



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

ANNUAL REPORT 2012



Wah Nobel Chemicals Limited

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VISION STATEMENT

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

CORPORATE MISSION

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lt. Gen. Muhammad Ahsan Mahmood,	:	Chairman
HI (M)	:	
Mr. Torbjorn Saxmo	:	Vice Chairman
Mr. Feroze Khan Malik	:	Director
Mr. Muhammad Nawaz Tishna	:	Director (N.I.T. Nominee)
Mr. Riaz Ahmad	:	Director
Mr. Muhammad Asif	:	Director
Mr. Muhammad Rizwan	:	Director

CHIEF EXECUTIVE : Syed Naseem Raza

AUDIT COMMITTEE

Mr. Riaz Ahmad	:	Chairman
Mr. Feroze Khan Malik	:	Member
Mr. Muhammad Rizwan	:	Member

HUMAN RESOURCE & REMUNERATION (HR&R) COMMITTEE

Mr. Riaz Ahmad	:	Chairman
Mr. Muhammad Rizwan	:	Member
Syed Naseem Raza	:	Member

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

: Mr. Tanveer Elahi

AUDITORS

: Anjum Asim Shahid Rehman
Chartered Accountants

LEGAL ADVISORS

: The Law Firm of Basit Musheer

SHARES REGISTRAR

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

BANKERS

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

REGISTERED OFFICE

: G.T. Road, Wah Cantt.

PHONES

: (051) 5568760, 4545243-6 (4 Lines)
(051) 9314101-21 (21 Lines) Ext. 22236

FAX

: (051) 4545241, (051) 4535862

E.MAIL

: wahnobel@comsats.net.pk

WEBSITE

: www.wahnobel.com/wnc.htm

FACTORY

: Wah Cantt.

COMPANY PROFILE

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

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

PRODUCTION PREMISES

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

PRODUCT RANGE

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

INSTALLED CAPACITY

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

QUALITY LEADERSHIP

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

WAH NOBEL CHEMICALS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 29th Annual General Meeting of WAH NOBEL CHEMICALS LIMITED will be held at the Registered Office of the Company, G.T. Road, Wah Cantt on Wednesday, October 31, 2012 at 11.00 hours to transact the following business:

1. To confirm the minutes of the 28th Annual General Meeting held on October 27, 2011.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2012 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 and fix their remuneration for the year ending June 30, 2013, the present auditors M/s Anjum, Asim, Shahid, Rehman & Co Chartered Accountants, being eligible, have offered themselves for re-appointment.
5. To transact any other business with the permission of the Chair.

By Order of the Board

(TANVEER ELAHI)
COMPANY SECRETARY

WAH CANTT.
October 08, 2012

NOTES:

1. The share transfer books of the Company will remain closed from October 25, 2012 to October 31, 2012 (both days inclusive). Transfers received in order by the Shares Registrar of the Company by the close of business on October 24, 2012 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. SECP has directed vide SRO No. 831(1) 2012 dated July 05, 2012 to issue dividend warrant only crossed as "A/C Payee Only" and should bear the Computerized National Identity Card Number (CNIC) of the registered member and NTN in the case of corporate member. Members, who have not yet submitted photocopy of their valid CNIC / NTN are requested to send the same at the earliest directly to the Company's Share Registrar.
 6. As directed by SECP vide Circular No.18 of 2012 dated June 05, 2012, we give the shareholders the opportunity to authorize the Company to directly credit in their bank account the cash dividend, if any, declared by the Company in future. If you wish that the cash dividend if declared by the Company be directly, credited into your bank account, instead of issuing a dividend warrant, please provide the following details.
 - Title of Bank Account and Number
 - Bank's Name, Branch Name and Address
 - Cell Number of Shareholder and Landline Number (if any)
-

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, 2012.

OPERATING PERFORMANCE

Despite the difficult economic conditions prevailing in the country, your Company was able to improve performance with a positive sales growth. During the year net sales of your Company has first time crossed the mark of one Billion and recorded highest ever net sales of Rs 1.148 Billion as compared to previous year net sales of Rs 0.699 Billion. The overall net sales revenue of the company has increased by 64%.

Gross profit showed an increase of Rs 38 Million compared with the last year. Gross profit margin, however, decreased to 17% as compared to 22 % of previous year. During the year, cost of inputs increased significantly, however, due to fierce competition in the market, the selling prices of our products could not be increased proportionately.

Administrative and general expenses have increased by 144% as compared with the previous financial year. This rise is mainly due to the Provision of Doubtful Debts of Rs. 13 Million.

Selling and distribution expenses are normal and in line with increase in sales volume and inflation factors.

Company earned after tax profit of Rs.73.733 million against last year's after tax profit of Rs. 64.294 million. Net profit increased by Rs. 9.439, however net profit ratio declined from 9% to 6% as compared with last year.

The summarized results are as under:

	2012	2011
	Rupees (in thousands)	
Net Sales	1,147,501	698,678
Gross Profit	189,850	151,912
Profit before taxation	116,968	97,844
Provision for taxation	43,234	33,549
Profit after taxation	73,733	64,294
Un-appropriated profit brought forward	77,467	108,173
Profit available for appropriation	151,200	172,467
Appropriations		
Dividend Paid (9,000,000 shares @ Rs. 5/- per share)	45,000	45,000
Transfer to reserve	27,000	50,000
Un-appropriated profit carried forward	79,200	77,467

DIVIDEND

Your Directors have recommended for the year 2011-12, a payment of cash dividend @ Rs.5.00 per share (i.e.50%).

NET EARNING PER SHARE

The net earning per share was Rs. 8.19 (2011: Rs. 7.14)

OUTLOOK FOR 2012-13

The Management is fully aware of the challenges that lie ahead and is taking all possible measures to combat those challenges. Despite rising input cost, coupled with energy crises, rupee devaluation, fierce competition and double-digit inflation your Company will continue its focus to improve shareholders' value through tight cost control, product and process optimisation, price rationalization and efficient working capital management. We remain confident that economic prospects will improve in future enabling the Company to maintain its market share.

UREA FORMALDEHYDE MOULDING COMPOUND (UFMC) PLANT

Board has approved installation of 4,000 M.Tons capacity UFMC production plant. Trial production is expected to commence in September 2013.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

As required by the Code of Corporate Governance (xvi), the Directors are pleased to report the following:

- a) 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.
 - b) The Company has maintained proper books of account.
 - c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
 - d) 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.
 - e) The system of internal control is sound in design and has been effectively implemented and monitored.
 - f) There are no significant doubts upon the Company's ability to continue as a going concern.
- 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, 2012 were as follows:

	<u>Rupees</u>
Provident Fund	38,551,739
Gratuity Fund	10,355,091
Pension Fund	14,611,206

BOARD OF DIRECTORS

During the year Lt. Gen. Muhammed Ahsan Mahmood was appointed as Chairman/Director in place of Lt. Gen. Shujaat Zamir Dar effective October 08, 2011.

Subsequent to year end Mr. Muhammad Rizwan appointed as Director in place of Mr. Khalid Pervaiz effective July 10, 2012, consequent to transfer of Mr. Khalid Pervaiz. Syed Naseem Raza was appointed as Chief Executive Officer of the Company effective July 14, 2012, in place of Mr. Shabbir Ahmed being retired.

