Annual Report
2013

Wah Nobel Chemicals Limited

بسم الله الرحمن الرحيم

Contents

Vision Statement

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

Corporate Mission

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

Corporate Information

BOARD OF DIRECTORS	
Lt. Gen. Muhammad Ahsan Mahmood, HI (M)	Chairman
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, PF Resins and Urea Formaldehyde Moulding Compound. Since its inception Wah Nobel Chemicals Limited has stood as a symbol of quality, safety, reliability, unparallel after sale service and commitment. Its products enjoy the highest reputation throughout Pakistan. This has been achieved through innovation, expertise, state of the art technology and a vision for the future.

PRODUCTION PREMISES

• Total Area	45,100 Sqr. M
• Process Area	20,000 Sqr. M
• Auxiliary Building	1,000 Sqr. M
• Green Area	11,730 Sqr. M
• Open Plot For	
• Future Expansion	12,270 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	
• Urea Formaldehyde Moulding Compound	Various Grades

INSTALLED CAPACITY

• Formaldehyde	30,000 M. Tons per annum.
• Urea/Phenol Formaldehyde	19,000 M. Tons per annum.
• Urea Formaldehyde Moulding Compound	4,000 M. Tons per annum.

QUALITY LEADERSHIP

Quality is an integral part of our business environment and culture. The certification of ISO 9001-2008 affirms our commitment to the adherence of international quality standards. Further, our Company has also been awarded two other Certificates namely Environmental Management System ISO 14001:2004 and Health & Safety Management System OHSAS 18001:2007. All these certifications add to the confidence of our customers in our ability to provide them with the best products and services at most competitive prices.

Notice of Annual General Meeting

NOTICE is hereby given that the 30th Annual General Meeting of the shareholders of WAH NOBEL CHEMICALS LIMITED will be held at the Registered Office of the Company, G.T. Road, Wah Cantt on Wednesday, October 30, 2013 at 11.00 hours to transact the following business:

1. To confirm the minutes of the Extra Ordinary General Meeting held on May 30, 2013.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2013 together with the Directors' and the Auditors' Reports thereon.
3. To approve the payment of cash dividend @ Rs. 5.50 per share i.e. 55 % as recommended by the Directors.
4. To appoint Auditors for the ensuing year and to fix their remuneration. (M/s Anjum, Asim, Shahid, Rehman & Co Chartered Accountants, retire, and being eligible, have offered themselves for re-appointment). The Audit Committee and the Board of Directors recommend their appointment as auditors of the company.
5. To transact any other business with the permission of the Chair.

By Order of the Board

(TANVEER ELAHI)
COMPANY SECRETARY

WAH CANTT.
OCTOBER 03, 2013

Notes:

1. The share transfer books of the Company will remain closed from October 24, 2013 to October 30, 2013 (both days inclusive). Transfers received in order by the Shares Registrar of the Company by the close of business on October 23, 2013 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. Members, who have not yet submitted photocopy of their valid CNIC 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
    - Bank Account Number
    - Bank's Name
    - Branch Name and Address
    - Cell Number of Shareholder
    - Landline Number of Shareholder, if any

Directors' Report

The Directors of the Company are pleased to present Annual Report and the Audited Financial Statements of the Company for the year ended June 30, 2013 together with the Auditors' Report thereon.

OPERATING PERFORMANCE

During the year the business environment and economic conditions remained challenging due to continuous energy crisis , poor law and order situation, currency devaluation and persistent inflation, however, despite these challenges your Company has achieved net sales revenue of Rs. 1.2 billion compared to Rs.1.1 billion of last year, i.e. an increase of 6% over net sales revenue reported last year.

Gross profit for the period under review stood at Rs. 234 million as compared to Rs.190 million of the last year. Gross profit margin slightly rose to 19% from 17 % of previous year

Company earned After Tax Profit of Rs.115 million against last year's After Tax Profit of Rs.74 million. Net Profit increased by 41 million, however net profit ratio increased to 10 % from 6 % of previous year.

Operating expenses were normal and in line with increase in sales volume and inflation factor. The increase in after tax profit is attributable to increase in volume , price rationalization, optimal capacity utilization , efficient working capital management and savings in fixed costs.

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

	2013	2012
	Rupees (in thousands)	
Net Sales	1,211,238	1,147,501
Gross Profit	233,840	189,850
Operating Profit	157,227	119,301
Profit before taxation	155,938	116,968
Provision for taxation	40,697	43,235
Profit after taxation	115,241	73,733
Un-appropriated profit brought forward	79,200	77,467
Profit available for appropriation	194 ,441	151,200
Appropriations		
Dividend Paid (9,000,000 shares @ Rs. 5/- per share)	45,000	45,000
Transfer to reserve	30,000	27,000
Un-appropriated profit carried forward	119,430	79,200

DIVIDEND

Your Directors recommended for the year 2012-13, a payment of cash dividend @ Rs.5.50 per share (i.e.55 %). The dividend recommended is subject to the approval of shareholders in the forthcoming Annual General Meeting

NET EARNING PER SHARE

Earning per share for the year ended June 30, 2013 was Rs.12.80 as against Rs. 8.19 of the preceding year.

OUTLOOK FOR 2013-14

Anticipated increase in utility cost, weakening Pak Rupee, high inflation, poor law & order situation, continuing power-crisis, fierce competition and recent interest rate hike by the SBP are key challenges. Despite these challenges management of your company remain confident that economic prospects will improve in the future and the Company shall be able to maintain its market share and growth through tight cost control, product and process optimisation, price rationalization and efficient working capital management. Your company is working proactively to successfully launch new product UFMC to increase its revenue base and profitability.

UREA FORMALDEHYDE MOULDING COMPOUND (UFMC) PLANT

Company has successfully completed installation of Chinese origin 4,000 M.Tons capacity UFMC production plant. Trial production is expected to commence by mid of October, 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, 2013 were as follows:

	Rupees
Provident Fund	46,815,378
Gratuity Fund	9,459,734
Pension Fund	16,832,956

BOARD OF DIRECTORS

Seven directors were elected unopposed as Directors of the Company for next term of three years ending May 31, 2016 in the Extra Ordinary General Meeting held on May 30, 2013 .The newly elected Board of Directors comprises the following:-

1. Lt. Gen. Muhammad Ahsan Mahmood
2. Mr. Torbjorn Saxmo
3. Mr. Feroz Khan Malik
4. Mr. Riaz Ahmed
5. Mr. Muhammad Nawaz Tishna
6. Mr. Muhammad Asif
7. Mr. Muhammad Rizwan

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

	Directors		Number of meetings attended
1	Lt. Gen. Muhammad Ahsan Mahmood	Chairman	2
2.	Mr. Torbjorn Saxmo	Director	4
3	Mr. Feroz Khan Malik	Director	3
4.	Mr. Riaz Ahmed	Director	5
5.	Mr. Muhammad Nawaz Tishna	Director	5
6.	Mr. Muhammad Asif	Director	4
7.	Mr. Khalid Pervaiz	Director (Resigned on July 10,2012)	-
8.	Mr. Muhammad Rizwan	Director (Appointed on July 10, 2012)	3
9.	Mr. Shabbir Ahmed	Chief Executive (Retired on July 14, 2012)	1
10.	Syed Naseem Raza	Chief Executive (Appointed on July 14, 2012)	4

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

	Members		Number of meetings attended
1.	Mr. Riaz Ahmed	Chairman	3
2.	Mr. Muhammad Rizwan	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. Energy conservation has drawn focus in recent years in this regard your Company has taken various steps to conserve energy like restricted use of all air conditioners and heaters and replacement of electric bulbs & tubes with energy savers and LED's.

