ISO 9001:2000, 14000:2004 &
OHSAS 18000:2007 CERTIFIED

# ANNUAL REPORT 2011

# Wah Nobel Chemicals Limited

**CONTENTS**

# VISION STATEMENT

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

# CORPORATE MISSION

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

# CORPORATE INFORMATION

| | | |
|---|---|---|
| **BOARD OF DIRECTORS** | | |
| Lt. Gen. Shujaat Zamir Dar, HI (M), S.Bt. | : | Chairman |
| Mr. Torbjorn Saxmo | : | Vice Chairman |
| Mr. Mr. Feroze Khan Malik | : | Director |
| Mr. Muhammad Nawaz Tishna | : | Director (N.I.T. Nominee) |
| Mr. Riaz Ahmad | : | Director |
| Mr. Muhammad Asif | : | Director |
| Mr. Khalid Pervaiz | : | Director |
| **CHIEF EXECUTIVE** | : | Mr. Shabbir Ahmed |
| **AUDIT COMMITTEE** | | |
| Mr. Riaz Ahmad | : | Chairman |
| Mr. Feroze Khan Malik | : | Member |
| Mr. Khalid Pervaiz | : | Member |
| **COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER** | : | Mr. Tanveer Elahi |
| **AUDITORS** | : | Anjum Asim Shahid Rehman<br>Chartered Accountants |
| **LEGAL ADVISORS** | : | The Law Firm of Basit Musheer |
| **SHARES REGISTRAR** | : | Ilyas Saeed Associates (Pvt.) Ltd.,<br>Management Consultants,<br>Office # 26, 2nd Floor, Rose Plaza,<br>I-8 Markaz, Islamabad.<br>Tel: 051-4102626-7,<br>Fax: 051-4102628<br>Email: iilyas@hotmail.com |
| **BANKERS** | : | MCB Bank Limited<br>Allied Bank of Pakistan Limited<br>Bank Al-Habib Limited |
| **REGISTERED OFFICE** | : | G.T. Road, Wah Cantt. |
| **PHONES** | : | (051) 5568760, 4545243-6 (4 Lines)<br>(051) 9314101-21 (21 Lines) Ext. 22236 |
| **FAX** | : | (051) 4545241, (051) 4535862 |
| **E.MAIL** | : | wahnobel@comsats.net.pk |
| **WEBSITE** | : | www.wahnobel.com |
| **FACTORY** | : | Wah Cantt. |

# COMPANY PROFILE

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

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

**PRODUCTION PREMISES**

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

**PRODUCT RANGE**

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

**INSTALLED CAPACITY**

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

**QUALITY LEADERSHIP**

Quality is an integral part of our business environment and culture. The certification of ISO 9001:2000 affirms our commitment to the adherence of international quality standards. Further, our company have ISO 14000:2004 and ISO 18000:2007 certifications which pertains to environment & health and safety. 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 28th 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 27, 2011 at 11.00 hours to transact the following business:

1. To confirm the minutes of the 27$^{th}$ Annual General Meeting held on October 28, 2010.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2011 together with the Directors' and the Auditors' Reports thereon.

3. To approve the payment of cash dividend @ Rs. 5.00 per share i.e. 50% as recommended by the Directors.

4. To appoint Auditors for the ensuing year and to fix their remuneration. (Anjum, Asim, Shahid, Rehman & Co Chartered Accountants, retire, and being eligible, have offered themselves for re-appointment). The Audit Committee and the Board of Directors recommends their appointment as auditors of the company with rotation of the engagement partner in terms of paragraph xli(b) of the Code of Corporate Governance as the said firm has completed five years as auditors of the Company.

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

By Order of the Board

**(TANVEER ELAHI)**
**COMPANY SECRETARY**

WAH CANTT.
October 03, 2011

NOTES:

1. The share transfer books of the Company will remain closed from October 21, 2011 to October 27, 2011 (both days inclusive). Transfers received in order by the Shares Registrar of the Company by the close of business on October 20, 2011 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 are requested to notify to the Shares registrar the change of address, if any, immediately.

5. Members who have not yet submitted photocopy of their computerized National identity Card (CNIC) to the Company's Shares Registrar are requested to send the same at the earliest.

# DIRECTORS' REPORT

The Directors of the Company are pleased to present Annual Report of your Company together with the audited financial statements and the auditor's report for the year ended June 30, 2011.

## OPERATING PERFORMANCE

Despite adverse economic factors and the non-conducive business environment prevailing in the country, your company has performed fairly well .During the year company achieved net sales revenue of Rs. 698.678 million as against Rs.712.677 million during the previous year and earned After Tax Profit of Rs.64.294 million against last year's s After Tax Profit of Rs. 75.991 million. Profit declined due to significant increase in the cost of inputs, energy and transportation as well as practical constraints in passing on all the increases in the sales price due to extremely fierce competition in the market.

The summarized results are as under:

| | 2011 | 2010 |
|---|---|---|
| | **Rupees (in thousands)** | |
| Net Sales | 698,678 | 712,677 |
| Gross Profit | 151,912 | 185,476 |
| Profit before taxation | 97,844 | 117,003 |
| Provision for taxation | 41,011 | 41,011 |
| Profit after taxation | 64,294 | 75,991 |
| Un-appropriated profit brought forward | 108,173 | 127,182 |
| Profit available for appropriation | 172,467 | 203,173 |
| Appropriations | | |
| Dividend Paid (9,000,000 shares @ Rs. 5/- per share) | 45,000 | 45,000 |
| Transfer to reserve | 50,000 | 50,000 |
| Un-appropriated profit carried forward | 77,467 | 108,173 |

**DIVIDEND**

Your Directors have recommended for the year 2010-11, a payment of cash dividend @ Rs. 5.00 per share (i.e. 50%).

**NET EARNING PER SHARE**

The net earning per share was Rs. 7.14 (2010: Rs. 8.44)

**OUTLOOK FOR 2011-12**

The increasing trend in basic raw material costs, coupled with energy crises, rupee devaluation , fierce competition and double-digit inflation, are affecting the profitability of your Company. The Management of your Company is fully aware of the challenges that lie ahead and is taking all possible measures to faces those challenges by adopting an aggressive marketing strategy, prudently utilizing funds and adopting better controls to reduce costs and increase production efficiencies to ensure continued profitability of the Company.

**CORPORATE AND FINANCIAL REPORTING FRAME WORK**

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 it's 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 judgement.

- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.

- 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.

- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

- 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, 2011 were as follows:

| | Rupees |
|---|---|
| Provident Fund | 32,255,158 |
| Gratuity Fund | 8,318,864 |
| Pension Fund | 10,727,317 |

**BOARD OF DIRECTORS**

During the year NIT's nominee director, Mr. Muhammad Nawaz Tishna appointed as Director in place of Mr. Shahid Aziz effective July 19, 2010, consequent to Mr. Shahid Aziz resignation.

On January 07, 2011 Mr. Muhammad Asif has been appointed as Director on the Board of the Company to represent Wah Nobel (Private) Ltd consequent to retirement of Syed Naseem Raza from service.

The Board would like to thank the outgoing Directors for their contribution to the Company and welcome the new Directors on the Board of the company.

During the year 2011, five Board Meetings were held and were attended by each Director as follows:

| Directors | | Number of meetings Attended |
|---|---|---|
| 1. Lt. Gen. Shujaat Zamir Dar, *HI (M), S.Bt.* | Chairman | 2 |
| 2. Mr. Torbjorn Saxmo | Director | 3 |
| 3. Mr. Feroz Khan Malik | Director | 3 |
| 4. Mr. Riaz Ahmed | Director | 4 |
| 5. Mr. Shahid Aziz | Director (Retired w.e.f. 19.07.2010) | 1 |
| 6. Mr. Muhammad Nawaz Tishna | Director (Appointed w.e.f. 19.07.2010) | 4 |
| 7. Syed Naseem Raza | Director (Retired w.e.f. 07.01.2011) | 1 |
| 8. Mr. Muhammad Asif | Director (Appointed w.e.f. 07.01.2011) | 2 |
| 9. Mr. Khalid Pervaiz | Director | 5 |
| 10. Mr. Shabbir Ahmed | Chief Executive | 5 |

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

## 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

Our country is facing its worse ever energy crisis these days. The Company has taken various steps to conserve energy like restricted use of all air conditioners and heaters and replacement of electric bulbs with energy savers.

The Company is committed to provide quality products at competitive price to our customers. We also provide free advisory services to them.

The Company enjoys a good relationship between its management and employees. The Company also has a good relationship with vendors and suppliers

The Company has a Hajj scheme for its employees. The employees who have completed ten years of service with the Company are eligible for the Scheme. The Company sends every year 01 employee for performing Hajj at the Company's expense. So far 12 employees have performed Hajj under this scheme

Occupational health & safety continues to be among the Company’s top priorities. The Company is committed to health and safety practices and work environments that enable our employees to work free of injury and illness. To achieve this, we ensure that operations comply with applicable occupational health and safety regulations.

The Company is committed to conduct all of its business activities according to the highest principles of business ethics and in full compliance with the laws and regulations of the state.

The company is contributing significant amount towards the national exchequer on account of corporate tax, general sales tax, excise duty, custom duty and vend / permit fee. During the year 2010-11, company has contributed over Rs.190 million to the national exchequer.

**VEND FEE AND PERMIT FEE**

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

**AUDITORS**

The present Auditors Anjum, Asim, Shahid, Rehman & Company, Chartered Accountants, Islamabad retire and being eligible, offer themselves for reappointment with their new partner in charge of audit Mr. Shahzada Saleem. The Audit Committee and the Board of Directors have recommended their reappointment as auditors of the company for the year ending June 30, 2012. with rotation of the engagement partner in terms of paragraph xli(b) of the Code of Corporate Governance as the said firm has completed five years as auditors of the Company.