The Board would like to thank the outgoing Chairman / Directors and Chief Executive Officer for their valuable contribution to the Company and welcome the new Chairman / Directors and Chief Executive Officer on the Board of the company.

During the year 2011-12, five Board Meetings were held and were attended by each Director as follows:

<u>Directors</u>	<u>Number of meetings Attended</u>
1. Lt. Gen. Muhammad Ahsan Mahmood, HI (M)	Chairman 3 (Appointed w.e.f. October 08, 2011)
2. Lt. Gen. Shujaat Zamir Dar, HI (M), S.Bt.	Chairman 2 (Retired w.e.f. October 08,2011)
3. Mr. Torbjorn Saxmo	Director 4
4. Mr. Feroz Khan Malik	Director 4
5. Mr. Riaz Ahmed	Director 5
6. Mr. Muhammad Nawaz Tishna	Director 4
7. Mr. Muhammad Asif	Director 2
8. Mr. Khalid Pervaiz	Director 3
9. Mr. Shabbir Ahmed	Chief Executive 5

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

<u>Members</u>		<u>Number of Meetings Attended</u>
1. Mr. Riaz Ahmed	Chairman	4
2. Mr. Khalid Pervaiz	Member	2
3. Mr. Feroz Khan Malik	Member	4

Leave of absence was granted to the members of the Board / Committee 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

one employee for performing Hajj at the Company's expense. So far 13 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 2011-12 company has contributed over Rs.266 million to the national exchequer.

Website

The Company's web site www.wahnobel.com/wnc1.htm is operative with its new look .It has detailed information on the Company and its business activities. Annual and periodical financial statements of the Company are also available on the website for information of the shareholders and others.

RECOGNITION

Company's achievements and overall performance have been recognized by the Employers, Federation of Pakistan and was given " Award of Excellence" on management and decent work in medium companies category.

VEND FEE AND PERMIT FEE

As regards vend fee and permit fee case, Sindh High Court has already pronounced favourable judgment. 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, retire and being eligible, offer themselves for reappointment. The Audit Committee and the Board of Directors have recommended their reappointment as auditors of the company for the year ending June 30, 2013

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2012 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.

WAH CANTT

Date: October 08, 2012

On behalf of the Board
(SYED NASEEM RAZA)
Chief Executive

SIX YEARS AT A GLANCE

2007	2008	2009	2010	2011	2012
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(Rupees in Thousands)

(A) Operating Results:

i) Net Sales Revenue	495,908	697,510	715,258	712,677	698,678	1,147,501
ii) Gross Profit	81,135	221,722	225,166	185,476	151,912	189,850
iii) Operating Profit	49,905	172,586	175,808	132,848	106,239	119,301
iv) Profit Before Tax	29,503	152,514	146,058	117,003	97,844	116,968
v) Profit After Tax	18,895	101,992	97,006	75,991	64,294	73,733

(B) Financial Position

i) Paid-up Capital	90,000	90,000	90,000	90,000	90,000	90,000
ii) Shareholders Equity	215,128	299,120	351,126	382,117	401,411	430,145
iii) General Reserve	98,000	103,000	133,000	183,000	233,000	260,000
iv) Property, Plants and Equipment	117,470	109,852	110,111	105,209	100,181	92,989
v) Current Assets	283,163	428,841	399,767	358,411	385,464	491,637
vi) Long Term Liabilities	-	-	-	-	-	-

(C) Key Performance Indicators

i) Gross Profit %	16.36%	31.78%	31.48%	26.03%	21.74%	16.54%
ii) Profit Before Tax %	5.95%	21.86%	20.42%	16.42%	14.00%	10.19%
iii) Earning Per Share Rs.	2.10	11.33	10.78	8.44	7.14	8.19
iv) Cash Dividend %	20%	50%	50%	50%	50%	50%
vi) Break-up Value Per Share Rs.	23.90	33.23	39.01	42.46	44.60	47.79
vii) Current Ratio	1.51:1	1.69:1	2.26:1	3.46:1	3.51:1	2.70:1

PATTERN OF SHAREHOLDING AS AT

3 0 0 6 2 0 1 2

No of shareholders	Shareholding		Total shares held
	From	To	
138	1	100	6,447
414	101	500	108,730
163	501	1,000	130,056
161	1,001	5,000	392,464
41	5,001	10,000	309,522
16	10,001	20,000	226,642
12	20,001	30,000	350,714
6	30,001	50,000	213,302
3	50,001	100,000	207,603
5	100,001	1,000,000	2,084,125
1	1,000,001	5,000,000	4,970,395
960	Total		9,000,000

Categories of shareholders	No. of Shareholders	Shares held	Percentage
♦ Directors, Chief Executive Officer, and their spouse and minor children.	7	60,105	0.67
♦ Associated Companies, undertakings and related parties.	4	5,102,497	56.69
♦ NIT/ICP	6	1,038,812	11.54
♦ Banks Development Financial Institutions, Non Banking Financial Institutions.	3	262,120	2.91
♦ Insurance Companies	2	874,080	9.71
♦ Modarabas and Mutual Funds	2	6,990	0.08
♦ General Public			
a. Local	917	1,616,411	17.96
b. Foreign	6	14,466	0.16
♦ Others			
Trust.	3	18,900	0.21
Joint Stock Coys.	9	5,519	0.06
Stock Exchange.	1	100	0.00
Total:	960	9,000,000	100.00

**DETAILS OF PATTERN OF SHAREHOLDING
AS PER REQUIREMENTS OF CODE OF CORPORATE GOVERNANCE**

Categories of Shareholders		Number of Shares held
i) Associated Companies, undertakings and related parties.		
1	Wah Nobel (Pvt) Ltd	4,970,395
2	WNPL Employees Provident Fund	87,000
3	WNCL Employees Provident Fund	33,102
4	WNPL Employees Provident Fund (WNDL)	12,000
		5,102,497
ii) Mutual Funds		
1	National Bank of Pakistan Trustee Deptt, (NIT)	1,038,042
2	Investment Corporation of Pakistan, (ICP)	770
		1,038,812
iii) Directors and their spouse(s) and minor children.		
1	Lt. Gen. Muhammad Ahsan Mahmood, Chairman/Director	1*
2	Mr. Torbjorn Sexmo, Director	1*
3	Mr. Riaz Ahmad, Director	1*
4	Mr. Muhammad Asif, Director	1*
5	Mr. Khalid Pervaiz, Director	1*
6	Mr. Feroze Khan Malik, Director	30,000
7	Mrs. Anwar Sultana Malik, (spouse of Feroze Khan Malik)	30,100
		60,105
iv) Executives		Nil
v) Public Sector Companies and Corporations		
1	State Life Insurance Corporation Of Pakistan	862,080
vi) Banks Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds .		1,143,190
vii) Shareholders holding five percent or more voting rights / Interests		
1	Wah Nobel (Pvt) Ltd	4,970,395
2	National Bank of Pakistan Trustee Deptt, (NIT)	1,038,042
3	State Life Insurance Corporation Of Pakistan	862,080
		6,870,517

* Directors mentioned at Sr III (1-5) held these shares (1 share each) as nominee of Wah Nobel (Pvt) Ltd . The ultimate ownership remains with Wah Nobel (Pvt) Ltd

Some of the share holders are reflected in more than one category

**Details of trading in the shares by the CEO, Directors, Chief Financial Officer
Company Secretary and their spouses and minor children.**

None of the Director, CEO, Chief Financial Officer, Company Secretary and their spouses and minor Children have traded in the shares of Wah Nobel Chemicals Ltd during the financial year ended June 30,2012.