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.

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.

As a general obligation of the Company, WNCL does not discriminate on the basis of race, sex, religion, disability or family status in the recruitment, training or advancement of its employees. The Company is committed to provide a safe, healthy, learning and environment friendly atmosphere to all its employees. The Company promotes culture of team work, sense of urgency , innovation, sincerity & loyalty, discipline, tolerance and mutual respect among the employees which helps in transforming their creativities into professional excellence.

Company offers apprenticeship on regular basis to elevate professional and technical skills of the individuals .

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 2012-13 company has contributed over Rs. 304 million to the national exchequer.

DIRECTORS' TRAINING PROGRAM

During the year CEO and one Director of the company have acquired the certification under directors' training program from the Institute of Cost and Management Accountants of Pakistan.

WEBSITE

Company's periodic financial statements for the current financial year including annual/periodic reports for the last three years are available on the Company's website for information of the shareholders and others.
www.wahnobel.com/wnc.htm

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.

EXTERNAL AUDITORS

The present Auditors M/s Anjum, Asim, Shahid, Rehman & Company, Chartered Accountants, retire and being eligible, offer themselves for reappointment.

They confirmed that they have been given satisfactory rating under the Quality Control Review Program of The Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by the ICAP.

On the recommendation of the Board's Audit Committee, the Board of Directors proposed their re-appointment by the shareholders at the ensuing Annual General Meeting, as auditors of the Company for the year ending June 30, 2014.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30, 2013 and additional information thereabout required under the Code of Corporate Governance is included in this report.

ACKNOWLEDGMENT

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

By Order of the Board

(SYED NASEEM RAZA)
CHIEF EXECUTIVE

WAH CANTT.
OCTOBER 03, 2013

Six Years at a Glance

		2008	2009	2010	2011	2012	2013
				(Rupees in thousands)			
(A)	Operating Results:						
i)	Net Sales Revenue	697,510	715,258	712,677	698,678	1,147,501	1,211,238
ii)	Gross Profit	221,722	225,166	185,476	151,912	189,850	233,840
iii)	Operating Profit	172,586	175,808	132,848	106,239	119,301	157,227
iv)	Profit Before Tax	152,514	146,058	117,003	97,844	116,968	155,938
v)	Profit After Tax	101,992	97,006	75,991	64,294	73,733	115,241
(B)	Financial Position						
i)	Paid-up Capital	90,000	90,000	90,000	90,000	90,000	90,000
ii)	Shareholders Equity	299,120	351,126	382,117	401,411	430,145	500,386
iii)	General Reserve	103,000	133,000	183,000	233,000	260,000	290,000
iv)	Property, Plants and Equipment	109,852	110,111	105,209	100,181	92,989	109,571
v)	Current Assets	428,841	399,767	358,411	385,464	491,637	544,733
(C)	Key Performance Indicators						
i)	Gross Profit %	31.78%	31.48%	26.03%	21.74%	16.54%	19.31%
ii)	Profit Before Tax %	21.86%	20.42%	16.42%	14.00%	10.19%	12.87%
iii)	Earning Per Share Rs.	11.33	10.78	8.44	7.14	8.19	12.8
iv)	Cash Dividend %	50%	50%	50%	50%	50%	55% (proposed)
vi)	Break-up Value Per Share Rs.	33.23	39.01	42.46	44.60	47.79	55.6
vii)	Current Ratio	1.69:1	2.26:1	3.46:1	3.51:1	2.70:1	2.95:1

Pattern of Shareholding
as at June 30, 2013

No of shareholders	Shareholding From	Shareholding To	Total shares held
146	1	100	5,918
406	101	500	110,187
148	501	1,000	118,613
167	1,001	5,000	412,559
42	5,001	10,000	329,284
16	10,001	20,000	224,700
19	20,001	30,000	532,714
4	30,001	50,000	143,302
3	50,001	100,000	205,203
4	100,001	1,000,000	1,947,125
1	1,000,001	5,000,000	4,970,395
956	**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
• Banks Development Financial Institutions, Non Banking Financial Institutions.	5	465,899	5.18
• Insurance Companies	2	874,080	9.71
• Modarabas and Mutual Funds	3	644,209	7.16
• General Public			
a. Local	919	1,767,146	19.63
b. Foreign			
• Others			
Trust/Fund	5	79,145	0.88
Joint Stock Coys	10	6,819	0.08
Stock Exchange	1	100	0.00
Total	956	9,000,000	100.00

Details of Pattern of Shareholding

as per requirement 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, NI(U) T Fund	636,624
2	Investment Corportation of Pakistan, (ICP)	625
		637,249
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. Muhammad Rizwan, 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.	1,407,184
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, NI(U) T Fund	636,624
3	State Life Insurance Corporation Of Pakistan	862,080
		6,469,099

* 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 , 2013.

Statement of Compliance with Code of Corporate Governance for the year ended June 30, 2013

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. However, at present none of the directors on the board meets the criteria of independence specified under clause i (b) of the code. The Company intends to take steps to remove this non compliance. At present the board includes:

Category	Names
Independent Directors	None
Executive Directors	1. Syed Naseem Raza , 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 Ahmad 6 Mr. Muhammad Asif 7. Mr. Muhammad Rizwan

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 NBFI 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 July 10, 2012 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. During the year CEO and one Director of the company have acquired the Certification under directors' training program from the institute that meets the criteria specified by the SECP. One Director of the company is exempt from the requirement of directors training program in accordance with the criteria specified in Clause xi of the Code, 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. During the year Board has approved the appointment of new Head of Internal Audit including her remuneration and terms & conditions of employment. However no new appointment of CFO or the Company Secretary was made during the year..

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

12. The 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 which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.

19. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programmed 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.

By Order of the Board

WAH CANTT.
OCTOBER 03, 2013

(SYED NASEEM RAZA)
CHIEF EXECUTIVE

Review Report to the Members on
Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2013 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, except for clause i (b) of the Code 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.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants

Karachi
Date: October 3, 2013

Auditors' Report to the Members

We have audited the annexed balance sheet of Wah Nobel Chemicals Limited as at June 30, 2013 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, 2013 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.

