.

## Notice of Annual General Meeting

NOTICE is hereby given that the 40th 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 Thursday, October 26, 2023 at 1100 hours to transact the following business.

### ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on October 28, 2022.
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2023 together with the Chairman's review, Directors' and the Auditors' Reports thereon.
3. To approve and declare the final cash dividend @ Rs 10 per share i.e. 100% for the year ended June 30, 2023, as recommended by the Directors.
4. To appoint auditors of the Company for the year 2023-24 and to fix their remuneration. The Board of Directors, on the recommendation of the Audit Committee of the Company, has proposed re-appointment of Messer Grant Thornton Anjum Rahman, Chartered Accountants as auditors of the company.

### SPECIAL BUSINESS:

5. To consider and, if thought fit, pass with or without modification(s), the following resolutions to enable and authorize the Company to circulate the Annual Audited Financial Statements, to the members of the Company through QR enabled code and web link, as required by the Securities and Exchange Commission of Pakistan ("SECP") vide its Notification S.R.O. 389 (1)/2023 dated March 21, 2023:  
**"RESOLVED THAT the Company be and is hereby authorized to circulate its annual report, including the annual audited financial statements, auditor's report, Directors' report, Chairman's review report and other reports contained therein, to its members through QR enabled code and web link, in accordance with S.R.O. 389(I)/2023 dated March 21, 2023 issued by the Securities and Exchange Commission of Pakistan.  
"FURTHER RESOLVED THAT, the Chief Executive and Company Secretary be and are hereby singly authorized to do all acts, deeds and things, take or cause to be taken all necessary actions, as may be necessary, incidental or consequential to give effect to this resolution."**

A statement under section 134(3) of the Companies Act, 2017 pertaining to the Special Business is being sent to the members with this notice

### OTHER BUSINESS

6. To transact any other business with the permission of the Chair.

By Order of the Board

  
(TANVEER ELAHI)  
Company Secretary

Wah Cantt:  
September 28, 2023

## Notes:

1. The share transfer books of the Company will remain closed from October 19, 2023 to October 26, 2023 (both days inclusive). Transfers received in order by the Shares Registrar of the Company by the close of business on October 18, 2023 will be treated in time for the entitlement of payment of dividend.
2. A member of the Company entitled to attend and vote at the 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 at the Company's Registered Office not later than 48 hours before the time appointed for the meeting and must be duly stamped, signed and witnessed.
3. 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.
4. Shareholders who are interested in attending AGM through video link are requested to email their Name, Folio Number, Cell Number, CNIC Number and Number of shares held in their name with subject "Registration for Wah Nobel Chemicals Limited AGM" at [agmwahn@wahnobel.com](mailto:agmwahn@wahnobel.com)  
Video link and login credentials will be shared with only those members whose emails, containing all the required particulars, are received at least 48 hours before the time of AGM (i.e. before 11.00 a.m. on October 24, 2023).  
Shareholders can also provide their comments and questions for the agenda items of the AGM at the email.
5. Shareholders holding shares in physical form are requested to promptly notify Shares Registrar of the Company of any change in their addresses or any other particulars. Shareholders maintaining their shares in electronic form should have their address updated with their participant or CDC Investor Accounts Service.  
Further, to comply with requirements of section 119 of the Companies Act, 2017 and Regulation 19 of the Companies (General Provisions and Forms) Regulations, 2018, all Shareholders are requested to provide their email address and cell phone numbers incorporated / updated in their physical folio or CDC account.
6. Shareholders are once again requested to submit a copy of their valid CNIC (if not already provided) to the Company's Share Registrar, without any delay. In case of non-availability of a valid copy of the Shareholders' CNIC in the records of the Company, the Company shall withhold the Dividend under the provisions of Section 243(2)(a) of the Companies Act 2017 which will be released by the Company only upon compliance.
7. As per Income Tax Ordinance, 2001, following rates are prescribed for deduction of withholding tax on the amount of dividend paid by the company:
  - (a) For persons appearing in Active Tax Payer List (ATL): 15%
  - (b) For persons not appearing in Active Tax Payer List (ATL): 30%Further, according to clarification provided by the FBR, with-holding tax will be determined separately on 'Active or Non-Active' status of Principal shareholder as well

- as joint-holder(s) based on their shareholding proportions, in case of joint accounts.
8. As per Section 242 of Companies Act, 2017, it is mandatory for the listed company to pay cash dividend to its shareholders only through electronic mode, directly into bank account designated by the entitled shareholders. Therefore, those Shareholders who have not yet provided details of their bank mandate are hereby advised to submit these details specifying: (i) title of account, (ii) bank account number, (iii) International Bank Account ( IBAN ) number (iv) bank name (v) branch name, code and address to Company's Share Registrar. Shareholders who hold shares with Participants /Central Depository Company of Pakistan (CDC) are advised to provide their bank mandate information to the concerned Broker/CDC. Please note that as per Section 243(3) of the Companies Act , 2017, company will be constrained to withhold payment of dividend, if necessary information is not provided by shareholders.
  9. The audited financial statements of the Company for the year ended June 30, 2023 have been placed on the Company's website ([www.wahnobel.com](http://www.wahnobel.com))
  10. As per section 72 of the Companies Act, 2017, every existing listed company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of the Act i.e. May 30, 2017. SECP through its circular # CSD/ED/Misc./2016-639-640 dated March 26, 2021 has advised the listed companies to pursue their such members who still hold shares in physical form, to convert their shares into book-entry form.  
In light of above, shareholders having physical share certificates are requested to comply with the provisions of the Act by opening CDC sub-accounts with any of the brokers or Investor Accounts directly with CDC to convert their physical shares into scrip less form.
  11. Shareholders, whose dividends still remain unclaimed and /or undelivered share certificates are hereby once again requested to contact the Company or our Shares Registrar M/s Ilyas Saeed Associates (Pvt) Limited to claim their outstanding dividend amounts and/or undelivered share certificates. In case no claim is received, the Company shall proceed to comply in accordance with the applicable law.
  12. Shareholders seeking exemption from deduction of income tax are requested to submit a valid tax exemption certificate or necessary documentary evidence as the case may be before the start of book closure. Members desiring non-deduction of zakat are also requested to submit a valid declaration (CZ-50) for non-deduction of zakat.
  13. The members are hereby notified that pursuant to Section 143-145 of the Companies Act, 2017 and Companies (Postal Ballot) Regulations, 2018 amended through Notification dated December 5, 2022, issued by the Securities and Exchange Commission of Pakistan ("SECP"), wherein, SECP has directed all the listed companies to provide the right to vote through the electronic voting facility and voting by post to the members on all businesses classified as special business.  
Accordingly, members of the Company will be allowed to exercise their right to vote through the electronic voting facility or voting by post for the special business in its forthcoming AGM as per following procedure:

### **Procedure for E – Voting:**

- (a) Details of the e-voting facility will be shared through an e-mail with those members of the Company who have their valid CNIC numbers, cell numbers, and e-mail addresses available in the register of members of the Company by the close of business on October 18, 2023.
- (b) The web address, and login details, will be communicated to members via email. The security codes will be communicated to members through SMS from the web portal of **M/s. CDC Share Registrar Services Limited** (being the e-voting service provider).
- (c) Identity of the Members intending to cast a vote through e-Voting shall be authenticated through electronic signature or authentication for login.
- (d) E-Voting lines will start from 9:00 a.m on October 23, 2023 and shall close at 5:00 p.m. on October 25, 2023. Members can cast their votes at any time during this period. Once the vote on a resolution is cast by a Member, he/she shall not be allowed to change it subsequently.

### **Procedure for Voting Through Postal Ballot:**

The shareholders shall ensure that duly filled and signed ballot papers along with a copy of the valid Computerized National Identity Card (CNIC) should reach the Chairman of the meeting through post on the Company's registered address, G.T. Road, Wah Cantt, or e-mail at [chairman@wahnobel.com](mailto:chairman@wahnobel.com) by October 25, 2023 one day before the Annual General Meeting during working hours. The signatures on the ballot paper shall match with the signature on CNIC.

For the convenience of the shareholders, ballot paper is annexed to this notice and the same is also available on the Company's website at [www.wahnobel.com](http://www.wahnobel.com) for download.

### **STATEMENT UNDER SECTION 134 (3) OF THE COMPANIES ACT, 2017**

This Statement sets out the material facts pertaining to the Special Business under Agenda item # 5 to be transacted at the Annual General Meeting of the Company.

The Securities and Exchange Commission of Pakistan has allowed listed Companies, through its S.R.O No.389 (I)/2023 dated March 21, 2023 to circulate the Audited Annual Financial Statements together with reports thereon to its members through QR-enabled code and web link instead of transmitting the Audited Annual Financial Statements through CD/DVD/USB or in hard copies.

Accordingly, consent of the Shareholders is sought. If thought fit, pass the resolution with or without modification(s).

A Shareholder may request the Company to provide a hard copy of the Audited Annual Financial Statements and same will be provided to him / her free of cost.

None of the Directors of the Company have any direct or indirect interest in this special business.

## Review Report by the Chairman

I am pleased to present to you review on the overall performance of the Board and effectiveness of its role in achieving the company's objectives.

Despite challenging business environment, the current financial year was the most successful year as the Company was able to achieve its highest ever sales figure and reported the net sales of Rs 4,383 million as compared to Rs 3,310 million during last year. Further, profit after tax increased from Rs 209 million to Rs 449 million, up by 115% and it translated into Earnings per Share (EPS) of Rs 49.91 as against Rs 23.24 last year.

Based on the financial performance, the Board has recommended a final cash dividend of 100 % i.e. Rs 10 per share.

Company contributed Rs 935 million towards the National Exchequer on account of various government levies, taxes and import duties during the year under review.

Board has ensured that there is adequate representation of non-executive, independent and female directors on the Board and its committees as required under the Code and that members of the Board and its respective committees have adequate skill, experience and knowledge to manage the affairs of the Company;

Board has performed its duties and responsibilities diligently, contributed effectively in guiding the Company in its strategic affairs and in enhancing the vision of the Company. The Board, being responsible for the management of the company, formulates all significant policies and strategies to ensure continued growth. The Board also played a key role in the monitoring management's performance and assessing major risk areas. All board members, including independent directors, fully participated in and contributed to the decision making process of the Board

The Board acknowledges its responsibility in respect of Corporate & Financial Reporting Framework and is committed to ensure high standards of Corporate Governance to preserve stakeholders' value. The Board has fulfilled all its mandatory responsibilities including ensuring compliance with all relevant legal and regulatory requirements for the Company. During the year under review, quarterly, half yearly and annual financial results were thoroughly reviewed by the Board and extended its guidance to the management on regular basis to ensure strong governance. Board also reviewed and approved the Company's financial budget and capital expenditures requirement.

The Board and the Management are fully conscious of the challenges ahead and are well prepared to tackle them with the required vision, knowledge, and experience

As Chairman, I remain firmly committed to ensuring that Company complies with pertinent laws, codes, regulations and best industry practices. I hope and pray that the Company may maintain the momentum of growth in the future years.

Finally, on behalf of the Board, I would like to extend my sincere gratitude to all the stakeholders for their continued trust and support. I acknowledge with thanks our employees' dedication and hard work at all levels and look forward to their continued support. I would also like to appreciate the commendable efforts and commitment of my fellow directors and CEO in providing strategic leadership to the Company.



Lt Gen Ali Amir Awan, HI(M)  
Chairman

Wah Cantt:  
Sep 07, 2023.

## Directors' Report

The Directors of the Company are pleased to present Annual Report and the Audited Financial Statements of the Company for the year ended June 30, 2023.

### OPERATING PERFORMANCE

During the Financial Year 2022-23 Company posted highest ever net sales of Rs. 4,383 million witnessed growth of 32% over last year's net sales of Rs. 3,310 million.

The higher sales, cost control and production efficiencies translated into higher gross profit which has increased by 93% to Rs. 884 million from Rs. 458 million of previous year.

During the year under review administrative and general expenses were 22% higher while selling and distribution expenses were 39% higher than last year due to overall impact of high inflation.

Finance cost has gone up by 34 % from Rs. 69 million of the last year to Rs. 93 million during the year under review owing to increase in business volumes and rise in interest rates.

Other expenses were higher than last year mainly due to higher provision for Workers' Profit Participation and Workers' Welfare Funds due to increase in profit.

Allowance for expected credit loss increased from Rs. 31 million of previous year to Rs. 45 million during the year under review due to increase in sales and delay in payments by customers.

Company earned record after tax profit of Rs. 449 million during the year under review against last year's after tax profit of Rs. 209 million. Net Profit increased by 115 % i.e Rs. 240 million.

The increase in after tax profit is attributable to price rationalization, better sales mix, optimal capacity utilization, efficient working capital management and savings in fixed costs.

### FINANCIAL RESULTS

The summary of the operating results of the Company for the year under review along-with the comparatives for the last year are as under:

|                             | 2022 - 23             | 2021 - 22 | Increase   |
|-----------------------------|-----------------------|-----------|------------|
|                             | Rupees (in thousands) |           | Percentage |
| Net Sales                   | 4,383,436             | 3,309,606 | 32         |
| Gross Profit                | 883,915               | 457,635   | 93         |
| Operating Profit            | 844,234               | 427,128   | 98         |
| Profit Before Taxation      | 668,756               | 313,066   | 114        |
| Profit After Taxation       | 449,230               | 209,123   | 115        |
| Earnings Per Share (Rupees) | 49.91                 | 23.24     | 115        |

## SUBSEQUENT APPROPRIATIONS

The directors have recommended /approved following appropriations for the year ended June 30,2023 which will be reflected in the subsequent financial statements of the company:

- **Dividend**  
The directors have recommended a payment of cash dividend @ Rs 10 per share (i.e 100%), subject to the approval of Shareholders at the forthcoming Annual General Meeting.
- **General Reserve**  
The directors also proposed / approved transfer of Rs 360 million from un-appropriated profits to general reserve.

## OUTLOOK FOR 2023-24

During the financial year 2023-24 the country's economic and operating environment is expected to remain challenging due to political instability, continued massive devaluation of rupee, disruption in supply chain, higher commodity prices, sustained high levels of inflation, high interest rates, excessive taxation like Super Tax , economic slowdown, and reduced purchasing power of consumers.

The Company operates in a highly competitive environment and anticipates pressure on margins due to intense competition from existing players and new entrants in the industry.

Despite aforementioned challenges, Management of the company is taking all possible measures to minimize the adverse effects of these risks and is committed to achieve growth and increase in profitability during the financial year 2023-24.

## INTERNAL FINANCIAL CONTROLS

The company maintains a system of internal control and procedures designed to ensure reliable and transparent financial reporting and disclosures. Internal Financial Controls are periodically reviewed to ensure these remain effective and are updated with changing laws and regulations. Internal Audit department monitors the compliance of internal controls. Through discussions with auditors (both internal and external), they confirm that adequate controls have been implemented by the Company. The Board is confident that the system of internal control is sound in design and has been effectively implemented and monitored.

## PRINCIPAL RISKS AND UNCERTAINTIES

Despite the fact that the Company's financial performance was consistently good during the

recent years, still Company is exposed to certain inherent risks and uncertainties like competition, imposition of Vend and Permit Fee on methanol basic raw material, increase in input cost due to rising inflation , fluctuation in exchange rate , adverse interest rate, and inconsistent Government regulations / taxes / policies etc that may have an impact on the future financial statements of the Company.

The Management periodically reviews major financial and operating risks faced by the business Company works with internal and external stakeholders to mitigate / reduce to acceptable level the likely impacts of aforesaid risks.

### RELATED PARTY TRANSACTIONS

All transactions with related parties have been carried out in normal course of business at arm's length and have been disclosed in the financial statements under relevant notes.

### CORPORATE BRIEFING SESSION

In compliance with the listing regulations of the Pakistan Stock Exchange, the Company arranges corporate briefing session(s) to answer queries of the various stakeholders including investors and financial analysts.

The last Corporate Briefing Session was held on Thursday, December 08, 2022 through video link to brief the Shareholders , investors and analyst about the company's financial performance for the year ended June 30,2022 and future outlook of the Company.

### CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Company is committed to good corporate governance. As required by the Code of Corporate Governance , the Directors are pleased to report the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of account.
- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan and the requirements of Companies Act, 2017, have been followed in the preparation of financial statements. and any departure thereof has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively

- implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern, information about this issue (imposition of vend fee permit fee on Methanol basic raw material) is being presented separately in this report.
- There has been no material departure from the best practices of the Code of Corporate Governance as given in the Listed Companies (Code of Corporate Governance) Regulations, 2019.
- There is nothing outstanding against the Company on account of taxes, duties, levies, and other charges except for those which are being made in the normal course of business and disclosed in the financial statements.
- Summary of key operating and financial data for the last six financial years is annexed with the report.
- The un-audited value of investments, including bank deposits, of retirement benefits funds as of June 30, 2023 were as follows:

| FUND             | RUPEES     |
|------------------|------------|
| ● Provident Fund | 84,227,820 |
| ● Gratuity Fund  | 47,468,065 |
| ● Pension Fund   | 28,283,926 |

## BOARD OF DIRECTORS

- The total number of directors (including Chief Executive) are eight (8) as per the following:

|           |   |            |
|-----------|---|------------|
| a. Male   | : | Seven (07) |
| b. Female | : | One (01)   |

- The composition of board is as follows:

|                               |   |           |
|-------------------------------|---|-----------|
| Independent Directors         | : | Two (02)  |
| Other Non-Executive Directors | : | Five (05) |
| Executive Directors           | : | One (01)  |

Subsequent to the year end effective from August 30, 2023 Maj Gen Mumtaz Hussain, HI(M) TBT, has been appointed as Director on the Board of the Company to represent WNPL in place of Mrs. Kishwar Ahsan.

The Board of Directors placed on record its appreciation for the valuable contributions rendered by the outgoing Director and warmly welcomed the new Director on the Board of the Company.

- During the year under review, Five Board meetings were held. The number of meetings attended by each Director is given hereunder:

| S.# | Names of Directors                     | Meeting Attended |
|-----|--|------------------|
| 1   | Lt Gen Ali Amir Awan,HI(M), (Chairman) | 04               |
| 2   | Mr. Mats-Olof Rydberg                  | 03               |
| 3   | Maj. Gen Rashid Mahmood                | 01               |
| 4   | Mr. Usman Ali Bhatti                   | 05               |
| 5   | Mr. Tariq M. Rangoonwala               | 02               |
| 6   | Mrs. Kishwar Ahsan                     | 04               |
| 7   | Mr. Manzoor Ali Shaikh                 | 05               |
| 8   | Brig Shiraz Ullah Choudhry, SI(M) ®    | 05               |

- During the year, Audit Committee held four (4) meetings and were attended by each member as follows:

| S.# | Names of Directors       | Meeting Attended |
|-----|--------------------------|------------------|
| 1   | Mr. Tariq M. Rangoonwala | 01               |
| 2   | Mrs. Kishwar Ahsan       | 04               |
| 3   | Mr. Usman Ali Bhatti     | 03               |

- During the year under review, no meeting of Human Resource and Remuneration Committee was held

| S.# | Names of Directors                  |
|-----|-------------------------------------|
| 1   | Mr. Tariq M. Rangoonwala            |
| 2.  | Mrs. Kishwar Ahsan                  |
| 3.  | Brig Shiraz Ullah Choudhry, SI(M) ® |

Leave of absence was granted to the members of the Board / Committee who were unable to attend the meeting.

## DIRECTORS' REMUNERATION POLICY

The Board is authorized to determine the remuneration / fee of its Directors for attending meetings of the Board. The Board has approved the remuneration of a Director for attending the Board meeting for Non-Executive Directors, excluding nominee(s) of Wah Nobel (Private) Limited. However, no remuneration shall be paid for attending Committee(s) of the Board meetings and for attending General Meeting(s) or any other business meeting(s) of the company. Company will pay / reimburse to all the directors travelling, hotel and other expenses incurred for attending the meetings of the company.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

Being socially responsible corporate entity we are committed to our communities as we are to our customers, shareholders and employees. Company is committed to act ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local communities and society at large. The Company practices active corporate citizenship through energy conservation, industrial relations, employment of special persons, occupational safety & health, business ethics, contributing to national exchequer

The Company contributed significant amount of Rs 935 million (2022 : Rs.710 million ) towards the national exchequer on account of corporate tax, general sales tax, excise duty, custom duty and vend / permit fee etc during the year under review.

## WEBSITE

Company's periodic financial statements for the current financial year including annual / periodic reports for the last five years are available on the Company's website for information of the shareholders and others.

**[www.wahnobel.com](http://www.wahnobel.com)**

## VEND FEE AND PERMIT FEE

In January , 2022 on the request of Excise and Taxation Department, Government of Sindh the Honorable Supreme Court of Pakistan (SCP) has disposed off their appeal filled against the company regarding imposition of vend and permit fee on methanol.

According to the SCP order, the Excise and Taxation Department shall surrender the Indemnity Bonds from 1990 to October 30, 2002 and subsequent to this date, a fresh demand shall be raised for the amount payable following the notification dated February 14, 2002 and Sindh (Amendment) Abkari Ordinance 2002 notified on October 30, 2002.

No demand has been raised by the Excise Department as yet, however, Company intends to approach the relevant Court to defend the case upon the receipt of the fresh demand from the Department. The management expects that, based on the merit of the case and earlier favourable decision of the Sindh High Court, the Company has strong grounds to challenge such a demand and its challenge is likely to succeed.

## SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Company have taken place between the end of the financial year and the date of Director's Report.