Statement of Compliance with Code of Corporate Governance for the year ended June 30, 2012

This statement is being presented to comply with the Code of Corporate Governance (the "Code") 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:

Category	Names
Independent Directors	None
Executive Directors	1. Mr.Shabbir Ahmed , CEO
Non-Executive Directors	1. Lt. Gen. Muhammad Ahsan Mahmood 2. Mr. Torbjorn Saxmo 3. Mr. Feroze Khan Malik 4. Mr. Muhammad Nawaz Tishna 5. Mr. Riaz Ahmed 6 Mr. Muhammad Asif 7. Mr. Khalid Pervaiz

2. The directors have confirmed that none of them is serving as director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies) .

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the Board on October 08, 2011 was filled up by the directors on the same day.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the company. 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 remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors 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. In accordance with the criteria specified in Clause xi of the Code, one Director of the company is exempt from the requirement of directors training program and remaining directors to be trained within specified time. The Directors on Board have adequate exposure of corporate matters and are well conversant with legal

requirements and operational imperatives of the company, and as such fully aware of their duties and responsibilities.

10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit 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 board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the chairman of the committee is a non-executive director
18. The board has set up an effective internal audit function.

19. 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 (ICAP), 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 ICAP.
20. 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with except for the changes not effective immediately, which shall be complied with upon the next election of directors and qualification of Head of Internal Audit ,towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

On behalf of the Board

WAH CANTT
Date: October 08, 2012

(SYED NASEEM RAZA)
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 (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2012 prepared by the board of directors of the **Wah Nobel Chemicals Limited** (the Company) to comply with the Listing Regulations 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 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, Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges require 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, exception for clause (xiv) of the Code as discussed in point 23 of the Statement, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Karachi
Date: October 08, 2012

Anjum Asim Shahid Rahman
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Wah Nobel Chemicals Limited** as at June 30, 2012 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, 2012 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.

We draw attention to note 33.1.2 to the financial statements which states that the Company is defendant in a lawsuit alleging non-payment of vend and permit fee of Rs. 750 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. Our opinion is not qualified in respect of this matter.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants
Engagement Partner: **Shehzada Saleem Chughtai**

Karachi

Date: October 8, 2012

WAH NOBEL CHEMICALS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	4	92,989,329	100,181,035
Long term investment	5	36,164,666	35,885,579
Total non-current assets		129,153,995	136,066,614
Current assets			
Stores, spares and loose tools	6	41,938,443	33,775,221
Stock in trade	7	111,784,778	37,283,832
Trade debts	8	218,068,260	230,110,597
Advances	9	6,165,872	6,865,212
Trade deposits		40,070	40,070
Accrued interest income	10	298,881	96,952
Other receivables	11	7,019,237	2,805,252
Short-term-investment	12	2,582,666	2,582,666
Cash and bank balances	13	103,738,762	71,904,392
Total current assets		491,636,969	385,464,194
Total assets		620,790,964	521,530,808
EQUITY AND LIABILITIES			
Equity			
Authorized capital	14	200,000,000	200,000,000
Issued, subscribed and paid up capital	14	90,000,000	90,000,000
Reserves	15	340,144,558	311,411,175
Total equity		430,144,558	401,411,175
Non-current liabilities			
Deferred liabilities	16	3,851,535	3,420,822
Deferred taxation	17	4,903,096	6,884,346
Total non-current liabilities		8,754,631	10,305,168
Current liabilities			
Trade and other payables	18	169,874,375	89,149,689
Due to holding company	19	1,686	-
Accrued mark-up	20	-	59,614
Taxation	21	12,015,714	20,605,162
Total current liabilities		181,891,775	109,814,465
Total liabilities		190,646,406	120,119,633
Contingencies and commitments	33		
Total equity and liabilities		620,790,964	521,530,808

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

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Turnover-net	23	1,147,501,226	698,678,000
Cost of sales	24	(957,651,571)	(546,765,874)
Gross profit		189,849,655	151,912,126
Administrative and general expenses	25	(26,987,884)	(11,040,063)
Selling and distribution expenses	26	(43,560,771)	(34,632,754)
Operating profit		119,301,000	106,239,309
Finance cost	28	(569,085)	(4,370,951)
Other operating expenses	29	(9,301,122)	(7,415,576)
Other operating income	27	7,257,724	611,449
Share in profit of associated company-net of tax	5	279,087	2,779,313
Profit before taxation		116,967,604	97,843,544
Taxation	30	(43,234,221)	(33,549,392)
Profit for the year		73,733,383	64,294,152
Other comprehensive income for the year		-	-
Total comprehensive income for the year		73,733,383	64,294,152
Earnings per share - basic and diluted	31	8.19	7.14

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

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Cash flows from operating activities			
Profit before taxation		116,967,604	97,843,544
Adjustment for non cash and other items	32	26,576,699	15,277,382
Changes in working capital			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		(8,163,222)	(3,250,665)
Stock in trade		(74,500,946)	14,138,845
Trade debts		(957,663)	11,507,509
Advances		699,340	(593,094)
Other receivables		(4,247,088)	(2,206,496)
(Decrease) / increase in current liabilities:			
Trade and other payables		83,286,623	9,528,057
		(3,882,956)	29,124,156
Cash generated from operations		139,661,347	142,245,082
(Payments for) / Receipts of:			
Financial charges		(453,949)	(4,721,263)
Workers' profit participaction fund	18.2	(10,284,660)	(6,469,621)
Workers' welfare fund	18.3	(2,383,938)	-
Accumulated compensated absences	16.1	(1,047,197)	(873,965)
Bank interest	27.1	5,202,846	376,901
Taxation	21	(53,804,919)	(37,509,397)
		(62,771,817)	(49,197,345)
Net cash generated from operating activities		76,889,530	93,047,737
Cash flows from investing activities			
Payments for capital expenditure	4	(67,800)	(19,200)
Interest on term deposit receipts		12,640	164,668
Net cash generated from / (used in) investing activities		(55,160)	145,468
Cash flows from financing activities			
Short term borrowings		-	(661,942)
Dividends paid		(45,000,000)	(45,000,000)
Net cash (used in) financing activities		(45,000,000)	(45,661,942)
Net increase in cash and cash equivalents		31,834,370	47,531,263
Cash and cash equivalents at beginning of the year		71,904,392	24,373,129
Cash and cash equivalents at the end of the year	13	103,738,762	71,904,392

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

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012**

	Issued Subscribed and paid-up share capital	Capital reserve	Revenue reserves		Total
			General reserve	Un-appropriated profit	
Balance as at July 1, 2010	90,000,000	944,404	183,000,000	108,172,619	382,117,023
Total comprehensive income				64,294,152	64,294,152
Transfer to general reserve	-	-	50,000,000	(50,000,000)	-
Final dividend (Rs. 5 per share)				(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
Total comprehensive income	-	-	-	73,733,383	73,733,383
Transfer to general reserve			27,000,000	(27,000,000)	-
Final dividend (Rs. 5 per share)				(45,000,000)	(45,000,000)
Balance as at June 30, 2012	90,000,000	944,404	260,000,000	79,200,154	430,144,558

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

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 for the following material items in the balance sheet:

- a) Obligations under certain employee benefits and long term receivables have been measured at present value as shown in the note 16 and 18.1.
- b) Held-to-maturity investments are measured at amortized cost as shown in note 12.