**PATTERN OF SHAREHOLDING**

The pattern of shareholding as at June 30 , 2011 is included in this report.

**ACKNOWLEDGMENT**

The Directors wish to place on record that the financial and operating results achieved by the Company have been due to the efficient management, constant hard work and the dedication of Company's employees to their professional obligations. The Directors also express their deep appreciation to all our valued customers for their continued patronage and support.

On behalf of the Board

WAH CANTT  
Date: October 03, 2011

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

# SIX YEARS AT A GLANCE

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|
| | | (Rupees in Thousands) | | | | | |
| **(A)** | **Operating Results:** | | | | | | |
| i) | Net Sales Revenue | 559,959 | 495,908 | 697,510 | 715,258 | 712,677 | 698,678 |
| ii) | Gross Profit | 78,107 | 81,135 | 221,722 | 225,166 | 185,476 | 151,912 |
| iii) | Operating Profit | 51,787 | 49,905 | 172,586 | 175,808 | 132,848 | 106,851 |
| iv) | Profit Before Tax | 34,747 | 29,503 | 152,514 | 146,058 | 117,003 | 97,844 |
| v) | Profit After Tax | 23,503 | 18,895 | 101,992 | 97,006 | 75,991 | 64,294 |
| **(B)** | **Financial Position** | | | | | | |
| i) | Paid-up Capital | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 | 90,000 |
| ii) | Shareholders Equity | 213,050 | 215,128 | 299,120 | 351,126 | 382,117 | 401,411 |
| iii) | General Reserve | 98,000 | 98,000 | 103,000 | 133,000 | 183,000 | 233,000 |
| iv) | Property, Plants and Equipment | 122,532 | 117,470 | 109,852 | 110,111 | 105,209 | 100,181 |
| v) | Current Assets | 265,177 | 283,163 | 428,841 | 399,767 | 358,411 | 385,464 |
| vi) | Long Term Liabilities | 18,750 | - | | - | - | - |
| **(C)** | **Key Performance Indicators** | | | | | | |
| i) | Gross Profit % | 13.94% | 16.36% | 31.78% | 31.48% | 26.03% | 21.74% |
| ii) | Profit Before Tax % | 6.20% | 5.95% | 21.86% | 20.42% | 16.42% | 14.00% |
| iii) | Earning Per Share Rs. | 2.61 | 2.10 | 11.33 | 10.78 | 8.44 | 7.14 |
| iv) | Cash Dividend % | 20% | 20% | 50% | 50% | 50% | 50% |
| v) | Debt: Equity Ratio | 11.36:1 | - | - | | - | - |
| vi) | Break-up Value Per Share Rs. | 23.67 | 23.90 | 33.23 | 39.01 | 42.46 | 44.60 |
| vii) | Current Ratio | 1.70:1 | 1.51:1 | 1.69:1 | 2.26:1 | 3.46:1 | 3.51:1 |

## WAH NOBEL CHEMICALS

**PATTERN OF SHAREHOLDING AS AT** 30 06 2011

| No of Shareholders | Shareholding From | Shareholding To | Total shares held |
|---|---|---|---|
| *143* | 1 | 100 | *7,139* |
| *426* | 101 | 500 | *112,897* |
| *170* | 501 | 1,000 | *133,200* |
| *182* | 1001 | 5,000 | *434,049* |
| *41* | 5,001 | 10,000 | *311,997* |
| *15* | 10,001 | 20,000 | *203,478* |
| *12* | 20,001 | 30,000 | *350,714* |
| *6* | 30,001 | 50,000 | *208,207* |
| *3* | 50,001 | 100,000 | *207,603* |
| *5* | 100,001 | 1,000,000 | *2,060,321* |
| *1* | 1,000,001 | 5,000,000 | *4,970,395* |
| *1004* | *Total* | | *9,000,000* |

| Categories of shareholders | No. of Shareholders | Shares held | Percentage |
|---|---|---|---|
| **Directors, Chief Executive Officer, and their spouse and minor children.** | | | |
| *Mr. Feroze Khan Malik, Director* | *1* | *30,000* | *0.33* |
| *Mrs. Anwar Sultana Malik* | *1* | *30,100* | *0.33* |
| Associated Companies, undertakings and related parties. | | | |
| Wah Nobel (Pvt) Ltd | *1* | *4,970,400* | *55.23* |
| WNPL Employees Provident Fund | *1* | *87,000* | *0.97* |
| WNCL Employees Provident Fund | *1* | *33,102* | *0.37* |
| WNPL Employees Provident Fund (WNDL) | *1* | *12,000* | *0.13* |
| NIT | *3* | *1,038,042* | *11.53* |
| ICP | *1* | *625* | *0.01* |
| Banks Development Financial Institutions, Non Banking Financial Institutions. | *5* | *1,258,989* | *13.99* |
| Insurance Companies | *2* | *874,080* | *9.71* |
| Modarabas and Mutual Funds | *1* | *30* | *0.00* |
| Shareholders holding 10% | | - | - |
| General Public | | | |
| a. Local | *971* | *634,448* | *7.05* |
| b. Foreign | *2* | *5,660* | *0.06* |
| **Others:** | | | |
| *Investment Companies.* | *1* | *1,120* | *0.01* |
| *Trust.* | *2* | *12,000* | *0.13* |
| *Joint Stock Coys.* | *9* | *12,304* | *0.14* |
| *Stock Exchange.* | *1* | *100* | *0.00* |
| Total: | *1004* | *9,000,000* | *100.00* |

# STATEMENT OF ETHICS & BUSINESS PRACTICES

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

## THE PURPOSE AND VALUES OF BUSINESS

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

## EMPLOYEES

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

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

## CUSTOMER RELATION

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

## SHAREHOLDERS, FINANCIAL INSTITUTIONS & CREDITORS

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

## SUPPLIERS

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

**SOCIETY/COMMUNITY**

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

**GENERAL**

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

**IMPLEMENTATION**

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

# Statement of Compliance with Best Practices of CODE OF CORPORATE GOVERNANCE for the year ended June 30, 2011

This statement is being presented to comply with the Code of Corporate Governance as contained in the Listing Regulations of the Karachi, Lahore and Islamabad stock exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one independent non-executive director, five non independent non-executive directors and one independent non-executive director representing minority shareholders.

2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFI or being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year casual vacancies occurred in the Board were filled in by the directors in accordance with the law.

5. The Company has adopted a “Statement of Ethics and Business Practices”, which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies. A complete record of particulars of significant policies along with the date on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of terms and conditions of employment of the Chief Executive have been taken by the Board. No director or Chief Executive is being remunerated by the Company.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors on Board have adequate exposure of corporate matters & they are well conversant with their duties and responsibilities.

10. There was no new appointment of CFO and Company Secretary during the year.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The quarterly, six monthly and annual financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the

Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Company has an effective internal audit function.

18. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions were duly reviewed and approved by Audit Committee and Board of Directors.

21. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

WAH CANTT

Date: October 03, 2011.

**(SHABBIR AHMED)**

**Chief Executive**

# REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICE OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2011 prepared by the Board of Directors of Wah Nobel Chemicals Limited (the Company) to comply with the Listing Regulation of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

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

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

Further, Sub-Regulation (xiiia) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended June 30, 2011.

**Anjum Asim Shahid Rahman**
Chartered Accountants
Audit Engagement Partner
Nadeem Tirmizi

Islamabad
Date: October 03, 2011

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Wah Nobel Chemicals Limited** as at June 30, 2011 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a. in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b. in our opinion:-

    i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;

    ii. the expenditure incurred during the year was for the purpose of the Company's business; and

iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, its cash flows and changes in equity for the year then ended; and

d. in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to note 34.1.2 to the financial statements. The Company is defendant in a lawsuit alleging non-payment of vend and permit fee of Rs. 690 million on methanol to the excise and taxation department, Government of Sindh. The ultimate outcome of matter cannot be determined presently and therefore no provision for any liability that may result has been made in these financial statements. In the event of unsuccessful outcome, there is a substantial doubt that the Company will be able to continue as a going concern.

**ANJUM ASIM SHAHID RAHMAN**
Chartered Accountants
Audit Engagement Partner
Nadeem Tirmizi

Islamabad
Date: October 03, 2011

# BALANCE SHEET
# AS AT JUNE 30, 2011

| | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|
| **ASSETS** | | | |
| **NON CURRENT ASSETS** | | | |
| Property, plant and equipment | 4 | 100,181,035 | 105,208,665 |
| Long term investment | 5 | 35,885,579 | 33,106,266 |
| | | **136,066,614** | **138,314,931** |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | 6 | 33,775,221 | 30,524,556 |
| Stock in trade | 7 | 37,283,832 | 51,422,677 |
| Trade Debts | 8 | 230,110,597 | 241,500,249 |
| Advances | 9 | 6,865,212 | 6,272,118 |
| Trade deposits | 10 | 40,070 | 40,070 |
| Other receivables | 11 | 2,805,252 | 1,607,102 |
| Short-term-investment | 12 | 2,679,618 | 2,670,779 |
| Cash and bank balances | 13 | 71,904,392 | 24,373,129 |
| | | **385,464,194** | **358,410,680** |
| **TOTAL ASSETS** | | **521,530,808** | **496,725,611** |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized share capital | 14 | 200,000,000 | 200,000,000 |
| Issued, subscribed and paid up capital | | | |
| 9,000,000 (2009: 9,000,000) ordinary shares of Rs.10 each | 14 | 90,000,000 | 90,000,000 |
| Capital reserve | 15 | 944,404 | 944,404 |
| Reserves | 16 | 310,466,771 | 291,172,619 |
| | | **401,411,175** | **382,117,023** |
| **LIABILITIES** | | | |
| **NON CURRENT LIABILITIES** | | | |
| Deferred taxation | 17 | 6,884,346 | 7,983,415 |
| Accumulated compensated absence | 18 | 3,420,822 | 3,041,532 |
| | | **10,305,168** | **11,024,947** |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 19 | 89,149,689 | 78,783,228 |
| Due to associated companies | 20 | - | 56,812 |
| Accrued mark-up | 21 | 59,614 | 615,560 |
| Short term borrowings - secured | 22 | - | 661,942 |
| Taxation | 23 | 20,605,162 | 23,466,099 |
| | | **109,814,465** | **103,583,641** |
| **TOTAL LIABILITIES** | | **120,119,633** | **114,608,588** |
| **CONTINGENCIES AND COMMITEMENTS** | 34 | | |
| **TOTAL EQUITY AND LIABILITIES** | | **521,530,808** | **496,725,611** |

The annexed notes from 1 to 44 form an integral part of these financial statements.