## AUDITORS

The present auditors, Messrs. Grant Thornton Anjum Rahman., Chartered Accountants, are due to retire at the conclusion of the 40th Annual General Meeting. Being eligible, they have offered themselves for re-appointment for the next financial year 2023-24. Upon recommendation of the Audit Committee, the Board recommends appointment of M/s Grant Thornton Anjum Rahman Chartered Accountants as the statutory auditors of the Company for the year ending June 30, 2024, subject to the approval of the Shareholders at the forthcoming Annual General Meeting of the Company.

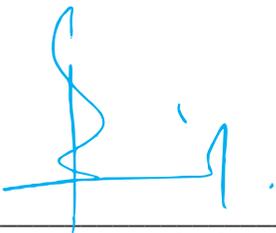
## PATTERN OF SHAREHOLDING

The pattern of shareholding of the Company and additional information thereabout as at June 30, 2023 is included in this report.

No trade in the shares of the Company was carried out by the Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Executives and their spouses and minor children during the year.

## ACKNOWLEDGMENT

The Directors wish to place on record their sincere appreciation for the commitment, hard work and dedication shown by all the Management and Employees of the Company towards the progress of the company. The Directors also express their gratitude to our valued shareholders, customers, suppliers and bankers for their continued patronage and support.



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**Usman Ali Bhatti**  
**Director**

**On behalf of Board of Directors**



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**Brig Shiraz Ullah Choudhry, SI(M)®**  
**Chief Executive**

Wah Cantt:  
September 7, 2023

## Six Year at a Glance

|  | 2018                  | 2019      | 2020      | 2021      | 2022      | 2023      |
|--|-----------------------|-----------|-----------|-----------|-----------|-----------|
|  | (Rupees in Thousands) |           |           |           |           |           |
| <b>(A) Operating Results:</b>            |                       |           |           |           |           |           |
| i) Net Sales Revenue                     | 1,680,925             | 2,262,829 | 1,950,049 | 2,723,823 | 3,309,605 | 4,383,436 |
| ii) Gross Profit                         | 317,150               | 354,874   | 325,994   | 558,803   | 457,634   | 883,915   |
| iii) Operating Profit                    | 272,766               | 312,659   | 304,012   | 534,393   | 427,128   | 844,234   |
| iv) Profit Before Tax                    | 249,456               | 249,605   | 182,946   | 470,853   | 313,066   | 668,756   |
| v) Profit After Tax                      | 174,102               | 176,492   | 130,307   | 334,409   | 209,123   | 449,230   |
| <b>(B) Financial Position</b>            |                       |           |           |           |           |           |
| i) Paid-up Capital                       | 90,000                | 90,000    | 90,000    | 90,000    | 90,000    | 90,000    |
| ii) Shareholders Equity                  | 778,380               | 887,645   | 983,632   | 1,282,449 | 1,398,354 | 1,805,120 |
| iii) General Reserve                     | 505,000               | 635,000   | 750,000   | 850,000   | 1,100,000 | 1,260,000 |
| iv) Property, Plants and Equipment (Net) | 307,614               | 332,755   | 297,682   | 384,394   | 417,857   | 384,889   |
| v) Current Assets                        | 1,020,092             | 1,526,567 | 1,499,436 | 1,845,251 | 2,174,219 | 2,175,822 |
| <b>(C) Key Performance Indicators</b>    |                       |           |           |           |           |           |
| i) Gross Profit %                        | 18.87%                | 15.68%    | 16.72%    | 20.52%    | 13.83%    | 20.16%    |
| ii) Net Profit %                         | 10.36%                | 7.80%     | 6.68%     | 12.28%    | 6.32%     | 10.25%    |
| iii) Earning Per Share Rs.               | 19.34                 | 19.61     | 14.48     | 37.16     | 23.24     | 49.91     |
| iv) Cash Dividend %                      | 50%                   | 40%       | 40%       | 100%      | 50%       | 100%      |
| v) Break-up Value Per Share Rs.          | 86.49                 | 98.63     | 109.29    | 142.49    | 155.37    | 200.57    |
| vi) Current Ratio                        | 2.22:1                | 1.68:1    | 1.93:1    | 2.11:1    | 1.92:1    | 3.01:1    |

## Pattern of Shareholding

as at June 30, 2023

| No of shareholders | Shareholding                                     | Total shares held |
|--------------------|--|-------------------|
| 179                | Share Holding from 1 to 100 shares               | 7,250             |
| 364                | Share Holding from 101 to 500 shares             | 95,094            |
| 102                | Share Holding from 501 to 1,000 shares           | 79,962            |
| 106                | Share Holding from 1,001 to 5,000 shares         | 273,886           |
| 22                 | Share Holding from 5,001 to 10,000 shares        | 159,900           |
| 10                 | Share Holding from 10,001 to 20,000 shares       | 148,890           |
| 7                  | Share Holding from 20,001 to 30,000 shares       | 202,714           |
| 2                  | Share Holding from 30,001 to 50,000 shares       | 65,702            |
| 5                  | Share Holding from 50,001 to 100,000 shares      | 413,103           |
| 6                  | Share Holding from 100,001 to 1,000,000 shares   | 2,583,104         |
| 1                  | Share Holding from 1,000,001 to 5,000,000 shares | 4,970,395         |
| <b>804</b>         | <b>Total</b>                                     | <b>9,000,000</b>  |

## Categories of Shareholders

As at June 30, 2023

| S.# | Categories  | No. of Shareholders | Shares held      | Percentage    |
|-----|---|---------------------|------------------|---------------|
| 1   | Directors, Chief Executive Officer, and their spouse and minor children.      | 6                   | 505              | 0.01          |
| 1.1 | Lt. Gen Ali Amir Awan, (HI(M)   | 1*                  | 1                | 0.00          |
| 1.2 | Mr. Mats Olof Rydberg   | 1*                  | 1                | 0.00          |
| 1.3 | Maj.Gen. Rashid Mahmood   | 1*                  | 1                | 0.00          |
| 1.4 | Mrs. Kishwar Ahsan  | 1*                  | 1                | 0.00          |
| 1.5 | Mr. Usman Ali Bhatti  | 1*                  | 1                | 0.00          |
| 1.6 | Mr.Tariq Rangoonwala  | 1                   | 500              | 0.01          |
| 2   | Associated Companies,   | 3                   | 5,102,497        | 56.69         |
| 2.1 | Wah Nobel (Pvt) Ltd   | 1                   | 4,970,395        | 55.23         |
| 2.2 | WNPL Employees Provident Fund   | 1                   | 99,000           | 1.10          |
| 2.3 | WNCL Employees Provident Fund   | 1                   | 33,102           | 0.36          |
| 3   | NIT / ICP   | 2                   | 576,749          | 6.41          |
| 3.1 | CDC - Trustee National Investment (Unit) Trust                                | 1                   | 576,124          | 6.40          |
| 3.2 | Investment Corporation of Pakistan  | 1                   | 625              | 0.01          |
| 4   | Banks Development Financial Institutions, Non Banking Financial Institutions. | 2                   | 1478             | 0.02          |
| 4.1 | National Bank of Pakistan   | 1                   | 358              | 0.01          |
| 4.2 | National Ind.CO-OP.Finance Corp.  | 1                   | 1,120            | 0.01          |
| 5   | Insurance Companies   | 1                   | 862,080          | 9.58          |
| 5.1 | State Life Insurance Corporation of Pakistan                                  | 1                   | 862,080          | 9.58          |
| 6   | Modarabas and Mutual Funds  | -                   | -                | 0.00          |
| 7   | Shareholders holding 10%  | -                   | -                | 0.00          |
| 8   | General Public  | 780                 | 2,382,925        | 26.48         |
|     | a. Local  | 780                 | 2,382,925        | 26.48         |
|     | b. Foreign  | -                   | -                | 0.00          |
| 9   | Others (to be specified)  | 10                  | 73,766           | 0.82          |
| 9.1 | Trust / Cooperative Society   | 1                   | 900              | 0.01          |
| 9.2 | Benevolent / Pension Fund   | 2                   | 60,245           | 0.67          |
| 9.3 | Joint Stock Coys.   | 6                   | 12,521           | 0.14          |
| 9.4 | Stock Exchange.   | 1                   | 100              | 0.00          |
|     | <b>Total:</b>   | <b>804</b>          | <b>9,000,000</b> | <b>100.00</b> |

\* Directors mentioned at Sr 1.1 to 1.5 held these shares (1 share each) as nominee of Wah Nobel (Pvt) Ltd. The ultimate ownership remains with WNPL.

No trade in the shares of the company was carried out by the Director, CEO, CFO, Company Secretary, Executives and their spouses and minor Children during the financial year ended June 30,2023.

## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 for the year ended June 30, 2023

Wah Nobel Chemicals Limited ('the Company') has complied with the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019 ('the Regulations') in the following manner:

1. The total number of directors (including Chief Executive) are eight (8) as per the following:
  - a. Male: Seven (07)
  - b. Female: One (01)
2. The composition of Board is as follows:

| Category                      | Name  |
|-------------------------------|---|
| Independent Director*         | Mr. Tariq M. Rangoonwala<br>Mr. Manzoor Ali Shaikh  |
| Non-Executive Directors       | Lt. Gen Ali Amir Awan, HI(M)<br>Mr. Mats-Olof Rydberg<br>Maj Gen Rashid Mahmood<br>Mr. Usman Ali Bhatti |
| Executive Director            | Brig Shiraz Ullah Choudhry, SI(M)®  |
| Female Non-Executive Director | Mrs. Kishwar Ahsan  |

\* In respect of regulation 6(1), the Company has not rounded up the fraction as the Board has determined that current composition is adequate and existing independent directors have requisite skills and knowledge to take independent decisions in the interest of the Company.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
4. The Company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations;

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
9. All the directors on the Board are fully conversant with their duties and responsibilities as directors. Four (04) directors on the Board have already acquired the certification under directors' training program (DTP) from the institutions duly approved by the Securities and Exchange Commission of Pakistan, and the remaining directors, will undertake DTP in due course.
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below.

| AUDIT COMMITTEE  | HR AND REMUNERATION COMMITTEE   |
|--|---|
| Mr. Tariq M. Rangoonwala (Chairman)<br>Mrs Kishwar Ahsan (Member)<br>Mr. Usman Ali Bhatti (Member) | Mr. Tariq M. Rangoonwala (Chairman)<br>Mrs Kishwar Ahsan (Member)<br>Brig Shiraz Ullah Choudhry, SI(M) ® (Member) |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings of the committees convened during the year were as per following:
  - a) Audit Committee : Four meetings.
  - b) HR and Remuneration Committee : No meeting held during the year.
15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal udit, company secretary or director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

| S. No. | Non-Mandatory Requirements  | Reg. No. | Possible Explanations  |
|--------|---|----------|--|
| 1      | <b>Evaluation of the Board and its members:</b><br>The Board of the Company shall ensure that, a formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of the Board and of its committees.                                | 10(3)(v) | The Board is in process of formation and implementation of effective mechanism for evaluation of Board and of its committees.  |
| 2      | <b>Directors' Training:</b><br>The Company is encouraged that all directors of the Board have acquired the prescribed certification under any director training program by June 30, 2022 from the institutions duly approved by the Securities and Exchange Commission of Pakistan. | 19(1)    | 4 out of 8 directors have obtained DTP certification. The Company will arrange training for the remaining directors to comply with the requirement.  |
| 3      | <b>Qualification of company secretary:</b><br>The same person shall not simultaneously hold office of chief financial officer and the company secretary of a listed company.  | 24       | The management is of the view, that the current CFO and Company Secretary who is performing both these positions since long is suitably qualified and professionally capable to act and fulfill the duties and responsibilities of both the roles. In addition, it is also a cost-effective measure that is in the better interest of the shareholders of the Company. |
| 4      | <b>Human Resource and Remuneration Committee</b><br>The committee shall meet at least once in a financial year and may meet more often if requested by a member of the Board, or committee itself or the chief executive officer.   | 28(3)    | No meeting of Human Resources and Remuneration Committee was held during the year since matters pertaining to the said committee were taken up by the Board itself.  |
| 5      | <b>Appraisal of head of internal Audit:</b><br>The performance appraisal of head of internal audit shall be done jointly by the Chairman of the audit committee and the chief executive officer.  | 31(2)    | Appraisal of Head of Internal Audit was done jointly by the Chairman of the Audit Committee and the Chief Executive Officer through verbal consultation. However, going forward the Company will formalize the process.  |

  
 Lt Gen Ali Amir Awan, HI(M)  
 Chairman

  
 Brig Shiraz Ullah Choudhry SI(M) ®  
 Chief Executive

Wah Cantt:  
 September 7, 2023

## Independent Auditors' Review Report

To the members of Wah Nobel Chemicals Limited  
Review Report on the Statement of Compliance contained in Listed Companies  
(Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by Board of Directors of Wah Nobel Chemicals Limited (the Company) for the year ended 30 June 2023 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provision of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such controls, the Company's corporate governance procedures and risks.

The Regulation require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respect, with the requirement contained in the Regulations as applicable to the company for the year ended 30 June 2023.

Further, we highlight below instances of non - compliance with the requirements of the Regulations as reflected in the paragraph 19(1), 19(2), 19(3), 19(4) and 19(5) where these are stated in the Statement of Compliance:

- i- Paragraph 19(1) As disclosed in para 19(1) of the Statement of Compliance, the Board is in process of formation and implementation of effective mechanism for evaluation of Board and of its committees.
- ii- Paragraph 19(2) As disclosed in para 19(2) of the Statement of Compliance, the Company will arrange training for remaining directors in due course of time.
- iii- Paragraph 19(3) As disclosed in para 19(3) of the Statement of Compliance, the position of company secretary and chief financial officer has been held by the same person; however, duties of both positions are distinct and clearly spelled out. The management is of the view, that the current CFO and Company Secretary who is performing both these positions since long is suitably qualified and professionally capable to act and fulfil the duties and responsibilities of both the roles. In addition, it is also a cost-effective measure that is in the better interest of the shareholders of the Company.
- iv- Paragraph 19(4) As disclosed in para 19(4) of the Statement of Compliance, no Human Resources and Remuneration Committee meeting was held during the year as matters pertaining to the said committee were taken up by the Board itself.
- v- Paragraph 19(5) As disclosed in para 19(5) of the Statement of Compliance, appraisal of Head of Internal Audit was done jointly by the Chairman of the Audit Committee and the Chief Executive Officer through verbal consultation. However, going forward company will formalize the process.

  
Grant Thornton Anjum Rahman  
Chartered Accountants  
Islamabad

September 22, 2023  
UDIN: CR202310209agWhTizfc

## **Independent Auditor's Report**

to the members of Wah Nobel Chemicals Limited  
Report on the Audit of the Financial Statements

### **Opinion**

We have audited the annexed financial statements of Wah Nobel Chemicals Limited (the Company), which comprise the statement of financial position as at June 30, 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| S. No. | Key audit matters   | How the matter was addressed in our audit  |
|--------|---|--|
| 1      | <p><b>Revenue Recognition</b></p> <p>(Refer notes 3.12 and 21 to annexed financial statements)</p> <p>Revenue is recognized when control of the underlying products has been transferred to the customers. The Company recognized revenue from the sale of Urea Formaldehyde Moulding Compound, Formaldehyde, Formaldehyde based liquid resins, and sanitizers of Rs. 5.1 billion for the year ended 30 June 2023.</p> <p>We consider revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Company, the large number of revenue transactions with a large number of customers, inherent risk of material misstatement and increase in revenue from last year in current economic conditions.</p> | <p>Our audit procedures in relation to the matter, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>● Obtained an understanding of business processes relating to the recognition of revenue and understanding of relevant internal control over the Company's system which governs revenue recognition along with testing of relevant controls on sample basis;</li> <li>● Evaluated the appropriateness of the Company's accounting policies for revenue recognition and compliance of those policies with applicable accounting standards;</li> <li>● Performed testing of revenue transactions on sample basis with underlying documentation including dispatch documents and sales invoices;</li> <li>● Tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the appropriate accounting period; and</li> <li>● Checked that the presentation and disclosures related to revenue are in accordance with applicable accounting and reporting standards.</li> </ul> |
| 2      | <p><b>Expected credit losses on trade debts</b></p> <p>Refer note 3.15 and 8 to the financial statement.</p> <p>Determination of expected credit losses (ECL) on trade debts requires significant judgment and assumptions including consideration of factors such as historical credit loss experience and forward-looking macroeconomic information.</p> <p>We have considered the allowance for ECL as a key audit matter due to significance of estimates and judgments in this regard.</p>   | <p>Our audit procedures, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>● Obtaining an understanding of the design and implementation of management's key internal controls relating to recording of ECL;</li> <li>● Assessing the methodology developed and applied by the Company to estimate the ECL in relation to trade debts;</li> <li>● Assessing and evaluating the assumptions used in applying the ECL methodology and the integrity and quality of the data used for ECL computation;</li> <li>● Checking the mathematical accuracy of the ECL model by performing recalculation on test basis; and</li> <li>● Assessing the adequacy of disclosures related to ECL in accordance with applicable accounting and reporting standards.</li> </ul>  |

## **Information Other Than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with Our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The board of directors are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. "The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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.

The engagement partner on the audit resulting in this independent auditor's report is Waqas Waris.

  
Grant Thornton Anjum Rahman  
Chartered Accountants  
Islamabad

September 22, 2023  
UDIN: AR202310209qw6JPEWIm

## Statement of Financial Position

as at June 30, 2023

|  | Note | 2023<br>Rupees       | 2022<br>Rupees |
|--|------|----------------------|----------------|
| <b>ASSETS</b>                            |      |                      |                |
| Property, plant and equipment            | 4    | 384,888,866          | 417,857,201    |
| Deferred tax asset - net                 | 5    | 19,298,657           | 486,795        |
| <b>Non-current assets</b>                |      | <b>404,187,523</b>   | 418,343,996    |
| Stores, spares and loose tools           | 6    | 75,888,460           | 80,437,562     |
| Stock in trade                           | 7    | 497,795,397          | 480,403,333    |
| Trade debts                              | 8    | 1,315,381,683        | 1,335,313,574  |
| Advances, deposits and other receivables | 9    | 82,993,402           | 44,185,831     |
| Short-term investment                    | 10   | 2,824,791            | 2,719,257      |
| Advance tax - net                        | 11   | -                    | 161,865,567    |
| Cash and bank balances                   | 12   | 200,938,171          | 69,293,389     |
| <b>Current assets</b>                    |      | <b>2,175,821,904</b> | 2,174,218,513  |
| <b>Total assets</b>                      |      | <b>2,580,009,427</b> | 2,592,562,509  |
| <b>EQUITY</b>                            |      |                      |                |
| Share capital                            | 13   | 90,000,000           | 90,000,000     |
| Capital reserves                         |      | 944,404              | 944,404        |
| Revenue reserves                         |      | 1,714,176,092        | 1,307,410,006  |
| <b>Total equity</b>                      |      | <b>1,805,120,496</b> | 1,398,354,410  |
| <b>LIABILITIES</b>                       |      |                      |                |
| Long term financing                      | 14   | 34,012,179           | 52,055,176     |
| Deferred liabilities                     | 15   | 17,131,758           | 11,379,326     |
| <b>Non-current liabilities</b>           |      | <b>51,143,937</b>    | 63,434,502     |
| Trade and other payables                 | 16   | 321,066,938          | 539,396,022    |
| Due to parent company                    | 17   | 670,629              | 233,667        |
| Income tax payable                       | 11   | 13,640,703           | -              |
| Unclaimed dividends                      |      | 7,862,929            | 7,522,648      |
| Current portion of long term financing   | 14   | 23,947,673           | 23,362,698     |
| Loan from parent company                 | 18   | 316,514,631          | 308,893,069    |
| Short-term borrowings                    | 19   | 40,041,491           | 251,365,493    |
| <b>Current liabilities</b>               |      | <b>723,744,994</b>   | 1,130,773,597  |
| <b>Total liabilities</b>                 |      | <b>774,888,931</b>   | 1,194,208,099  |
| <b>Total equity and liabilities</b>      |      | <b>2,580,009,427</b> | 2,592,562,509  |
| Contingencies and commitments            | 20   |                      |                |

The annexed notes from 1 to 43 form an integral part of these financial statements.