These financial statements have been prepared under the accrual basis of accounting except cashflow statement.

2.2 Functional and presentation currency

The financial statements are presented in Pakistani Rupees (PKR) which is the Company's functional currency. All the financial information presented in PKR has been rounded off to the nearest rupee.

2.3 Statement of Compliance

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

2.4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRSs) require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectation of future events that are believed to be reasonable under current circumstances. Revisions to accounting estimates are recognized prospectively.

In the process of applying the Company's accounting policies, management has made the following estimates and judgements which are significant to these financial statements:

2.4.1 Contingencies

The assessment of contingencies inherently involves the exercise of significant judgement as the outcome of future event cannot be predicted with certainty. The Company based on the availability of latest information estimates the value of contingent assets and liabilities which may differ on occurrence / non-occurrence of uncertain future events.

2.4.2 Provision for doubtful debts

The Company revises the recoverability of its trade debts on annual basis and provides for doubtful debts based on its experience. Trade debts considered irrecoverable are written off while no provision is made in respect of the active customers which are considered good.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2.4.3 Employee benefit costs

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

2.4.4 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on the reporting date. 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 / assets.

2.5 Standards and interpretations issued but not yet effective for the current financial year

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:

	Effective for periods beginning on or after
	<hr/>
- IFRS 7 Financial instruments: Disclosures (Amendment)	January 01, 2013 & January 01, 2015
- IAS 1 Presentation of financial statements (Amendment)	July 01, 2012 & January 01, 2013
- IAS 12 Income taxes (Amendment)	January 01, 2013
- IAS 19 Employees benefits (Revised)	January 01, 2013
- IAS 27 Separate financial statements	January 01, 2013
- IAS 28 Investment in Associates and Joint Ventures	January 01, 2013
- IAS 32 Financial instruments: Presentation (Amendment)	January 01, 2014
- IFRIC 20 Stripping costs in the production phase of a Surface Mine	January 01, 2013
- IFRS 9 Financial instruments: Classification & measurement	January 01, 2015
- IFRS 10 Consolidated financial statements	January 01, 2015
- IFRS 11 Joint arrangements	January 01, 2015
- IFRS 12 Disclosure of interest in other entities	January 01, 2015
- IFRS 13 Fair value measurement	January 01, 2015

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2.6 New accounting standards, amendments and IFRIC interpretations that are effective in current year

New and amended standards and interpretations mandatory for first time for the financial year beginning on or after July 2011 that are either not relevant to the Company's current operations or do not have significant impact on the Company's financial statements other than certain additional disclosures, are as follows:

- IFRS 7 Financial instruments: Disclosures (Amendment)
- IAS 1 Presentation of financial statements
- IAS 34 Interim financial reporting
- IFRIC 13 Accounting for customer loyalty
- IFRIC 14 Limit on defined benefit asset
- IAS 24 Related party disclosures

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

The Company has the following plans for its employees:

a) 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 18.1 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.

b) Defined contributory pension scheme

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

c) 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.

d) 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 provision and related cost is recognized on the basis of actuarial valuation which is summarised in note 16.

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.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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.

Deferred tax assets and deferred tax liability are offset only if there is a legally enforceable right to offset current tax assets and liabilities and they relate to the income tax levied by the same tax authority.

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. However if these are approved after the reporting period but before the financial statements are authorized for issue they are disclosed in the notes to these financial statements.

3.6 Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss.

Capital work in progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to operating fixed assets as and when these are available for use.

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.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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

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 Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial asset is impaired. A financial asset or group of financial asset is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "lost event") and that lost event has an impact on the estimated future cashflows of the financial assets or group of financial assets that can be reliably estimated. Any impairment losses on financial assets including financial assets carried at amortized cost are recognized in profit and loss account.

The Company assesses at each reporting date whether there is an indication that an asset or a group of asset is impaired. If any indication exists or when annual impairment testing for an asset is required the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining the fair value less cost to sell an appropriate valuation model is used.

A previously recognized impairment loss is reversed only if there has been change in assumption used to determine the assets recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset neither exceeds its recoverable amount nor exceeds the carrying amount that would have been determined net of depreciation had no impairment loss been recognized for the asset in prior year. Such reversal is recognized in profit and loss account.

3.8 Investment in associates

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

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

- 3.9 Stores, spares and loose tools**
These are valued at lower of cost and net realizable value (NRV) less allowance for obsolete and slow moving items. Cost is determined using the weighted average method and comprise cost of purchase and other costs incurred in bringing the inventories to their present location and condition. NRV signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale. 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 material, work in process and finished goods are valued at the lower of weighted average cost and net realizable value (NRV). Cost of raw materials comprises the invoice value plus other charges paid thereon. Cost of work in process and finished goods include cost of direct materials, labour and appropriation of manufacturing overhead. NRV signifies selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale.
Goods in transit are stated at cost comprising invoice value plus other charges paid thereon.
- 3.11 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 and saving 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 and bank overdrafts. In balance sheet overdrafts are shown in current liabilities while favourable balance is shown in cash and bank.
- 3.12 Revenue recognition**
Sale is recorded on transfer of significant risks and rewards of products when the Company retains neither continuing managerial involvement to degree usually associated with ownership nor effective control, the amount of revenue can be measured reliably, it is probable that economic benefit associated with transactions will flow to the Company and cost incurred or to be incurred in respect of transaction can be measured reliably which occurs as on achievement of delivery of products to customers. Revenue from sale of products is measure at the fair value of consideration received or receivable.
Income on bank deposits is accounted for on time apportioned basis by reference to the principal outstanding and applicable rate of return. Income on investment is recorded on time proportion basis taking into account the effective yield of such securities. While dividend income is recognized when right to receive is established.
- 3.13 Borrowing costs**
Borrowing costs that are directly attributable to the acquisition, construction and production of qualifying asset are capitalized as part of cost of that asset upto the date of its commissioning. All other borrowing costs are charged to the profit and loss account in the year when incurred as "finance cost".
- 3.14 Transactions with related parties**
All transactions with related parties are carried out on commercial terms as approved by the Board.
- 3.15 Financial instruments**
Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the Company transfers substantially all the risks and rewards of ownership of the financial asset. If the Company neither transfers nor returns substantially all the risks and rewards of ownership of the financial asset, the principal assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset and financial liability is derecognized at the time when the obligation specified in the contract is discharged or 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.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

3.15.1 Financial assets

Financial assets of the Company include held-to-maturity investment and loan and receivables.

a) Investment held to maturity (HTM)

Investments held-to-maturity are non-derivative financial assets which carry fixed or determinable payments and fixed maturities other than loan and receivables. Investments are classified as HTM if the Company has the positive intention and ability to hold to maturity. The Company currently holds Term Deposits Receipts designated into this category. HTM investments are measured subsequently at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

b) Loan and receivables

Loan and receivables include long term loan, trade debts, deposits and other receivables. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Trade and other receivables are assessed on regular basis for impairment and if there is any doubt about the recoverability of these receivables, appropriate amount to provision is made. Balances considered bad and irrecoverable are written off against the provision. Provision for doubtful debts is charged to profit and loss account currently.