**DIRECTOR** **CHIEF EXECUTIVE**

# PROFIT AND LOSS ACCOUNT
# FOR THE YEAR ENDED JUNE 30, 2011

| | Note | 2011<br>Rupees | 2010<br>Rupees |
|---|---|---|---|
| **MANUFACTURED GOODS** | | | |
| Turnover | 24 | 827,231,704 | 833,835,845 |
| Sales tax | 24 | (117,791,736) | (113,642,191) |
| Special excise duty | 24 | (10,761,968) | (7,516,450) |
| Net turnover | | **698,678,000** | **712,677,204** |
| Cost of sales | 25 | (546,765,874) | (527,201,175) |
| **GROSS PROFIT** | | **151,912,126** | **185,476,029** |
| **OPERATING EXPENSES** | | | |
| Administrative and general expenses | 26 | (11,040,063) | (20,269,626) |
| Selling and distribution expenses | 27 | (34,632,754) | (37,363,743) |
| Other operating income | 28 | 611,449 | 5,005,270 |
| **OPERATING PROFIT** | | **106,850,758** | **132,847,930** |
| Finance cost | 29 | (4,370,951) | (7,198,199) |
| Other expenses | 30 | (7,415,576) | (9,246,096) |
| Share in profit/(loss) of associated Company-net of tax | 5 | 2,779,313 | 598,870 |
| **PROFIT BEFORE TAXATION** | | **97,843,544** | **117,002,505** |
| Provision for taxation | 31 | (33,549,392) | (41,011,434) |
| **PROFIT AFTER TAXATION** | | **64,294,152** | **75,991,071** |
| **Other comprehensive income for the year** | | **-** | **-** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **64,294,152** | **75,991,071** |
| **Earnings per share - basic and diluted** | 32 | **7.14** | **8.44** |

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

The annexed notes from 1 to 44 form an integral part of these financial statements.

**DIRECTOR** **CHIEF EXECUTIVE**

# CASH FLOW STATEMENT
# FOR THE YEAR ENDED JUNE 30, 2011

| | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 97,843,544 | 117,002,505 |
| Adjustment | 33 | 15,277,382 | 33,315,498 |
| Changes in working capital | | | |
| (Increase) / decrease in current assets: | | | |
| Stores, spares and loose tools | | (3,250,665) | 1,518,939 |
| Stock in trade | | 14,138,845 | (1,083,308) |
| Trade debts | | 11,507,509 | 33,828,347 |
| Advances | | (593,094) | 1,307,715 |
| Trade deposits and prepayments | | - | 6,250 |
| Other receivables | | (2,206,496) | 2,138,229 |
| (Decrease) / increase in current liabilities: | | | |
| Trade and other payables | | 9,528,057 | 6,387,063 |
| | | 29,124,156 | 44,103,235 |
| Cash generated from operations | | **142,245,082** | **194,421,238** |
| Payments for: | | | |
| Financial charges | | (4,721,263) | (9,539,987) |
| WPPF | | (6,469,621) | (7,989,926) |
| Accumulated compensated absences | | (873,965) | (568,641) |
| Taxation | | (37,509,397) | (62,836,779) |
| | | (49,574,246) | (80,935,333) |
| Net cash generated from operating activities | | **92,670,836** | **113,485,905** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payments for capital expenditure | | (19,200) | (3,187,353) |
| Interest on Term Deposit Receipts | | 164,668 | 103,527 |
| Bank interest | | 376,901 | |
| Proceeds from sale of property, plant and equipment | | - | 193,200 |
| Net cash used in investing activities | | **522,369** | **(2,890,626)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Short term borrowings | | (661,942) | (59,874,727) |
| Dividends paid | | (45,000,000) | (45,000,000) |
| Net cash used in financing activities | | (45,661,942) | (104,874,727) |
| **Net increase in cash and cash equivalents** | | **47,531,263** | **5,720,552** |
| **Cash and cash equivalents at beginning of the year** | | 24,373,129 | 18,652,577 |
| **Cash and cash equivalents at end of the year** | 13 | **71,904,392** | **24,373,129** |

The annexed notes from 1 to 44 form an integral part of these financial statements.

**DIRECTOR** **CHIEF EXECUTIVE**

# STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED JUNE 30, 2011

| | Issued Subscribed and paid-up share capital | Capital reserve - share premium | Revenue reserves | | Total |
|---|---|---|---|---|---|
| | | | General reserve | Unappropriated profit | |
| Balance as at July 1, 2009 | 90,000,000 | 944,404 | 133,000,000 | 127,181,548 | 351,125,952 |
| **Total Comprehensive income for the year** | | | | | |
| Net profit for the year ended June 30, 2010 | - | - | - | 75,991,071 | 75,991,071 |
| Other comprehensive income | - | - | - | - | - |
| | | | - | 75,991,071 | 75,991,071 |
| Transfer to general reserve | - | - | 50,000,000 | (50,000,000) | - |
| | 90,000,000 | 944,404 | 183,000,000 | 153,172,619 | 427,117,023 |
| *Transaction with owners* | | | | | |
| Final dividend for the year ended June 30, 2009 (Rs. 5 per share) | | | | (45,000,000) | (45,000,000) |
| **Total transactions with owner** | - | - | - | (45,000,000) | (45,000,000) |
| **Balance as at June 30, 2010** | 90,000,000 | 944,404 | 183,000,000 | 108,172,619 | 382,117,023 |
| **Comprehensive income for the year** | | | | | |
| Net profit for the year ended June 30, 2011 | - | - | - | 64,294,152 | 64,294,152 |
| Other comprehensive income | | | - | - | - |
| | | | - | 64,294,152 | 64,294,152 |
| Transfer to General reserve | | | 50,000,000 | (50,000,000) | - |
| | 90,000,000 | 944,404 | 233,000,000 | 122,466,771 | 446,411,175 |
| *Transaction with owners* | | | | | |
| Final dividend for the year ended June 30, 2010 (Rs. 5 per share) | | | | (45,000,000) | (45,000,000) |
| **Total transactions with owner** | - | - | - | (45,000,000) | (45,000,000) |
| **Balance as at June 30, 2011** | 90,000,000 | 944,404 | 233,000,000 | 77,466,771 | 401,411,175 |

The annexed notes from 1 to 44 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED JUNE 30, 2011

1 LEGAL STATUS AND 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 Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The holding Company of the Company is Wah Nobel (Private) Limited and the ultimate holding Company is Wah Industries Limited. The registered office and manufacturing facilities of the Company are situated in Wah Cantt, Pakistan.

The principal activity of the Company is to manufacture Formaldehyde and Formaldehyde based liquid resins for use as bonding agent in the chip board, plywood and flush door manufacturing industries. It is also engaged in erection of plants and trading activities.

2 BASIS OF PREPARATION

2.1 Basis of Measurement

These financial statements have been prepared under the historical cost convention except obligations under certain employee benefits which are measured at present value as referred to in note 11.1 and 18.1 and investment held to maturity which are measured at amortized cost.

2.2 Functional and presentation currency

The financial statements are presented in Pakistani Rupees which is the Company's functional and presentation currency.

2.3 Statement of Compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Ordinance and the requirements of and directives issued under that Ordinance. However, the requirements of and the directives issued under that Ordinance have been followed where those requirements are not consistent with the requirements of the IFRSs, as notified under the Ordinance.

2.4 CRITICAL JUDGMENTS IN APPLYING THE ACCOUNTING POLICIES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. In the process of applying the Company's accounting policies, which are described below, the management has made the following judgment that has the most significant effect on the amounts recognized in the financial statements. The estimates and associated assumptions are base based on historical expenses and various other factors that are believed to be reasonable under the circumstances, the result of which form basis of making judgment about carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimated are recognized in the period in which estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the financial statements and where jud

2.4.1 Contingencies

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

2.4.2 Provision for doubtful debts

The Company estimates the recoverability of the trade debts and provides for doubtful debts based on its experience. The carrying amount of the trade debts and provision for doubtful debts are disclosed in the note 8.1 to these financial statements.

2.4.3 Employee benefit costs

Certain actuarial assumptions have been adopted as disclosed in note 11.1 and 18.1 to the financial statement for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are the best estimates of the variables that will determine the ultimate cost of providing the post retirement employment benefits. Changes in these assumptions in future years may effect the liability/asset under these plans in those years.

2.4.4 Property, plant and equipment

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

2.4.5 Taxation

In making the estimates for income taxes currently payable by the Company, management considers the current income tax laws and decisions of appellate authorities on certain issues in the past. Instances where the Company's view differs from the view taken of 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 accounts are shown as contingent liability.