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

  
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 DIRECTOR

  
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 CHIEF FINANCIAL OFFICER

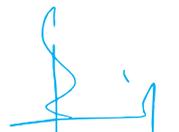
## Statement of Profit or Loss and Other Comprehensive Income

for the year ended June 30, 2023

|  | Note   | 2023<br>Rupees     | 2022<br>Rupees  |
|--|--------|--------------------|-----------------|
| Revenue - net  | 21     | 4,383,436,397      | 3,309,605,501   |
| Cost of sales  | 22     | (3,499,521,193)    | (2,851,970,920) |
| <b>Gross profit</b>  |        | <b>883,915,204</b> | 457,634,581     |
| Administrative and general expenses                                  | 23     | (19,861,874)       | (16,293,099)    |
| Selling and distribution expenses                                    | 24     | (19,819,794)       | (14,213,243)    |
| <b>Operating profit</b>  |        | <b>844,233,536</b> | 427,128,239     |
| Finance cost   | 25     | (92,856,705)       | (69,402,373)    |
| Other expenses   | 26     | (51,011,500)       | (24,239,122)    |
| Allowance for expected credit losses                                 | 8.2    | (44,998,984)       | (30,737,085)    |
| Other income   | 27     | 13,390,013         | 10,316,540      |
| <b>Profit before taxation</b>  |        | <b>668,756,360</b> | 313,066,199     |
| Taxation   | 28     | (219,525,898)      | (103,943,483)   |
| <b>Profit for the year</b>   |        | <b>449,230,462</b> | 209,122,716     |
| <b>Other comprehensive income for the year</b>                       |        |                    |                 |
| - Items that will not be classified to profit or loss                |        |                    |                 |
| - Gain / (loss) on remeasurement of defined benefit plan             | 16.2.4 | 4,156,761          | (4,531,681)     |
| - Related tax impact   | 5.1    | (1,621,137)        | 1,314,187       |
| <b>Other comprehensive (loss) / income for the year - net of tax</b> |        | <b>2,535,624</b>   | (3,217,494)     |
| <b>Total comprehensive income for the year</b>                       |        | <b>451,766,086</b> | 205,905,222     |
| <b>Earnings per share - basic and diluted</b>                        | 29     | <b>49.91</b>       | 23.24           |

The annexed notes from 1 to 43 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
DIRECTOR

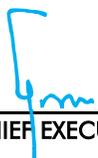
  
CHIEF FINANCIAL OFFICER

# Statement of Cash Flows

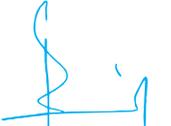
## for the year ended June 30, 2023

|   | Note   | 2023<br>Rupees       | 2022<br>Rupees       |
|---|--------|----------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |        |                      |                      |
| Profit before taxation  |        | 668,756,360          | 313,066,199          |
| Adjustments for non-cash items:                               | 30     | 217,915,345          | 140,840,272          |
| <b>Changes in:</b>  |        |                      |                      |
| Stores, spares and loose tools                                |        | 4,549,102            | (12,266,284)         |
| Stock in trade  |        | (17,392,064)         | (10,631,928)         |
| Trade debts   |        | (25,067,093)         | (314,930,369)        |
| Advances, deposits and other receivables                      |        | (37,374,173)         | 8,958,766            |
| Due to parent company   |        | 436,962              | 207,341              |
| Trade and other payables                                      |        | (219,748,103)        | 124,600,927          |
|   |        | (294,595,369)        | (204,061,547)        |
| <b>Cash generated from operations</b>                         |        | <b>592,076,336</b>   | <b>249,844,924</b>   |
| Payment for workers' profit participation fund                | 16.3   | (35,386,568)         | (20,314,695)         |
| Workers' welfare fund   | 16.4   | (6,291,263)          | -                    |
| Gratuity paid   | 16.2.2 | (8,000,000)          | (1,500,000)          |
| Interest paid to parent company                               |        | (44,976,577)         | (24,967,724)         |
| Accumulated compensated absences paid                         | 15.1.1 | (2,870,154)          | (1,928,889)          |
| Payments to provident fund                                    | 16.5   | (10,675,542)         | (8,105,654)          |
| Payments to pension fund                                      | 16.6   | (2,185,255)          | (1,000,000)          |
| Tax paid  | 11     | (121,135,896)        | (84,730,917)         |
| Tax refund received   | 11     | 56,683,269           | -                    |
|   |        | (174,837,986)        | (142,547,879)        |
| <b>Net cash generated from operating activities</b>           |        | <b>417,238,350</b>   | <b>107,297,045</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |        |                      |                      |
| Payments for capital expenditure                              |        | (9,836,551)          | (71,533,674)         |
| Interest on term deposit receipts                             |        | 147,958              | 133,430              |
| Proceeds from disposal of fixed assets                        |        | 1,186,441            | -                    |
| <b>Net cash used in investing activities</b>                  |        | <b>(8,502,152)</b>   | <b>(71,400,244)</b>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |        |                      |                      |
| Long term loans repaid  |        | (21,107,695)         | -                    |
| Dividends paid  |        | (44,659,719)         | (89,168,171)         |
| <b>Net cash used in financing activities</b>                  |        | <b>(65,767,414)</b>  | <b>(89,168,171)</b>  |
| <b>Net (decrease) / increase in cash and cash equivalents</b> |        | <b>342,968,784</b>   | <b>(53,271,370)</b>  |
| <b>Cash and cash equivalents at the beginning of the year</b> |        | <b>(182,072,104)</b> | <b>(128,800,734)</b> |
| <b>Cash and cash equivalents at the end of the year</b>       | 31     | <b>160,896,680</b>   | <b>(182,072,104)</b> |

The annexed notes from 1 to 43 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

## Statement of Changes in Equity

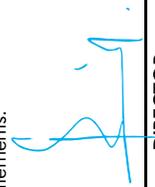
for the year ended June 30, 2023

|   | Share capital     | Capital reserves | General reserves     | Revenue reserves       |                      | Total                |
|---|-------------------|------------------|----------------------|------------------------|----------------------|----------------------|
|   |                   |                  |                      | Un-appropriated profit | Sub-total            |                      |
|   |                   |                  |                      |                        |                      |                      |
|   |                   |                  |                      |                        |                      |                      |
| Balance at 01 July 2021                 | 90,000,000        | 944,404          | 850,000,000          | 341,504,784            | 1,191,504,784        | 1,282,449,188        |
| Total comprehensive income for the year | -                 | -                | -                    | 205,905,222            | 205,905,222          | 205,905,222          |
| Transactions with owners of the Company |                   |                  |                      |                        |                      |                      |
| Distributions                           |                   |                  |                      |                        |                      |                      |
| Dividend @ Rs. 10.00 per share          | -                 | -                | -                    | (90,000,000)           | (90,000,000)         | (90,000,000)         |
| Others                                  |                   |                  |                      |                        |                      |                      |
| Transfer to general reserves            | -                 | -                | 250,000,000          | (250,000,000)          | -                    | -                    |
| Balance at 30 June 2022                 | 90,000,000        | 944,404          | 1,100,000,000        | 207,410,006            | 1,307,410,006        | 1,398,354,410        |
| <b>Balance at 01 July 2022</b>          | <b>90,000,000</b> | <b>944,404</b>   | <b>1,100,000,000</b> | <b>207,410,006</b>     | <b>1,307,410,006</b> | <b>1,398,354,410</b> |
| Total comprehensive income for the year | -                 | -                | -                    | 451,766,086            | 451,766,086          | 451,766,086          |
| Transactions with owners of the Company |                   |                  |                      |                        |                      |                      |
| Distributions                           |                   |                  |                      |                        |                      |                      |
| Dividend @ Rs. 05.00 per share          | -                 | -                | -                    | (45,000,000)           | (45,000,000)         | (45,000,000)         |
| Others                                  |                   |                  |                      |                        |                      |                      |
| Transfer to general reserves            | -                 | -                | 160,000,000          | (160,000,000)          | -                    | -                    |
| <b>Balance at 30 June 2023</b>          | <b>90,000,000</b> | <b>944,404</b>   | <b>1,260,000,000</b> | <b>454,176,092</b>     | <b>1,714,176,092</b> | <b>1,805,120,496</b> |

The annexed notes from 1 to 43 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR



CHIEF FINANCIAL OFFICER

# Notes to the Financial Statements

for the year ended June 30, 2023

## 1 THE COMPANY AND ITS OPERATIONS

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 Act, 2017) and its shares are quoted on the Pakistan Stock Exchange Limited. The parent company of the Company is Wah Nobel (Private) Limited and the ultimate parent company is Pakistan Ordinance Factory. The principal activity of the Company is to manufacture Urea Formaldehyde Moulding Compound, Formaldehyde and Formaldehyde based liquid resins for use as bonding agent in the chip board, plywood and flush door manufacturing industries.

### 1.1 The geographical location and address of the Company's business units, including plant is

- The Company's registered office is situated at Wah Nobel Group of Companies building, GT Road, Wah Cantt.
- The Company's manufacturing facilities are located at Wah Cantt, Tehsil Taxila in district Rawalpindi.
- The Company's manufacturing facilities are on lease hold land (Lease from Cantonment Board Wah Cantt), the area of which is ten acres.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain items as disclosed in the relevant accounting policies below.

### 2.3 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). These financial statements of the Company are presented in Pak Rupees, which is the Company's functional currency. All amounts have been rounded to the nearest Rupee, unless otherwise indicated.

### 2.4 Use of estimates and judgments

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

## Notes to the Financial Statements

for the year ended June 30, 2023

- Note 3.1.1 useful lives, residual values and depreciation method of property, plant and equipment;
- Note 3.1.2 - Leases;
- Note 3.8 and 3.9 Provision for inventory obsolescence;
- Note 3.3 recognition of deferred tax liabilities and assets and estimation of income tax provisions;
- Note 3.2.2 measurement of defined benefit obligations: key actuarial assumptions;
- Note 3.5 recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 3.15 (iv) measurement of expected credit allowance for trade debts;
- Note 3.7 impairment loss on non-financial assets other than inventories; and
- Note 3.15 – Financial instruments – fair values.

### 2.4.1 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. Management has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the accounting and reporting standards as applicable in Pakistan, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

## Notes to the Financial Statements

for the year ended June 30, 2023

### 2.5 Initial application of standards, amendments or interpretations to existing standards

#### 2.5.1 Amendments and interpretations to accounting and reporting standards that became effective in the current year

There were certain amendments and interpretations to published accounting and reporting standards that are applicable for the financial year beginning on July 1, 2022 but does not have any significant impact on the Company's financial reporting and therefore, have not been disclosed in these financial statements.

#### 2.5.2 Standard and amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company

There is a standard and certain amendments to accounting and reporting standards that are not yet effective and have not been early adopted by the Company for the financial year beginning on July 1, 2022. This standard and amendments are effective for accounting periods, beginning on or after the date mentioned against each of them below:

|  | Effective date<br>(annual periods<br>beginning on or |
|--|--|
| IFRS 17 Insurance contracts - Remeasurement of the estimates in each reporting period  | January 1, 2023                                      |
| IAS 1 Amendments to IAS 1 'Presentation of Financial Statements' Classification of Liabilities as Current or Non-current   | January 1, 2023                                      |
| Amendments to 'IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies   | January 1, 2023                                      |
| IAS 8 Amendments to "Accounting Policies, Changes in Accounting Estimates and Errors" Definition of accounting estimates   | January 1, 2023                                      |
| IAS 12 Amendments to "Income Taxes" Deferred Tax related to Assets and Liabilities arising from a Single Transaction International Tax Reform — Pillar Two Model Rules - | January 1, 2023                                      |
| IAS 1 Amendments to IAS 1 'Presentation of Financial Statements' Non-current Liabilities with Covenants  | January 1, 2024                                      |
| IFRS 16 Amendments to IFRS 16 "Leases" Lease Liability in a Sale and Leaseback   | January 1, 2024                                      |
| IFRS 10 Sale or contribution of assets between an investor and its and IAS associate or joint venture – Amendments   | n/a*   |

\* The effective date is not yet issued

The management anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation / disclosures.

Other than the aforesaid amendments, the IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan

IFRS 1 First time Adoption of International Financial Reporting Standards

IFRS 17 Insurance Contracts

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

## Notes to the Financial Statements

### for the year ended June 30, 2023

#### 3.1 Property, plant and equipment

##### 3.1.1 Owned assets

###### Recognition and measurement

Items included in property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, except leasehold land and capital work in progress. Leasehold land and capital work in progress is stated at cost less accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expenses are recognised in the statement of profit or loss during the financial period in which they are incurred.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposals of property, plant and equipment are recognised in the statement of profit or loss.

###### Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

###### Depreciation

Depreciation is provided on a reducing balance method and charged to statement of profit or loss to write off the depreciable amount of each asset over its estimated useful life at the rates specified in note 4.1. Depreciation is charged from the month asset is available for use while no depreciation is charged in the month in which the asset is disposed off.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

##### 3.1.2 Leased assets

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

###### Right to use assets

The Company recognises right-of-use assets at the lease commencement date. Right-of-use assets are initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

## Notes to the Financial Statements

### for the year ended June 30, 2023

The right to use assets is subsequently depreciated using the reducing balance method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of lease term or the cost of the right of use asset reflect that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of lease liability.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### Lease liability

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

#### Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below Rs 100,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### 3.2 Staff retirement benefits

The Company has the following plans for its employees:

#### 3.2.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### 3.2.2 Defined benefit plans

The Company operates the following defined benefit plans:

## Notes to the Financial Statements

### for the year ended June 30, 2023

(a) **Gratuity**

The Company operates approved funded gratuity scheme for all its employees who have completed the minimum qualifying period of service as defined in the scheme. Provision is made annually to cover obligations under the scheme on the basis of actuarial valuation and is charged to the statement of profit or loss. The most recent valuation was carried out as at June 30, 2023 using the "Projected Unit Credit Method". The actuarial gains or losses at each evaluation date are charged to other comprehensive income. The results of actuarial valuation are summarized in note 16.2 of these financial statements.

The amount recognized in the statement of financial position represents the present value of defined benefit obligations as reduced by the fair value of plan assets.

Calculation of gratuity benefit requires assumptions to be made of future outcomes which mainly include increase in remuneration, expected long term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions and determined by actuary.

(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 reporting date and related expense thereof is charged to the profit or loss. The provision and related cost is recognized on the basis of actuarial valuation which is summarized in note 15.

Gratuity and compensated absences are provided for employees of the Company. The gratuity is structured as separate legal entity managed by trustees, however for compensated absences liability is recognized in the Company's financial statements. These benefits are evaluated with reference to uncertain events and are based upon actuarial assumptions which includes discount rate, expected rate of return on plan assets, expected rate of salary increase and mortality rates. The actuarial valuations are conducted by independent actuaries on annual basis. Calculations are sensitive to change in underlying assumptions.

3.2.3 **Defined contributory plan**

The Company operates the following defined contributory plans:

(a) **Defined contributory provident fund**

The Company operates a recognized contributory provident fund scheme and converts all confirmed employees to this scheme on their option. Equal monthly contributions are made both by the Company and employees at the rate of ten percent of the basic salary to the fund. The Company's contribution to the scheme is charged to profit or loss.

(b) **Defined contributory pension scheme**

The Company operates an approved pension scheme for its permanent employees eligible under Employees Pension Fund Rules. The Company's liability is fixed to 17% of basic salary per annum which is charged to the profit or loss of related year.

## Notes to the Financial Statements

for the year ended June 30, 2023

### 3.3 Taxation

Income tax expense comprises current and deferred tax. It is recognized in statement of profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

#### 3.3.1 Current taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria is met.

#### 3.3.2 Deferred taxation

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The Company takes into account the current income tax laws and decisions taken by the taxation authorities. Instances where the Company's view differs from the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

## Notes to the Financial Statements

for the year ended June 30, 2023

### 3.4 Trade and other payables

Trade and other payables are initially carried at the fair value of the consideration to be paid in future for goods and services received. Subsequent to initial recognition, these are carried at amortized cost.

### 3.5 Provisions and contingencies

A provision is recognized in statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessment of time value of money and risk specific to the liability. The unwinding of discount is recognized as finance cost.

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognised, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognised in the financial statements.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### 3.6 Dividend and appropriation to reserves

Dividends and appropriations to the reserves are recognized in the period in which these are approved. However, if these are approved after the reporting period but before the financial statements are authorized for issue they are disclosed in the notes to these financial statements.

### 3.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if impairment losses had not been recognised. An impairment loss or reversal of impairment loss is recognised in the statement of profit or loss.

## Notes to the Financial Statements

for the year ended June 30, 2023

### 3.8 Stores, spares and loose tools

Stores, spare parts and loose tools are valued at lower of weighted average cost and net realizable value less impairment, if any. Cost comprises of cost of purchase and other costs incurred in bringing the items to their present location and condition. For items which are slow moving and / or identified as surplus to the Company's requirements, adequate provision is made for any excess book value over estimated net realizable value. The Company reviews the carrying amount of stores, spare parts and loose tools on a regular basis and provision is made for obsolescence, if there is any change in usage pattern or physical form of related stores, spare parts and loose tools.

### 3.9 Stock in trade

Stock of raw material, work in process and finished goods are valued at the lower of weighted average cost and net realizable value (NRV). Cost of raw materials comprises the invoice value plus other charges paid thereon. Cost of work in process and finished goods include cost of direct materials, labor and appropriation of manufacturing overhead. NRV signifies selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale.

Goods in transit are stated at cost comprising invoice value plus other charges paid thereon. The Company reviews the carrying amount of stock in trade on a regular basis and provision is made for obsolescence, if there is any change in usage pattern or physical form of related stock in trade.

### 3.10 Trade debts, other receivables and other financial assets

Trade and other receivables are initially stated at fair value of consideration to be received. Subsequent to initial recognition these are carried at their amortized cost as reduced by appropriate charge for expected credit losses, if any. The Company holds the trade debts with the objective of collecting the contractual cash flows and therefore measures the trade debts subsequently at amortized cost using the effective interest method. Impairment of trade debts and other receivables is described in note 3.15.

### 3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances and short-term borrowings under mark-up arrangements, used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried in the statement of financial position at amortized cost.

### 3.12 Revenue recognition

#### 3.12.1 Revenue from sale of goods

The Company is in the business of sale of goods. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

## Notes to the Financial Statements

for the year ended June 30, 2023

Revenue comprises the invoiced value for the sale of goods net of sales taxes, rebates and discounts, if any. Revenue from sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The Company also considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. right of returns, volume rebates).

The nature and timing of satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies are as follows:

(i) Ex-site - The Company's performance obligation is to deliver the goods to the customers' premises i.e., the Company bears the related freight and insurance expense for transportation and the control of the goods is transferred to the customer at the point in time where goods are delivered to customers' premises, which is the point in time where performance obligation of the contract is met; and

(ii) Ex-factory - The Company's performance obligation is ex – factory i.e., the customer bears the related freight and insurance expense for transportation and the control of the goods is transferred to the customer at the point in time where goods are loaded in customers' transportation vessel at the Company's factory premises which the point in time where performance obligation of the contract is met.

The normal credit term is generally 60 days under both of the above selling terms of the contract.

### 3.12.2 Contract assets

The contract assets primarily relate to the Company's rights to consideration for sale of goods provided these are not yet billed at the reporting date. The contract assets are transferred to trade debts when the rights become unconditional.

### 3.12.3 Contract liabilities

Contract liability is the obligation of the Company to transfer goods to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company performs its performance obligations under the contract.

### 3.12.4 Contract cost

(i) Costs to obtain a contract – Incremental costs of obtaining a contract i.e., sales commission paid to third parties are accounted for as contract costs and are transferred to profit or loss based on the systematic pattern of revenue. The Company capitalizes such costs if revenue relating to such contract has not been recognized and the Company expects to recover such costs.

(ii) Costs to full fill a contract – Costs that relate directly to a contract and are specifically identified, generate or enhance resources of the entity and are expected to be recovered i.e., direct transportation and insurance costs are accounted for as contract costs and are transferred to profit or loss based on the systematic pattern of revenue. The Company capitalizes such costs if revenue relating to such contract has not been recognized.

## Notes to the Financial Statements

for the year ended June 30, 2023

### 3.13 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 up to the date of its commissioning. All other borrowing costs are charged to the profit or loss in the year when incurred as "finance cost".

### 3.14 Transactions with related parties

All transactions with related parties are approved by the Board.

### 3.15 Financial instruments

#### i) Recognition and initial measurement

The Company initially recognises financial assets on the date when they are originated. Financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade debt without a significant financing component) or financial liability is initially measured at fair value, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

#### ii) Classification

##### Financial assets

On initial recognition, a financial asset is classified as measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

#### a) Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### b) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### c) Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

#### iii) Subsequent measurement

##### (a) Financial assets at amortized cost

These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

## Notes to the Financial Statements

for the year ended June 30, 2023

### Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

### Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

### Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

b) **Financial liabilities - classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iv) **Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its financial asset carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the simplified approach for trade debts which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company recognises life time ECL for trade debts, using the simplified approach. The expected credit losses on trade debts are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Life time expected credit losses against other receivables is also recognized due to significant increase in credit risk since initial recognition.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date reduced by security deposit held. For other financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

## Notes to the Financial Statements

for the year ended June 30, 2023

The Company recognizes an impairment loss in the profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The Company write off financial assets that are still subject to enforcement activities. Subsequent recoveries of amounts previously written off will result in impairment gains.

v) **De-recognition  
Financial asset**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset. In these cases, the transferred assets are not derecognised.

**Financial liabilities**

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

vi) **Offsetting**

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.16 **Foreign currency transactions and translations**

Foreign currency transactions are recorded at the exchange rates approximately those prevailing on the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated in rupee at the exchange rates ruling at the reporting date. Exchange differences are recognized in the profit or loss.

3.17 **Fair value measurement**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

## Notes to the Financial Statements

for the year ended June 30, 2023

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short position at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

### 3.18 Share capital

Incremental cost directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

### 3.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

### 3.20 Finance income and finance costs

The Company's finance income and cost includes interest income, bank charges, interest on WPPF and markup on loans.