Auditors' Report to the Members

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. 798 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 3, 2013

Balance Sheet as at June 30, 2013

	Note	2013 Rupees	2012 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	4	109,571,385	92,989,329
Long term investment	5	36,295,421	36,164,666
Deferred taxation	6	470,071	-
Total non-current assets		146,336,877	129,153,995
Current assets			
Stores, spares and loose tools	7	40,786,085	41,938,443
Stock in trade	8	77,620,884	111,784,778
Trade debts	9	222,563,582	218,068,260
Advances	10	4,897,153	6,165,872
Trade deposits		40,070	40,070
Accrued interest income	11	198,328	298,881
Other receivables	12	11,422,495	7,019,237
Short-term investment	13	2,582,666	2,582,666
Taxation - net	14	20,446,514	-
Cash and bank balances	15	164,175,056	103,738,762
Total current assets		544,732,833	491,636,969
Total assets		691,069,710	620,790,964
EQUITY AND LIABILITIES			
Equity			
Authorized capital	16	200,000,000	200,000,000
Issued, subscribed and paid up capital	16	90,000,000	90,000,000
Capital reserves	17	944,404	944,404
General reserves	18	290,000,000	260,000,000
Unappropriated profit		119,441,152	79,200,154
Total equity		500,385,556	430,144,558
Non-current liabilities			
Deferred liabilities	19	5,972,838	3,851,535
Deferred taxation	6	-	4,903,096
Total non-current liabilities		5,972,838	8,754,631
Current liabilities			
Trade and other payables	20	184,711,316	169,874,375
Due to holding company	21	-	1,686
Taxation - net	14	-	12,015,714
Total current liabilities		184,711,316	181,891,775
Total liabilities		190,684,154	190,646,406
Contingencies and commitments	33		
Total equity and liabilities		691,069,710	620,790,964

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

Director **Chief Executive**

Profit and Loss Account
for the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
Turnover-net	23	1,211,237,651	1,147,501,226
Cost of sales	24	(977,397,599)	(957,651,571)
Gross profit		233,840,052	189,849,655
Administrative and general expenses	25	(26,510,875)	(26,987,884)
Selling and distribution expenses	26	(50,102,144)	(43,560,771)
Operating profit		157,227,033	119,301,000
Finance cost	28	(481,496)	(569,085)
Other operating expenses	29	(11,972,485)	(9,301,122)
Other income	27	11,034,316	7,257,724
Share in profit of associated company-net of tax	5	130,755	279,087
Profit before taxation		155,938,123	116,967,604
Taxation	30	(40,697,125)	(43,234,221)
Profit for the year		115,240,998	73,733,383
Other comprehensive income for the year		-	-
Total comprehensive income for the year		115,240,998	73,733,383
Earnings per share - basic and diluted	31	12.80	8.19

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

Director

Chief Executive

Cash Flow Statement

for the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
Cash flows from operating activities			
Profit before taxation		155,938,123	116,967,604
Adjustment for non cash and other items	32	36,088,117	26,576,699
Changes in working capital			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		1,152,358	(8,163,222)
Stock in trade		34,163,894	(74,500,946)
Trade debts		(14,495,322)	(957,663)
Advances		1,268,719	699,340
Other receivables		(4,403,258)	(4,247,088)
(Decrease) / increase in current liabilities:			
Trade and other payables		630,571	83,286,623
		18,316,962	(3,882,956)
Cash generated from operations		210,343,202	139,661,347
(Payments for) / Receipts of:			
Financial charges		(341,362)	(453,949)
Workers' profit participation fund	20.2	(7,918,366)	(10,284,660)
Workers' welfare fund	20.3	-	(2,383,938)
Gratuity	20.1	(1,100,000)	
Accumulated compensated absences	19.1	(833,217)	(1,047,197)
Bank interest	27.1	7,279,091	5,202,846
Taxation	14	(78,532,520)	(53,804,919)
		(81,446,374)	(62,771,817)
Net cash generated from operating activities		128,896,828	76,889,530
Cash flows from investing activities			
Payments for capital expenditure	4	(23,759,415)	(67,800)
Interest on term deposit receipts	11	298,881	12,640
Net cash generated from / (used in) investing activities		(23,460,534)	(55,160)
Cash flows from financing activities			
Dividends paid		(45,000,000)	(45,000,000)
Net cash (used in) financing activities		(45,000,000)	(45,000,000)
Net increase in cash and cash equivalents		60,436,294	31,834,370
Cash and cash equivalents at beginning of the year		103,738,762	71,904,392
Cash and cash equivalents at the end of the year	15	164,175,056	103,738,762

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

Director **Chief Executive**

Statement of Changes in Equity

for the year ended June 30, 2013

	Issued Subscribed and paid-up share capital	Capital reserve	Revenue reserves		Total
			General reserve	Un-appropriated profit	
			(Rupees)		
Balance as at July 1, 2011	90,000,000	944,404	233,000,000	77,466,771	401,411,175
Total comprehensive income	-	-	-	73,733,383	73,733,383
Transactions with owners					
Final Dividend (Rs. 5 per share)	-	-	-	(45,000,000)	(45,000,000)
Transfer to general reserve	-	-	27,000,000	(27,000,000)	-
Balance as at June 30, 2012	90,000,000	944,404	260,000,000	79,200,154	430,144,558
Total comprehensive income	-	-	-	115,240,998	115,240,998
Transactions with owners					
Final Dividend (Rs. 5 per share)	-	-	-	(45,000,000)	(45,000,000)
Transfer to general reserve	-	-	30,000,000	(30,000,000)	-
Balance as at June 30, 2013	90,000,000	944,404	290,000,000	119,441,152	500,385,556

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

Director

Chief Executive

Notes to the Financial Statements

for the year ended June 30, 2013

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 have been measured at present value as shown in the note 19 and 20.1.

b) Held-to-maturity investments are measured at amortized cost as shown in note 13.

These financial statements have been prepared under the accrual basis of accounting except cash flow 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 judgments, 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 judgment in the process of applying the Company's accounting policies. Estimates and judgments 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.

Notes to the Financial Statements
for the year ended June 30, 2013

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

2.4.1 Contingencies

The assessment of contingencies inherently involves the exercise of significant judgment 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.