3.15.2 Financial Liabilities

The Company financial liabilities include trade and other payables.

a) Trade and other payable include due to the joint venture operators, trade creditors and other payables. Subsequent to initial recognition trade and other payables are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

3.16 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.

3.17 Foreign currency transactions and translations

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

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

4 PROPERTY, PLANT AND EQUIPMENT

Gross carrying value basis:

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, 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
Gross carrying amount	2,406,019	16,432,437	547,920	198,296,763	1,191,636	925,008	2,395,038	1,837,085	4,111,463	228,143,369	1,701,971	229,845,340
Accumulated depreciation	(1,227,881)	(12,235,212)	(512,519)	(112,848,010)	(692,766)	(610,548)	(2,148,724)	(1,546,871)	(3,392,902)	(135,215,433)	(1,640,578)	(136,856,011)
Carrying amount June 30, 2012	1,178,138	4,197,225	35,401	85,448,753	498,870	314,460	246,314	290,214	718,561	92,927,936	61,393	92,989,329

Net carrying value basis:

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, 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
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
Additions	-	-	-	-	12,800	55,000	-	-	-	67,800	-	67,800
Depreciation	(62,008)	(466,358)	(3,932)	(6,307,510)	(54,659)	(28,768)	(27,360)	(72,550)	(179,629)	(7,202,774)	(56,732)	(7,259,506)
Carrying amount June 30, 2012	1,178,138	4,197,225	35,401	85,448,753	498,870	314,460	246,314	290,214	718,561	92,927,936	61,393	92,989,329

4.1 Production capacity achieved by the newly capitalized Formaldehyde and U.F Glue plants is 66% and 38%, 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.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	Note	2012 Rupees	2011 Rupees
4.3	Depreciation charge for the year has been allocated as under:		
	24.1	7,041,521	4,800,404
	25	217,985	246,426
		<u>7,259,506</u>	<u>5,046,830</u>

5	Long term investment		
	Investments in related party:		
	Wah Nobel Acetate Limited		
		25,000,000	25,000,000
		2,500,000 shares of Rs. 10/- each. (equity held: 8.33%)	
		Share of profit of prior periods	8,106,266
		Share of profit / (loss) of current period-net of tax	2,779,313
		<u>11,164,666</u>	<u>10,885,579</u>
		<u>36,164,666</u>	<u>35,885,579</u>

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.

	Note	2012 Rupees	2011 Rupees
Assets		721,716,777	631,872,867
Liabilities		356,252,854	269,759,331
Revenues		568,753,065	628,680,122
Profit		<u>3,350,387</u>	<u>33,365,107</u>
6	Store, spares and loose tools		
		15,654,276	13,105,362
		26,052,826	20,457,787
		231,341	212,072
		<u>41,938,443</u>	<u>33,775,221</u>
7	Stock in trade		
	24.2	33,089,045	14,499,144
	24.1	346,265	557,943
	24	8,889,312	13,292,486
		69,460,156	8,934,259
		<u>111,784,778</u>	<u>37,283,832</u>

7.1 Goods in transit include inbonded inventory.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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		2012	2011
		Rupees	Rupees
8	Trade debts		
	Considered good - unsecured	218,068,260	230,110,597
	Considered doubtful - unsecured	56,496,901	43,496,901
		<u>274,565,161</u>	<u>273,607,498</u>
	Provision for doubtful debts 8.1	(56,496,901)	(43,496,901)
		<u>218,068,260</u>	<u>230,110,597</u>
8.1	Reconciliation of provision for doubtful debts		
	Opening provision	43,496,901	43,614,759
	Charge for the year 25	13,000,000	-
		<u>56,496,901</u>	<u>43,614,759</u>
	Debts written off	-	(117,858)
	Balance at the end of the year	<u>56,496,901</u>	<u>43,496,901</u>
9	Advances		
	Advances - unsecured, considered good		
	to suppliers	5,672,803	6,338,509
	to employees for expenses	493,069	526,703
		<u>6,165,872</u>	<u>6,865,212</u>
9.1	The maximum aggregate amount of advances due from Chief Executive Officer, Directors, Executives and from associated undertakings at the end of any month during the year was Rs. Nil (2011 : Rs Nil).		
		2012	2011
		Rupees	Rupees
10	Accrued interest income		
	Profit receivable on term deposit receipts	298,881	96,952
11	Other receivables		
	Sales tax refundable	6,533,937	1,974,006
	Receivable from employees gratuity fund 18.1 (a)	-	33,103
	Letter of credit / guarantee margin	180,900	180,900
	Due from associated companies	-	14,906
	Others	304,400	602,337
		<u>7,019,237</u>	<u>2,805,252</u>
12	Short-term-investment		
	Held in local currency		
	Term deposit receipts	2,582,666	2,582,666
		<u>2,582,666</u>	<u>2,582,666</u>

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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Held-to-maturity financial assets comprise term deposit receipts (TDRs) having maturity up to 1 year and average profit rate above 11% per annum (2011: 6.7%) and held under lien with bank.

	Note	2012 Rupees	2011 Rupees
13 Cash and bank balances			
Cash in hand		49,095	67,947
Cash with banks:			
in current accounts		14,091,254	33,578,967
in saving accounts	13.1	89,598,413	38,257,478
		103,738,762	71,904,392

13.1 These carry profit at the rate of 11.5% per annum (2011: 12.6%).

	2012 Numbers	2011 Numbers		2012 Rupees	2011 Rupees
14 Share capital					
<u>Authorized</u>					
	<u>20,000,000</u>	<u>20,000,000</u>	Ordinary shares of Rs. 10 each	<u>200,000,000</u>	<u>200,000,000</u>
<u>Issued, subscribed and paid up</u>					
	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

14.1 Wah Nobel (Private) Limited (the holding Company) held 4,970,400 (2011: 4,970,400) ordinary shares at balance sheet date.

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

	Note	2012 Rupees	2011 Rupees
15 Reserves			
General reserve	15.1	260,000,000	233,000,000
Capital reserve	15.2	944,404	944,404
Unappropriated profit		79,200,154	77,466,771
		340,144,558	311,411,175
15.1 General reserve			
Balance at the beginning of the year		233,000,000	183,000,000
Transfer during the year		27,000,000	50,000,000
		260,000,000	233,000,000

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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15.2 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	2012 Rupees	2011 Rupees
16 Deferred liabilities			
Provision for accumulated compensated absences	16.1	3,851,535	3,420,822

16.1 The amounts recognized in the balance sheet are determined as follows:

Opening present value of defined benefit obligations	3,420,822	3,041,532
Current service cost	420,621	376,587
Interest cost	478,915	364,985
Benefits paid during the year	(1,047,197)	(873,965)
Actuarial (gain)/loss on present value of defined benefit obligation	578,374	511,683
	3,851,535	3,420,822

16.2 The amounts recognized in the profit and loss account are as follows:

Current service cost	420,621	376,587
Interest cost	478,915	364,985
Actuarial (gains)/losses charge	578,374	511,683
	1,477,910	1,253,255