Interest income and expense is recognized using effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset
- the amortised cost of the financial liability

In calculating interest income and interest expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

## Notes to the Financial Statements

### for the year ended June 30, 2023

#### 3.21 Operating Segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions. The management has determined that the Company has a single reportable segment as the Board of Directors view the Company's operations as one reportable segment.

| 4 | <b>PROPERTY, PLANT AND EQUIPMENT</b> | <b>Note</b> | <b>2023</b><br><b>Rupees</b> | 2022<br>Rupees     |
|---|--------------------------------------|-------------|------------------------------|--------------------|
|   | Operating fixed assets               | 4.1         | 384,888,866                  | 417,857,201        |
|   | Capital work in progress             | 4.2         | -                            | -                  |
|   |                                      |             | <u>384,888,866</u>           | <u>417,857,201</u> |

## Notes to the Financial Statements

### for the year ended June 30, 2023

#### 4.1 Operating fixed assets

|                                 | Buildings on leasehold land |             |           |                     | Equipment             |           |                    | Leasehold land | Total     |                        |                |                    |
|---------------------------------|-----------------------------|-------------|-----------|---------------------|-----------------------|-----------|--------------------|----------------|-----------|------------------------|----------------|--------------------|
|                                 | Office                      | Factory     | Tube well | Plant and machinery | Furniture and fixture | Office    | Tools and workshop |                |           | Computer installations | Motor vehicles | Total owned assets |
|                                 |                             |             |           |                     |                       |           |                    |                |           |                        |                |                    |
| <b>Cost</b>                     |                             |             |           |                     |                       |           |                    |                |           |                        |                |                    |
| Balance at 1 July 2021          | 2,406,019                   | 93,414,762  | 547,920   | 456,870,357         | 1,775,466             | 1,290,251 | 3,774,398          | 2,421,558      | 2,540,393 | 565,041,124            | 1,701,971      | 566,743,095        |
| Additions                       | -                           | 59,192,462  | -         | 116,456,203         | -                     | -         | -                  | -              | 2,699,000 | 178,347,665            | -              | 178,347,665        |
| Disposals                       | -                           | -           | -         | -                   | -                     | -         | -                  | -              | -         | -                      | -              | -                  |
| Balance at 30 June 2022         | 2,406,019                   | 152,607,224 | 547,920   | 573,326,560         | 1,775,466             | 1,290,251 | 3,774,398          | 2,421,558      | 5,239,393 | 743,388,789            | 1,701,971      | 745,090,760        |
| Balance at 1 July 2022          | 2,406,019                   | 152,607,224 | 547,920   | 573,326,560         | 1,775,466             | 1,290,251 | 3,774,398          | 2,421,558      | 5,239,393 | 743,388,789            | 1,701,971      | 745,090,760        |
| Additions                       | -                           | -           | -         | 9,730,251           | -                     | -         | -                  | -              | 106,300   | 9,836,551              | -              | 9,836,551          |
| Disposals                       | -                           | -           | -         | (1,513,514)         | -                     | -         | -                  | -              | -         | (1,513,514)            | -              | (1,513,514)        |
| Balance at 30 June 2023         | 2,406,019                   | 152,607,224 | 547,920   | 581,543,297         | 1,775,466             | 1,290,251 | 3,774,398          | 2,421,558      | 5,345,693 | 751,711,826            | 1,701,971      | 753,413,797        |
| <b>Accumulated depreciation</b> |                             |             |           |                     |                       |           |                    |                |           |                        |                |                    |
| Balance at 1 July 2021          | 1,663,494                   | 42,454,443  | 534,203   | 233,235,153         | 1,249,852             | 831,217   | 3,033,088          | 2,172,508      | 2,291,714 | 287,465,672            | 1,697,310      | 289,162,982        |
| Depreciation                    | 37,126                      | 8,549,226   | 1,370     | 29,128,593          | 52,577                | 45,836    | 65,440             | 49,936         | 140,473   | 38,070,577             | -              | 38,070,577         |
| Disposals                       | -                           | -           | -         | -                   | -                     | -         | -                  | -              | -         | -                      | -              | -                  |
| Balance at 30 June 2022         | 1,700,620                   | 51,003,669  | 535,573   | 262,363,746         | 1,302,429             | 877,053   | 3,098,528          | 2,222,444      | 2,432,187 | 325,536,249            | 1,697,310      | 327,233,559        |
| Balance at 1 July 2022          | 1,700,620                   | 51,003,669  | 535,573   | 262,363,746         | 1,302,429             | 877,053   | 3,098,528          | 2,222,444      | 2,432,187 | 325,536,249            | 1,697,310      | 327,233,559        |
| Depreciation                    | 35,270                      | 10,162,862  | 1,234     | 31,185,321          | 47,319                | 41,253    | 56,688             | 39,949         | 583,472   | 42,153,368             | -              | 42,153,368         |
| Disposals                       | -                           | -           | -         | (861,996)           | -                     | -         | -                  | -              | -         | (861,996)              | -              | (861,996)          |
| Balance at 30 June 2023         | 1,735,890                   | 61,166,531  | 536,807   | 292,687,071         | 1,349,748             | 918,306   | 3,155,216          | 2,262,393      | 3,015,659 | 366,827,621            | 1,697,310      | 368,524,931        |
| <b>Carrying amounts</b>         |                             |             |           |                     |                       |           |                    |                |           |                        |                |                    |
| At 30 June 2022                 | 705,399                     | 101,603,555 | 12,347    | 310,962,814         | 473,037               | 413,198   | 675,870            | 199,114        | 2,807,206 | 417,852,540            | 4,661          | 417,857,201        |
| At 30 June 2023                 | 670,129                     | 91,440,693  | 11,113    | 288,856,226         | 425,718               | 371,945   | 619,182            | 159,165        | 2,330,034 | 384,884,205            | 4,661          | 384,888,866        |
| Rates of depreciation per annum | 5%                          | 10%         | 10%       | 10%                 | 10%                   | 10%       | 10%                | 20%            | 20%       | 20%                    | 20%            | 20%                |

4.1.1 Net book value of disposal is Rs. 651,518 (2022: Rs. Nil).

## Notes to the Financial Statements

### for the year ended June 30, 2023

|       | Note   | 2023<br>Rupees    | 2022<br>Rupees    |
|-------|--|-------------------|-------------------|
| 4.1.2 | Depreciation charge for the year has been allocated as follows:  |                   |                   |
|       | 22.1   | 41,989,581        | 37,884,059        |
|       | 23   | 163,787           | 186,518           |
|       |  | <b>42,153,368</b> | <b>38,070,577</b> |
| 4.2   | Capital work in progress   |                   |                   |
|       |  | -                 | 106,813,991       |
|       |  | -                 | 51,028,107        |
|       |  | -                 | (157,842,098)     |
|       | 4.2.1  | -                 | -                 |
| 4.2.1 | In last year, UFMC plant was transferred to property, plant and equipment on completion of civil work. |                   |                   |
| 5     | <b>DEFERRED TAX ASSET - NET</b>  |                   |                   |
|       | 5.1  | 19,298,657        | 486,795           |
| 5.1   | The movement of deferred tax is as follows:  |                   |                   |
|       |  | 486,795           | 5,461,369         |
|       |  | 20,432,999        | (6,288,761)       |
|       |  | (1,621,137)       | 1,314,187         |
|       |  | 19,298,657        | 486,795           |
| 5.2   | Deferred tax asset comprises of the following:   |                   |                   |
|       |  | (56,646,584)      | (49,426,994)      |
|       |  | 69,259,961        | 43,754,918        |
|       |  | 6,685,280         | 3,755,178         |
|       |  | -                 | 2,403,693         |
|       |  | 19,298,657        | 486,795           |
| 5.3   | Deferred tax has been calculated at rate of 39% (2022: 33%).   |                   |                   |
| 6     | <b>STORES, SPARES AND LOOSE TOOLS</b>  |                   |                   |
|       |  | 31,012,692        | 30,765,677        |
|       |  | 44,421,386        | 49,216,414        |
|       |  | 454,382           | 455,471           |
|       |  | 75,888,460        | 80,437,562        |
| 7     | <b>STOCK IN TRADE</b>  |                   |                   |
|       |  | 300,539,833       | 260,798,404       |
|       |  | 1,860,693         | 2,275,585         |
|       |  | 134,761,554       | 105,989,757       |
|       | 7.1  | 60,633,317        | 111,339,587       |
|       |  | 497,795,397       | 480,403,333       |
| 7.1   | Goods in transit includes in-bonded raw material.  |                   |                   |

## Notes to the Financial Statements

### for the year ended June 30, 2023

| 8     | <b>TRADE DEBTS</b>  | Note  | 2023<br>Rupees       | 2022<br>Rupees       |
|-------|---|-------|----------------------|----------------------|
|       | Trade debts   |       | 1,492,971,327        | 1,467,904,234        |
|       | Less: Allowance for expected credit losses  | 8.2   | (177,589,644)        | (132,590,660)        |
|       |   |       | <u>1,315,381,683</u> | <u>1,335,313,574</u> |
| 8.1   | Trade debts include receivable from parent company of Rs. 1,737,455 (2022: Rs. 3,198,005) which is outstanding for less than three months. Maximum aggregating amount at any time during the year is Rs.9,647,934 (2022: Rs. 10,115,663). |       |                      |                      |
| 8.2   | Movement in allowance for expected credit losses is as follows:   |       |                      |                      |
|       | Balance at 01 July  |       | 132,590,660          | 138,564,083          |
|       | Charge for the year   |       | 44,998,984           | 30,737,085           |
|       | Bad debts written off   |       | -                    | (36,710,508)         |
|       | Balance at 30 June  |       | <u>177,589,644</u>   | <u>132,590,660</u>   |
| 9     | <b>ADVANCES, DEPOSITS AND OTHER RECEIVABLES</b>   |       |                      |                      |
|       | Advances  | 9.1   | 9,688,058            | 10,838,669           |
|       | Prepayment to employees gratuity fund   | 16.2  | 1,433,398            | -                    |
|       | Deposits  |       | 346,910              | 710,850              |
|       | Other receivables   | 9.2   | 71,525,036           | 32,636,312           |
|       |   |       | <u>82,993,402</u>    | <u>44,185,831</u>    |
| 9.1   | Advances - unsecured, considered good   |       |                      |                      |
|       | To suppliers - non interest bearing   |       | 8,811,500            | 9,771,501            |
|       | To employees - non interest bearing   |       | 876,558              | 1,067,168            |
|       |   |       | <u>9,688,058</u>     | <u>10,838,669</u>    |
| 9.2   | Other receivables   |       |                      |                      |
|       | Sales tax refundable  |       | 16,558,198           | 17,455,412           |
|       | Collateral placed against bank guarantee  | 9.2.1 | -                    | 15,000,000           |
|       | Margin against letter of credit   |       | 54,785,938           | -                    |
|       | Others  |       | 180,900              | 180,900              |
|       |   |       | <u>71,525,036</u>    | <u>32,636,312</u>    |
| 9.2.1 | This represented amount placed in bank account as collateral against bank guarantees (refer note 20.2.1) issued by the bank on behalf of the Company.   |       |                      |                      |
| 10    | <b>SHORT-TERM INVESTMENT- AT AMORTIZED COST</b>   |       |                      |                      |
|       | Term deposit receipt  | 10.1  | 2,582,666            | 2,582,666            |
|       | Accrued interest  |       | 242,125              | 136,591              |
|       |   |       | <u>2,824,791</u>     | <u>2,719,257</u>     |
| 10.1  | This carries profit rate of 12.50% per annum (2022: 7.6%) having maturity period of one year. This term deposit receipt is under lien against facilities of letter of guarantee issued by MCB Bank Limited (Also refer note 19.4.3).      |       |                      |                      |

## Notes to the Financial Statements

### for the year ended June 30, 2023

|      |  |                  |                              |                              |
|------|--|------------------|------------------------------|------------------------------|
| 11   | <b>ADVANCE TAX / (INCOME TAX PAYABLE)</b>  | <b>Note</b>      | <b>2023</b><br><b>Rupees</b> | <b>2022</b><br><b>Rupees</b> |
|      | Balance at 01 July   |                  | 161,865,567                  | 174,789,372                  |
|      | Income tax expense for the year  | 28               | (239,958,897)                | (97,654,722)                 |
|      | Income tax paid / withheld during the year   |                  | 121,135,896                  | 84,730,917                   |
|      | Refunds received during the year   |                  | (56,683,269)                 | -                            |
|      | Balance at 30 June   |                  | <u>(13,640,703)</u>          | <u>161,865,567</u>           |
| 12   | <b>CASH AND BANK BALANCES</b>  |                  |                              |                              |
|      | Cash in hand   |                  | 154,136                      | 159,231                      |
|      | Cash at banks  |                  |                              |                              |
|      | - local currency current accounts  |                  | 79,799,088                   | 56,158,737                   |
|      | - local currency saving accounts   | 12.1             | 120,984,947                  | 12,975,421                   |
|      |  |                  | <u>200,784,035</u>           | <u>69,134,158</u>            |
|      |  |                  | <u>200,938,171</u>           | <u>69,293,389</u>            |
| 12.1 | Balance in saving accounts carry effective interest rates ranging from 13.40% to 20% (2022: 6.5% to 13.4%) per annum.  |                  |                              |                              |
| 13   | <b>SHARE CAPITAL</b>   |                  |                              |                              |
| 13.1 | Authorized share capital   |                  |                              |                              |
|      | This represents 20,000,000 (2022: 20,000,000) ordinary shares of Rs. 10 each amounting to Rs. 200,000,000 (2022: Rs. 200,000,000).   |                  |                              |                              |
| 13.2 | Issued, subscribed and paid up capital   |                  |                              |                              |
|      |  |                  | <b>2023</b><br><b>Number</b> | <b>2022</b><br><b>Number</b> |
|      |  |                  | <b>2023</b><br><b>Rupees</b> | <b>2022</b><br><b>Rupees</b> |
|      | 6,750,000  | 6,750,000        | 67,500,000                   | 67,500,000                   |
|      |  |                  |                              |                              |
|      | 2,250,000  | 2,250,000        | 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>            |
| 13.3 | Wah Nobel (Private) Limited (the Parent Company) held 4,970,395 (2022: 4,970,395) ordinary shares of Rs. 10 each at reporting date. Further 132,102 (2022: 132,102) and 505 (2022: 505) shares were held by associated undertakings and directors respectively at the year end.      |                  |                              |                              |
| 13.4 | The Company has no reserved or potential ordinary shares for issuance under options and sales contract.  |                  |                              |                              |
| 13.5 | The Company has only one class of ordinary shares which carries no right to fixed income. All ordinary share holders are entitled to receive dividend as declared from time to time and have same rights regarding voting, board selection, right of first refusal and block voting. |                  |                              |                              |
| 14   | <b>LONG TERM FINANCING</b>   |                  |                              |                              |
|      | Bank Al Habib  | 14.1             | 57,959,852                   | 75,417,874                   |
|      |  |                  | 57,959,852                   | 75,417,874                   |
|      | Current portion of long term financing   |                  | (23,947,673)                 | (23,362,698)                 |
|      |  |                  | <u>34,012,179</u>            | <u>52,055,176</u>            |

## Notes to the Financial Statements

### for the year ended June 30, 2023

|        |  | <b>2023</b>         | 2022         |
|--------|--|---------------------|--------------|
|        | Note   | Rupees              | Rupees       |
| 14.1   | <b>Bank Al Habib</b>   |                     |              |
|        | Term finance facility - secured  | <b>75,417,874</b>   | 72,353,176   |
|        | Repayment of principal amount  | <b>(21,107,695)</b> | -            |
|        | Accrued markup   | <b>3,649,673</b>    | 3,064,698    |
|        |  | <b>57,959,852</b>   | 75,417,874   |
|        | Less: current portion of long term financing   | <b>(23,947,673)</b> | (23,362,698) |
|        |  | <b>34,012,179</b>   | 52,055,176   |
| 14.1.1 | It represents utilized amount of long term finance facility under State Bank of Pakistan (SBP) temporary economic refinance facility for payment of capital asset procurement with cumulative sanctioned limit of Rs. 84 million. The facility carries fixed mark-up of 4% of the utilized amount. The tenure of the facility is 5 years repayable in 16 equal quarterly installments from September, 2022. The facility is secured by registration of specific charge on fixed assets of the Company for Rs. 112 million. |                     |              |
| 15     | <b>DEFERRED LIABILITIES</b>  |                     |              |
|        | Accumulated compensated absences   | <b>17,131,758</b>   | 11,379,326   |
| 15.1   | <b>Changes in present value of defined benefit obligations:</b>  |                     |              |
|        | Present value of defined benefit obligation  | <b>11,379,326</b>   | 7,750,216    |
|        | Current service cost   | <b>3,199,480</b>    | 2,213,443    |
|        | Past service cost (credit)   | <b>821,778</b>      | -            |
|        | Interest cost on defined benefit obligation  | <b>1,317,613</b>    | 678,577      |
|        | Benefit due but not paid (payables)  | <b>(9,985)</b>      | -            |
|        | Benefits paid  | <b>(2,860,169)</b>  | (1,928,889)  |
|        | Remeasurements:  |                     |              |
|        | Actuarial (gains)/losses from changes in financial assumptions   | <b>3,210,102</b>    | 2,057,429    |
|        | Experience adjustments   | <b>73,613</b>       | 608,550      |
|        | Present value of defined benefit obligation  | <b>17,131,758</b>   | 11,379,326   |
| 15.1.1 | <b>Movement in liability recognised in statement of financial position:</b>  |                     |              |
|        | Balance at 01 July   | <b>11,379,326</b>   | 7,750,216    |
|        | Charge for the year  | <b>8,622,586</b>    | 5,557,999    |
|        | Benefits paid / payable during the year  | <b>(2,870,154)</b>  | (1,928,889)  |
|        | Balance at 30 June   | <b>17,131,758</b>   | 11,379,326   |
| 15.1.2 | <b>The amounts recognized in the statement of profit or loss is as follows:</b>  |                     |              |
|        | Current service cost   | <b>3,199,480</b>    | 2,213,443    |
|        | Past service cost  | <b>821,778</b>      | -            |
|        | Interest cost  | <b>1,317,613</b>    | 678,577      |
|        | Actuarial loss from changes in financial assumptions   | <b>3,283,715</b>    | 2,665,979    |
|        |  | <b>8,622,586</b>    | 5,557,999    |

## Notes to the Financial Statements

### for the year ended June 30, 2023

#### 15.1.3 Actuarial assumptions

Actuarial valuation of these plans was carried out at 30 June 2023 using projected unit credit method. Significant actuarial assumptions used were as follows:

|   | 2023   | 2022   |
|---|--------|--------|
| Discount rate for interest cost                           | 13.25% | 10.00% |
| Discount rate for year end obligation                     | 16.25% | 13.25% |
| Expected rate of increase in salary                       | 42.00% | 37.00% |
| Average number of leaves accumulated per annum - officers | 9 days | 9 days |
| Average number of leaves accumulated per annum - staff    | 5 days | 5 days |
| Average number of leaves accumulated per annum - workers  | 3 days | 3 days |

#### 15.1.4 Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

|                      | 2023                     |                          | 2022                     |                          |
|----------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                      | Effect of 1%<br>increase | Effect of 1%<br>decrease | Effect of 1%<br>increase | Effect of 1%<br>decrease |
|                      | Rupees                   | Rupees                   | Rupees                   | Rupees                   |
| Discount rate        | 15,604,551               | 18,916,094               | 10,333,707               | 12,605,006               |
| Future salary growth | 18,864,289               | 15,624,420               | 12,570,235               | 10,346,189               |

#### 15.1.5 Risk associated with the scheme

##### (a) Final salary risk

The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.

##### (b) Demographic risks

(i) Mortality risk - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.

(ii) Withdrawal risk - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.

15.1.6 The average duration of defined benefit obligation is 9.7 years (2022: 8 years).

| 16 | TRADE AND OTHER PAYABLES             | Note       | 2023<br>Rupees     | 2022<br>Rupees     |
|----|--------------------------------------|------------|--------------------|--------------------|
|    | Trade creditors                      | 16.1       | 143,049,627        | 354,717,138        |
|    | Contract liability                   |            | 19,113,410         | 20,353,968         |
|    | Accrued liabilities                  |            | 93,443,511         | 56,446,908         |
|    | Sales tax payable                    |            | 7,539,174          | 38,753,719         |
|    | Accrued markup                       |            | 64,985             | 11,743,871         |
|    | Payable to employees gratuity fund   | 9 & 16.2.5 | -                  | 7,283,919          |
|    | Workers' profit participation fund   | 16.3       | 2,554,643          | 1,831,516          |
|    | Workers' welfare fund                | 16.4       | 51,245,534         | 43,154,940         |
|    | Payable to employees' provident fund | 16.5       | 946,682            | 745,514            |
|    | Payable to employees' pension fund   | 16.6       | -                  | 311,951            |
|    | Other liabilities                    | 16.7       | 3,109,372          | 4,052,578          |
|    |                                      |            | <b>321,066,938</b> | <b>539,396,022</b> |

16.1 Trade creditors includes payable to Pakistan Ordinance Factory (ultimate parent) amounting to Rs. 90,989 (2022: Rs. 1,992,224), Wah Nobel (Pvt) Limited (parent company) Rs. 1,523,329 (2022: 1,964,204) and Nobel Energy Limited (an associated company) Rs. 2,152,150 (2022: Rs. 2,273,322) against procurement of electricity.