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 New standards, amendments to approved accounting standards and new interpretations

2.5.1 New standards, amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2013.

There were certain new standards, amendments to approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

Notes to the Financial Statements

for the year ended June 30, 2013

2.5.2 Standards, interpretations and amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below and have not been earlier adopted by the Company. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases except IAS 19:

		Effective for periods beginning on or after
- IFRS 7	Financial Instruments: disclosures - amendments	January 01, 2013
- IAS 19	Employee Benefits - amended standards resulting from the post employment benefits and termination benefits project.	January 01, 2013
- IAS 27	Consolidated and separate financial statements - reissued as IAS 27 separate financial statement (as amended in 2011).	January 01, 2013
- IAS 28	Investment in associates - reissued as IAS 28 investment in associates and joint ventures (as amended in 2011).	January 01, 2013
- IAS 32	Financial instruments: Presentation (Amendment)	January 01, 2014
- IAS 34	Interim financial reporting	January 01, 2013
- IAS 39	Financial Instruments: Recognition and measurement	January 01, 2014

The IAS 19 Amendments include a number of targeted improvements throughout the standard. The main changes relate to defined benefit plans are as under:

-Eliminate the 'corridor method', requiring entities to recognize all actuarial gains and losses arising in the reporting period ;

-Changes the measurements and presentation of certain components of defined benefit cost;

-Enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risk that entities are exposed to through participation in them.

2.5.3 Standards, interpretations and amendments not yet adopted

The following new standards have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan, for the purpose of their applicability in Pakistan:

-IFRS 9	Financial Instruments: classification and measurement	January 01, 2013
-IFRS 10	Consolidated financial statements	January 01, 2013

Notes to the Financial Statements
for the year ended June 30, 2013

-IFRS 11	Joint Arrangements	January 01, 2013
-IFRS 12	Disclosure of interest in other entities	January 01, 2013
-IFRS 13	Fair Value Measurement	January 01, 2013

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 20.1 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 summarized in note 19.

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.

Notes to the Financial Statements
for the year ended June 30, 2013

Current taxation

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

Deferred taxation

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

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

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

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.

Notes to the Financial Statements
for the year ended June 30, 2013

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.

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	Period of lease: 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's asses 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 cash flows 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.

Notes to the Financial Statements
for the year ended June 30, 2013

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.

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.

Notes to the Financial Statements
for the year ended June 30, 2013

In balance sheet overdrafts are shown in current liabilities while favorable 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 up to 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.

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

Notes to the Financial Statements
for the year ended June 30, 2013

subsequently at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

b) Loan and receivables

Loan and receivables include 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.

3.18 Segment reporting

The company constitutes of a single repotable segment consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segment has been identified as Board of directors of the company who makes strategic decisions.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	2013 Rupees	2012 Rupees
Operating fixed assets	4.1	86,923,919	92,989,329
Capital work in progress	4.2	22,647,466	-
		109,571,385	92, 989,329

Notes to the Financial Statements
for the year ended June 30, 2013

4.1 OPERATING FIXED ASSETS

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, 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	198296763	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
Gross carrying amount	2,406,019	16,432,437	547,920	198,296,763	1,210,636	925,008	3,390,487	1,934,585	4,111,463	229,255,318	1,701,971	230,957,289
Accumulated depreciation	(1,286,788)	(12,654,935)	(516,059)	(119,170,332)	(744,395)	(641,994)	(2,173,355)	(1,611,602)	(3,536,600)	(142,336,060)	(1,697,310)	(144,033,370)
Carrying amount June 30, 2013	1,119,231	3,777,502	31,861	79,126,431	466,241	283,014	1,217,132	322,983	574,863	86,919,258	4,661	86,923,919

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, 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
Additions		-	-		19,000	-	995,449	97,500	-	1,111,949	-	1,111,949
Depreciation	(58,907)	(419,723)	(3,540)	(6,322,322)	(51,629)	(31,446)	(24,631)	(64,731)	(143,698)	(7,120,627)	(56,732)	(7,177,359)
Carrying amount June 30, 2013	1,119,231	3,777,502	31,861	79,126,431	466,241	283,014	1,217,132	322,983	574,863	86,919,258	4,661	86,923,919

4.1.1 Production capacity achieved by the newly capitalized Formaldehyde and U.F Glue plants is 75% and 32%, respectively.

4.1.2 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.

Notes to the Financial Statements
for the year ended June 30, 2013

		Note	2013 Rupees	2012 Rupees
4.1.3	Depreciation charge for the year has been allocated as under:			
	Cost of sales	24.1	6,970,646	7,041,521
	Administrative expenses	25	206,713	217,985
			7,177,359	7,259,506

4.2 This amount includes expenses relating to civil works for new building to be used for erection of new UFMC (Urea Formaldehyde Moulding Compounds) plant.

5 Long term investment

	2013 Rupees	2012 Rupees
Investments in related party:		
Wah Nobel Acetate Limited		
2,500,000 shares of Rs. 10/- each. (equity held: 8.33%)	25,000,000	25,000,000
Share of profit of prior periods	11,164,666	10,885,579
Share of profit / (loss) of current period-net of tax	130,755	279,087
	11,295,421	11,164,666
	36,295,421	36,164,666

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	2013 Rupees	2012 Rupees
Assets		679,171,008	693,359,378
Liabilities		312,137,393	327,895,455
Revenues		507,731,381	568,753,065
Profit		1,569,692	3,350,387

6 Deferred taxation

	Note	2013 Rupees	2012 Rupees
Deferred tax liability - July 01,		(4,903,096)	(6,884,346)
Credited to profit and loss for the year		5,373,167	1,981,250
Net deferred tax asset / (liability) - June 30,	6.1	470,071	(4,903,096)

6.1 The deferred tax asset comprises of the following:

	2013 Rupees	2012 Rupees
Accelerated tax depreciation	(23,040,098)	24,908,582
Provision for doubtful debts	22,608,946	(19,773,915)
Provision for staff retirement and other benefits	2,030,765	(1,348,037)
Others	(1,129,542)	1,116,466
	470,071	4,903,096

Notes to the Financial Statements
for the year ended June 30, 2013

		Note	2013 Rupees	2012 Rupees
7	Store, spares and loose tools			
	Stores		23,547,277	15,654,276
	Spares		16,988,633	26,052,826
	Loose tools		250,175	231,341
			40,786,085	41,938,443
8	Stock in trade			
	Raw and packing material	24.2	27,932,972	33,089,045
	Work in process	24.1	712,951	346,265
	Finished goods	24	6,071,362	8,889,312
	Goods in transit		42,903,599	69,460,156
			77,620,884	111,784,778

8.1 Goods in transit include in bonded inventory.

		Note	2013 Rupees	2012 Rupees
9	Trade debts			
	Considered good - unsecured		222,563,582	218,068,260
	Considered doubtful - unsecured		66,496,901	56,496,901
			289,060,483	274,565,161
	Provision for doubtful debts	9.1	(66,496,901)	(56,496,901)
			222,563,582	218,068,260
9.1	Reconciliation of provision for doubtful debts			
	Opening provision		56,496,901	43,496,901
	Charge for the year	25	10,000,000	13,000,000
			66,496,901	56,496,901
	Debts written off		-	-
	Balance at the end of the year		66,496,901	56,496,901
10	Advances			
	Advances - unsecured, considered good			
	to suppliers		3,905,628	5,672,803
	to employees for expenses		991,525	493,069
			4,897,153	6,165,872

10.1 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 (2012 : Rs Nil).