	2012	2011	2010	2009	2008
	Rupees				
Present value of defined benefit obligation	3,851,535	3,420,822	3,041,532	2,923,408	3,219,363

16.3 The principal actuarial assumptions used were as follows:

	2012	2011
Discount rate	13%	14%
Expected rate of increase in salary	12%	13%
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	2012 Rupees	2011 Rupees
17 Deferred taxation			
Deferred tax liability - July 01,		6,884,346	7,983,415
Debited / (Credited) to profit and loss for the year		(1,981,250)	(1,099,069)
Net deferred tax liability - June 30,	17.1	4,903,096	6,884,346

WAH NOBEL CHEMICALS LIMITED
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		2012	2011
		Rupees	Rupees
17.1	The deferred tax liability comprises of the following:		
	Accelerated tax depreciation	24,908,582	26,163,013
	Provision for doubtful debts	(19,773,915)	(15,223,915)
	Provision for staff retirement and other benefits	(1,348,037)	(1,197,288)
	Others	1,116,466	(2,857,464)
		4,903,096	6,884,346
18	Trade and other payables		
	Trade creditors	132,093,912	49,245,027
	Advances from customers	2,592,035	2,906,478
	Accrued expenses	2,517,678	3,008,836
	Bonus payable	8,144,444	6,549,886
	Sales tax payable	297,288	15,149
	Unclaimed dividends	2,422,023	2,095,143
	Payable to employees gratuity fund	18.1 1,057,475	-
	Workers' profit participation fund	18.2 1,278,232	5,109,910
	Workers' welfare fund	18.3 17,334,225	17,120,273
	Payable to employees' provident fund	18.4 312,549	333,640
	Other liabilities	1,824,514	2,765,347
		169,874,375	89,149,689
18.1	Receivables from/(payable to) employees gratuity fund		
a)	Movement in the asset / (liability) recognized in the balance sheet:		
	Balance at beginning of the year	33,103	1,054,471
	Charge for the year	(1,090,578)	(1,021,368)
	Balance at end of the year	(1,057,475)	33,103
b)	Reconciliation of the asset / (liability) recognized in the balance sheet:		
	Present value of defined benefit obligation	(12,297,717)	(11,767,603)
	Fair value of plan assets	10,704,283	10,906,496
	Surplus / (deficit)	(1,593,434)	(861,107)
	Unrecognized actuarial losses	535,959	894,210
	Net asset / (liability)	(1,057,475)	33,103
		2012	2011
		Rupees	Rupees
c)	Amounts charged to profit and loss account during the current year:		
	Current service cost	970,023	908,226
	Interest cost	1,647,464	1,324,108
	Expected return on plan assets	(1,526,909)	(1,254,928)
	Actuarial (gain) / losses charge	-	43,962
		1,090,578	1,021,368

WAH NOBEL CHEMICALS LIMITED
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	2012	2011	2010	2009	2008
	Rupees				
Present value of defined benefit obligation	(12,297,717)	(11,767,603)	(11,034,231)	(9,770,064)	(6,923,574)
Fair value of plan assets	10,704,283	10,906,496	10,457,736	9,954,667	10,872,010
Unrecognized actuarial losses / (gains)	535,959	894,210	1,630,966	(55,130)	(1,748,760)
d) Actuarial valuation of this plan was carried out as at June 30, 2012 using Projected Unit Credit Method. Significant actuarial assumptions used were as follows:					
	Note	2012	2011		
Discount rate		13%	14%		
Expected rate of eligible salary increase in future years		12%	13%		
Expected rate of return on plan assets per annum		14%	12%		
Average expected remaining working life time of employees		12 years	12 years		
18.2 Workers' profit participation fund					
Balance at the beginning of the year		5,109,910	6,268,407		
Interest for the period on fund utilized by the Company	28	174,750	205,634		
Payments during the year		(10,284,660)	(6,469,621)		
Allocation for the year		6,278,232	5,105,490		
Balance at the end of the year		1,278,232	5,109,910		
18.3 Workers' welfare fund					
Balance at the beginning of the year		17,120,273	15,180,187		
Payments during the year		(2,383,938)	-		
Allocation for the year	29	2,597,890	1,940,086		
Balance at the end of the year		17,334,225	17,120,273		
18.3.1	On the basis of appellate decision on appeal of parent company, no payment was made in prior year while provision was made to cover up any unfavourable decision on the appeal of department against the decision of appellate tribunal. However during the year payment has been made to avoid any action under section 138 of the Income Tax Ordinance, 2001.				
		2012	2011		
		Rupees	Rupees		
18.4 Payable to employees' provident fund					
Opening payable		333,640	290,312		
Contribution/withheld during the year		3,917,280	3,997,912		
Payments during the year		(3,938,371)	(3,954,584)		
Balance at the end of the year		312,549	333,640		
19 Due to holding company					
Wah Nobel (Private) Limited - holding company		1,686	-		

WAH NOBEL CHEMICALS LIMITED
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20	Accrued mark up		
	On short term borrowings	-	59,614
		2012	2011
		Rupees	Rupees
21	Taxation		
	Opening balance	20,605,162	23,466,099
	Income tax paid / withheld during the year	(53,804,919)	(37,509,398)
	Provision for the year	45,215,471	34,648,461
		12,015,714	20,605,162

22 **Facilities related to short term borrowings - secured**

The Company availed running finance facilities during the year. However, the amount outstanding at the year end was Nil (2011: Nil). Details of running finance facilities are as follows:

Banks	Markup	Limits	
		2012	2011
Bank Al-Habib Limited	3 months average KIBOR plus 0.5%	100 million	100 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%	40 million	50 million

22.1 The mark up on the facilities are without a floor or cap, payable quarterly.

22.2 **Facilities secured against:**

Bank	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.
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 charge of Rs. 146 million over stock and 1st floating charge of Rs. 146 million over book debts & receivables of the Company. 1st pari passu charge of Rs. 146 million over fixed assets of the Company in shape of equitable mortgage of project

22.3 **Facilities of letter of guarantee and letter of credit**

Following banks have extended facilities of letter of guarantee and letter of credit

	Note	Letter of guarantee		Letter of credit	
		2012	2011	2012	2011
(Figures in Rupees)					
Bank Al Habib Limited	22.3.1	20,000,000	20,000,000	180,000,000	180,000,000
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

WAH NOBEL CHEMICALS LIMITED
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- 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 are secured against counter guarantee from the Company, lien on shipping documents and accepted drafts 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 1st pari passu charge of Rs. 146 million over stock and 1st floating charge of Rs. 146 million over book debts & receivables of the company for letter of guarantee. Lien over import documents covering the consignment of raw material, spare parts and chemicals and lien over duly accepted bills of exchange backed by TR executed in the bank favour.