## Notes to the Financial Statements

### for the year ended June 30, 2023

|        |  | 2023<br>Rupees | 2022<br>Rupees |
|--------|--|----------------|----------------|
| 16.2   | Gratuity - reconciliation of the liability recognized in the statement of financial position |                |                |
|        | Present value of defined benefit obligation  | 45,745,572     | 41,780,718     |
|        | Fair value of plan assets  | (47,178,970)   | (34,496,799)   |
|        |  | (1,433,398)    | 7,283,919      |
|        | Presented as short term prepayment   | 1,433,398      | -              |
|        |  | -              | 7,283,919      |
| 16.2.1 | Movement in the present value of defined benefit obligations is as follows:                  |                |                |
|        | Balance at 01 July   | 41,780,718     | 30,284,872     |
|        | Current service cost   | 3,023,477      | 2,191,014      |
|        | Interest cost  | 5,458,145      | 3,028,487      |
|        | Actuarial loss from changes in financial assumption  | (3,235,349)    | 7,726,344      |
|        | Experience adjustment  | (107,078)      | (1,449,999)    |
|        | Benefits due but not paid (payable)  | (289,094)      | -              |
|        | Benefits paid / adjustments  | (885,247)      | -              |
|        | Balance at 30 June   | 45,745,572     | 41,780,718     |
| 16.2.2 | Movement in the fair value of plan assets is as follows:                                     |                |                |
|        | Balance at 01 July   | 34,496,799     | 28,342,850     |
|        | Interest income on plan assets   | 5,042,178      | 2,909,285      |
|        | Return on plan asset, excluding interest income  | 814,334        | 1,744,664      |
|        | Contributions  | 8,000,000      | 1,500,000      |
|        | Benefits due but not paid (payable)  | (289,094)      | -              |
|        | Benefits paid  | (885,247)      | -              |
|        | Balance at 30 June   | 47,178,970     | 34,496,799     |
| 16.2.3 | Amount recognised in profit or loss is as follows:   |                |                |
|        | Current service cost   | 3,023,477      | 2,191,014      |
|        | Interest cost  | 5,458,145      | 3,028,487      |
|        | Interest income on plan assets   | (5,042,178)    | (2,909,285)    |
|        |  | 3,439,444      | 2,310,216      |
| 16.2.4 | Amount recognised in other comprehensive income:   |                |                |
|        | Actuarial loss from change in financial assumptions  | (3,235,349)    | 7,726,344      |
|        | Experience adjustment  | (107,078)      | (1,449,999)    |
|        | Return on plan asset, excluding interest income  | (814,334)      | (1,744,664)    |
|        |  | (4,156,761)    | 4,531,681      |

## Notes to the Financial Statements

### for the year ended June 30, 2023

|         |  |                                       |                                       |                                |
|---------|--|---------------------------------------|---------------------------------------|--------------------------------|
| 16.2.5  | Movement in liability recognised in statement of financial position:   |                                       | <b>2023</b>                           | 2022                           |
|         |  | <b>Note</b>                           | <b>Rupees</b>                         | Rupees                         |
|         | Balance at 01 July   |                                       | <b>7,283,919</b>                      | 1,942,022                      |
|         | Amount recognised in profit or loss  | 16.2.3                                | <b>3,439,444</b>                      | 2,310,216                      |
|         | Amount recognised in other comprehensive income  | 16.2.4                                | <b>(4,156,761)</b>                    | 4,531,681                      |
|         | Contributions during the year  | 16.2.2                                | <b>(8,000,000)</b>                    | (1,500,000)                    |
|         | Balance at 30 June   |                                       | <b>(1,433,398)</b>                    | 7,283,919                      |
| 16.2.6  | Expected benefit payments for the next year.   |                                       | <b>2,163,079</b>                      | 1,133,647                      |
| 16.2.7  | Plan assets comprise of:   |                                       | <b>Percentage</b>                     | Percentage                     |
|         | Bond   |                                       | <b>25.91%</b>                         | 35.70%                         |
|         | Equity   |                                       | <b>0.47%</b>                          | 0.60%                          |
|         | Cash and / or Deposits   |                                       | <b>73.62%</b>                         | 63.70%                         |
|         |  |                                       | <b>100%</b>                           | 100%                           |
| 16.2.8  | The expected return on plan assets is based on the market expectations and depend upon the asset portfolio of the Funds, at the beginning of the year, for returns over the entire life of the related obligations.  |                                       |                                       |                                |
| 16.2.9  | <b>Actuarial assumptions</b>   |                                       |                                       |                                |
|         | The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).   |                                       |                                       |                                |
|         |  |                                       | <b>2023</b>                           | 2022                           |
|         | Discount rate used for interest cost in profit or loss charge  |                                       | <b>13.25%</b>                         | 10.00%                         |
|         | Discount rate used for year end obligation   |                                       | <b>16.25%</b>                         | 13.25%                         |
|         | Salary increase in 2023  |                                       | NA                                    | 37.00%                         |
|         | Salary increase 2024 onward  |                                       | <b>7.00%</b>                          | 12.25%                         |
|         | Mortality rate   |                                       | SLIC 2001-2005 set back 1 year        | SLIC 2001-2005 set back 1 year |
|         | Withdrawal rate  |                                       | Age based (per appendix)              | Age based (per appendix)       |
|         | Retirement assumption  |                                       | Age 60                                | Age 60                         |
|         | Estimated charge to profit or loss for the next year (Rupees)  |                                       | <b>2,408,593</b>                      | 3,889,221                      |
| 16.2.10 | <b>Sensitivity analysis</b>  |                                       |                                       |                                |
|         | The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent. |                                       |                                       |                                |
|         |  |                                       | <b>2023</b>                           | 2022                           |
|         |  | <b>Effect of 1% increase (Rupees)</b> | <b>Effect of 1% decrease (Rupees)</b> | Effect of 1% increase (Rupees) |
|         |  |                                       |                                       | Effect of 1% decrease (Rupees) |
|         | Discount rate  | <b>42,556,798</b>                     | <b>49,396,090</b>                     | 38,672,920                     |
|         | Salary increase  | <b>49,467,749</b>                     | <b>42,441,290</b>                     | 45,311,640                     |

## Notes to the Financial Statements

### for the year ended June 30, 2023

- 16.2.11 The average duration of the defined benefit obligation is 7 years (2022: 8 years).
- 16.2.12 The Company contributes to the gratuity fund on the advice of the fund's actuary. The contributions are equal to the current service cost with adjustment for any deficit. If there is a surplus, the Company takes a contribution holiday.
- 16.2.13 **Risk associated with defined benefit plan**
- (a) **Final salary risk**  
The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary (which will closely reflect inflation and other macroeconomic factors), the benefit amount increases as salary increases.  
The average duration of the defined benefit obligation is 7 years.
- (b) **Demographic risks**
- (i) **Mortality risk** - The risk that the actual mortality experience is different than the assumed mortality. This effect is more pronounced in schemes where the age and service distribution is on the higher side.
- (ii) **Withdrawal risk** - The risk of actual withdrawals experience is different from assumed withdrawal probability. The significance of the withdrawal risk varies with the age, service and the entitled benefits of the beneficiary.
- (c) **Investment risk**  
The risk of the investment underperforming and being not sufficient to meet the liabilities.

|             | <b>Note</b>  | <b>2023<br/>Rupees</b> | <b>2022<br/>Rupees</b> |
|-------------|--|------------------------|------------------------|
| <b>16.3</b> | <b>Workers' profit participation fund</b>  |                        |                        |
|             |  | <b>1,831,516</b>       | 5,314,695              |
|             |  | <b>1,831,516</b>       | 5,314,695              |
|             |  | <b>35,954,643</b>      | 16,831,516             |
|             |  | <b>155,052</b>         | -                      |
|             |  | <b>(35,386,568)</b>    | (20,314,695)           |
|             |  | <b>2,554,643</b>       | 1,831,516              |
| <b>16.4</b> | <b>Workers' welfare fund</b>   |                        |                        |
|             |  | <b>43,154,940</b>      | 36,422,334             |
|             |  | <b>(6,291,263)</b>     | -                      |
|             |  | <b>14,381,857</b>      | 6,732,606              |
|             |  | <b>51,245,534</b>      | 43,154,940             |
| <b>16.5</b> | <b>Payable to employees' provident fund</b>  |                        |                        |
|             |  | <b>745,514</b>         | 647,678                |
|             |  | <b>10,876,710</b>      | 8,203,490              |
|             |  | <b>(10,675,542)</b>    | (8,105,654)            |
|             |  | <b>946,682</b>         | 745,514                |
| <b>16.6</b> | <b>Payable to employees' pension fund</b>  |                        |                        |
|             |  | <b>311,951</b>         | -                      |
|             |  | <b>1,873,304</b>       | 1,311,951              |
|             |  | <b>(2,185,255)</b>     | (1,000,000)            |
|             |  | <b>-</b>               | 311,951                |
| <b>16.7</b> | This includes securities deposits of Rs. 2,200,720 (2022: Rs. 1,700,720) received from transporters. |                        |                        |

## Notes to the Financial Statements

### for the year ended June 30, 2023

#### 17 DUE TO PARENT COMPANY

The amount represents payable in respect of expenses incurred by the parent company on behalf of the Company. This is unsecured and payable on demand.

| 18 | LOAN FROM PARENT COMPANY              | Note | 2023<br>Rupees     | 2022<br>Rupees     |
|----|---------------------------------------|------|--------------------|--------------------|
|    | Loan from Wah Nobel (Private) Limited | 18.1 | 300,000,000        | 300,000,000        |
|    | Accrued markup                        |      | 16,514,631         | 8,893,069          |
|    |                                       |      | <b>316,514,631</b> | <b>308,893,069</b> |

18.1 This represents aggregate borrowing from the parent company to meet the working capital requirements. This is unsecured and carries markup at 3 months KIBOR per annum and payable within one year.

#### 19 SHORT-TERM BORROWINGS

Running finance availed from:

|                         |                   |                    |
|-------------------------|-------------------|--------------------|
| - Bank Al-Habib Limited | 40,041,491        | 16,958,335         |
| - Allied Bank Limited   | -                 | 6,130,203          |
| - Askari Bank Limited   | -                 | 192,930,129        |
| - MCB Bank Limited      | -                 | 35,346,826         |
|                         | <b>40,041,491</b> | <b>251,365,493</b> |

#### 19.1 Facilities related to short term borrowings - secured

The Company has the following running finance facilities aggregating to Rs. 890,000,000 (2022: Rs. 890,000,000) out of which amount aggregating to Rs. 849,958,509 (2022: Rs. 638,634,507) remained unutilized at the year end.

| Banks                 | Markup                   | Draw down limit    |                    |
|-----------------------|--------------------------|--------------------|--------------------|
|                       |                          | 2023               | 2022               |
|                       |                          | Rupees             |                    |
| Bank Al-Habib Limited | 1 month KIBOR plus 0.35% | 350,000,000        | 350,000,000        |
| Allied Bank Limited   | 1 month KIBOR plus 0.35% | 300,000,000        | 300,000,000        |
| MCB Bank Limited      | 3 month KIBOR plus 0.35% | 40,000,000         | 40,000,000         |
| Askari Bank Limited   | 1 month KIBOR plus 0.35% | 200,000,000        | 200,000,000        |
|                       |                          | <b>890,000,000</b> | <b>890,000,000</b> |

19.2 The mark up on the facilities are without a floor or cap and are payable quarterly.

#### 19.3 Facilities secured against:

| Bank                  | Security description  |
|-----------------------|---|
| Bank Al Habib Limited | First pari passu charge on present and future, current and fixed assets of the Company for Rs. 430,000,000 and Rs. 260,000,000 respectively.  |
| Allied Bank Limited   | Facility upto Rs. 350 million is secured against first pari passu hypothecation charge on all present and future current and fixed assets of the Company with 25% margin and constructive equitable mortgage over property. |
| MCB Bank Limited      | First pari passu charge of Rs. 146,000,000 over current assets and fixed assets of the Company.   |
| Askari Bank Limited   | First pari passu charge amounting to Rs. 266,667,000 on present and future current assets of the Company.   |

#### 19.4 Facilities for letter of guarantee and letter of credit

Following banks have extended facilities of letter of guarantee and letter of credit to the Company:

## Notes to the Financial Statements

### for the year ended June 30, 2023

| Bank                  | Note   | Letter of guarantee |             | Letter of credit |             |
|-----------------------|--------|---------------------|-------------|------------------|-------------|
|                       |        | 2023                | 2022        | 2023             | 2022        |
|                       |        |                     |             | Rupees           |             |
| Bank Al Habib Limited | 19.4.1 | 20,000,000          | 20,000,000  | 700,000,000      | 700,000,000 |
| Allied Bank limited   | 19.4.2 | -                   | -           | 550,000,000      | 275,000,000 |
| MCB Bank Limited      | 19.4.3 | 10,000,000          | 10,000,000  | 240,000,000      | 240,000,000 |
| Askari Bank Limited   | 19.4.4 | 100,000,000         | 100,000,000 | 200,000,000      | 200,000,000 |

19.4.1 These are secured against master counter guarantee from the Company, lien on shipping documents, accepted drafts, cash margin and promissory note.

19.4.2 Facility is secured against lien on valid import documents/ accepted bills of exchange.

19.4.3 These are secured by lien over import documents covering the consignment of raw material, spare parts and chemicals, 100% cash margin in shape of lien over MCB's own term deposit receipt or partially cash or 100% cash margin for bank guarantees to be issued in favour of Excise and Taxation Department (Also refer note 10.1).

19.4.4 These are secured by ranking charge amounting to Rs. 110,000,000 on current assets of the Company and lien on import documents / accepted drafts.

## 20 CONTINGENCIES AND COMMITMENTS

### 20.1 Contingencies

20.1.1 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 20 August 1996 in the Sindh High Court 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 Sindh High Court in the case of Crescent Board Limited. The case was decided in the favour of the Company on 12 June 2001 by the Sindh High Court, but Sindh Government moved an appeal in the Supreme Court against the decision of the Sindh High Court.

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

On January 19, 2022 the Honorable Supreme Court of Pakistan has disposed off the appeal of Provincial Government of Sindh. As per the order, the Provincial Government shall surrender the indemnity bonds from 1990 to October 30, 2002 and subsequent to this date, a fresh demand shall be raised for the amount payable following the notification dated February 14, 2002 and Sindh (Amendment) Abkari Ordinance 2002 notified on October 30, 2002. Upon the receipt of the fresh demand from the Department, the Company intends to approach the relevant Court to defend the case.

Currently, all imports of methanol are being released on payment of Rs. 3/- per bulk gallon in cash which is being expensed out and submission of guarantee @ Rs. 14/- per bulk gallon in the form of indemnity bonds. In case of fresh demand from the department the Company is exposed to an aggregate obligation of Rs. 1,103,000,000 (2022: Rs. 1,031,000,000) on account of vend fee and permit fee based on the guarantees issued against methanol imported and released up to the reporting date. However, keeping in view the facts, previous decisions which had been in the favour of the Company, the advice of the legal advisor of the Company, the management believes that there is almost 'nil' chance of any liability. Therefore, no provision for this has been made in these financial statements.

20.1.2 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 Lahore High Court and obtained stay order against these levies. The case is pending adjudication by the Lahore High Court.

## Notes to the Financial Statements

### for the year ended June 30, 2023

20.1.3 The Additional Commissioner, Punjab Revenue Authority (PRA), Rawalpindi has issued the demand of Rs. 7,142,274 under Section 52 (2) of the Punjab Sales Tax on Services Act 2012 for the tax year 2018. Being aggrieved, after dismissal of the Company's appeal by Commissioner (Appeals) PRA, Lahore the Company filed appeal before the Appellate Tribunal Punjab Revenue Authority, which is concluded after the hearing. The management is confident that the ultimate outcome of the appeal would be in favour of the Company.

20.1.4 Further, the Company has also filed an appeal with Commissioner (Appeal) against sales tax on services order of Rs. 15,182,730 in term of section 52 of the Punjab Sales Tax on Services Act, 2012 relevant to tax years from 2017 to 2021. The management is confident that the ultimate outcome of the appeal would be in favour of the Company, inter alia on the basis of the advice of the legal counsel and the relevant law and facts.

20.1.5 The tax authority framed order under section 122(1) of the Ordinance for the Tax Year 2019 due to alleged discrepancy in the assessment i.e. claim of excess tax credit of Rs. 7,843,826 on account of investment in plant & machinery. Being aggrieved with the order, the Company filed appeal before the CIR(A) which is pending subjudice till date.

| 20.2   | Commitments in respect of:                         | Note  | 2023<br>Rupees | 2022<br>Rupees |
|--------|--|-------|----------------|----------------|
| 20.2.1 | Guarantee issued by banks on behalf of the Company | 9.2.1 | -              | 15,000,000     |
| 20.2.2 | Letters of credit for purchase of stocks           |       | 371,578,491    | 507,278,708    |

## 21 REVENUE - NET

|      |  |                      |                      |
|------|--|----------------------|----------------------|
|      | Local sales  | 5,182,756,300        | 3,904,799,545        |
|      | Export   | -                    | 3,175,403            |
|      |  | <u>5,182,756,300</u> | <u>3,907,974,948</u> |
|      | Less: sales tax  | (790,820,492)        | (588,643,152)        |
|      | Discount   | (8,499,411)          | (9,726,295)          |
|      |  | <u>4,383,436,397</u> | <u>3,309,605,501</u> |
| 21.1 | Disaggregation of revenue based on product categories: |                      |                      |
|      | Formaldehyde and Formalin solvent                      | 1,918,665,818        | 1,184,899,578        |
|      | Urea / Phenol Formaldehyde                             | 463,164,992          | 820,945,609          |
|      | Urea Formaldehyde Moulding compound                    | 1,930,070,437        | 1,220,163,242        |
|      | Others   | 71,535,150           | 83,597,072           |
|      |  | <u>4,383,436,397</u> | <u>3,309,605,501</u> |

21.2 Revenue amounting to Rs. 20,353,968 (2022: Rs. 15,702,475) included in the opening contract liability balance has been recognized during the year.

## Notes to the Financial Statements

### for the year ended June 30, 2023

|  |  | 2023                 | 2022          |
|--|--|----------------------|---------------|
|  | Note                                       | Rupees               | Rupees        |
| <b>22</b>                              | <b>COST OF SALES</b>                       |                      |               |
| Cost of goods manufactured             | 22.1                                       | 3,446,708,362        | 2,838,265,609 |
| Packing material consumed              |  | 31,393,654           | 21,653,878    |
| Transit insurance                      |  | 1,728,304            | 1,445,553     |
| Carriage                               |  | 48,462,670           | 45,330,258    |
|  |  | <u>3,528,292,990</u> | 2,906,695,298 |
| Opening stock of finished goods        | 7  | 105,989,757          | 51,265,379    |
| Closing stock of finished goods        | 7  | (134,761,554)        | (105,989,757) |
|  |  | <u>3,499,521,193</u> | 2,851,970,920 |
| <b>22.1</b>                            | <b>Cost of goods manufactured</b>          |                      |               |
| Raw material consumed                  | 22.2                                       | 3,040,209,631        | 2,505,797,070 |
| Stores spares and loose tools consumed |  | 87,138,341           | 90,225,602    |
| Salaries, wages and other benefits     | 24.1                                       | 213,893,826          | 145,444,296   |
| Fuel and power                         |  | 46,660,249           | 43,837,611    |
| Rent, rates and taxes                  |  | 474,521              | 455,186       |
| Insurance                              |  | 586,338              | 729,487       |
| Repairs and maintenance                |  | 1,263,640            | 1,159,920     |
| Outside security charges               |  | 2,771,160            | 1,824,000     |
| Depreciation                           | 4.1.2                                      | 41,989,581           | 37,884,059    |
| Miscellaneous expenses                 |  | 11,306,183           | 13,183,963    |
| Manufacturing cost                     |  | <u>3,446,293,470</u> | 2,840,541,194 |
| Opening stock of work in process       | 7  | 2,275,585            | -             |
| Closing stock of work in process       | 7  | (1,860,693)          | (2,275,585)   |
|  |  | <u>3,446,708,362</u> | 2,838,265,609 |
| <b>22.2</b>                            | <b>Raw material consumed</b>               |                      |               |
| Opening stock                          | 7  | 260,798,404          | 195,741,521   |
| Purchases during the year              |  | 3,079,951,060        | 2,570,853,953 |
|  |  | <u>3,340,749,464</u> | 2,766,595,474 |
| Closing stock                          | 7  | (300,539,833)        | (260,798,404) |
|  |  | <u>3,040,209,631</u> | 2,505,797,070 |
| <b>23</b>                              | <b>ADMINISTRATIVE AND GENERAL EXPENSES</b> |                      |               |
| Salaries, wages and other benefits     | 24.1                                       | 13,347,998           | 10,198,820    |
| Corporate service fee                  |  | 900,000              | 900,000       |
| Office rent                            |  | 78,180               | 78,180        |
| Postage, telephone and telex           |  | 334,456              | 381,809       |
| Printing and stationery                |  | 660,263              | 532,634       |
| Travelling and conveyance              |  | 48,963               | 23,096        |
| Entertainment                          |  | 142,612              | 101,880       |
| Legal and professional charges         |  | 1,616,370            | 1,342,696     |
| Fees and subscription                  |  | 982,384              | 987,230       |
| Advertisement and publicity            |  | 185,660              | 454,220       |
| Directors fee                          |  | 350,000              | 400,000       |
| Maintenance                            |  | 427,229              | 421,368       |
| Depreciation                           | 4.1.2                                      | 163,787              | 186,518       |
| Miscellaneous                          |  | 623,972              | 284,648       |
|  |  | <u>19,861,874</u>    | 16,293,099    |