Notes to the Financial Statements
for the year ended June 30, 2013

	2013 Rupees	2012 Rupees
11 Accrued interest income		
Profit receivable on term deposit receipts	198,328	298,881
12 Other receivables		
Sales tax refundable	10,903,948	6,533,937
Letter of credit / guarantee margin	180,900	180,900
Due from associated companies	33,247	-
Others	304,400	304,400
	11,422,495	7,019,237
13 Short-term-investment		
Held in local currency		
Term deposit receipts	2,582,666	2,582,666
	2,582,666	2,582,666

Held-to-maturity financial assets comprise term deposit receipts (TDRs) having maturity up to 1 year and average profit rate above 9.1% per annum (2012: 11%) and held under lien with bank.

	Note	2013 Rupees	2012 Rupees
14 Taxation			
Opening balance		12,015,714	20,605,162
Current tax			
- Current		60,137,158	45,215,471
- Prior		(14,066,866)	-
Income tax paid / withheld during the year		(78,532,520)	(53,804,919)
		(20,446,514)	12,015,714
15 Cash and bank balances			
Cash in hand		66,443	49,095
Cash with banks:			
in current accounts		19,466,354	14,091,254
in saving accounts	15.1	144,642,259	89,598,413
		164,175,056	103,738,762

15.1 These carry profit at the average rate of 9.5% per annum (2012: 11.5%).

Notes to the Financial Statements
for the year ended June 30, 2013

16. Share Capital

2013	2012		2013	2012
No. of shares			Rupees	Rupees
		Authorized		
20,000,000	20,000,000	Ordinary shares of Rs. 10 each	200,000,000	200,000,000
		Issued, subscribed and paid up		
6,750,000	6,750,000	Ordinary shares of Rs. 10 each fully paid in cash	67,500,000	67,500,000
2,250,000	2,250,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	22,500,000	22,500,000
9,000,000	9,000,000		90,000,000	90,000,000

16.1 Wah Nobel (Private) Limited (the holding Company) held 4,970,400 (2012: 4,970,400) ordinary shares at balance sheet date.

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

17 Capital reserve

	Note	2013 Rupees	2012 Rupees
Capital reserve	17.1	944,404	944,404

17.1 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.

18 General reserve

	2013 Rupees	2012 Rupees
Balance at the beginning of the year	260,000,000	233,000,000
Transfer during the year	30,000,000	27,000,000
	290,000,000	260,000,000

Notes to the Financial Statements
for the year ended June 30, 2013

		Note	2013 Rupees	2012 Rupees
19	**Deferred liabilities**			
	Provision for accumulated compensated absences	19.1	5,972,838	3,851,535

		2013	2012
19.1	**The amounts recognized in the balance sheet are determined as follows:**		
	Opening present value of defined benefit obligations	3,851,535	3,420,822
	Current service cost	1,065,266	420,621
	Interest cost	500,700	478,915
	Benefits paid during the year	(833,217)	(1,047,197)
	Actuarial (gain)/loss on present value of defined benefit obligation	1,388,554	578,374
		5,972,838	3,851,535
19.2	**The amounts recognized in the profit and loss account are as follows:**		
	Current service cost	1,065,266	420,621
	Interest cost	500,700	478,915
	Actuarial (gains)/losses charge	1,388,554	578,374
		2,954,520	1,477,910

	2013	2012	2011	2010	2009
Present value of defined benefit obligation	5,972,838	3,851,535	3,420,822	3,041,532	2,923,408

		2013	2012
19.3	**The principal actuarial assumptions used were as follows:**		
	Discount rate	11%	13%
	Expected rate of increase in salary	10%	12%
	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

Notes to the Financial Statements
for the year ended June 30, 2013

		Note	2013 Rupees	2012 Rupees
20	Trade and other payables			
	Trade creditors		122,034,738	132,093,912
	Advances from customers		2,025,247	2,592,035
	Accrued expenses		5,403,489	2,517,678
	Bonus payable		10,353,594	8,144,444
	Sales tax payable		2,840,224	297,288
	Unclaimed dividends		2,709,237	2,422,023
	Payable to employees gratuity fund	20.1	11,492,906	1,057,475
	Workers' profit participation fund	20.2	1,867,743	1,278,232
	Workers' welfare fund	20.3	20,513,967	17,334,225
	Payable to employees' provident fund	20.4	502,037	312,549
	Other liabilities		4,968,134	1,824,514
			184,711,316	169,874,375

20.1 Receivables from/(payable to) employees gratuity fund

		2013 Rupees	2012 Rupees
a)	Movement in the asset / (liability) recognized in the balance sheet:		
	Balance at beginning of the year	(1,057,475)	33,103
	Charge for the year	(11,535,431)	(1,090,578)
	Payment during the year	1,100,000	-
	Balance at end of the year	(11,492,906)	(1,057,475)
b)	Reconciliation of the liability recognized in the balance sheet:		
	Present value of defined benefit obligation	(27,519,950)	(12,297,717)
	Fair value of plan assets	14,097,460	10,704,283
	Deficit	(13,422,490)	(1,593,434)
	Unrecognized actuarial losses	1,929,584	535,959
	Net liability	(11,492,906)	(1,057,475)
c)	Amounts charged to profit and loss account during the current year:		
	Current service cost	1,005,279	970,023
	Interest cost	1,598,703	1,647,464
	Expected return on plan assets	(1,391,557)	(1,526,909)
	Actuarial losses charge	10,323,006	-
		11,535,431	1,090,578

Notes to the Financial Statements
for the year ended June 30, 2013

	2013	2012	2011	2010	2009
Present value of defined benefit obligation	(27,519,950)	(12,297,717)	(11,767,603)	(11,034,231)	(9,770,064)
Fair value of plan assets	14,097,460	10,704,283	10,906,496	10,457,736	9,954,667
Unrecognized actuarial losses / (gains)	1,929,584	535,959	894,210	1,630,966	(55,130)

d) Actuarial valuation of this plan was carried out as at June 30, 2013 using Projected Unit Credit Method. Significant actuarial assumptions used were as follows:

	Note	2013	2012
Discount rate		11%	13%
Expected rate of eligible salary increase in future years		10%	12%
Expected rate of return on plan assets per annum		13%	14%
Average expected remaining working life time of employees		12 years	12 years

	Note	2013 Rupees	2012 Rupees
20.2 Workers' profit participation fund			
Balance at the beginning of the year		1,278,232	5,109,910
Interest for the period on fund utilized by the Company	28	140,134	174,750
Payments during the year		(7,918,366)	(10,284,660)
Allocation for the year		8,367,743	6,278,232
Balance at the end of the year		1,867,743	1,278,232
20.3 Workers' welfare fund			
Balance at the beginning of the year		17,334,225	17,120,273
Payments during the year		-	(2,383,938)
Allocation for the year	29	3,179,742	2,597,890
Balance at the end of the year		20,513,967	17,334,225

20.3.1 On the basis of appellate decision on appeal of parent company, no payment is made in current year while provision is made to cover up any unfavorable decision on the appeal of department against the decision of appellate tribunal.