	Note	2012 Rupees	2011 Rupees
23 Turnover			
Gross revenue - manufacturing		1,329,242,950	827,231,704
Sales tax		(181,741,724)	(117,791,736)
Special excise duty		-	(10,761,968)
Net turnover		1,147,501,226	698,678,000
24 Cost of sales			
Cost of goods manufactured	24.1	952,193,949	549,441,942
Packing material consumed		1,054,448	959,891
		953,248,397	550,401,833
Opening stock of finished goods		13,292,486	9,656,527
Closing stock of finished goods	7	(8,889,312)	(13,292,486)
		957,651,571	546,765,874
24.1 Cost of goods manufactured			
Raw material consumed	24.2	866,302,643	478,190,197
Stores and spares consumed		12,406,225	12,430,181
Salaries, wages and other benefits	26.1	31,348,861	26,849,619
Fuel and power		30,724,454	23,046,662
Rent, rates and taxes		326,036	529,661
Insurance		1,279,474	1,337,002
Repairs and maintenance of vehicles		443,974	476,136
Miscellaneous expenses		2,109,083	1,784,519
Depreciation	4.3	7,041,521	4,800,404
Manufacturing cost		951,982,271	549,444,381
Opening stock of work in process		557,943	555,504
Closing stock of work in process	7	(346,265)	(557,943)
		952,193,949	549,441,942

WAH NOBEL CHEMICALS LIMITED
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		2012	2011
		Rupees	Rupees
24.2	Raw material consumed		
	Opening stock	7	14,499,144
	Purchases during the year		27,030,344
		884,892,544	465,658,997
		899,391,688	492,689,341
	Closing stock	7	(33,089,045)
		866,302,643	478,190,197
<hr/>			
25	Administrative and general expenses		
	Salaries, wages and other benefits	26.1	6,157,925
	Corporate service charges		4,964,902
	Office rent		900,000
	Electricity and water charges		66,180
	Postage, telephone and telex		543,800
	Printing and stationery		278,130
	Travelling and conveyance		267,567
	Entertainment		718,179
	Legal and professional charges		1,454,926
	Fees and subscription		90,297
	Advertisement and publicity		89,427
	Vehicles running and maintenance expenses		1,394,826
	Provision for doubtful debts	8.1	13,000,000
	Miscellaneous expenses		938,525
	Depreciation	4.3	217,985
			246,426
			26,987,884
			11,040,063
<hr/>			
		2012	2011
		Rupees	Rupees
26	Selling and distribution expenses		
	Salaries, wages and other benefits	26.1	6,327,063
	Postage, telephone and telex		5,300,455
	Printing and stationery		119,243
	Travelling and conveyance		37,630
	Carriage		20,750
	Vehicle running expenses		310,291
	Transit insurance		287,735
	Entertainment		34,377,697
	Car lease rental		1,493,940
	Miscellaneous expenses		1,542,659
			857,397
			7,082
			5,782
			-
			33,942
			30,428
			59,979
			43,560,771
			34,632,754

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26.1 Related amounts include contribution towards pension fund of Rs. 1,006,587 (2011: Rs. 1,006,723), provident fund of Rs. 1,142,877 (2011: Rs. 1,114,840), expense for accumulating absences of Rs. 1,477,910 (2011: Rs. 1,253,254), gratuity of Rs. 1,090,578 (2011: Rs. 1,021,368) and provision for bonus to employees of Rs. 8,144,444 (2011: Rs. 6,549,886).

	Note	2012 Rupees	2011 Rupees
27 Other operating income			
Income from financial assets	27.1	5,417,415	563,427
Income from non-financial assets	27.2	1,840,309	48,022
		7,257,724	611,449
27.1 Income from financial assets			
Interest on term deposit receipts		214,569	173,507
Bank interest		5,202,846	389,920
		5,417,415	563,427
27.2 Income from non-financial assets			
Miscellaneous income		234,783	48,022
Sale of scrap		1,605,526	-
		1,840,309	48,022
28 Finance cost			
Interest on workers' profit participation fund	18.2	174,750	205,634
Mark up on short term finances		41,764	3,710,829
Bank charges		352,571	454,488
		569,085	4,370,951
29 Other operating expenses			
Workers' profit participation fund	18.2	6,278,232	5,105,490
Workers' welfare fund	18.3	2,597,890	1,940,086
Auditor's remuneration	29.1	425,000	370,000
		9,301,122	7,415,576
29.1 Auditors' remuneration			
Annual audit fee		325,000	280,000
Half yearly review		100,000	90,000
		425,000	370,000
30 Taxation			
Provision for the year			
- Current for the year		44,553,821	34,648,461
- Prior year		661,650	-
- Deferred	17	(1,981,250)	(1,099,069)
		43,234,221	33,549,392

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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		2012	2011
		Rupees	Rupees
30.1	Tax charge reconciliation		
	Accounting profit	116,967,604	97,843,544
	Tax rate	35 %	35 %
	Tax on accounting profit at applicable rate	40,938,661	34,245,240
	Tax effect of amounts/expenses that are inadmissible for tax purposes	10,714,739	4,670,981
	Tax effect of amounts/expenses that are admissible for tax purposes	(7,099,579)	(5,720,091)
	Surcharge 15 %	-	1,452,331
	Prior year adjustment	661,650	-
	Tax effect of timing differences	(1,981,250)	(1,099,069)
		43,234,221	33,549,392

31	Earnings per share - basic and diluted		
	Profit for the year	73,733,383	64,294,152
	Number of ordinary shares outstanding during the year	9,000,000	9,000,000
	Earnings per share-basic and diluted	8.19	7.14

32 Cash flow statement

The following non-cash and other items have been adjusted in profit before taxation for the year to arrive at operating cash flow:

		2012	2011
		Rupees	Rupees
	Adjustments		
	Depreciation	7,259,506	5,046,830
	Interest on term deposit receipts	(214,569)	(173,507)
	Bank interest	(5,202,846)	(389,920)
	Financial charges on bank borrowings	394,335	4,165,317
	Interest on workers' profit participation fund	174,750	205,634
	Charge based on actuarial valuation of employees' gratuity fund	1,090,578	1,021,368
	Share in profit of associated company	(279,087)	(2,779,313)
	Workers' profit participation fund (WPPF)	6,278,232	5,105,490
	Workers' welfare fund (WWF)	2,597,890	1,940,086
	Provision for accumulated compensated absences	1,477,910	1,253,255
	Provision for doubtful debts/write off	13,000,000	(117,858)
		26,576,699	15,277,382

WAH NOBEL CHEMICALS LIMITED
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FOR THE YEAR ENDED JUNE 30, 2012

33 Contingencies and commitments

33.1 Contingencies

33.1.1 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 (2011 : 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 favour 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.

33.1.2 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 favour 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 favour 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 unfavourable decision of the Supreme Court, the Company is exposed to an aggregate obligation of Rs. 750 million (2011 : Rs. 690 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, therefore, no provision for this has been made in these financial statements. Furthermore, management is making necessary efforts to resolve this matter amicably and is confident that Company will be able to continue as a going concern.

33.1.3 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.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
33.2 Commitments in respect of:		
Letters of credit for purchase of stocks	36,571,500	72,516,459
33.2.1 Post dated cheques issued in favour of collector of customs against custom duties and other levies on methanol kept in bonded ware house.	12,735,590	15,605,289

34 Financial risk management objectives and policies

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks. The Company's risk management is coordinated in close co-operation with the board of directors by minimizing the exposure to financial markets. A summary of Company's financial assets and liabilities by category are presented in note 34.1.