2.5 NEW ACCOUNTING STANDARDS, AMENDMENTS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning as mentioned there against are either not relevant to the Company's current operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures:

| | | |
|---|---|---|
| – IFRS 1 | First time adoption of IFRSs - Replacement of "fixed dates" for certain exceptions with the "date of transition to IFRSs" | (effective 1 July 2011) |
| – IFRS 1 | First time adoption of IFRSs - Additional exemption for entities ceasing to suffer from severe hyperinflation | (effective 1 July 2011) |
| – IFRS 7 | Financial Instrument: Disclosures - Amendments enhancing disclosures about transfer of financial assets | (effective 1 July 2011) |
| – IFRS 9 | Financial Instrument - Classification and measurement | (effective 1 January 2013) |
| – IFRS 10 | Consolidated financial statements | (effective 1 January 2013) |
| – IFRS 11 | Joint arrangements | (effective 1 January 2013) |
| – IFRS 12 | Disclosure of interests in other entities | (effective 1 January 2013) |
| – IFRS 13 | Fair value measurement | (effective 1 January 2013) |

| | | |
|---|---|---|
| – IAS 1 | Presentation of financial statements - Amendments to revise the way other comprehensive income is presented | (effective 1 July 2012) |
| – IAS 12 | Income taxes - Limited scope amendment (recovery of underlying assets) | (effective 1 January 2012) |
| – IAS 19 | Employees benefits - Amended standard resulting from the post employment benefits and termination benefits project | (effective 1 January 2013) |
| – IAS 27 | Consolidated and separate financial statements - Reissued as IAS 27 "Separate financial Statements" (as amended in 2011) | (effective 1 January 2013) |
| – IAS 28 | Investment in associates - Reissued as IAS 28 "Investment in associates and joint ventures" (as amended in 2011) | (effective 1 January 2013) |

2.6 New accounting standards, amendments and IFRIC interpretations that effective but not relevant to Company's operations

| | | |
|---|---|---|
| – Amendment to IFRS 5 | Non - current assets held for sale and discontinued operations. | ( 1 January 2010 ) |
| – Amendment to IFRS 8 | Operating segments | ( 1 January 2010 ) |
| – Amendment to IFRS 2 | Share based payment - Group cash - Settled share based payment transactions. | ( 1 January 2010 ) |
| – IFRIC 19 | Extinguishing financial liabilities with equity instruments | ( 1 July 2010 ) |

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements unless otherwise stated.

3.1 Staff retirement benefits

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

Defined benefit gratuity scheme

The Company operates an approved gratuity fund established under an irrevocable trust to provide gratuity to all its eligible employees on retirement or cessation of their services. Annual contributions to the gratuity fund are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 11.1 to the financial statements. All contributions are charged to profit and loss account for the year. Actuarial gains / losses in excess of 10% of the higher of fair value of fund's assets and present value of defined benefit obligation are recognized over the average remaining service life of the employees.

Defined 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 and loss account of related year.

Defined contributory provident fund

The Company also operates an approved defined contributory provident fund for all eligible employees for which contributions are charged to the profit and loss account.

b) Accumulated compensated absences

The Company provides a facility to its employees for accumulating their annual earned leaves. Accumulated compensated absences are encashable on cessation of service. Provision is made for the additional amount that the Company expects to pay as a result of unused entitlement that has accumulated at the balance sheet date and related expense thereof is charged to the profit and loss account. The results of current valuation are summarized in note 18.1.

### 3.2 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

#### Current taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits, rebates and exemptions available, if any.

#### Deferred taxation

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

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

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

### 3.3 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### 3.4 Provisions

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

### 3.5 Dividend and appropriation to reserves

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

### 3.6 Property, plant and equipment

#### Owned assets

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

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

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

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

Applicable depreciation rates of the items are as under:

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

Leased assets

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

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

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

3.7 Impairment

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

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount which is the higher of an asset's fair value less cost to less and its value in use.

The gain or loss on disposal on retirement of an asset represent the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense. Where carrying amount exceeds the respective recoverable amount, assets are written down to their recoverable and the resulting impairment loss is recognized in profit and loss account.

When impairment loss subsequently reversed the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount of that would have been determined, had no impairment loss been recognized for the asset in prior years, reversal is recognized in profit and loss.

3.8 Investments

3.8.1 Investment in associates:

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

3.8.2 Investment held to maturity

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

3.9 Stores, spares and loose tools

These are valued at lower of cost and net realizable value less allowance for obsolete and slow moving items. Cost is determined using the weighted average method. The Company reviews the carrying amount of stores, spares and loose tools on regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores, spares and loose tools.

3.10 Stock in trade

Stock of raw materials, except for that in transit, work in process and finished goods are valued principally at the lower of average cost and net realisable value. The cost includes expenditure incurred in bringing them to their present location and condition. Cost of work in progress comprises of direct materials, labor and appropriate manufacturing overheads.

Stock of packing materials is valued principally at moving average cost. Material in transit are stated at cost comprising invoice value plus other charges paid thereon. NRV signifies selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale.

3.11 Trade and other receivables

Trade and other receivables are recognized and carried at original invoice amount / cost less an allowance for any uncollectible amounts based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off against the provision.

3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. Running finance facilities showing debit balances are presented in cash and bank balances.

3.13 Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and represents the amount or receivable for goods provided in the normal course of business. Revenue is recognized in the accounting period in which goods are delivered to the customer and it is probable that economic benefit associated with the transaction will flow to the Company and the amount of revenue can be measured reliably.

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

3.14 Borrowing costs

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

3.15 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease.

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

3.16 Transactions with related parties

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

The Company enters into transaction with related parties on an arms length basis. Price for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances, where subject to approved of the Board of Directors, it is in the interest of the Company to do so.

3.17 Financial instruments

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

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

3.18 Offsetting

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

3.19 Operating Segments

A geographical segment is a distinguishable component of the Company that is engaged in providing services within a different geographical area, which is subject to risk and rewards that are different from those of other segments. The Company is currently operating in only one geographical segment of Pakistan.

3.20 Earning 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 period.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED JUNE 30, 2011

4 PROPERTY, PLANT AND EQUIPMENT

| Particulars | Buildings on leasehold land | | | Plant and Machinery | Furniture and Fixture | Equipment | | Computer Installations | Motor Vehicles | Total Owned assets | Leased assets | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Office | Factory | Tube well | | | Office | Tools and Workshop | | | | Leasehold land | |
| Carrying amount June 30, 2009 | 1,374,125 | 5,757,510 | 48,559 | 100,096,128 | 644,613 | 355,635 | 337,871 | 566,817 | 697,845 | 109,879,103 | 231,640 | 110,110,743 |
| Gross Carrying Amount | 2,406,019 | 16,432,437 | 547,920 | 198,296,763 | 1,159,636 | 870,008 | 2,395,038 | 1,837,085 | 4,111,463 | 228,056,369 | 1,701,971 | 229,758,340 |
| Accumulated depreciation | (1,100,603) | (11,250,679) | (504,217) | (102,574,321) | (579,484) | (549,937) | (2,090,954) | (1,383,631) | (2,988,735) | (123,022,561) | (1,527,114) | (124,549,675) |
| Carrying amount June 30, 2010 | 1,305,416 | 5,181,758 | 43,703 | 95,722,442 | 580,152 | 320,071 | 304,084 | 453,454 | 1,122,728 | 105,033,808 | 174,857 | 105,208,665 |
| Gross Carrying Amount | 2,406,019 | 16,432,437 | 547,920 | 198,296,763 | 1,178,836 | 870,008 | 2,395,038 | 1,837,085 | 4,111,463 | 228,075,569 | 1,701,971 | 229,777,540 |
| Accumulated depreciation | (1,165,873) | (11,768,854) | (508,587) | (106,540,500) | (638,107) | (581,780) | (2,121,364) | (1,474,321) | (3,213,273) | (128,012,659) | (1,583,846) | (129,596,505) |
| Carrying amount June 30, 2011 | 1,240,146 | 4,663,583 | 39,333 | 91,756,263 | 540,729 | 288,228 | 273,674 | 362,764 | 898,190 | 100,062,910 | 118,125 | 100,181,035 |

The carrying amount of property, plant and equipment for the period presented in these financial statements as at June 30, 2011 are:

| Particulars | Buildings on leasehold land | | | Plant and Machinery | Furniture and Fixture | Equipment | | Computer Installations | Motor Vehicles | Total Owned assets | Leased assets | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Office | Factory | Tube well | | | Office | Tools and Workshop | | | | Leasehold land | |
| Carrying amount June 30, 2009 | 1,374,125 | 5,757,510 | 48,559 | 100,096,128 | 644,613 | 355,635 | 337,871 | 566,817 | 697,845 | 109,879,103 | 231,640 | 110,110,743 |
| Additions | - | - | - | 2,512,139 | - | - | - | - | 675,214 | 3,187,353 | - | 3,187,353 |
| Adjustment | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | (20,064) | (20,064) | - | (20,064) |
| Depreciation | (68,709) | (575,752) | (4,856) | (6,885,825) | (64,461) | (35,564) | (33,787) | (113,363) | (230,267) | (8,012,584) | (56,783) | (8,069,367) |
| Carrying amount June 30, 2010 | 1,305,416 | 5,181,758 | 43,703 | 95,722,442 | 580,152 | 320,071 | 304,084 | 453,454 | 1,122,728 | 105,033,808 | 174,857 | 105,208,665 |
| Additions | - | - | - | - | 19,200 | - | - | - | - | 19,200 | - | 19,200 |
| Adjustment | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation | (65,270) | (518,175) | (4,370) | (3,966,179) | (58,623) | (31,843) | (30,410) | (90,690) | (224,538) | (4,990,098) | (56,732) | (5,046,830) |
| Carrying amount June 30, 2011 | 1,240,146 | 4,663,583 | 39,333 | 91,756,263 | 540,729 | 288,228 | 273,674 | 362,764 | 898,190 | 100,062,910 | 118,125 | 100,181,035 |