Notes to the Financial Statements
for the year ended June 30, 2013

		2013 Rupees	2012 Rupees
20.4	**Payable to employees' provident fund**		
	Opening payable	312,549	333,640
	Contribution/withheld during the year	5,005,814	3,917,280
	Payments during the year	(4,816,326)	(3,938,371)
	Balance at the end of the year	502,037	312,549
21	**Due to holding company**		
	Wah Nobel (Private) Limited - holding company	-	1,686

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 (2012: Nil). Details of running finance facilities are as follows:

Banks	Markup	Limits 2013 Rupees	Limits 2012 Rupees
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	40 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

Notes to the Financial Statements
for the year ended June 30, 2013

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 2013	Letter of guarantee 2012	Letter of credit 2013	Letter of credit 2012
		Rupees			
Bank Al Habib Limited	22.3.1	20,000,000	20,000,000	250,000,000	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

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	2013 Rupees	2012 Rupees
23	Turnover			
	Gross revenue - manufacturing		1,403,030,630	1,329,242,950
	Sales tax		(191,792,979)	(181,741,724)
	Net turnover		1,211,237,651	1,147,501,226
24	Cost of sales			
	Cost of goods manufactured	24.1	974,053,219	952,193,949
	Packing material consumed		526,430	1,054,448
			974,579,649	953,248,397
	Opening stock of finished goods		8,889,312	13,292,486
	Closing stock of finished goods	8	(6,071,362)	(8,889,312)
			977,397,599	957,651,571

Notes to the Financial Statements
for the year ended June 30, 2013

	Note	2013 Rupees	2012 Rupees
24.1 Cost of goods manufactured			
Raw material consumed	24.2	863,265,422	866,302,643
Stores and spares consumed		14,986,263	12,406,225
Salaries, wages and other benefits	26.1	47,799,943	30,747,645
Fuel and power		34,392,307	30,724,454
Rent, rates and taxes		337,912	326,036
Insurance		1,196,221	1,279,474
Repairs and maintenance of vehicles		1,149,126	443,974
Outside security charges		888,656	601,216
Miscellaneous expenses		3,433,409	2,109,083
Depreciation	4.1.3	6,970,646	7,041,521
Manufacturing cost		974,419,905	951,982,271
Opening stock of work in process		346,265	557,943
Closing stock of work in process	8	(712,951)	(346,265)
		974,053,219	952,193,949
24.2 Raw material consumed			
Opening stock	8	33,089,045	14,499,144
Purchases during the year		858,109,349	884,892,544
		891,198,394	899,391,688
Closing stock	8	(27,932,972)	(33,089,045)
		863,265,422	866,302,643
25 Administrative and general expenses			
Salaries, wages and other benefits	26.1	10,407,472	6,157,925
Corporate service charges		900,000	900,000
Office rent		66,180	66,180
Electricity and water charges		538,917	543,800
Postage, telephone and telex		283,712	267,567
Printing and stationery		627,046	718,179
Travelling and conveyance		1,486,024	1,454,926
Entertainment		131,865	90,297
Legal and professional charges		622,421	2,192,306
Fees and subscription		446,860	274,874
Advertisement and publicity		86,220	69,501
Maintenance expenses		67,046	95,819
Provision for doubtful debts	9.1	10,000,000	13,000,000
Miscellaneous expenses		640,399	938,525
Depreciation	4.1.3	206,713	217,985
		26,510,875	26,987,884

Notes to the Financial Statements
for the year ended June 30, 2013

		Note	2013 Rupees	2012 Rupees
26	Selling and distribution expenses			
	Salaries, wages and other benefits	26.1	9,899,059	6,327,063
	Postage, telephone and telex		91,325	119,243
	Printing and stationery		3,570	37,630
	Travelling and conveyance		381,561	310,291
	Carriage		37,425,719	34,377,697
	Vehicle running expenses		672,698	1,493,940
	Transit insurance		911,889	857,397
	Entertainment		6,553	7,082
	Miscellaneous expenses		709,770	30,428
			50,102,144	43,560,771

26.1 Related amounts include contribution towards pension fund of Rs. 1,425,445 (2012:Rs. 1,006,587), provident fund of Rs. 1,672,557 (2012: Rs. 1,142,877), expense for accumulating absences of Rs. 2,954,520 (2012: Rs. 1,477,910), gratuity of Rs. 11,535,431 (2012: Rs. 1,090,578) and provision for bonus to employees of Rs. 10,353,594 (2012: Rs. 8,144,444).

		Note	2013 Rupees	2012 Rupees
27	Other income			
	Income from financial assets	27.1	7,477,419	5,417,415
	Income from non-financial assets	27.2	3,556,897	1,840,309
			11,034,316	7,257,724
27.1	Income from financial assets			
	Interest on term deposit receipts		198,328	214,569
	Bank interest		7,279,091	5,202,846
			7,477,419	5,417,415
27.2	Income from non-financial assets			
	Miscellaneous income		1,084,247	234,783
	Sale of scrap		2,472,650	1,605,526
			3,556,897	1,840,309
28	Finance cost			
	Interest on workers' profit participation fund	20.2	140,134	174,750
	Mark up on short term finances		146,567	41,764
	Bank charges		194,795	352,571
			481,496	569,085

Notes to the Financial Statements

for the year ended June 30, 2013

		Note	2013 Rupees	2012 Rupees
29	Other operating expenses			
	Workers' profit participation fund	20.2	8,367,743	6,278,232
	Workers' welfare fund	20.3	3,179,742	2,597,890
	Auditors' remuneration	29.1	425,000	425,000
			11,972,485	9,301,122
29.1	Auditors' remuneration			
	Annual audit fee		325,000	325,000
	Half yearly review		100,000	100,000
			425,000	425,000
30	Taxation			
	Provision for the year			
	- Current for the year		60,137,158	44,553,821
	- Prior year		(14,066,866)	661,650
	- Deferred	6	(5,373,167)	(1,981,250)
			40,697,125	43,234,221
30.1	Tax charge reconciliation			
	Accounting profit		155,938,123	116,967,604
	Tax rate		35 %	35 %
	Tax on accounting profit at applicable rate		54,578,344	40,938,661
	Tax effect of amounts/expenses that are inadmissible for tax purposes		11,087,777	10,714,739
	Tax effect of amounts/expenses that are admissible for tax purposes		(5,528,963)	(7,099,579)
	Prior year adjustment		(14,066,866)	661,650
	Tax effect of timing differences		(5,373,167)	(1,981,250)
			40,697,125	43,234,221
31	Earnings per share - basic and diluted			
	Profit for the year		115,240,998	73,733,383
	Number of ordinary shares outstanding during the year	16	9,000,000	9,000,000
	Earnings per share-basic and diluted		12.80	8.19