## Notes to the Financial Statements

### for the year ended June 30, 2023

|           |  | 2023              | 2022              |
|-----------|--|-------------------|-------------------|
|           | Note   | Rupees            | Rupees            |
| <b>24</b> | <b>SELLING AND DISTRIBUTION EXPENSES</b>   |                   |                   |
|           | Salaries, wages and other benefits   | 14,941,382        | 10,221,525        |
|           | Postage, telephone and telex   | 36,999            | 35,674            |
|           | Printing and stationery  | 36,600            | 102,100           |
|           | Travelling and conveyance  | 2,354,523         | 1,781,914         |
|           | Vehicle running expenses   | 1,166,055         | 1,102,550         |
|           | Entertainment  | 187,243           | 74,525            |
|           | Miscellaneous  | 1,096,992         | 894,955           |
|           |  | <u>19,819,794</u> | <u>14,213,243</u> |
| 24.1      | Other benefits include contribution towards pension fund of Rs. 1,873,304 (2022: Rs. 1,311,951), provident fund of Rs. 3,409,455 (2022: Rs. 2,451,045), expense for accumulating compensated leaves absences of Rs. 8,622,506 (2022: Rs. 5,557,999), gratuity of Rs. 3,439,444 (2022: Rs.2,310,216). |                   |                   |
| <b>25</b> | <b>FINANCE COST</b>  |                   |                   |
|           | Mark up on short term borrowings   | 33,652,695        | 38,013,102        |
|           | Markup on loan from parent company   | 52,598,139        | 28,191,368        |
|           | Mark up on long term financing   | 5,869,662         | 2,769,370         |
|           | Interest on workers' profit participation fund   | 155,052           | -                 |
|           | Bank charges   | 581,157           | 428,533           |
|           |  | <u>92,856,705</u> | <u>69,402,373</u> |
| <b>26</b> | <b>OTHER EXPENSES</b>  |                   |                   |
|           | Workers' profit participation fund   | 35,954,643        | 16,831,516        |
|           | Workers' welfare fund  | 14,381,857        | 6,732,606         |
|           | Auditors' remuneration   | 675,000           | 675,000           |
|           |  | <u>51,011,500</u> | <u>24,239,122</u> |
| 26.1      | Breakup of auditors' remuneration is as follows:   |                   |                   |
|           | Annual audit fee   | 565,000           | 565,000           |
|           | Half yearly review   | 110,000           | 110,000           |
|           |  | <u>675,000</u>    | <u>675,000</u>    |
| <b>27</b> | <b>OTHER INCOME</b>  |                   |                   |
|           | Income from financial assets   | 6,678,612         | 1,586,348         |
|           | Income from non-financial assets   | 6,711,401         | 8,730,192         |
|           |  | <u>13,390,013</u> | <u>10,316,540</u> |
| 27.1      | Income from financial assets   |                   |                   |
|           | Interest on term deposit receipts  | 253,492           | 171,234           |
|           | Interest on saving accounts  | 6,425,120         | 1,415,114         |
|           |  | <u>6,678,612</u>  | <u>1,586,348</u>  |
| 27.2      | Income from non-financial assets   |                   |                   |
|           | Gain on sale of property, plant and equipment  | 534,923           | -                 |
|           | Bad debt recovered   | 1,887,000         | 4,000,000         |
|           | Sale of scrap  | 4,289,478         | 4,730,192         |
|           |  | <u>6,711,401</u>  | <u>8,730,192</u>  |

## Notes to the Financial Statements

### for the year ended June 30, 2023

| 28   | <b>TAXATION</b>   | <b>Note</b> | <b>2023</b><br><b>Rupees</b> | 2022<br>Rupees       |
|------|---|-------------|------------------------------|----------------------|
|      | Provision for taxation:   |             |                              |                      |
|      | - Current year  | 28.1        | 239,958,897                  | 93,984,693           |
|      | - Prior year  |             | -                            | 3,670,029            |
|      |   |             | <u>239,958,897</u>           | <u>97,654,722</u>    |
|      | Deferred tax  | 5.1         | (20,432,999)                 | 6,288,761            |
|      |   |             | <u>219,525,898</u>           | <u>103,943,483</u>   |
| 28.1 | This include super tax charge of Rs. 29 million, calculated at the rate of 4% which is in accordance with the rates prescribed for tax year 2023 vide Finance Act, 2022 rather than super tax rate of 10% introduced vide Finance Act, 2023. This calculation is based upon a consultant's advice wherein the provisions of Section 4C have been interpreted in the light of recent order of Islamabad High Court (IHC). As per the said opinion, IHC has already denounced retrospective application of super tax, and therefore retrospective changes in rates of super tax brought vide Finance Act, 2023 for the tax year 2023 are against the spirit of IHC Order. The Company will pay the 4% super tax and has made the provision accordingly. |             |                              |                      |
| 28.2 | <b>Reconciliation of tax expense for the year is as follows:</b>  |             |                              |                      |
|      | Accounting profit   |             | 668,756,360                  | 313,066,199          |
|      | Tax rate @ 33% (2022 : 33%)   |             |                              |                      |
|      | Tax on accounting profit  |             | 220,689,599                  | 103,311,846          |
|      | Impact of prior year tax  |             | -                            | 3,670,029            |
|      | Impact of change in rate  |             | -                            | (753,292)            |
|      | Others  |             | (1,163,701)                  | (2,285,099)          |
|      |   |             | <u>219,525,898</u>           | <u>103,943,484</u>   |
| 29   | <b>EARNINGS PER SHARE - BASIC AND DILUTED</b>   |             |                              |                      |
|      | Profit for the year   |             | 449,230,462                  | 209,122,716          |
|      | Number of ordinary shares outstanding during the year   |             | 9,000,000                    | 9,000,000            |
|      | Earnings per share - basic and diluted in rupees  |             | 49.91                        | 23.24                |
| 30   | <b>ADJUSTMENTS FOR NON-CASH ITEMS</b>   |             |                              |                      |
|      | Depreciation  | 4.1.2       | 42,153,368                   | 38,070,577           |
|      | Interest on workers' profit participation fund  | 25          | 155,052                      | -                    |
|      | Interest on term deposit receipts   | 27.1        | (253,492)                    | (171,234)            |
|      | Gain on disposal of property, plant and equipment   | 27.2        | (534,923)                    | -                    |
|      | Provision for gratuity fund   | 16.2.5      | 3,439,444                    | 2,310,216            |
|      | Workers' profit participation fund (WPPF)   | 26          | 35,954,643                   | 16,831,516           |
|      | Workers' welfare fund (WWF)   | 26          | 14,381,857                   | 6,732,606            |
|      | Provision for accumulated compensated absences  | 15.1.2      | 8,622,586                    | 5,557,999            |
|      | Provision of provident fund   | 16.5        | 10,876,710                   | 8,203,490            |
|      | Provision in respect of pension fund  | 16.6        | 1,873,304                    | 1,311,951            |
|      | Markup on loan from parent company  |             | 52,598,139                   | 28,191,368           |
|      | Accrued markup on long term financing   | 14.1        | 3,649,673                    | 3,064,698            |
|      | Allowance for expected credit losses and bad debts  | 8.2         | 44,998,984                   | 30,737,085           |
|      |   |             | <u>217,915,345</u>           | <u>140,840,272</u>   |
| 31   | <b>CASH AND CASH EQUIVALENTS</b>  |             |                              |                      |
|      | Cash and bank balances  | 12          | 200,938,171                  | 69,293,389           |
|      | Short term borrowings - secured   | 19          | (40,041,491)                 | (251,365,493)        |
|      |   |             | <u>160,896,680</u>           | <u>(182,072,104)</u> |

# Notes to the Financial Statements

## for the year ended June 30, 2023

### 32 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Company is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurements' requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

32.1 The following table shows the carrying amounts of financial assets and financial liabilities by categories:

|   | Note | 2023<br>Rupees       | 2022<br>Rupees       |
|---|------|----------------------|----------------------|
| <b>Financial assets - amortized cost</b>      |      |                      |                      |
| Trade debts                                   | 8    | 1,315,381,683        | 1,335,313,574        |
| Deposits                                      | 9    | 346,910              | 710,850              |
| Other receivables                             | 9.2  | 54,966,838           | 15,180,900           |
| Short-term investment                         | 10   | 2,824,791            | 2,719,257            |
| Cash and bank balances                        | 12   | 200,938,171          | 69,293,389           |
|   |      | <b>1,574,458,393</b> | <b>1,423,217,970</b> |
| <b>Financial liabilities - amortized cost</b> |      |                      |                      |
| Long term financing                           | 14   | 34,012,179           | 52,055,176           |
| Trade and other payables                      | 16   | 239,667,495          | 426,960,495          |
| Due to parent company                         | 17   | 670,629              | 233,667              |
| Unclaimed dividends                           |      | 7,862,929            | 7,522,648            |
| Current portion of long term financing        | 14   | 23,947,673           | 23,362,698           |
| Loan from parent company                      | 18   | 316,514,631          | 308,893,069          |
| Short-term borrowings                         | 19   | 40,041,491           | 251,365,493          |
|   |      | <b>662,717,027</b>   | <b>1,070,393,246</b> |

32.2 The Company has not disclosed the fair value for these financial assets and financial liabilities, as these are either short term in nature or reprised periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

32.3 The Company has exposure to the credit risk, liquidity risk and market risk from its use of financial instruments.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee of the Company oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The audit committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

32.4 **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade debts from customers.

The carrying amount of financial assets represent the maximum credit exposure.

Expected credit losses on financial assets are recognised in statement of profit or loss are as follows.

|   | 2023<br>Rupees | 2022<br>Rupees |
|---|----------------|----------------|
| Allowance for expected credit loss on trade debts | (177,589,644)  | (132,590,660)  |

## Notes to the Financial Statements

### for the year ended June 30, 2023

#### i) Trade debts

The Company's exposure to credit risk is influenced mainly by the individual's characteristics of each customer. However, management also considers the factors that may influence the credit risk of customer base, including the default risk associated with the industry and the region in which the customers operate.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, if they are available, financial statements, credit agency information, industry information and in some cases bank references. Credit limits are established for each customer and are reviewed regularly. Any sales exceeding those limits require approval from the Chief Executive Officer of the Company.

Majority of the Company's customers have been transacting with the Company for many years and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, their geographical location, industry, trading history with the Company and existence of previous financial difficulties.

The Company has no collateral in respect of financial assets exposed to credit risk.

A summary of the Company's exposure to credit risk for trade debts is as follows:

|  | 2023<br>Rupees       | 2022<br>Rupees       |
|--|----------------------|----------------------|
| Customers without external credit rating | 1,492,971,327        | 1,467,904,234        |
| Gross carrying amount                    | 1,492,971,327        | 1,467,904,234        |
| Allowance for expected credit losses     | (177,589,644)        | (132,590,660)        |
|  | <u>1,315,381,683</u> | <u>1,335,313,574</u> |

The ageing of trade debts at June 30 is as follows:

|                                      |                      |                      |
|--------------------------------------|----------------------|----------------------|
| Current                              | 256,494,570          | 357,202,436          |
| 31 - 60 Days                         | 386,135,423          | 213,815,178          |
| 61 - 90 Days                         | 202,419,242          | 212,028,519          |
| 91 - 180 Days                        | 155,550,747          | 342,060,282          |
| 181 - 365 Days                       | 166,295,727          | 287,470,444          |
| Over 365 Days                        | 326,075,618          | 55,327,375           |
|                                      | <u>1,492,971,327</u> | <u>1,467,904,234</u> |
| Allowance for expected credit losses | (177,589,644)        | (132,590,660)        |
|                                      | <u>1,315,381,683</u> | <u>1,335,313,574</u> |

#### Expected credit loss assessment for customers as at 01 July 2022 and 30 June 2023

The Company allocates each exposure to a credit risk based on data that is determined to be predictive of the loss (including but not limited to external ratings, audited financial statements, management accounts, cash flow projection and available press information about customers) and applying experienced credit judgment. Credit risk are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definition from agencies (Rating agencies Pakistan Credit Rating Agency (PACRA) and JCR - VIS.

'Exposure within each credit risk is segmented by geographical region and an expected credit loss (ECL) rate is calculated for each segment based on delinquency status and actual credit loss experience over the three years. These rates are multiplied by scalar factors to reflect the difference between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the trade debts.

The Company uses an allowance matrix to measure the ECLs of trade debts.

'Loss rates are calculated using "roll rate" method based on the probability of a trade debt progressive through successive stages of delinquency to calculate the weighted average loss rate. Roll rates are calculated separately for exposure in different segments based on following common characteristics - geographic region and age of customer relationship.

The following table provides information about the exposure to credit risk and ECL for trade debts at 30 June 2023:

## Notes to the Financial Statements

### for the year ended June 30, 2023

|                       | Gross carrying amount | Allowance for expected credit losses | Credit impaired |
|-----------------------|-----------------------|--------------------------------------|-----------------|
|                       |                       | Rupees                               |                 |
| Current               | 256,494,570           | 12,651,022                           | No              |
| 31 - 60 Days          | 386,135,423           | 24,410,985                           | No              |
| 61 - 90 Days          | 202,419,242           | 17,502,358                           | No              |
| 91 - 180 Days         | 155,550,747           | 19,220,711                           | No              |
| 181 - 365 Days        | 166,295,727           | 29,802,033                           | No              |
| Over 365 Days         | 326,075,618           | 74,002,535                           | No              |
| Unsecured trade debts | <u>1,492,971,327</u>  | <u>177,589,644</u>                   |                 |

#### ii) Short term investments

The Company holds short term investments amounting to 2,824,791 (2022: Rs. 2,719,257) with the Bank. The credit ratings of the counterparty as per JCR-VIS and PCRA are A1+ (short term) and AAA (long term). Impairment on short term investments has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its short term investments have low credit risk based on external credit rating of the counterparty.

#### iii) Other receivables

The Company other receivables mainly included margin against letter of credit amounting to Rs. 54,785,938 (2022: Rs. Nil) and bank guarantee amounting to Rs. Nil (2022: Rs. 15,000,000) with the Bank. The credit ratings of the counterparty as per JCR-VIS and PCRA are A1+ (short term) and AAA (long term). Impairment on other receivables has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its short term investments have low credit risk based on external credit rating of the counterparty.

#### iv) Bank balances

The Company holds cash at various banks, which are rated A1+ (short term rating) as per JCR-VIS and PACRA rating. Impairment on cash at bank has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its cash at bank have low credit risk based on external credit rating of the counterparties. The credit ratings of the banks as per JCR-VIS and PACRA are as follows.

|                           | Short term rating | Long term Rating | 2023<br>Rupees     | 2022<br>Rupees    |
|---------------------------|-------------------|------------------|--------------------|-------------------|
| Bank Al Habib Limited     | A1+               | AAA              | 120,999,942        | 175,102           |
| National Bank of Pakistan | A1+               | AAA              | 765,686            | 146,500           |
| Askari Bank Limited       | A1+               | AA+              | 1,840,878          | 14,959            |
| Meezan Bank Limited       | A1+               | AAA              | 64,717,825         | 60,083,095        |
| Bank Al Falah Limited     | A1+               | AA+              | 780,067            | 8,321,006         |
| MCB Bank Limited          | A1+               | AAA              | 5,116,287          | 393,496           |
| Allied Bank Limited       | A1+               | AAA              | 6,563,350          | -                 |
|                           |                   |                  | <u>200,784,035</u> | <u>69,134,158</u> |

#### v) Short term deposit

The Company holds short term deposits of Rs. 346,910 at 30 June 2023 (2022: Rs. 710,850). These deposits are recoverable from Lady Reading hospital and Sheikh Zayed Hospital.

Impairment on short term deposits has been measured on 12 month expected loss basis and reflect the short maturities of the exposures. The Company considers that its short term deposits have low credit risk.

### 32.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintain lines of credit as mentioned in note 19 to the financial statements.

## Notes to the Financial Statements

### for the year ended June 30, 2023

The following are the contractual maturities of financial liabilities, including expected interest payments and excluding the impact of netting agreements:

|                          | Carrying amount      | Contractual cash flows | Maturity up to one year | Maturity after one year and up to five years | Maturity after five years |
|--------------------------|----------------------|------------------------|-------------------------|--|---------------------------|
|                          |                      |                        | Rupees                  |  |                           |
| Long term financing      | 57,959,852           | 64,800,114             | 22,550,244              | 42,249,870                                   | -                         |
| Trade and other payables | 239,667,495          | 239,667,495            | 239,667,495             | -  | -                         |
| Due to parent company    | 670,629              | 670,629                | 670,629                 | -  | -                         |
| Unclaimed dividends      | 7,862,929            | 7,862,929              | 7,862,929               | -  | -                         |
| Short-term borrowings    | 40,041,491           | 40,041,491             | 40,041,491              | -  | -                         |
| Loan from parent company | 316,514,631          | 316,514,631            | 316,514,631             | -  | -                         |
| June 30, 2023            | <b>662,717,027</b>   | <b>669,557,289</b>     | <b>627,307,419</b>      | <b>42,249,870</b>                            | -                         |
| Long term financing      | 75,417,874           | 87,241,840             | 22,429,290              | 64,812,550                                   | -                         |
| Trade and other payables | 426,960,495          | 426,960,495            | 426,960,495             | -  | -                         |
| Due to parent company    | 233,667              | 233,667                | 233,667                 | -  | -                         |
| Unclaimed dividends      | 7,522,648            | 7,522,648              | 7,522,648               | -  | -                         |
| Short-term borrowings    | 251,365,493          | 251,365,493            | 251,365,493             | -  | -                         |
| Loan from parent company | 308,893,069          | 308,893,069            | 308,893,069             | -  | -                         |
| June 30, 2022            | <b>1,070,393,246</b> | <b>1,082,217,212</b>   | <b>1,017,404,662</b>    | <b>64,812,550</b>                            | -                         |

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

The contractual cash flow relating to long term financing and short term borrowings have been determined on the basis of expected mark up rates.

### 32.6 Fair Value

#### Fair value versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

|  | 2023                 |                      | 2022                 |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | Carrying value       | Fair value           | Carrying value       | Fair value           |
|  |                      |                      |                      |                      |
| <b>Financial assets - amortized cost</b> |                      |                      |                      |                      |
|  |                      | Rupees               |                      |                      |
| Trade debts                              | 1,315,381,683        | 1,315,381,683        | 1,335,313,574        | 1,335,313,574        |
| Deposits                                 | 346,910              | 346,910              | 710,850              | 710,850              |
| Other receivables                        | 54,966,838           | 54,966,838           | 15,180,900           | 15,180,900           |
| Short-term investment                    | 2,824,791            | 2,824,791            | 2,719,257            | 2,719,257            |
| Cash and bank balances                   | 200,938,171          | 200,938,171          | 69,293,389           | 69,293,389           |
|  | <b>1,574,458,393</b> | <b>1,574,458,393</b> | <b>1,423,217,970</b> | <b>1,423,217,970</b> |

|   | 2023               |                    | 2022                 |                      |
|---|--------------------|--------------------|----------------------|----------------------|
|   | Carrying value     | Fair value         | Carrying value       | Fair value           |
|   |                    |                    |                      |                      |
| <b>Financial liabilities - amortized cost</b> |                    |                    |                      |                      |
|   |                    | Rupees             |                      |                      |
| Long term financing                           | 34,012,179         | 34,012,179         | 52,055,176           | 52,055,176           |
| Trade and other payables                      | 239,667,495        | 239,667,495        | 426,960,495          | 426,960,495          |
| Due to parent company                         | 670,629            | 670,629            | 233,667              | 233,667              |
| Unclaimed dividends                           | 7,862,929          | 7,862,929          | 7,522,648            | 7,522,648            |
| Current portion of long term financing        | 23,947,673         | 23,947,673         | 23,362,698           | 23,362,698           |
| Loan from parent company                      | 316,514,631        | 316,514,631        | 308,893,069          | 308,893,069          |
| Short-term borrowings                         | 40,041,491         | 40,041,491         | 251,365,493          | 251,365,493          |
|   | <b>662,717,027</b> | <b>662,717,027</b> | <b>1,070,393,246</b> | <b>1,070,393,246</b> |

The basis for determining fair values is as follows:

The interest rates used to discount estimated cash flows, when applicable, are based on the government yield curve at the reporting date plus an adequate credit spread. For instruments carried at amortized cost, since the majority of the interest bearing investments are variable rate based instruments, there is no difference in carrying amount and the fair value. Further, for fixed rate instruments, since there is no significant difference in market rate and the rate of instrument and therefore most of the fixed rate instruments are short term in nature, fair value significantly approximates to carrying value.

### 32.7 Market risk

Market risk is the risk that changes in market prices e.g. foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market price management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### 32.7.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions of receivables and payables that exist due to transactions in foreign currencies. The Company has minimal exposure to currency risk.

# Notes to the Financial Statements

## for the year ended June 30, 2023

### 32.7.2 Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term loan, short term investments and short term borrowings. At the reporting date, the interest rate risk profile of the Company's interest bearing financial instruments is:

#### Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

|                                 | 2023<br>%     | 2022<br>%     | 2023<br>Rupees | 2022<br>Rupees |
|---------------------------------|---------------|---------------|----------------|----------------|
| <b>Fixed rate instrument</b>    |               |               |                |                |
| - Financial assets              |               |               |                |                |
| Short-term investment - TDRs    | 12.50%        | 7.60%         | 2,824,791      | 2,719,257      |
| - Financial liabilities         |               |               |                |                |
| Loan from Bank Al Habib         | 4.00%         | 4.00%         | 57,959,852     | 75,417,874     |
| <b>Variable rate instrument</b> |               |               |                |                |
| - Financial liabilities         |               |               |                |                |
| Short-term borrowings           | Refer note 19 | Refer note 19 | 40,041,491     | 251,365,493    |
| Loan from parent company        | Refer note 18 | Refer note 18 | 316,514,631    | 308,893,069    |

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not have derivatives as hedging instruments recognized under fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased / decreased profit or loss by Rs. 3,165,955 (2022: Rs. 5,720,024).

### 32.7.3 Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to price risk.

### 32.7.4 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

#### i) Investment in fair value through profit or loss

The fair value of held for trading investment is determined by reference to their quoted closing repurchase price at the reporting date.

#### ii) Non-derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

#### iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

## 33 CAPITAL RISK MANAGEMENT

The Company is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividend to ordinary shareholders. There was no change to company's approach to the capital management during the year and the company is not subject to externally imposed capital requirement.

## 34 EMPLOYEES CONTRIBUTORY FUNDS

All the investments out of pension fund and provident fund trust have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

## 35 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

No fee or remuneration was paid by the Company to Chief Executive and Directors except for meeting fee of Rs 350,000 (2022: 400,000) paid to two non-executive directors.

No employee of the Company falls under the criteria of the executives as defined by the Companies Act, 2017.