4.1 Production capacity achieved by the newly capitalized Formaldehyde and U.F Glue plants is 26% and 34%, respectively.

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

| | | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|
| 4.3 | Depreciation charge for the year has been allocated as under: | | | |
| | Cost of sales | 25.1 | 4,800,404 | 7,787,270 |
| | Administrative expenses | 26 | 246,426 | 282,097 |
| | | | 5,046,830 | 8,069,367 |

| | | | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|
| 5 | LONG TERM INVESTMENT | | | |
| | Investments in related party: | | | |
| | Wah Nobel Acetate Limited | | | |
| | 2,500,000 shares of Rs. 10/- each. (equity held: 8.33%) | | 25,000,000 | 25,000,000 |
| | Share of profit of prior periods | | 8,106,266 | 7,507,396 |
| | Share of profit / (loss) of current period-net of tax | | 2,779,313 | 598,870 |
| | | | 10,885,579 | 8,106,266 |
| | | | 35,885,579 | 33,106,266 |

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

| | 2011 Rupees | 2010 Rupees |
|---|---|---|
| Assets | 631,872,867 | 705,974,602 |
| Liabilities | 269,759,331 | 377,226,173 |
| Revenues | 628,680,122 | 532,215,972 |
| Profit | 33,365,107 | 7,189,331 |

| | | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|
| 6 | STORE, SPARES AND LOOSE TOOLS | | | |
| | Stores | | 13,105,362 | 11,232,211 |
| | Spares | | 20,457,787 | 19,067,989 |
| | Loose tools | | 212,072 | 224,356 |
| | | | 33,775,221 | 30,524,556 |
| 7 | STOCK IN TRADE | | | |
| | Raw and packing material | | 14,499,144 | 27,030,344 |
| | Work in process | | 557,943 | 555,504 |
| | Finished goods | | 13,292,486 | 9,656,525 |
| | Goods in transit | | 8,934,259 | 14,180,304 |
| | | | 37,283,832 | 51,422,677 |
| 8 | TRADE DEBTS | | | |
| | Considered good | | 230,110,597 | 241,500,249 |
| | Considered doubtful | | 43,496,901 | 43,614,758 |
| | | | 273,607,498 | 285,115,007 |
| | Provision for doubtful debts | 8.1 | (43,496,901) | (43,614,758) |
| | | | 230,110,597 | 241,500,249 |

| | | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|
| 8.1 | Reconciliation of provision for doubtful debts | | | |
| | Opening provision | | 43,614,759 | 35,138,390 |
| | Charge for the year | | - | 10,234,095 |
| | | | 43,614,759 | 45,372,485 |
| | Provision write back | | - | (1,757,726) |
| | Debts written off | | (117,858) | - |
| | Balance at the end of the year | | 43,496,901 | 43,614,759 |
| 9 | ADVANCES | | | |
| | Advances - unsecured, considered good | | | |
| | to suppliers | | 6,338,509 | 5,826,951 |
| | to employees for expenses | | 526,703 | 445,167 |
| | | | 6,865,212 | 6,272,118 |

9.1 The maximum aggregate amount of advances due from Chief Executive, Directors, Executives and from associated undertakings at the end of any month during the year was Rs. Nil (2010 : Rs Nil ).

| | | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|
| 10 | TRADE DEPOSITS | | | |
| | Deposits | | 40,070 | 40,070 |
| | | | 40,070 | 40,070 |
| 11 | OTHER RECEIVABLES | | | |
| | Sales tax refundable | | 1,974,006 | 7,331 |
| | Receivable from / (payable to) employees gratuity fund | 11.1 | 33,103 | 1,054,471 |
| | Letter of credit / guarantee margin | | 180,900 | 180,900 |
| | Due from associated Companies | | 14,906 | |
| | Others | | 602,337 | 364,400 |
| | | | 2,805,252 | 1,607,102 |
| 11.1 | Receivables from/(payable to) employees gratuity fund | | | |
| a) | Movement in the asset / (liability) recognized in the balance sheet: | | | |
| | Balance at beginning of the year | | 1,054,471 | 1,962,254 |
| | Charge for the year | | (1,021,368) | (907,783) |
| | Payments to the fund during the year | | - | - |
| | Balance at end of the year | | 33,103 | 1,054,471 |
| b) | Reconciliation of the asset / (liability) recognized in the balance sheet: | | | |
| | Present value of defined benefit obligation | | (11,767,603) | (11,034,231) |
| | Fair value of plan assets | | 10,906,496 | 10,457,736 |
| | Surplus / (deficit) | | (861,107) | (576,495) |
| | Unrecognized actuarial losses | | 894,210 | 1,630,966 |
| | Net asset / (liability) | | 33,103 | 1,054,471 |

| | | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|

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

| | 2011 | 2010 |
|---|---|---|
| Current service cost | 908,226 | 864,753 |
| Interest cost | 1,324,108 | 1,172,408 |
| Expected return on plan assets | (1,254,928) | (1,194,560) |
| Actuarial (gain) / losses charge | 43,962 | 65,182 |
| | 1,021,368 | 907,783 |

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | (11,767,603) | (11,034,231) | (9,770,064) | (6,923,574) | (6,362,141) |
| Unrecognized actuarial losses / (gains) | 894,210 | 1,630,966 | (55,130) | (1,748,760) | (938,466) |

d) Actuarial valuation of these plans was carried out as at June 30, 2011 using Projected Unit Credit Method. Significant actuarial assumptions used were as follows:

| | 2011 | 2010 |
|---|---|---|
| Discount rate | 14% | 12% |
| Expected rate of eligible salary increase in future years | 13% | 11% |
| Expected rate of return on plan assets per annum | 12% | 12% |
| Average expected remaining working life time of employees | 12 years | 12 years |

12 SHORT-TERM-INVESTMENT

Held-to-maturity financial assets comprise Term Deposit Receipts (TDR) having maturity up to 1 year and average profit rate above 6.7 % and under lien with bank. The carrying amount, measured at amortized cost, of these financial asset is as follows:

| | 2011 | 2010 |
|---|---|---|
| Held in Local currency | | |
| TDR cost | 2,582,666 | 2,582,666 |
| Accrued interest | 96,952 | 88,113 |
| | 2,679,618 | 2,670,779 |

13 CASH AND BANK BALANCES

| | Note | 2011 | 2010 |
|---|---|---|---|
| Cash in hand | | 67,947 | 28,650 |
| Cash with banks: | | | |
| in current accounts | | 33,578,967 | 24,344,479 |
| in deposit accounts | 13.1 | 38,257,478 | |
| | | 71,904,392 | 24,373,129 |

13.1 This carries profit at the rate of 12.6% per annum.

| | | | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|---|

14 SHARE CAPITAL

| 2011 Numbers | 2010 Numbers | | | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|---|
| **Authorized** | | | | | |
| 20,000,000 | 20,000,000 | Ordinary shares of Rs. 10 each | | 200,000,000 | 200,000,000 |
| **Issued, subscribed and paid up** | | | | | |
| 6,750,000 | 6,750,000 | Ordinary shares of Rs. 10 each fully paid in cash | | 67,500,000 | 67,500,000 |
| 2,250,000 | 2,250,000 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | | 22,500,000 | 22,500,000 |
| 9,000,000 | 9,000,000 | | | 90,000,000 | 90,000,000 |

Wah Nobel (Private) Limited (the holding Company) held 4,970,400 (2010 : 4,970,400) ordinary shares of Rs. 10 /- each at balance sheet date.

14.1 The Company has no reserved or potential ordinary shares for issuance under options and sales contract.

15 CAPITAL RESERVE

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

| | | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|
| 16 | RESERVES | | | |
| | General reserve | 16.1 | 233,000,000 | 183,000,000 |
| | Unappropriated profit | | 77,466,771 | 108,172,619 |
| | | | 310,466,771 | 291,172,619 |
| 16.1 | General reserve | | | |
| | Balance at the beginning of the year | | 183,000,000 | 133,000,000 |
| | Transfer during the year | | 50,000,000 | 50,000,000 |
| | | | 233,000,000 | 183,000,000 |
| 17 | DEFERRED TAXATION | | | |
| | Net deferred tax liability | 17.1 | 6,884,346 | 7,983,415 |
| | | | 6,884,346 | 7,983,415 |

| | | 2011 | | 2010 | |
|---|---|---|---|---|---|
| | | Liabilities | Assets | Liabilities | Assets |
| 17.1 | This is comprised of following temporary differences: | | | | |
| | Non current assets | | | | |
| | Property, plant and equipment | 26,163,013 | | 26,441,012 | |
| | Current Assets | | | | |
| | Trade debtors | | (15,223,915) | | (15,265,166) |
| | Deferred liabilities | | | | |
| | Accumulated compensated absence | | (1,197,288) | | (1,064,536) |
| | Share in Profit of Associate Company | | (2,857,464) | | (2,127,895) |
| | | 26,163,013 | (19,278,667) | 26,441,012 | (18,457,597) |

| | | | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|
| 18 | ACCUMULATED COMPENSATED ABSENCES | | | |
| | Provision for accumulated compensated absences | 18.1 | 3,420,822 | 3,041,532 |
| 18.1 | The amounts recognized in the balance sheet are determined as follows: | | | |
| | Opening present value of defined benefit obligations | | 3,041,532 | 2,923,408 |
| | Current service cost | | 376,587 | 319,788 |
| | Interest cost | | 364,985 | 350,809 |
| | Benefits paid during the year | | (873,965) | (568,641) |
| | Actuarial ( gain )/loss on present value of defined benefit obligation | | 511,683 | 16,168 |
| | | | 3,420,822 | 3,041,532 |

| | | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|
| 18.2 | The amounts recognized in the profit and loss account are as follows: | | | |
| | Current service cost | | 376,587 | 319,788 |
| | Interest cost | | 364,985 | 350,809 |
| | Actuarial (gains)/losses charge | | 511,683 | 16,168 |
| | | | 1,253,255 | 686,765 |