Notes to the Financial Statements

for the year ended June 30, 2013

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:

	Note	2013 Rupees	2012 Rupees
Adjustments			
Depreciation	4	7,177,359	7,259,506
Interest on term deposit receipts	27.1	(198,328)	(214,569)
Bank interest	27.1	(7,279,091)	(5,202,846)
Financial charges		341,362	394,335
Interest on workers' profit participation fund	28	140,134	174,750
Charge based on actuarial valuation of employees' gratuity fund	20.1 (a)	11,535,431	1,090,578
Share in profit of associated company	5	(130,755)	(279,087)
Workers' profit participation fund (WPPF)	20.2	8,367,743	6,278,232
Workers' welfare fund (WWF)	20.3	3,179,742	2,597,890
Provision for accumulated compensated absences	19.2	2,954,520	1,477,910
Provision for doubtful debts/write off	9.1	10,000,000	13,000,000
		36,088,117	26,576,699

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 (2012 : 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.

Notes to the Financial Statements
for the year ended June 30, 2013

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 unfavorable decision of the Supreme Court, the Company is exposed to an aggregate obligation of Rs. 798 million (2012 : Rs. 750 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.

		2013 Rupees	2012 Rupees
33.2	Commitments in respect of:		
	Letters of credit for purchase of stocks	72,812,700	36,571,500
	Capital expenditure contracted but not incurred.	48,427,977	-
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.	7,166,786	12,735,590

Notes to the Financial Statements
for the year ended June 30, 2013

34 Staff provident fund

34.1 The Company has maintained an employee provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 227 of the Companies Ordinance 1984, and the rules formulated for this purpose. The salient information of the fund is as follows:

Current year figures are unaudited.

		2013 Rupees	2012 Rupees
	Size of fund/trust	52,214,420	43,925,306
	Cost of investment made	44,522,951	35,245,147
	Percentage of investment (%)	85%	80%
	Fair value of investment	44,851,931	35,466,127
34.2	The break-up of fair value of investment is:		
	Regular income certificates (RIC)	25,700,000	25,700,000
	N.I.T units (114,868 Units)	4,891,931	3,475,906
	Term deposits - FWBL	13,600,000	5,738,221
	Shares in Wah Nobel Chemicals Limited (12,000 shares)	660,000	552,000
		44,851,931	35,466,127

35 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 35.1.

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.

Notes to the Financial Statements
for the year ended June 30, 2013

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 cash flows 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.

Profile:

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

	Note	2013 Rupees	2012 Rupees
Financial Assets			
Bank balances	15	144,642,259	89,598,413
Short-term investment	13	2,582,666	2,582,666
		147,224,925	92,181,079
Financial Liabilities			
Short term borrowings - secured		-	-
		-	-
Net financial assets / (liabilities)		147,224,925	92,181,079

The Company's exposure to interest rates is Nil (2012: 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. 55,512,945 (2012: 49,618,131) which were subject to foreign currency risk. A one rupee change in the exchange rate of foreign currencies would have the impact of +/- Rs. 600,054 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. 389,978,249 (2012: Rs. 325,213,939), the financial assets that are subject to credit risk amounted to Rs. 389,911,806 (2012: Rs. 325,164,844).

Notes to the Financial Statements
for the year ended June 30, 2013

The maximum exposure to credit risk as at June 30, 2013, along with comparative is tabulated below:

	Note	2013 Rupees	2012 Rupees
Financial Assets			
Trade debts	9	222,563,582	218,068,260
Trade deposits		40,070	40,070
Other receivables		418,547	485,300
Accrued interest income	11	198,328	298,881
Short-term-investment		2,582,666	2,582,666
Cash and bank balances		164,108,613	103,689,667
		389,911,806	325,164,844

The bank balances including short-term investments along with credit ratings are tabulated below:

	Rating agency	Rating		2013
		Short term	Long term	Rupees
National Bank of Pakistan	JCR-VIS	A-1+	AAA	1,416,530
Askari Bank Limited	PACRA	A1+	AA	5,504
Bank-Al Falah Limited	PACRA	A1+	AA	11,787,043
MCB Bank Limited	PACRA	A1+	AAA	5,866,344
Bank-Al Habib Limited	PACRA	A1+	AA+	144,642,259
Habib Bank Limited	JCR-VIS	A-1+	AAA	3,109
Allied Bank Limited	PACRA	A1+	AA+	2,970,490
				166,691,279

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.

Notes to the Financial Statements
for the year ended June 30, 2013

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

	Note	2013 Rupees	2012 Rupees
Neither past due nor provided for		180,424,836	161,774,977
Past due but not provided for:			
- within 90 days		10,202,860	11,403,329
- within 91 to 180 days		5,788,574	707,478
- over 180 days		26,147,312	44,182,476
Considered good		222,563,582	218,068,260
Past dues provided for		66,496,901	56,496,901
Total	9	289,060,483	274,565,161

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

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

As at 30 June 2013, The Company's financial liabilities have contractual/probable maturities which are summarized below:

	Current	
June 30, 2013	Within 6 months	6 to 12 months
Trade and other payables	142,737,475	-
	142,737,475	-

Notes to the Financial Statements
for the year ended June 30, 2013

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

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

d) Fair value estimation

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

35.1 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.

	Note	2013 Rupees	2012 Rupees
Financial Assets			
Current assets:			
Loans and receivables at amortized cost:			
Trade debts	9	222,563,582	218,068,260
Trade deposits		40,070	40,070
Other receivables		418,547	485,300
Accrued interest income	11	198,328	298,881
Cash and cash at bank	15	164,175,056	103,738,762
Investments held to maturity			
Short term investments	13	2,582,666	2,582,666
		389,978,249	325,213,939
Financial Liabilities			
Current liabilities:			
Financial liabilities at amortized cost:			
Trade and other payables		142,737,475	146,809,224
Due to holding company	21	-	1,686
		142,737,475	146,810,910

Notes to the Financial Statements
for the year ended June 30, 2013

36 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	2013 Rupees	2012 Rupees
Total equity		500,385,556	430,144,558
Cash and bank balances	15	(164,175,056)	(103,738,762)
Capital		336,210,500	326,405,796
Total equity		500,385,556	430,144,558
Borrowing		-	-
Overall financing		500,385,556	430,144,558
Capital-to-overall financing ratio		1:1.49	1:1.32

37 Remuneration of Chief Executive Officer, Directors and Executives

37.1 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/- (2012: Rs. 900,000/-) charged by Wah Nobel (Private) Limited, as corporate service fee as disclosed in note 25.