# Notes to the Financial Statements

## for the year ended June 30, 2023

### 36 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

|                                   | Liabilities              |                |                    | Total        |
|-----------------------------------|--------------------------|----------------|--------------------|--------------|
|                                   | Loan from parent company | Long term loan | Unclaimed dividend |              |
|                                   | Rupees                   |                |                    |              |
| Balance at 01 July 2022           | 308,893,069              | 75,417,874     | 7,522,648          | 391,833,591  |
| Changes from financing cash flows |                          |                |                    |              |
| Dividend paid                     | -                        | -              | (44,659,719)       | (44,659,719) |
| Other changes:                    |                          |                |                    |              |
| Dividend announced                | -                        | -              | 45,000,000         | 45,000,000   |
| Installments paid                 | -                        | (21,107,695)   | -                  | (21,107,695) |
| Interest paid                     | (44,976,577)             | (2,219,989)    | -                  | (47,196,566) |
| Interest charged and accrued      | 52,598,139               | 5,869,662      | -                  | 58,467,801   |
| Balance at 30 June 2023           | 316,514,631              | 57,959,852     | 7,862,929          | 382,337,412  |
| Balance at 01 July 2021           | 305,669,425              | 72,353,176     | 6,690,819          | 384,713,420  |
| Changes from financing cash flows |                          |                |                    |              |
| Receipt of loan                   | -                        | -              | -                  | -            |
| Repayment of long term loan       | -                        | -              | -                  | -            |
| Dividend paid                     | -                        | -              | (89,168,171)       | (89,168,171) |
| Other changes:                    |                          |                |                    |              |
| Dividend announced                | -                        | -              | 90,000,000         | 90,000,000   |
| Interest paid                     | (24,967,724)             | (2,001,995)    | -                  | (26,969,719) |
| Interest accrued                  | 28,191,368               | 5,066,693      | -                  | 33,258,061   |
| Balance at 30 June 2022           | 308,893,069              | 75,417,874     | 7,522,648          | 391,833,591  |

### 37 RELATED PARTY TRANSACTIONS AND BALANCES

The Company is a subsidiary of Wah Nobel (Private) Limited, so all subsidiaries, holding companies and associated undertakings of the parent are related parties of the Company. Other related parties comprise of directors, key management personnel, entities with common directorships and entities over which the directors and trustees are able to exercise influence. Balances and transactions with related parties are shown relevant notes to the financial statements.

37.1 Following are the associated companies and related parties with whom the Company had entered into transactions during the year:

| Associated company                | Nature of relationship      | Number of shares held in the Company | Aggregate %age shareholding in the Company |
|-----------------------------------|-----------------------------|--------------------------------------|--|
| Wah Nobel (Private) Ltd.          | Parent company              | 4,970,395                            | 55.23%                                     |
| Wah Industries Limited (WIL)      | Intermediary parent company | -                                    | 0.00%                                      |
| Pakistan Ordinance Factory (POF)  | Ultimate parent company     | -                                    | 0.00%                                      |
| WNPL Employees Provident Fund     | Staff retirement fund       | 99,000                               | 1.10%                                      |
| WNCL Employees Provident Fund     | Staff retirement fund       | 33,102                               | 0.37%                                      |
| Wah Nobel Acetates Limited (WNAL) | Associated company          | -                                    | 0.00%                                      |
| Nobel Energy Limited (NEL)        | Associated company          | -                                    | 0.00%                                      |
| Wah Construction (Pvt) Limited    | Associated company          | -                                    | 0.00%                                      |
| Mr. Tariq Rangoonwala             | Director                    | 500                                  | 0.01%                                      |
| Mr. Manzoor Ali Shaikh            | Director                    | -                                    | 0.00%                                      |

# Notes to the Financial Statements

## for the year ended June 30, 2023

37.2 Transactions with related parties, other than those disclosed elsewhere in these financial statements are as follows:

|  | 2023<br>Rupees | 2022<br>Rupees |
|--|----------------|----------------|
| <b>Transactions and balances with related parties</b>                          |                |                |
| Expenses incurred on behalf or by parent company - net                         | 9,939,100      | 5,507,341      |
| Payment (by) / to parent company against expenses - net                        | (10,376,062)   | 5,300,000      |
| Purchase of electricity from Nobel Energy Limited                              | 18,429,255     | 19,394,716     |
| Purchase of raw material from WNAL   | 129,232        | 5,789,086      |
| Payment to employees' provident fund   | 10,675,542     | 8,105,654      |
| Payment to employees' pension fund   | 2,185,255      | 1,000,000      |
| Payment to employees' gratuity fund  | 8,000,000      | 1,500,000      |
| Dividend paid to parent company  | 24,852,000     | 49,704,000     |
| Dividend paid to WNCL Employees Provident Fund                                 | 165,510        | 331,020        |
| Dividend paid to WNPL Employees Provident Fund                                 | 495,000        | 990,000        |
| Interest expense incurred on loan from parent company                          | 52,598,139     | 28,191,370     |
| Interest paid to parent company  | 44,976,577     | 24,967,724     |
| Civil work services from Wah Construction (Pvt) Limited                        | -              | 24,612,687     |
| Payments to Wah Constructions (Pvt) Limited                                    | 1,483,954      | 22,474,210     |
| Securities services obtained from Wah Industries Limited (intermediary parent) | -              | 1,824,000      |
| Balance payable to WIL against security services                               | -              | 176,320        |
| Sales to parent company  | 55,199,820     | 25,074,091     |
| Purchase of electricity from Pakistan Ordinance Factory (ultimate parent)      | 13,048,220     | 10,350,394     |
| Purchase of electricity from parent company                                    | 15,182,774     | 14,092,501     |
| Payment to non-executive directors for attending board of director meetings    | 350,000        | 400,000        |

### 38 CAPACITY AND PRODUCTION

|                                     | Designed annual capacity |        | Actual production |        |
|-------------------------------------|--------------------------|--------|-------------------|--------|
|                                     | 2023                     | 2022   | 2023              | 2022   |
|                                     | <b>Metric tones</b>      |        |                   |        |
| Formaldehyde and Formalin solvent   | 80,000                   | 80,000 | 27,102            | 29,524 |
| Urea / Phenol Formaldehyde          | 19,000                   | 19,000 | 6,419             | 14,432 |
| Urea Formaldehyde Moulding compound | 13,000                   | 13,000 | 9,812             | 8,577  |

The shortfall in production of all products is due to market demand.

### 39 NUMBER OF PERSONS EMPLOYED

|  | 2023<br>Numbers | 2022<br>Numbers |
|--|-----------------|-----------------|
| Total employees of the Company at year end       | 180             | 181             |
| Average employees of the Company during the year | 181             | 178             |

### 40 OPERATING SEGMENT

The financial statements have been prepared on the basis of single reportable segment. All revenue of the Company is earned in Pakistan. All non-current assets of the Company at June 30, 2023 are located in Pakistan.

### 41 DISCLOSURE REQUIREMENTS FOR SHARIAH COMPLIANT COMPANIES

Following information has been disclosed as required under Para 10 of Part-I of the Fourth Schedule to the Companies Act, 2017:

|  | 2023<br>Rupees | 2022<br>Rupees |
|--|----------------|----------------|
| Loans/ advances obtained as per Islamic mode             | 19,113,410     | 20,353,968     |
| Shariah compliant bank deposits/bank balances            | 79,799,088     | 56,158,737     |
| Revenue earned from a shariah compliant business segment | 4,383,436,397  | 3,309,605,501  |
| Profits earned on any conventional investment            | 6,678,612      | 1,586,348      |
| Interest paid on any conventional loan or advance        | 76,873,130     | 53,364,149     |

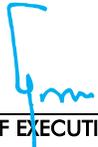
### 42 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

42.1 The Board of directors at the meeting held on **September 07, 2023** have proposed for the year ended 30 June 2023 cash dividend of Rs **10** per share (2022: Rs. 05 per share), amounting to Rs. **90,000,000** (2022: Rs. 45,000,000) subject to approval of members at the annual general meeting.

42.2 The Board of directors at the meeting held on **September 07, 2023** have approved to transfer Rs. **360,000,000** (2022: Rs. 160,000,000) to general reserves.

### 43 GENERAL

43.1 These financial statements were authorized for issue by the Board of Directors of the Company on September 07, 2023.

  
CHIEF EXECUTIVE

  
DIRECTOR

  
CHIEF FINANCIAL OFFICER

## چیئر مین کی طرف سے جائزہ کی رپورٹ

مجھے بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں اس کے پُراثر کردار کے بارے میں جائزہ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔ کٹھن کاروباری ماحول کے باوجود، موجودہ مالی سال سب سے کامیاب تھا کیونکہ کمپنی اپنی اب تک کی سب سے زیادہ فروخت کا اعداد و شمار حاصل کرنے میں کامیاب رہی اور اس نے گزشتہ سال کے 3,310 ملین روپے کے مقابلے میں 4,383 ملین روپے کی خالص فروخت کی ہے۔ بعد از ٹیکس منافع 115 فیصد اضافے کے ساتھ 209 ملین روپے سے بڑھ کر 449 ملین روپے ہو گیا۔ جس کی بدولت فی شیئر آمدنی (EPS) گزشتہ سال 23.24 روپے کے مقابلے میں 49.91 روپے ہوئی ہے۔ مالی کارکردگی کی بنیاد پر بورڈ نے حتمی نقد منافع 100 فیصد یعنی 10 روپے فی شیئر کی سفارش کی ہے۔ کمپنی نے زیر جائزہ سال کے دوران مختلف سرکاری محصولات، ٹیکسوں اور درآمدی محصولات کی مد میں قومی خزانے میں 935 ملین روپے کا حصہ ڈالا۔

بورڈ نے اس بات کو یقینی بنایا ہے کہ بورڈ اور اس کی کمیٹیوں میں غیر ایگزیکٹو، آزاد اور خواتین ڈائریکٹرز کی مناسب نمائندگی موجود ہے جیسا کہ ضابطہ کے تحت ضروری ہے اور بورڈ اور اس کے متعلقہ کمیٹیوں کے اراکین کے پاس کمپنی کے معاملات کو منظم کرنے کے لئے مناسب مہارت، تجربہ اور علم موجود ہے۔

بورڈ نے اپنے فرائض اور ذمہ داریوں کو تندہی سے نبھایا ہے۔ اس کے اسٹریٹجک امور میں کمپنی کی رہنمائی کرنے اور کمپنی کے وژن کو بڑھانے میں مؤثر کردار ادا کیا ہے۔

بورڈ، کمپنی کے انتظامی امور کا ذمہ دار ہونے کے ناطے، مسلسل ترقی کو یقینی بنانے کے لئے تمام اہم پالیسیاں اور حکمت عملی تیار کرتا ہے۔

بورڈ نے بیجمنٹ کی پرفارمنس مانیٹر کرنے اور بڑے خطرے والے حصوں کا جائزہ لینے میں بھی کلیدی کردار ادا کیا ہے۔ تمام بورڈ ممبران بشمول آزاد ڈائریکٹرز نے بورڈ کے فیصلہ سازی کے عمل میں مکمل طور حصہ لیا اور تعاون کیا۔

بورڈ کا رپورٹ اور مالیاتی رپورٹنگ فریم ورک کے سلسلے میں اپنی ذمہ داری کو تسلیم کرتا ہے اور اسٹیک ہولڈرز کی قدر کو محفوظ رکھنے کے لئے کارپوریٹ گورننس کے اعلیٰ معیارات کو یقینی بنانے کیلئے پرعزم ہے۔ بورڈ نے اپنی تمام لازمی ذمہ داریوں کو پورا کیا ہے جس میں کمپنی کے لئے تمام متعلقہ قانونی ریگولیٹری تقاضوں کی تعمیل کو یقینی بنانا شامل ہے۔ زیر نظر سال کے دوران بورڈ کی طرف سے سبہ ماہی، ششماہی، اور سالانہ مالیاتی نتائج کا اچھی طرح جائزہ لیا گیا اور مضبوط نظم و نسق کو یقینی بنانے کے لئے باقاعدگی سے انتظامیہ کو اپنی رہنمائی فراہم کی۔ بورڈ نے کمپنی کے مالیاتی بجٹ اور سرمائے کے اخراجات کی ضرورت کا بھی جائزہ لیا اور اس کی منظوری دی۔

بورڈ اور انتظامیہ آنے والے چیلنجوں سے پوری طرح آگاہ ہیں اور مطلوبہ وژن، علم اور تجربے کے ساتھ ان سے نمٹنے کے لئے پوری طرح تیار ہیں۔

بطور چیئر مین میں پرعزم ہوں اور اس بات کی یقین دہانی کرتا ہوں کہ کمپنی متعلقہ قوانین و ضوابط اور صنعت کے بہترین طریقوں کی پاسداری کرتی ہے۔ میں اُمید کرتا ہوں اور دعا گو ہوں کہ آئندہ سالوں میں کمپنی ترقی کی رفتار کو برقرار رکھے گی۔

آخر میں بورڈ کی جانب سے میں تمام اسٹیک ہولڈرز کے مسلسل اعتماد اور تعاون کے لئے ان کا تہ دل سے شکریہ ادا کرنا چاہتا ہوں۔ میں ہر سطح پر اپنے ملازمین کی لگن اور محنت کا اعتراف اور شکریہ ادا کرتا ہوں اور ان کے مسلسل تعاون کا خواہاں ہوں۔ میں کمپنی کو اسٹریٹجک قیادت فراہم کرنے میں اپنے ساتھی ڈائریکٹرز اور سی ای او (CEO) کی قابل ستائش کوششوں اور عزم کی بھی تعریف کرنا چاہوں گا۔

لیفٹیننٹ جنرل علی عامر اعوان، بلال امتیاز (ملٹری)

چیئر مین

واہ کینٹ

مورخہ 07 ستمبر 2023

## ڈائریکٹرز کی رپورٹ

کمپنی کے ڈائریکٹرز 30 جون 2023ء کا مالی سال اختتام پذیر ہونے پر کمپنی کی سالانہ رپورٹ اور آڈٹ شدہ مالیاتی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

### مالیاتی کارکردگی کا جائزہ

مالی سال 2022-23 کے دوران کمپنی نے اب تک کی سب سے زیادہ خالص فروخت 4,383 ملین روپے کی جبکہ گزشتہ سال 3,310 ملین روپے کی خالص فروخت کے مقابلے میں 32% اضافہ دیکھا گیا۔

زیادہ فروخت، لاگت پر قابو پانے اور پیداواری صلاحیتوں کی بدولت اعلیٰ مجموعی منافع ممکن ہوا جو گزشتہ سال کے 458 ملین روپے سے 93% بڑھ کر 884 ملین روپے ہو گیا ہے۔

مہنگائی کے مجموعی اثرات کی وجہ سے زیر جائزہ سال کے دوران انتظامی اور عمومی اخراجات 22 فیصد جبکہ فروخت اور تقسیم کے اخراجات گزشتہ سال کے مقابلے میں 39 فیصد زیادہ ہوئے۔

کاروباری حجم اور شرح سود میں اضافہ کی وجہ سے مالیاتی لاگت گزشتہ سال کے 69 ملین روپے سے 34 فیصد بڑھ کر 93 ملین روپے ہو گئی ہے۔

دیگر اخراجات گزشتہ سال کے مقابلے میں زیادہ رہے جس کی بنیادی وجہ منافع میں اضافے کی بدولت ورکرز پرافٹ پارٹنیشن (WPPF) اور ورکرز ویلفیئر (WWF) فنڈز کی زیادہ فراہمی ہے۔

فروخت میں اضافے اور گاہکوں کی جانب سے ادائیگیوں میں تاخیر کی وجہ سے متوقع کریڈیٹ ریفنڈ منقصان کے لئے الاؤنس گزشتہ سال کے 31 ملین روپے سے بڑھ کر 45 ملین روپے ہو گیا ہے۔

کمپنی نے گزشتہ سال کے 209 ملین روپے کے بعد از ٹیکس منافع کے مقابلے میں زیر جائزہ سال کے دوران 449 ملین روپے کا ریکارڈ منافع کمایا۔ خالص منافع میں 115% یعنی 240 ملین روپے کا اضافہ ہوا۔

بعد از ٹیکس منافع میں اضافہ، قیمتوں میں معقولیت، بہتر سیلز مکس، صلاحیت کا بہترین استعمال، دستیاب سرمائے کا موثر انتظام اور طے شدہ اخراجات میں بچت کی بدولت ہے۔

## مالیاتی نتائج

گزشتہ سال سے تقابلی جائزہ کے ساتھ زیر جائزہ سال کے لئے کمپنی کے آپریٹنگ نتائج کا خلاصہ حسب ذیل ہے:

| تبدیلی فیصد | 2021 - 22         | 2022 - 23 |                          |                      |
|-------------|-------------------|-----------|--------------------------|----------------------|
|             | (روپے ہزاروں میں) |           |                          |                      |
| 32          | 3,309,606         | 4,383,436 | Net Sales                | خالص فروخت           |
| 93          | 457,635           | 883,915   | Gross Profit             | مجموعی منافع         |
| 98          | 427,128           | 844,234   | Operating Profit         | آپریٹنگ منافع        |
| 114         | 313,066           | 668,756   | Profit Before Taxation   | قبل از ٹیکس منافع    |
| 115         | 209,123           | 449,230   | Profit After Taxation    | بعد از ٹیکس منافع    |
| 115         | 23.24             | 49.91     | Earnings Per Share (Rs.) | فی شیئر آمدنی (روپے) |

## بعد کی تخصیصات

ڈائریکٹرز نے 30 جون 2023 کو ختم ہونے والے سال کے لئے مندرجہ ذیل تخصیصات کی سفارش منظور دی ہے جو کمپنی کے بعد کے مالی گوشواروں میں ظاہر ہوں گی۔

## ڈیویڈنڈ

ڈائریکٹرز کی جانب سے نقد ڈیویڈنڈ 10 روپے فی حصص (یعنی 100 فیصد) کی ادائیگی کی سفارش کی ہے۔ جو کہ آئندہ سالانہ جنرل میٹنگ میں شیئر ہولڈرز کی منظوری سے مشروط ہے۔

## مجموعی ذخائر

ڈائریکٹرز نے 360 ملین روپے غیر مختص منافع سے جنرل ریزرو میں منتقل کرنے کی تجویز منظور بھی دی ہے۔

## مستقبل پر ایک نظر (2023-24)

مالی سال 2023-24 کے دوران سیاسی عدم استحکام، روپے کی قدر میں مسلسل کمی، سپلائی چین میں خلل، اشیاء کی بلند قیمتوں، مہنگائی کی بلند سطح، بلند شرح سود اور حد سے زیادہ ٹیکسوں جیسے سپرنٹیکس، معاشی سُست روی اور صارفین کی قوت خرید میں کمی کی وجہ سے ملک کا معاشی اور آپریٹنگ ماحول چیلنجنگ رہنے کی توقع ہے۔ کمپنی انتہائی مسابقتی ماحول میں کام کرتی ہے اور موجودہ صنعت کاروں اور صنعت میں نئے داخل ہونے والوں کے شدید مقابلے کی وجہ سے مارجن پر دباؤ کی توقع کرتی ہے۔

مذکورہ چیلنجوں کے باوجود کمپنی کی انتظامیہ ان خطرات کے منفی اثرات کو کم کرنے کے لئے تمام ممکنہ اقدامات کر رہی ہے اور مالی سال 2023-24 کے دوران ترقی اور منافع میں اضافے کے لئے پُر عزم ہے۔

## اندرونی مالیاتی کنٹرول

کمپنی قابل اعتماد اور شفاف مالیاتی رپورٹنگ کو یقینی بنانے کے لئے ڈیزائن کردہ اندرونی کنٹرول اور طریقہ کار کا ایک نظام برقرار رکھتی ہے۔ اندرونی مالیاتی کنٹرولز کا وقتاً فوقتاً جائزہ لیا جاتا ہے تاکہ یہ یقینی بنایا جاسکے کہ آیا یہ مؤثر ہیں اور بدلتے ہوئے قوانین اور ضوابط کے ساتھ آپ ڈیٹ ہیں۔ اندرونی آڈٹ ڈیپارٹمنٹ اندرونی کنٹرول کی تعمیل کی نگرانی کرتا ہے۔ آڈیٹرز (اندرونی اور بیرونی دونوں) کے ساتھ بات چیت کے ذریعے وہ اس بات کی تصدیق کرتے ہیں کہ کمپنی کی طرف سے مناسب کنٹرول نافذ کئے گئے ہیں۔ بورڈ کو یقین ہے کہ اندرونی کنٹرول کا نظام ڈیزائن میں درست ہے اور اسے مؤثر طریقے سے لاگو اور نگرانی کی گئی ہے۔

## بنیادی خطرات اور غیر یقینی کی صورتحال

اس حقیقت کے باوجود کہ کمپنی کی مالی کارکردگی حالیہ برسوں کے دوران مسلسل اچھی رہی پھر بھی کمپنی کو بعض موروثی خطرات اور غیر یقینی صورتحال کا سامنا ہے، جیسے مسابقت، میتھانول کے بنیادی خام مال پروینڈ اور پرمٹ فیس کا نفاذ، بڑھتی ہوئی افراط زر کی وجہ سے ان پٹ لاگت میں اضافہ، شرح مبادلہ میں اتار چڑھاؤ، منفی شرح سود اور حکومت کے متضاد ضابطے، ٹیکس رپالیسی وغیرہ جو کمپنی کے مستقبل کے مالیاتی رپورٹس پر اثر انداز ہو سکتے ہیں۔