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Present value of defined benefit obligations | 3,420,822 | 3,041,532 | 2,923,408 | 3,219,363 | 2,401,315 |

| | | 2011 | 2010 |
|---|---|---|---|
| 18.3 | The principal actuarial assumptions used were as follows: | | |
| | Discount rate | 14% | 12% |
| | Expected rate of increase in salary | 13% | 11% |
| | Average number of leaves accumulated per annum by the officers | 9 days | 9 days |
| | Average number of leaves accumulated per annum by the staff | 5 days | 5 days |
| | Average number of leaves accumulated per annum by the workers | 3 days | 3 days |

| | | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|
| 19 | TRADE AND OTHER PAYABLES | | | |
| | Trade creditors | | 49,245,027 | 37,969,462 |
| | Advances from customers | | 2,906,478 | 3,854,244 |
| | Accrued expenses | | 3,008,836 | 471,707 |
| | Payable to employees' provident fund | | 333,640 | 290,312 |
| | Bonus payable | | 6,549,886 | 6,300,000 |
| | Sales tax payable | | 15,149 | 3,086,905 |
| | Unclaimed dividends | | 2,095,143 | 2,123,912 |
| | Workers' profit participation fund | 19.1 | 5,109,910 | 6,268,407 |
| | Workers' welfare fund | 19.2 | 17,120,273 | 15,180,187 |
| | Other liabilities | | 2,765,347 | 3,238,092 |
| | | | 89,149,689 | 78,783,228 |
| 19.1 | Workers' Profit Participation Fund | | | |
| | Balance at the beginning of the year | | 6,268,407 | 7,791,248 |
| | Interest for the period on Fund utilized by the Company | | 205,634 | 203,098 |
| | Payments during the year | | (6,469,621) | (7,989,926) |
| | Allocation for the year | | 5,105,490 | 6,263,987 |
| | Balance at the end of the year | | 5,109,910 | 6,268,407 |
| 19.2 | Workers' Welfare Fund | | | |
| | Balance at the beginning of the year | | 15,180,187 | 12,568,078 |
| | Payments during the year | | - | - |
| | Allocation for the year | | 1,940,086 | 2,612,109 |
| | Balance at the end of the year | | 17,120,273 | 15,180,187 |

| | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|

19.2.1 On the basis of Appellate decision on appeal of Parent Company, no payment has been made, however provision has been made to cover up any unfavorable decision on the appeal of department against the decision of Appellate Tribunal.

## 20 DUE TO ASSOCIATED Companies

| | | 2011 | 2010 |
|---|---|---|---|
| Wah Nobel (Private) Limited - Holding Company | | - | 56,812 |

## 21 ACCRUED MARK UP

| | | 2011 | 2010 |
|---|---|---|---|
| On short term borrowings | | 59,614 | 615,560 |
| | | 59,614 | 615,560 |

## 22 SHORT TERM BORROWINGS - SECURED

| | Note | 2011 | 2010 |
|---|---|---|---|
| Bank Al-Habib | 22.1 | - | - |
| Allied Bank Limited | 22.1 | - | 661,942 |
| MCB Bank Limited | 22.1 | - | - |
| Short term running finance - secured | | - | 661,942 |

## 22.1 FACILITIES

| | Markup | Limits 2011 | Limits 2010 |
|---|---|---|---|
| Bank Al-Habib | 1 month average KIBOR plus 0.5% | 100 Million | 150 Million |
| Allied Bank Limited | 1 month average KIBOR plus 0.5% | 100 Million | 100 Million |
| MCB Bank Limited | 1 month average KIBOR plus 0.5% | 50 Million | 50 Million |

The markup on the facilities are with out a floor or cap, payable quarterly.

## 22.2 FACILITIES SECURED AGAINST:

| | Security description |
|---|---|
| Bank Al Habib Limited | 1st Pari Passu charge on present & future, current and fixed assets of the Company for Rs. 210 Million and Rs. 150 Million respectively. |

| | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|

| | Security description |
|---|---|
| Allied Bank limited | 1st Pari Passu charge on all present and future current & fixed Assets of the Company, with 25% margin. |
| MCB Bank Limited | 1st Pari Passu Hypothecation charge over entire assets of the Company. |

22.3 FACILITIES OF LETTER OF GUARANTEE AND LETTER OF CREDIT

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

| | | Letter of guarantee | | Letter of Credit | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| Bank Al Habib Limited | 22.3.1 | 20,000,000 | 20,000,000 | 180,000,000 | 160,000,000 |
| Allied Bank limited | 22.3.2 | - | - | 100,000,000 | 100,000,000 |
| MCB Bank Limited | 22.3.3 | 10,000,000 | 10,000,000 | 100,000,000 | 100,000,000 |

22.3.1 This is secured by 1st Pari Passu charge on present & future, current and fixed assets of the Company for Rs. 210 Million and Rs. 150 Million respectively. Further letter of guarantee and letter of credit is secured against counter guarantee from the Company and Lien on shipping documents respectively.

22.3.2 This is secured by 1st Pari Passu charge on all present and future current & fixed Assets of the Company, with 25% margin and lien on valid import documents/Accepted Draft.

22.3.3 This is secured by 1st Pari Passu Hypothecation charge over entire assets of the Company.

23 TAXATION

| | 2011 | 2010 |
|---|---|---|
| Opening balance | 23,466,099 | 41,505,207 |
| Income tax paid / withheld during the year | (37,509,398) | (62,836,778) |
| Provision for the year | 34,648,461 | 44,797,670 |
| | 20,605,162 | 23,466,099 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED JUNE 30, 2011

| | | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|
| 24 | TURNOVER | | | |
| | Gross revenue from turnover of manufactured products | | 827,231,704 | 833,835,845 |
| | Sales tax | | (117,791,736) | (113,642,191) |
| | Special excise duty | | (10,761,968) | (7,516,450) |
| | | | 698,678,000 | 712,677,204 |
| 25 | COST OF SALE | | | |
| | Cost of goods manufactured | 25.1 | 549,441,942 | 533,338,330 |
| | Packing material consumed | | 959,891 | 509,340 |
| | | | 550,401,833 | 533,847,670 |
| | Opening stock of finished goods | | 9,656,527 | 3,010,030 |
| | Closing stock of finished goods | | (13,292,486) | (9,656,525) |
| | | | 546,765,874 | 527,201,175 |
| 25.1 | Cost of goods manufactured | | | |
| | Raw material consumed | 25.1.1 | 478,190,197 | 455,320,668 |
| | Stores and spares consumed | | 12,430,181 | 12,067,959 |
| | Salaries, wages and other benefits | 27.1 | 26,849,619 | 24,877,912 |
| | Fuel and power | | 23,046,662 | 29,262,809 |
| | Rent, rates and taxes | | 529,661 | 159,260 |
| | Insurance | | 1,337,002 | 1,338,352 |
| | Repairs and maintenance of vehicles | | 476,136 | 611,554 |
| | Miscellaneous expenses | | 1,784,519 | 1,422,530 |
| | Depreciation | 4.3 | 4,800,404 | 7,787,270 |
| | Manufacturing cost | | 549,444,381 | 532,848,314 |
| | Opening stock of work in process | | 555,504 | 1,045,520 |
| | Closing stock of work in process | | (557,943) | (555,504) |
| | | | 549,441,942 | 533,338,330 |
| 25.1.1 | Raw material consumed | | | |
| | Opening stock | | 27,030,344 | 20,705,116 |
| | Purchases during the year | | 465,658,997 | 461,645,896 |
| | | | 492,689,341 | 482,351,012 |
| | Closing stock | | (14,499,144) | (27,030,344) |
| | | | 478,190,197 | 455,320,668 |

| | | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|
| 26 | ADMINISTRATIVE AND GENERAL EXPENSES | | | |
| | Salaries, wages and other benefits | 27.1 | 4,964,902 | 4,523,594 |
| | Management fee | | 900,000 | 900,000 |
| | Office rent | | 68,180 | 60,665 |
| | Electricity and water charges | | 278,130 | 497,184 |
| | Postage, telephone and telex | | 227,733 | 245,774 |
| | Printing and stationery | | 659,255 | 510,865 |
| | Traveling and conveyance | | 1,394,826 | 735,165 |
| | Entertainment | | 89,427 | 75,584 |
| | Legal and professional charges | | 989,850 | 842,274 |
| | Fees and subscription | | 180,404 | 159,248 |
| | Advertisement and publicity | | 89,418 | 206,230 |
| | Vehicles running and maintenance expenses | | 134,265 | 111,816 |
| | Car lease rentals | | - | 112,341 |
| | Provision for doubtful debts | | - | 10,234,095 |
| | Miscellaneous expenses | | 817,247 | 772,694 |
| | Depreciation | 4.3 | 246,426 | 282,097 |
| | | | 11,040,063 | 20,269,626 |
| 27 | SELLING AND DISTRIBUTION EXPENSES | | | |
| | Salaries, wages and other benefits | 27.1 | 5,300,455 | 5,468,923 |
| | Postage, telephone and telex | | 77,439 | 89,028 |
| | Printing and stationery | | 20,750 | 35,685 |
| | Traveling and conveyance | | 287,735 | 241,903 |
| | Carriage | | 26,663,304 | 29,828,220 |
| | Vehicle running expenses | | 1,542,659 | 744,986 |
| | Transit insurance | | 640,709 | 673,360 |
| | Entertainment | | 5,782 | 9,992 |
| | Car lease rental | | 33,942 | 217,578 |
| | Miscellaneous expenses | | 59,979 | 54,068 |
| | | | 34,632,754 | 37,363,743 |

27.1 Related amounts include contribution towards pension fund of Rs, 1,006,723 (2010: Rs. 963,492), provident fund of Rs. 1,114,840 (2010: Rs. 999,517), expense for accumulating absences of Rs. 1,253,254 (2010: Rs. 686,765), gratuity of Rs. 1,021,368 (2010: Rs. 907,783) and provision for bonus to employees of Rs. 6,549,886 (2010: Rs. 6,300,000).

| | | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|---|
| 28 | OTHER OPERATING INCOME | | | |
| | Income from financial assets / liabilities | | 563,427 | 4,095,032 |
| | Income from non-financial assets | | 48,022 | 910,238 |
| | | | 611,449 | 5,005,270 |
| 28.1 | Income from financial assets / liabilities | | | |
| | Interest on term deposit | | 173,507 | 127,074 |
| | Bank interest | | 389,920 | - |
| | Liabilities no longer payable written back | | - | 2,210,232 |
| | Provision write back | | - | 1,757,726 |
| | | | 563,427 | 4,095,032 |
| 28.2 | Income from non-financial assets | | | |
| | Profit / (Loss) on sale of property, plant and equipment | | - | 173,136 |
| | Misc Income | | 48,022 | - |
| | Sale of Scrap | | - | 737,102 |
| | | | 48,022 | 910,238 |
| 29 | FINANCE COST | | | |
| | Interest on Workers' Profit Participation Fund | | 205,634 | 203,098 |
| | Mark up on short term finances | | 3,710,829 | 6,605,683 |
| | Bank charges | | 454,488 | 389,418 |
| | | | 4,370,951 | 7,198,199 |
| 30 | OTHER EXPENSES | | | |
| | Workers' Profit Participation Fund | | 5,105,490 | 6,263,987 |
| | Workers' Welfare Fund | | 1,940,086 | 2,612,109 |
| | Auditor's remuneration | 30.1 | 370,000 | 370,000 |
| | | | 7,415,576 | 9,246,096 |
| 30.1 | Auditors' remuneration | | | |
| | Audit fee | | 280,000 | 280,000 |
| | Half yearly review | | 90,000 | 90,000 |
| | | | 370,000 | 370,000 |
| 31 | PROVISION FOR TAXATION | | | |
| | Current - for the year | | 34,648,461 | 44,797,671 |
| | Deferred | | (1,099,069) | (3,786,237) |
| | | | 33,549,392 | 41,011,434 |

| | | Note | 2011<br>Rupees | 2010<br>Rupees |
|---|---|---|---|---|
| 31.1 | Tax charge reconciliation | | | |
| | Accounting profit | | 97,843,544 | 117,002,505 |
| | Tax rate | | 35 % | 35 % |
| | Tax on accounting profit at applicable rate | | 34,245,240 | 40,950,877 |
| | Tax effect of amounts/expenses that are inadmissible for tax purposes | | 4,670,981 | 9,962,817 |
| | Tax effect of amounts/expenses that are admissible for tax purposes | | (5,720,091) | (6,116,023) |
| | Surcharge 15 % | | 1,452,331 | - |
| | Tax effect of timing differences | | (1,099,069) | (3,786,237) |
| | | | 33,549,392 | 41,011,434 |
| 32 | EARNINGS PER SHARE - BASIC AND DILUTED | | | |
| | Net profit after tax | | 64,294,152 | 75,991,071 |
| | Number of ordinary shares outstanding during the year | | 9,000,000 | 9,000,000 |
| | Earnings per share-basic and diluted | | 7.14 | 8.44 |

| | Note | 2011 Rupees | 2010 Rupees |
|---|---|---|---|

33 CASH FLOW STATEMENT

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

| | 2011 Rupees | 2010 Rupees |
|---|---|---|
| Adjustment: | | |
| Depreciation | 5,046,830 | 8,069,367 |
| (Profit)/loss on sale of property, plant and equipment | - | (173,136) |
| Interest on Term Deposit Receipts | (173,507) | (127,074) |
| Bank interest | (389,920) | |
| Financial charges on bank borrowings | 4,165,317 | 6,995,101 |
| Other accrued charges | 205,634 | 203,098 |
| Charge based on actuarial valuation of employees' gratuity fund | 1,021,368 | 907,783 |
| Share in profit of associated Company | (2,779,313) | (598,870) |
| Workers' Profit Participation Fund (WPPF) | 5,105,490 | 6,263,987 |
| Workers' Welfare Fund (WWF) | 1,940,086 | 2,612,109 |
| Provision for accumulated compensated absences | 1,253,255 | 686,765 |
| Provision write back | - | (1,757,726) |
| Provision for doubtful debts net | (117,858) | 10,234,095 |
| | 15,277,382 | 33,315,498 |

34 CONTINGENCIES AND COMMITMENTS

34.1 Contingencies

34.1.1 In 1990, the Government of Sindh levied excise duty @ Rs. 4 per bulk gallon on transport of imported Methanol outside the province of Sindh under the Sindh Abkari Act, 1878. The Company filed a Constitutional Petition No. D - 123/91 in the High Court of Sindh that the duty was ultra vires of article 151 of the Constitution. The Court granted interim relief by permitting the Company to remove Methanol by submitting bank guarantees in lieu of payment of excise duty. Accordingly, the Company has submitted bank guarantees of Rs. 8,707,220 (2010 : Rs. 8,707,220) for transport of 7200 tons of Methanol outside Sindh.

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

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

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

Currently all imports of Methanol are being released on payment of Rs. 3/- per bulk gallon in cash and submission of guarantee @ Rs. 14/- per bulk gallon in the form of indemnity bonds. Accordingly, in case of an unfavorable decision of the Supreme Court, the Company is exposed to an aggregate obligation of Rs. 690 million (2010 : Rs. 642 million) on account of vend fee and permit fee based on the guarantees issued against methanol imported and released up to the balance sheet date. However, keeping in view the facts and previous decisions, the management is confident that no such exposure will arise to the Company, therefor, no provision for this has been made in these finacial statements.Furtermore, management is making necessary efforts to resolve this matter amicabely and is confident that company will be able to continue as a going concern.

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

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

| | | 2011<br>Rupees | 2010<br>Rupees |
|---|---|---|---|
| 34.2 | Commitments in respect of: | | |
| | Letters of credit for purchase of stocks | 72,516,459 | 43,614,800 |
| 34.2.1 | Post dated cheques issued in favor of Collector of Customs against custom duties and other levies on Methanol kept in bonded ware house. | 15,605,289 | 7,644,482 |

## 35 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors have the overall responsibility for to establishment and oversight of Company's risk management framework and policies. Audit committee 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 risks faced by the Company with the assistance of internal audit function.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies & processes for measuring and managing risks and the Company's management of capital. Further quantitative disclosure are presented through out these financial statements.

a) Market risks

Market risk is a risk that changes in market prices, such as foreign exchange rates, markup rates and equity prices which will effect the Company's income or the value of its holding of financial instrument. The objective of market risk management is to manage and control market risks' exposure within acceptable parameters, while optimizing the return on risk. The Company is only exposed to mark up rate risk.

- Markup rate risks

Markup rate risk is the risk that the value of financial instrument will fluctuate due to changes in market interest rates. Sensitivity to markup rate risk arises from mismatches of financial assets and financial liabilities that mature in a given period.

*Profile:*

At the reporting date the markup rate profile of the Company's markup bearing financial instruments are:

| | 2011<br>Rupees | 2010<br>Rupees |
|---|---|---|
| Financial Assets | | |
| Bank balances | 38,257,478 | - |
| Short-term-investment | 2,679,618 | 2,670,779 |
| | 40,937,096 | 2,670,779 |
| Financial Liabilities | | |
| Short term borrowings - secured | - | 661,942 |
| | - | 661,942 |
| Net financial assets / (liabilities) | 40,937,096 | 2,008,837 |

If markup rates had been 50 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended June 30, 2011 would decrease/increase by Rs. 179,900 (2010: decrease/increase by Rs. 14,654). This is mainly attributable to the Company's exposure to markup rates on its variable rates deposits.

b) Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transaction. Out of the total financial assets of Rs. 305,072,902 (2010: Rs. 268,894,527), the financial assets that are subject to credit risk amounted to Rs. 305,004,955 (2010: Rs. 268,865,877).

The maximum exposure to credit risk as at June 30, 2011, along with comparative is tabulated below:

| | | |
|---|---|---|
| Financial Assets | | |
| Trade debts | 230,110,597 | 241,500,249 |
| Trade deposits and prepayments | 40,070 | 40,070 |
| Other receivables | 338,225 | 310,300 |
| Profit receivable from banks | 96,952 | 88,113 |
| Short-term-investment | 2,582,666 | 2,582,666 |
| Cash and bank balances | 71,836,445 | 24,344,479 |
| | 305,004,955 | 268,865,877 |

The bank balances along with credit ratings are tabulated below:

| | | Rating | | 2011 |
|---|---|---|---|---|
| | Rating agency | Short term | Long term | Rupees |
| National Bank of Pakistan | JCR-VIS | A-1+ | AAA | 1,756,739 |
| Askari Bank Limited | PACRA | A1+ | AA | 5,256 |
| Bank-Al Falah Limited | PACRA | A1+ | AA | 14,831,730 |
| MCB Bank Limited | PACRA | A1+ | AA+ | 19,121,215 |
| Bank-Al Habib Limited | PACRA | A1+ | AA+ | 38,257,478 |
| Habib Bank Limited | JCR-VIS | A-1+ | AA+ | 3,570 |
| Allied Bank Limited | PACRA | A1+ | AA | 443,123 |
| | | | | 74,419,111 |

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligation to the Company.

For trade receivables, internal risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are fixed based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored. Accordingly the credit risk is minimal and the Company also believes that it is not exposed to major concentration of credit risk.