37.2 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.

38 Capacity and production

	Designed annual capacity		Actual production	
	2013	2012	2013	2012
	Metric Tones			
Formaldehyde and Formalin solvent	30,000	30,000	26,224	24,856
Urea / Phenol Formaldehyde	19,000	19,000	25,704	24,842

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

Notes to the Financial Statements
for the year ended June 30, 2013

39 Transaction with related parties

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

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

Wah Nobel (Private) Limited - holding company

Wah Nobel Acetates Limited - fellow subsidiary

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

	2013 Rupees	2012 Rupees
Expenses incurred (on behalf of) / by the group companies net	(934,934)	(898,314)
Corporate service fee charged by holding company	900,000	900,000
Sales to associate company	439,979	404,793
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	1,425,445	1,006,587
Employees' provident fund trust	4,816,326	3,958,262
Worker profit participation fund	7,918,366	10,284,660
Employees' gratuity fund	1,100,000	-

40 Number of employees

Total number of permanent employees as at June 30, 2013 is 110 (2012 : 110) and average number of employees over the period were 109 (2012: 110)

41 Non-adjusting event after balance sheet date

The Board of directors at the meeting held on October 03, 2013 have proposed for the year ended June 30, 2013 cash dividend of Rs.5.50 per share (2012: Rs. 5.00 per share), amounting to Rs. 49.500 million subject to approval of members at the annual general meeting.

Notes to the Financial Statements
for the year ended June 30, 2013

42 Date of authorization

These financial statements were authorized for issue on October 03, 2013 by the Board of Directors of the Company.

43 Corresponding figures

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

44 General

Figures have been rounded off to the nearest rupee.

Director **Chief Executive**

Notes

PROXY FORM

I/We ____

of ____being a member(s) of Wah Nobel Chemicals Limited hereby appoint _____________

of ____ or failing him/her _________________of __________________________ as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 30th Annual General Meeting of the Company to be held on Wednesday, October 30, 2013 at 1100 hrs and /or any adjournment thereof.

Signed this _______ day of October, 2013.

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

Witness 1

Signature ____________________

Name ________________________

CNIC NO.____________________

Address ______________________

____

Witness 2

Signature ____________________

Name ______________________

CNIC NO.____________________

Address ______________________

____

Note:

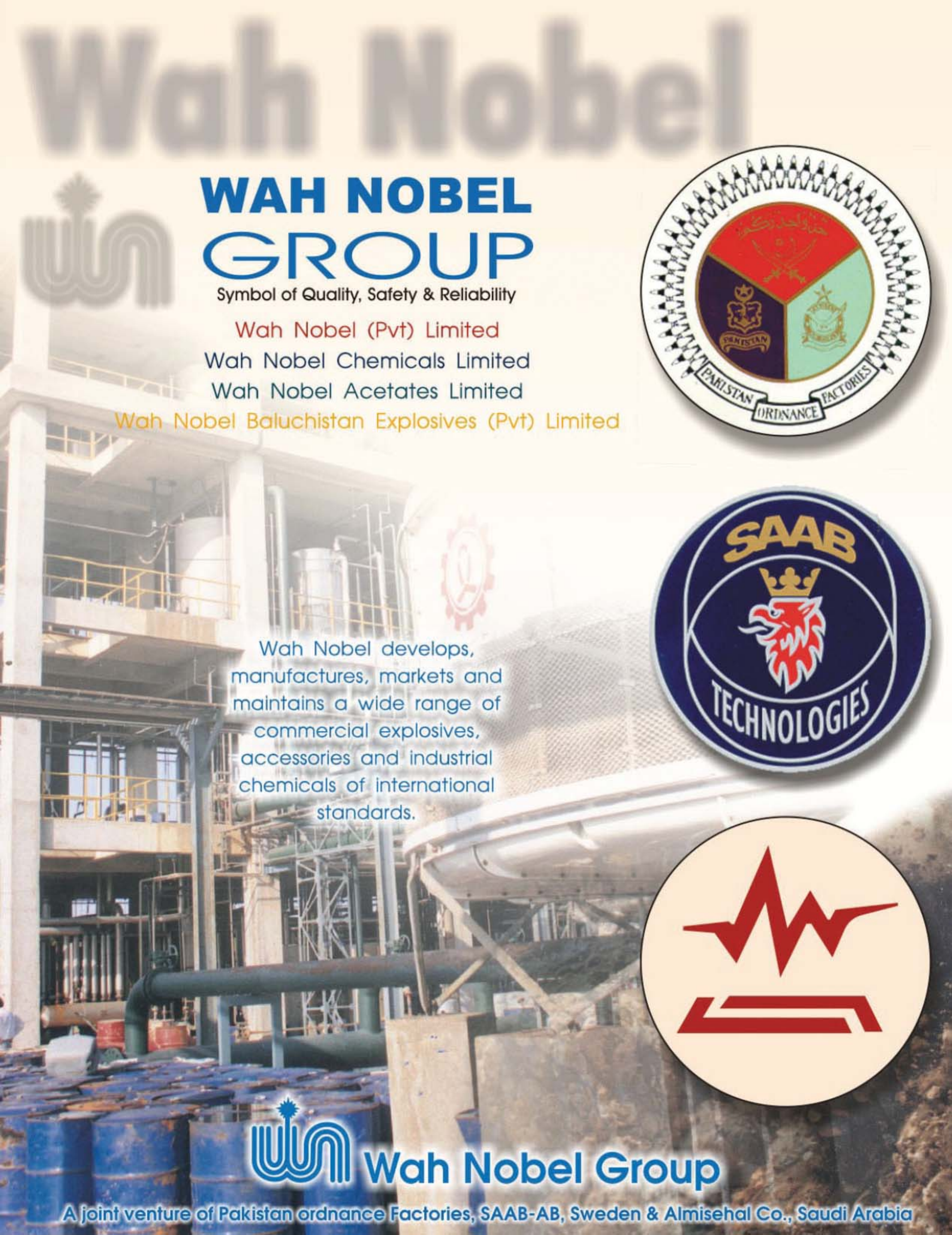
1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company, G.T. Road, Wah Cantt not less than 48 hours before the time of holding the meeting.

2. The Proxy must be a member of the Company.

3. Signature(s) should agree with the specimen signature/s registered with the Company.

4. For CDC Account Holders/Corporate Entities

In addition to the above the following requirements have to be met.
(i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
(ii) The proxy shall produce his original CNIC or original passport at the time of the meeting.
(iii) In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier along


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
PAKISTAN ORDNANCE FACTORIES
SAAB
TECHNOLOGIES
Wah Nobel develops, manufactures, markets and maintains a wide range of commercial explosives, accessories and industrial chemicals of international standards.
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Wah Nobel Chemicals Limited
A Company of
Wah Nobel Group

Wah Nobel Group

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

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