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, interest rates and equity prices which will affect 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.

i) Interest rate risk

The interest rate risk is the risk that the fair value or future cashflows of the financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rate relates primarily to the Company's running finance facilities with floating interest rates. The Company manages its interest rate risk by having investment in fixed interest bearing financial assets like term deposits receipts and deposits in savings accounts in the banks.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Profile:

At the reporting date the Company's interest bearing financial instruments are:

	Note	2012 Rupees	2011 Rupees
Financial Assets			
Bank balances	13	89,598,413	38,257,478
Short-term-investment	12	2,582,666	2,582,666
		92,181,079	40,840,144
Financial Liabilities			
Short term borrowings - secured		-	-
		-	-
Net financial assets / (liabilities)		92,181,079	40,840,144

The Company's exposure to interest rates is Nil (2011: Nil) as there are neither variable rates deposits nor any outstanding short term borrowings at the year end.

ii) Foreign currency sensitivity

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. Financial liabilities include Rs. 49,618,131 (2011: nil) which were subject to foreign currency risk. A one rupee change in the exchange rate of foreign currencies would have the impact of +/- Rs. 525,060 on the profit and loss before tax.

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. 325,213,939 (2011: Rs. 305,507,902), the financial assets that are subject to credit risk amounted to Rs. 325,164,844 (2011: Rs. 305,439,955).

The maximum exposure to credit risk as at June 30, 2012, along with comparative is tabulated below:

	Note	2012 Rupees	2011 Rupees
Financial Assets			
Trade debts	8	218,068,260	230,110,597
Trade deposits		40,070	40,070
Other receivables		485,300	773,225
Accrued interest income	10	298,881	96,952
Short-term-investment		2,582,666	2,582,666
Cash and bank balances		103,689,667	71,836,445
		325,164,844	305,439,955

WAH NOBEL CHEMICALS LIMITED
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FOR THE YEAR ENDED JUNE 30, 2012

The bank balances along with credit ratings are tabulated below:

	Rating agency	Rating		2012
		Short term	Long term	Rupees
National Bank of Pakistan	JCR-VIS	A-1+	AAA	1,403,273
Askari Bank Limited	PACRA	A1+	AA	5,504
Bank-AI Falah Limited	PACRA	A1+	AA	6,793,630
MCB Bank Limited	PACRA	A1+	AA+	8,379,136
Bank-AI Habib Limited	PACRA	A1+	AA+	89,598,413
Habib Bank Limited	JCR-VIS	A-1+	AA+	3,109
Allied Bank Limited	PACRA	A1+	AA	89,267
				106,272,332

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 is as follows:

	Note	2012 Rupees	2011 Rupees
Neither past due nor provided for		161,774,977	128,362,189
Past due but not provided for:			
- within 90 days		11,403,329	19,616,093
- within 91 to 180 days		707,478	15,248,848
- over 180 days		44,182,476	66,883,467
Considered good		218,068,260	230,110,597
Past dues provided for		56,496,901	43,496,901
Total	8	274,565,161	273,607,498

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.

WAH NOBEL CHEMICALS LIMITED
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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 of the Company.

As at 30 June 2012, The Company's financial liabilities have contractual/probable maturities which are summarized below:

June 30, 2012	Current	
	Within 6 months	6 to 12 months
Trade and other payables	146,809,224	-
Due to holding company	1,686	-
	146,810,910	-

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

June 30, 2011	Current	
	Within 6 months	6 to 12 months
Trade and other payables	62,533,570	-
Accrued mark up	59,614	-
	62,593,184	-

d) **Fair value estimation**

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

34.1 **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.

Financial Assets		2012	2011
<u>Current assets:</u>	<u>Note</u>	<u>Rupees</u>	<u>Rupees</u>
Loans and receivables at amortized cost:			
Trade debts	8	218,068,260	230,110,597
Trade deposits		40,070	40,070
Other receivables		485,300	773,225
Accrued interest income	10	298,881	96,952
Cash and cash at bank	13	103,738,762	71,904,392
Investments held to maturity			
Short term investments	12	2,582,666	2,582,666
		325,213,939	305,507,902

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	2012 Rupees	2011 Rupees
Financial Liabilities		
<u>Current liabilities:</u>		
Financial liabilities at amortized cost:		
Trade and other payables	146,809,224	62,533,570
Due to holding company	19 1,686	-
Accrued mark-up	-	59,614
	146,810,910	62,593,184

35 Capital risk management

The Company is not subject to any externally imposed capital requirements.

The 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:

	Note	2012 Rupees	2011 Rupees
Total equity		430,144,558	401,411,175
Cash and bank balances	13	(103,738,762)	(71,904,392)
Capital		326,405,796	329,506,783
Total equity		430,144,558	401,411,175
Borrowing		-	-
Overall financing		430,144,558	401,411,175
Capital-to-overall financing ratio		1:1.32	1:1.22

36 Remuneration of Chief Executive Officer, Directors and Executives

36.1 No fee or remuneration was paid by the Company to Chief Executive Officer and Directors except for the lump sum amount of Rs. 900,000/- (2011: Rs. 900,000/-) charged by Wah Nobel (Private) Limited, as corporate service fee as disclosed in note 25.

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

37 Capacity and production

	Designed annual capacity		Actual production	
	2012	2011	2012	2011
	Metric Tones			
Formaldehyde and Formalin solvent	30,000	30,000	24,856	18,934
Urea / Phenol Formaldehyde	19,000	19,000	24,842	17,828

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

37.1 The urea / phenol formaldehyde plant has been operated in extended hours due to increase in demand of products.

38 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:

	2012 Rupees	2011 Rupees
Expenses incurred (on behalf of) / by the group companies net	(898,314)	(1,005,661)
Vehicles lease rentals paid by the holding company	-	33,942
Corporate service fee charged by holding company	900,000	900,000
Sales to associate company	404,793	201,701
Purchases from associate company	1,051,053	-
Dividend paid to the holding company	24,852,000	24,852,000
Other related parties		
Payment to:		
Employees' pension fund trust	1,006,587	1,006,723
Employees' provident fund trust	1,142,877	1,114,840
Worker profit participation fund	10,284,660	6,469,621

39 Number of employees

Total number of permanent employees as at June 30, 2012 is 110 (2011 : 109)

40 Non-adjusting event after balance sheet date

The Board of directors at the meeting held on October 08, 2012 have proposed for the year ended June 30, 2012 cash dividend of Rs. 5.00 per share (2011: Rs. 5.00 per share), amounting to Rs. 45.000 million subject to approval of members at the annual general meeting.

41 Date of authorization

These financial statements were authorized for issue on October 08, 2012 by the Board of Directors of the Company.

42 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.

43 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 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 29th Annual General Meeting of the Company to be held on Wednesday, the October 31, 2012 at 1100 hrs and at any adjournment thereof.

Signed by the said _____

this _____ day of _____ 2012 in my presence.

Signature of Witness

Signature on
Revenue Stamp
of Rs. 5/-

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.

Wah Nobel

WAH NOBEL GROUP

Symbol of Quality, Safety & Reliability

Wah Nobel (Pvt) Limited

Wah Nobel Chemicals Limited

Wah Nobel Acetates Limited

Wah Nobel Baluchistan Explosives (Pvt) Limited



Wah Nobel develops, manufactures, markets and maintains a wide range of commercial explosives, accessories and industrial chemicals of international standards.



Wah Nobel Group

A joint venture of Pakistan Ordnance Factories, SAAB-AB, Sweden & Almisehal Co., Saudi Arabia