The ageing of trade debts at June 30, 2011 is as follows:

| | 2011 | 2010 |
|---|---|---|
| | Rupees | Rupees |
| Neither past due nor provided for | 128,362,189 | 119,884,579 |
| Past due but not provided for: | | |
| - within 90 days | 19,616,093 | 22,183,543 |
| - within 91 to 180 days | 15,248,848 | 21,920,404 |
| - over 180 days | 66,883,467 | 77,511,724 |
| Considered Good | 230,110,597 | 241,500,250 |
| Past dues provided for | 43,496,901 | 43,614,759 |
| Total | 273,607,498 | 285,115,009 |

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

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

As at 30 June 2011, The Company's liabilities have contractual/probable maturities which are summarized below:

| June 30, 2011 | Current | |
|---|---|---|
| | Within 6 months | 6 to 12 months |
| Trade and other payables | 89,149,689 | - |
| Accrued mark up | 59,614 | - |
| | 89,209,303 | - |

These liabilities are compared to the maturity of the Company's financial liabilities in the previous year as follow:

| June 30, 2010 | Current | |
|---|---|---|
| | Within 6 months | 6 to 12 months |
| Trade and other payables | 78,783,228 | - |
| Due to associated Companies | 56,812 | - |
| Accrued mark up | 615,560 | - |
| Short term borrowing | - | 661,942 |
| | 79,455,600 | 661,942 |

d) Fair value estimation

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

35.2 Summary of financial assets and liabilities by category

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

| | 2011<br>Rupees | 2010<br>Rupees |
|---|---|---|
| Financial Assets | | |
| Loans and receivables at amortized cost: | | |
| Current assets: | | |
| Trade debts | 230,110,597 | 241,500,249 |
| Trade deposits and prepayments | 40,070 | 40,070 |
| Other receivables | 338,225 | 310,300 |
| Profit receivable from banks | 96,952 | 88,113 |
| Cash and cash at bank | 71,904,392 | 24,373,129 |
| Investments held to maturity | | |
| Current Assets: | | |
| Short Term Investments | 2,582,666 | 2,582,666 |
| | 305,072,902 | 268,894,527 |

| | 2011 Rupees | 2010 Rupees |
|---|---|---|
| **Financial Liabilities** | | |
| **Financial liabilities at amortized cost:** | | |
| Current liabilities: | | |
| Trade and other payables | 62,533,570 | 49,660,963 |
| Accrued mark-up | 59,614 | 615,560 |
| Short term borrowings - secured | - | 661,942 |
| | 62,593,184 | 50,938,465 |

36 CAPITAL RISK MANAGEMENT

Company is not subject to any externally imposed capital requirements.

Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity plus reserve and debts less cash and cash equivalents as presented on the face of the balance sheet. Capital for the reporting periods under review is summarized as follows:

| | 2011 | 2010 |
|---|---|---|
| Total equity | 401,411,175 | 382,117,023 |
| Cash and bank | (71,904,392) | (24,373,129) |
| **Capital** | 329,506,783 | 357,743,894 |
| Total equity | 401,411,175 | 382,117,023 |
| Borrowing | - | - |
| **Overall financing** | 401,411,175 | 382,117,023 |
| **Capital-to-overall financing ratio** | 1:1.22 | 1:1.07 |

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

37.1 No fee or remuneration was paid by the Company to Chief Executive and Directors except for the lump sum amount of Rs. 900,000/- (2010: Rs. 900,000/-) charged by Wah Nobel (Private) Limited, as management fee as disclosed in note 26.

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

38 CAPACITY AND PRODUCTION

| | Designed annual capacity | | Actual production | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | Metric Tones | | | |
| Formaldehyde and Formalin solvent | 30,000 | 30,000 | 18,934 | 24,781 |
| Urea / Phenol Formaldehyde | 19,000 | 19,000 | 17,828 | 24,288 |

39 TRANSACTION WITH RELATED PARTIES

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

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

Wah Nobel (Private) Limited - holding Company

Wah Nobel Acetates Limited - fellow subsidiary

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

| | 2011 Rupees | 2010 Rupees |
|---|---|---|
| Expenses incurred (on behalf of) / by the group Companies net | (1,005,661) | (1,750,376) |
| Vehicles lease rentals paid by the holding Company | 33,942 | 883,854 |
| Management services by holding Company | 900,000 | 900,000 |
| Sales to Associate Company | 201,701 | - |
| Purchases from Associate Company | - | 72,060 |
| Dividend paid to the holding Company | 24,852,000 | 24,852,000 |
| Other related parties | | |
| Payment to: | | |
| Employees' Gratuity Fund Trust | - | - |
| Employees' Pension Fund Trust | 1,006,723 | 963,492 |
| Employees' Provident Fund Trust | 1,114,840 | 999,517 |
| Worker Profit Participation Fund | 6,469,621 | 7,989,926 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED JUNE 30, 2011

40 NUMBER OF EMPLOYEES

Total number of permanent employees as at June 30, 2011 is 109 (2010 : 111)

41 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of directors at the meeting held on October 3, 2011 have proposed for the year ended June 30, 2011 cash dividend of Rs. 5.00 per share (2010: Rs. 5.00 per share), amounting to Rs.  million subject to approval of members at the annual general meeting.

42 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 03, 2011 by the Board of Directors of the Company.

43 CORRESPONDING FIGURES

Corresponding figures, wherever necessary have been rearranged and reclassified for the purpose of comparison. However, no reclassification is considered material enough to be separately disclosed.

44 GENERAL

Figures have been rounded off to the nearest rupee.

DIRECTOR

CHIEF EXECUTIVE

# WAH NOBEL CHEMICALS LIMITED

## PROXY FORM

Please quote Folio No. | |

I/We_______________________________________________________________

of _________________________________________________________________

being a Member/Members of The Wah Nobel Chemicals Limited

hereby appoint ___________________________________________________

of__________________________________________________________________

who is also a Member of the Company as my/our proxy to vote for me/us and on my/our behalf at 28th Annual General Meeting of the Company to be held at the Registered Office of the Company, G.T. Road, Wah Cantt on Thursday, October 27, 2011 at 1100 hrs and at any adjournment thereof.

Signed by the said _______________________________________________

this _________________ day of________________ 2011 in my presence.

Signature on Revenue Stamp of Rs. 5/-

___________________ Signature of Witness

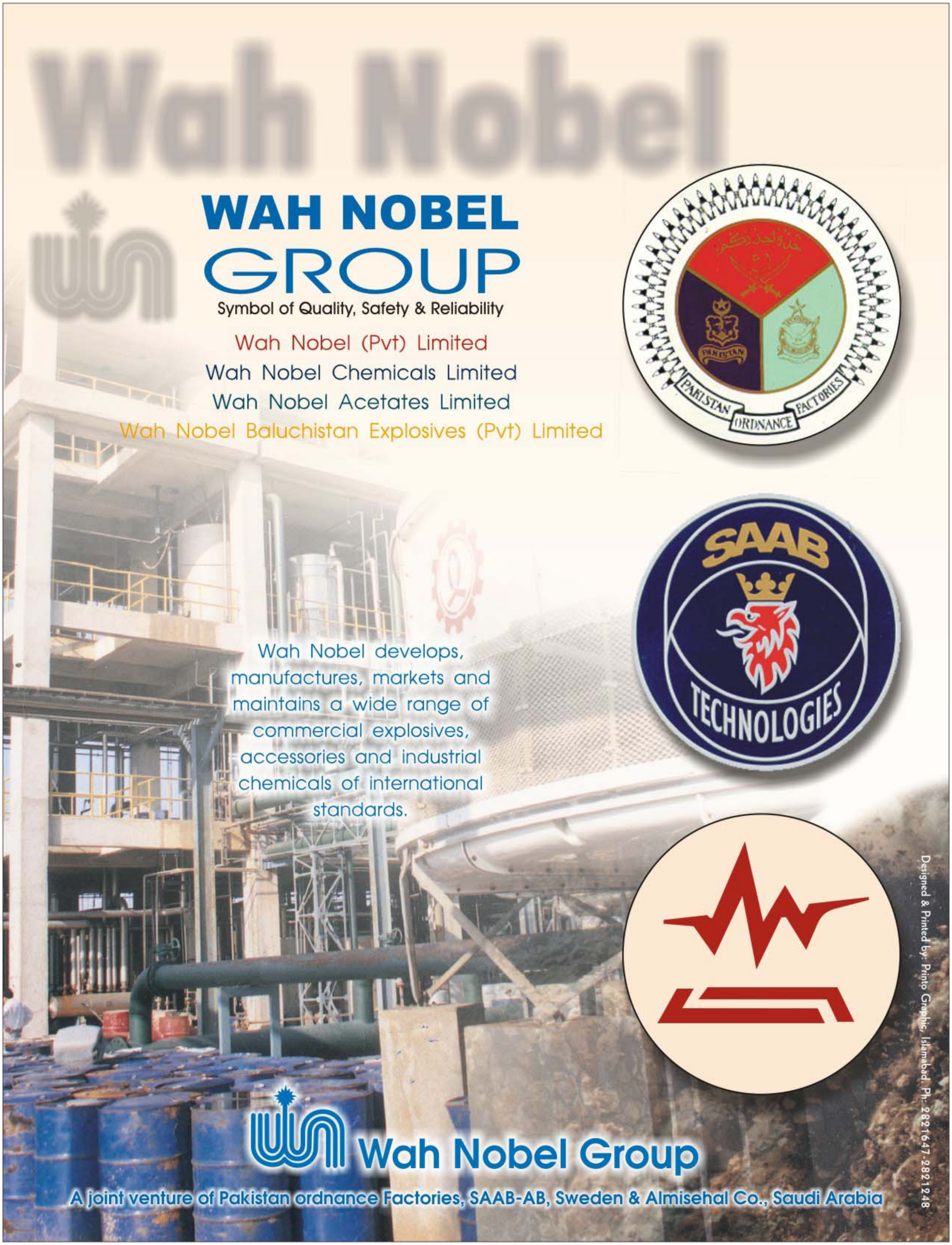
___________________ Signature of Member

NOTES:

1) This form of proxy to be effective must be received by the Company duly completed at the Company's Registered Office at G.T. Road, Wah Cantt not less than 48 hours before the time for holding the meeting.

2) A proxy must be a Member of the Company.

3) Signature should agree with the specimen registered with the Company.



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