انتظامیہ وقتاً فوقتاً کاروبار کو درپیش بڑے مالیاتی اور آپریٹنگ خطرات کا جائزہ لیتی ہے جو کہ مذکورہ خطرات کے ممکنہ اثرات کو کم کرنے کے لئے اندرونی اور بیرونی اسٹیک ہولڈرز کے ساتھ مل کر کام کرتی ہے۔

## متعلقہ جماعت کے ساتھ لین دین

متعلقہ جماعتوں کے ساتھ تمام لین دین معمول کے مطابق کاروبار کے دوران کئے گئے ہیں اور متعلقہ نوٹس کے تحت مالی گوشواروں میں ظاہر کئے گئے ہیں۔

## کارپوریٹ بریفنگ سیشن

پاکستان اسٹاک ایکسچینج کے لسٹنگ کے ضوابط کی تعمیل میں، کمپنی سرمایہ کاروں اور مالیاتی تجزیہ کاروں سمیت مختلف اسٹیک ہولڈرز کے سوالات کے جوابات دینے کے لئے کارپوریٹ بریفنگ سیشن کا اہتمام کرتی ہے۔

آخری کارپوریٹ بریفنگ سیشن جمعرات 08 دسمبر 2022 کو ویڈیولنک کے ذریعے حصص یافتگان، سرمایہ کاروں اور تجزیہ کاروں کو 30 جون 2022 کو ختم ہونے والے سال کے لئے کمپنی کی مالی کارکردگی اور کمپنی کے مستقبل کے نقطہ نظر کے بارے میں بریف کرنے کے لئے منعقد کیا گیا۔

## کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک

کمپنی اچھی کارپوریٹ گورننس کیلئے پرعزم ہے جیسا کہ کوڈ آف کارپوریٹ گورننس کے تحت لازمی ہے۔ ڈائریکٹرز درج ذیل کی اطلاع دیتے ہوئے خوشی محسوس کر رہے ہیں۔

- ★ کمپنی کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے، اس کے موجودہ شفاف معاملات، اس کے کاموں کے نتائج، نقد بہاؤ اور ایکویٹی میں ہونے والی تبدیلیوں کی تفصیل مرتب کی گئی ہے۔
- ★ کمپنی نے باقاعدہ درست کھاتہ جات مرتب کر رکھے ہیں۔
- ★ مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو مسلسل لاگو کیا گیا ہے۔ اور اکاؤنٹنگ کے تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں۔
- ★ مالیاتی گوشواروں کی تیاری میں بین الاقوامی اکاؤنٹنگ کے معیار اور کمپنیز ایکٹ 2017 کی شقیں جو کہ پاکستان میں قابل عمل ہیں کا اطلاق کیا گیا ہے۔ اور کسی بھی نئے عمل کو مناسب طریقے سے بتایا اور سمجھایا گیا ہے۔
- ★ اندرونی کنٹرول کا نظام ڈیزائن میں درست ہے اور اسے مؤثر طریقے سے لاگو کر کے اس کی نگرانی کی گئی ہے۔
- ★ کمپنی کے موجودہ حیثیت میں کام جاری رکھنے میں کسی رکاوٹ یا واضح شبہ کی گنجائش نہیں ہے
- ★ (میتھانول کے بنیادی خام مال پروپینڈ اور پرمٹ فیس کا نفاذ) اس رپورٹ میں الگ سے پیش کیا گیا ہے۔
- ★ کوڈ آف کارپوریٹ گورننس کے بہترین طرز عمل سے ہٹ کر کوئی عمل نہیں ہوا۔ جیسا کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) قواعد و ضوابط 2019 میں بتایا گیا ہے۔
- ★ ٹیکس، ڈیوٹی لیویز اور دیگر چارجز کی مد میں کمپنی کی طرف سے کچھ بھی بقایا جات نہیں ہیں۔ سوائے ان کے جو معمول کے کاروبار میں کئے جاتے ہیں اور مالیاتی گوشواروں میں ظاہر کئے گئے ہیں۔
- ★ گزشتہ 6 مالی سالوں کے اہم آپریٹنگ اور مالیاتی اعداد و شمار کا خلاصہ اس رپورٹ کے ساتھ منسلک ہے۔
- ★ 30 جون 2023 تک ریٹائرمنٹ فوائد فنڈ کی طرف سے کی جانے والی سرمایہ کاری کی غیر آڈٹ شدہ مالیت بشمول بینک ڈیپازٹس درج ذیل ہیں:

| روپے       | فنڈز         |
|------------|--------------|
| 84,227,820 | پراویڈنٹ فنڈ |
| 47,468,065 | گریجویٹ فنڈ  |
| 28,283,926 | پنشن فنڈ     |

## بورڈ آف ڈائریکٹرز

درج ذیل تفصیل کے مطابق ڈائریکٹرز کی کل تعداد (بشمول چیف ایگزیکٹو) آٹھ (8) ہیں۔

|      |        |          |
|------|--------|----------|
| الف۔ | مرد    | (07) سات |
| ب۔   | خواتین | (01) ایک |

بورڈ کی ساخت مندرجہ ذیل ہے۔

|       |                             |           |
|-------|-----------------------------|-----------|
| (i)   | آزاد ڈائریکٹرز              | دو (02)   |
| (ii)  | دیگر غیر ایگزیکٹو ڈائریکٹرز | پانچ (05) |
| (iii) | ایگزیکٹو ڈائریکٹرز          | ایک (01)  |

سال کے اختتام کے بعد 30 اگست 2023 سے میجر جنرل ممتاز حسین، ہلال امتیاز (ملٹری) TBT کومسنز کشور احسن کی جگہ WNPL کی نمائندگی کرنے کے لئے کمپنی کے بورڈ میں ڈائریکٹر مقرر کیا گیا ہے۔

بورڈ آف ڈائریکٹرز نے کمپنی سے سبکدوش ہونے والے ڈائریکٹر کی جانب سے گرانقدر تعاون کے لئے تعریفی کلمات کو ریکارڈ کروایا اور کمپنی کے بورڈ میں نئے ڈائریکٹر کا پُر تپاک خیر مقدم کیا۔

زیر جائزہ سال کے دوران بورڈ کے پانچ اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی اجلاسوں میں شرکت کی تعداد درج ذیل رہی:-

| سیریل نمبر | ڈائریکٹرز کے نام  | میٹنگز میں شرکت کی تعداد |
|------------|---|--------------------------|
| -1         | لیفٹیننٹ جنرل علی عامر اعوان، ہلال امتیاز (ملٹری) چیئرمین | 04                       |
| -2         | جناب میٹس اولوف رائڈ برگ                                  | 03                       |
| -3         | میجر جنرل راشد محمود                                      | 01                       |
| -4         | جناب عثمان علی بھٹی                                       | 05                       |
| -5         | جناب طارق ایم رنگون والا                                  | 02                       |
| -6         | مسنز کشور احسن  | 04                       |
| -7         | جناب منظور علی شیخ  | 05                       |
| -8         | بریگیڈیئر شیراز اللہ چوہدری، ستارہ امتیاز (ملٹری) (ر)     | 05                       |

سال کے دوران آڈٹ کمیٹی نے چار (4) اجلاس منعقد کئے اور ہر رکن نے حسب ذیل شرکت کی:

| مینگلز میں شرکت کی تعداد | ڈائریکٹرز کے نام         | سیریل نمبر |
|--------------------------|--------------------------|------------|
| 01                       | جناب طارق ایم رنگون والا | -1         |
| 04                       | مسز کشور احسن            | -2         |
| 03                       | جناب عثمان علی بھٹی      | -3         |

زیر نظر سال کے دوران ہیومن ریسورس اور معاوضہ کمیٹی کا کوئی اجلاس منعقد نہیں ہوا

| سیریل نمبر | ڈائریکٹرز کے نام                                      |
|------------|---|
| -1         | جناب طارق ایم رنگون والا                              |
| -2         | مسز کشور احسن   |
| -3         | بریگیڈئیر شیراز اللہ چوہدری، ستارہ امتیاز (ملٹری) (ر) |

بورڈ کمیٹی کے ان ارکان کو غیر حاضری کی چھٹی دی گئی جو اجلاس میں شرکت کرنے سے قاصر رہے۔

## ڈائریکٹرز کے معاوضے کی پالیسی

بورڈ، اجلاسوں میں شرکت کیلئے اپنے ڈائریکٹرز کے معاوضے فیس کا تعین کرنے کا مجاز ہے۔ بورڈ نے واہ نوبل (پرائیویٹ) لمیٹڈ کے نامزد امیدواروں کے علاوہ نان ایگزیکٹو ڈائریکٹرز کے بورڈ اجلاس میں شرکت کیلئے ڈائریکٹرز کے معاوضے کی منظوری دے دی ہے۔ تاہم بورڈ کے اجلاسوں کی کمیٹی میں شرکت کیلئے، جنرل مینٹنگ میں شرکت کیلئے اور کسی بھی کاروباری مینٹنگ میں شرکت کیلئے کوئی معاوضہ ادا نہیں کیا جائے گا۔ کمپنی تمام ڈائریکٹرز کو مینٹنگ میں شرکت کیلئے کیے جانے والے سفری، ہوٹل اور دیگر اخراجات کا معاوضہ ادا کرے گی۔

## کارپوریٹ۔ سماجی ذمہ داری (CSR)

سماجی طور پر ذمہ دار کارپوریٹ ادارہ ہونے کی حیثیت سے کمپنی اپنی کمیونٹی کے لئے پر عزم ہے جیسا کہ کسٹمرز، شیئر ہولڈرز اور ملازمین کیلئے ہے۔ کمپنی اخلاقی طور پر کارکنان، اُن کے خاندانوں، مقامی کمیونٹی اور ان کی معاشرتی زندگی کو بہتر بنانے کے لئے معاشی ترقی میں حصہ ڈالنے کے لئے پر عزم ہے، کمپنی توانائی کے تحفظ، صنعتی تعلقات، نصوصی افراد کی ملازمت، پیشہ وارانہ سیفٹی (حفاظت) اور صحت، کاروباری اخلاقیات، قومی خزانے میں شرکت کے لئے فعال کارپوریٹ شہریت کی حامل ہے۔

کمپنی نے زیر نظر سال 2022-23 کے دوران کارپوریٹ ٹیکس، جنرل سیلز ٹیکس، ایکسائز ڈیوٹی، کسٹم ڈیوٹی اور وینڈر پرمٹ فیس وغیرہ کی مد میں قومی خزانے میں 935 ملین روپے جبکہ گزشتہ سال 710 ملین روپے جیسی خطیر رقم کا حصہ ڈالا۔

## ویب سائٹ

موجودہ مالی سال کے لئے کمپنی کے متواتر مالی گوشوارے بشمول گزشتہ پانچ سالوں کی سالانہ متواتر رپورٹیں کمپنی کی ویب سائٹ پر شیئر ہولڈرز اور دیگر کی معلومات کے لئے دستیاب ہیں۔

[www.wahnobel.com](http://www.wahnobel.com)

## وینڈ فیس اور پرمٹ فیس

جنوری 2022 میں محکمہ ایکسائز اینڈ ٹیکسیشن، حکومت سندھ کی درخواست پر معزز سپریم کورٹ آف پاکستان (SCP) نے میتھانول پروینڈ اور پرمٹ فیس عائد کرنے سے متعلق کمپنی کے خلاف دی گئی ان کی درخواست کو نمٹا دیا ہے۔ سپریم کورٹ آف پاکستان کے حکم کے مطابق، محکمہ ایکسائز اینڈ ٹیکسیشن 1990 سے 30 اکتوبر 2002 تک انڈیمینٹی بانڈز سرٹڈ کرے گا اور اس تاریخ کے بعد، 14 فروری 2002 کے نوٹیفیکیشن کے مطابق قابل ادائیگی رقم کے لیے ایک نیا مطالبہ اٹھایا جائے گا۔ جو سندھ (ترمیمی) آبکاری آرڈیننس 30 اکتوبر 2002 میں نوٹیفائی ہوا تھا۔ محکمہ ایکسائز کی جانب سے ابھی تک کوئی مطالبہ نہیں کیا گیا ہے، تاہم، کمپنی محکمہ کی جانب سے نئے مطالبے کی وصولی پر کیس کا دفاع کرنے کے لئے متعلقہ عدالت سے رجوع کرنے کا ارادہ رکھتی ہے۔ انتظامیہ کو توقع ہے کہ کیس کے میرٹ اور سندھ ہائی کورٹ کے پہلے سے سازگار فیصلے کی بنیاد پر کمپنی کے پاس اس طرح کے مطالبے کو چیلنج کرنے کی مضبوط بنیادیں ہیں اور اس چیلنج کے کامیاب ہونے کا امکان ہے۔

## ذیلی تقریبات

مالی سال کے اختتام اور ڈائریکٹرز رپورٹ کی تاریخ کے درمیان کمپنی کی مالی پوزیشن کو متاثر کرنے والی کوئی بڑی تبدیلیاں یا وعدے نہیں ہوئے۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز گرانٹ تھورنٹن انجم رحمان، چارٹرڈ اکاؤنٹنٹس، 40 ویں سالانہ جنرل اجلاس کے اختتام پر ریٹائر ہونے والے ہیں۔ اہل ہونے کی وجہ سے انہوں نے خود کو اگلے مالی سال 2023-24 کے لئے دوبارہ تقرری کے لئے پیش کیا ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ میسرز گرانٹ تھورنٹن انجم رحمان، چارٹرڈ اکاؤنٹنٹس کو 30 جون 2024 کو ختم ہونے والے سال کے لئے کمپنی کے قانونی آڈیٹرز کے طور پر تقرری کی سفارش کرتا ہے جو کمپنی کے آئندہ سالانہ جنرل اجلاس میں شیئر ہولڈرز کی منظوری سے مشروط ہے۔

## پیٹرن آف شیئر ہولڈنگ

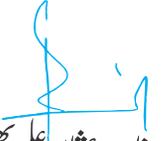
کمپنی کی شیئر ہولڈنگ کا نمونہ اور اس کے بارے میں 30 جون 2023 تک کی اضافی معلومات اس رپورٹ میں شامل ہیں۔ ڈائریکٹرز، چیف ایگزیکٹو آفیسر، کمپنی سیکریٹری، چیف فنانشل آفیسر، ایگزیکٹوز اور ان کے شریک حیات اور نابالغ بچوں نے سال کے دوران کمپنی کے حصص کی کوئی تجارت نہیں کی۔

## اعتراف

ڈائریکٹرز کمپنی کی مینجمنٹ اور ملازمین کی کمپنی کی ترقی کیلئے کی گئی سخت محنت، عزم اور کمپنی کی خاطر اپنے آپ کو وقف کرنے کے جذبے کو مخلصانہ طور پر سراہتے ہیں۔ ڈائریکٹرز اپنے قابل قدر شیئر ہولڈرز، گاہکوں، سپلائرز اور بینکلرز کی مسلسل حمایت کے لئے شکریہ کا اظہار کرتے ہیں۔

منجانب بورڈ آف ڈائریکٹرز

  
برگیڈ شیراز اللہ چوہدری، ستارہ امتیاز (ملٹری) (ر)  
چیف ایگزیکٹو

  
جناب عثمان علی بھٹی  
ڈائریکٹر

واہ کینٹ

مورخہ 7 ستمبر 2023

# Proxy Form

I/We \_\_\_\_\_  
of \_\_\_\_\_ being a member(s) of  
Wah Nobel Chemicals Limited hereby appoint \_\_\_\_\_  
of \_\_\_\_\_ or failing him/her  
\_\_\_\_\_ of \_\_\_\_\_ as my/our proxy in  
my/our absence to attend and vote for me/us and on my/our behalf at the 40th Annual General  
Meeting of the Company to be held on Thursday, October 26, 2023 at 1100 hrs and /or any  
adjournment thereof.

Signed this \_\_\_\_\_ day of October, 2023.

| Folio No | CDC Participant ID No | CDC Account / Sub-Account No | No. of Shares held | Signature on Five Rupees Revenue Stamp |
|----------|-----------------------|------------------------------|--------------------|--|
|          |                       |                              |                    |  |

Witness 1

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Witness 2

Signature \_\_\_\_\_  
Name \_\_\_\_\_  
CNIC No. \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

**Note:**

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, G. T. Road, Wah Cantt not less than 48 hours before the time of holding the meeting.
2. The Proxy must be a member of the Company.
3. Signature(s) should agree with the specimen signature/s registered with the Company.
4. For CDC Account Holders/Corporate Entities  
In addition to the above the following requirements have to be met.
  - (i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
  - (ii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
  - (iii) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier along with proxy form to the Company).

# مختار نامہ (پراکسی فارم)

40 ویں سالانہ اجلاس عامہ

میں اہم \_\_\_\_\_ ساکن \_\_\_\_\_ بحیثیت رکن واہ نوبل کیمیکلز لمیٹڈ  
اور حال \_\_\_\_\_ حصص مقرر کرتا ہوں بطور نائب \_\_\_\_\_ محترم / محترمہ  
برائے \_\_\_\_\_ یا ان کی عدم موجودگی کی صورت میں \_\_\_\_\_ محترم / محترمہ  
برائے \_\_\_\_\_، جو واہ نوبل کیمیکلز لمیٹڈ کے ممبر بھی ہے، میری غیر موجودگی کی صورت میں بطور میرے نائب کے 40 ویں  
سالانہ اجلاس عامہ جس کا انعقاد بروز جمعرات 26 اکتوبر 2023 کو بجے دن یا اس کے ملتوی شدہ اجلاس میں شرکت کر کے حق رائے دہی استعمال کر سکتے ہیں۔

دستخط \_\_\_\_\_ مورخہ \_\_\_\_\_ اکتوبر 2023

|                   |       |                   |       |
|-------------------|-------|-------------------|-------|
| ۱۔ نام گواہ:      | _____ | ۲۔ نام گواہ:      | _____ |
| دستخط:            | _____ | دستخط:            | _____ |
| شناختی کارڈ نمبر: | _____ | شناختی کارڈ نمبر: | _____ |
| پتہ:              | _____ | پتہ:              | _____ |
| _____             | _____ | _____             | _____ |

فولیو نمبر / سی ڈی سی اکاؤنٹ نمبر

ہدایات:

- مختار (پراکسی) کا کمپنی کارکن (ممبر) ہونا ضروری ہے۔
- ممبر (رکن) کے دستخط، نمونہ شدہ دستخط / اندراج شدہ سے مماثلت ہونا ضروری ہے۔
- سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناخت کارڈ یا پاسپورٹ کی مصدقہ نقل منسلک کرنا ضروری ہے۔ کارپوریٹ ادارے کے نمائندوں کو معمول کے مطابق تصدیقات ویزا ساتھ لانا ضروری ہے۔
- مختار نامہ (پراکسی فارم) مکمل پر شدہ کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقرر وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرانا ضروری ہے۔

# Ballot Paper



For voting through post for Special Business at the Annual General Meeting of Wah Nobel Chemicals Limited to be held on Thursday, October 26, 2023 at 1100 hours at the Registered Office of the Company, G.T. Road, Wah Cantt and on line through zoom.

|  |  |
|--|--|
| Name of Shareholder / Joint Shareholders |  |
| Registered Address of Shareholder        |  |
| Number of shares held                    |  |
| Folio number                             |  |
| CNIC Number (copy to be attached)        |  |

|   |  |
|---|--|
| Additional Information and enclosures (In case of representative of body corporate, corporation and Federal Government.)  |  |
| I/we hereby exercise my/our vote in respect of the following resolution through ballot by conveying my/our assent or dissent to the following resolution by placing tick (✓) mark in the appropriate box below; |  |

| Resolution   | I/We assent to the Resolution (FOR) | I/We dissent to the Resolution (AGAINST) |
|--|-------------------------------------|--|
| <p><b>Agenda Item # 5</b><br/> <b>"RESOLVED THAT the Company be and is hereby authorized to circulate its annual report, including the annual audited financial statements, auditor's report, Directors' report, Chairman's review report and other reports contained therein, to its members through QR enabled code and web link, in accordance with S.R.O. 389(I)/2023 dated March 21, 2023 issued by the Securities and Exchange Commission of Pakistan.</b><br/> <b>"FURTHER RESOLVED THAT, the Chief Executive and Company Secretary be and are hereby singly authorized to do all acts, deeds and things, take or cause to be taken all necessary actions, as may be necessary, incidental or consequential to give effect to this resolution."</b></p> |                                     |  |

**NOTES:**

1. Dully filled postal ballot should be sent to Chairman of Wah Nobel Chemicals Limited at registered office G.T Road Wah Cantt attention to Company Secretary or through e-mail at [chairman@wahnobel.com](mailto:chairman@wahnobel.com).
2. Copy of CNIC should be enclosed with the postal ballot form.
3. Postal ballot forms should reach the Chairman of the meeting on or before October 25, 2023 during business hours. Any postal ballot received after this date, will not be considered for voting.
4. Signature on postal ballot should match with signature on CNIC.
5. Incomplete, unsigned, incorrect, defaced, torn, mutilated, over written ballot paper will be rejected

\_\_\_\_\_  
 Signature of the Shareholder(s)

Place: \_\_\_\_\_

Date: \_\_\_\_\_

# صرف صاف کافی نہیں

## **SUPER SAAF** اب ہر گھر ہوگا

نوبل  
فلور کلیئر

نوبل  
فنائل

نوبل  
ٹائلٹ کلیئر

نوبل  
ہینڈ سینیٹائزر



✓ بہتر صفائی -- زیادہ چمک

✓ جراثیم سے بہتر حفاظت ✓ قیمت میں کم

ملک بھر میں تمام **CSD** سٹورز اور

آن لائن **Daraz** پر دستیاب ہے

**99.9%**

جراثیم کا خاتمہ!

• آزما کر دیکھ لیں!



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