

Wah Nobel  
Chemicals Limited  
**ANNUAL REPORT**  
**2014**





# WAH NOBEL CHEMICALS LTD.

MANUFACTURERS OF FORMALDEHYDE AND FORMALDEHYDE RESINS  
ISO – 9001-2008, 14001: 2004, OHSAS 18001: 2007 CERTIFIED

October 31, 2014

Dear Shareholder,

## **CORRIGENDM FOR ANNUAL REPORT 2014**

We are writing to rectify some printing / typographical errors in the published financial statements of the company for the Year ended June 30,2014. Figures published / missing words and corresponding missing / correct Figures / words in the notes to the financial statements are tabulated below;

<b><u>Financial Statement Note/Page reference</u></b>	<b><u>Description</u></b>	<b><u>As per Published Financial Statements</u></b>	<b><u>Correct Figures (Rupees)</u></b>	<b><u>Missing/Correct Word (s)</u></b>
3.19 – Page No.36	Segment reporting	The Company considers itself of a single reputable segment.....		The Company considers itself of a single <b><u>reportable</u></b> segment.....
26.2 – Page No 45	Purchases Available Closing Stock	886,674,821 914,607,793 70,953,507	<b><u>1,028,581,835</u></b> <b><u>1,056,514,807</u></b> <b><u>(70,953,507)</u></b>	
28.1- Page No 46	Provision for Bonus to employees	9,454,652	<b><u>11,818,315</u></b>	
38- Page No 50	Financial risk management objectives and policies			At the end of 3rd paragraph the words <b><u>audit function</u></b> are missing
38 a(i) Page No. 51	Markup rate sensitivity analysis			At the end paragraph word <b><u>borrowing</u></b> is missing
38 (c) Page No. 52	Liquidity risk			At the end of 2nd Paragraph word <b><u>Projection</u></b> is missing
43 – Page No. 54	Transaction with related Parties			At the end of 2nd Paragraph <b><u>Undertaking during the</u></b> are missing
46 Page No.55	Date of authorization			The word <b><u>Company</u></b> is missing at the end of the sentence.

We regret inconvenience caused due to above referred inadvertent printing errors.

Yours truly,  
**For WAH NOBEL CHEMICALS LTD**

  
TANVEER ELAHI  
COMPANY SECRETARY

**G. T. Road, Wah Cantt. Pakistan**

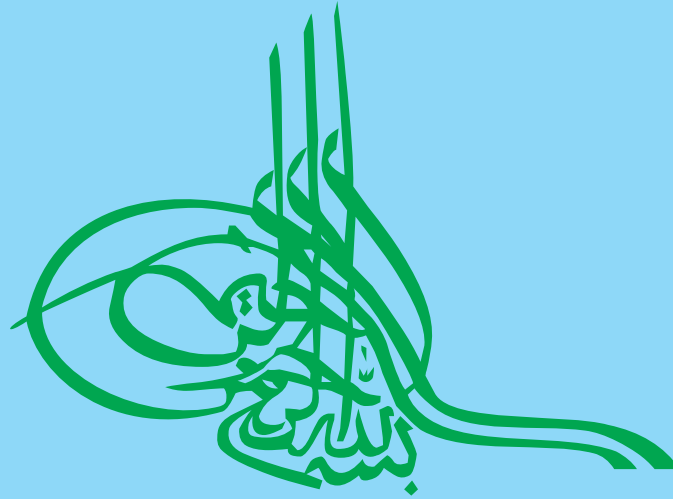
**Tele :** +92-51-5568760, +92-051-4545243-6 & 9314101-21 Ext. 22236 & 23201

Marketing Deptt: +92-051-4535864, Purchase Deptt: +92-051-4545240

**Fax :** +92-051-4535862 & 4545241

**E-Mail :** wahnobel@comsats.net.pk ce@wahnobel.com

**Website :** http://www.wahnobel.com



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## **VISION STATEMENT**

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



## CORPORATE MISSION

- To meet the current needs of its customers and anticipate their future needs.
- To maintain close and direct contacts with the customers to ensure their complete satisfaction.
- Constantly improve the quality of all our activities through operational excellence.
- 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)

Mr. Torbjorn Saxmo  
Mr. Feroze Khan Malik  
Mr. Muhammad Nawaz Tishna  
Mr. Riaz Ahmad  
Mr. Muhammad Asif Hussain  
Mr. Asif Ali Siddiqui

Chairman

Vice Chairman  
Director  
Director (N.I.T. Nominee)  
Director  
Director  
Director

## CHIEF EXECUTIVE

Syed Naseem Raza

## AUDIT COMMITTEE

Mr. Riaz Ahmad  
Mr. Feroze Khan Malik  
Mr. Asif Ali Siddiqui

Chairman  
Member  
Member

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

Mr. Riaz Ahmad  
Mr. Asif Ali Siddiqui  
Syed Naseem Raza

Chairman  
Member  
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, 2<sup>nd</sup> Floor, Rose Plaza,  
I-8 Markaz, Islamabad.  
Tel: 051-4938026-7, Fax: 051-4102628  
Email: iilyas@hotmail.com

## BANKERS

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

## REGISTERED OFFICE

G.T. Road, Wah Cantt.

## PHONES

(051) 5568760, 4545243-6 (4 Lines)  
(051) 9314101-21 (21 Lines) Ext. 22236  
(051) 4545241, (051) 4535862  
wahnobel@comsats.net.pk  
www.wahnobel.com/wnc.htm

FAX  
E.MAIL  
WEBSITE

## 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, unparalleled after sale service and commitment. Its products enjoy the highest reputation throughout Pakistan. This has been achieved through innovation, expertise, state of the art technology and a vision for the future.

### PRODUCTION PREMISES

· Total Area	45,100 Sqr. M
· Process Area	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	4,000M. 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 31st 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 Friday, October 31, 2014 at 11.00 hours to transact the following business:

## ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting held on October 30, 2013.
2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2014 together with the Directors' and the Auditors' Reports thereon.
3. To approve the payment of cash dividend @ Rs.4.00 per share i.e. 40% 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.

## SPECIAL BUSINESS

5. To consider and if thought fit approve the recommendations of the Board of Directors for placement of Quarterly Accounts of the company on its website instead of circulating the same by post to the shareholders, subject to prior permission of SECP in accordance with SECP circular # 19 of 2004 dated April 14, 2004, by passing following resolution as Ordinary Resolution: with or without modification (s):

**“RESOLVED THAT** the consent of the Company be and is hereby granted to place the quarterly accounts of Wah Nobel Chemicals Limited (“the company”) on the website of the company, pursuant to the Securities and Exchange Commission of Pakistan s (SECP) Circular No.19 of 2004 dated April 14, 2004.

**FURTHER RESOLVED that** the Chief executive and the Company secretary be and are hereby singly authorized to apply SECP for its consent for such placing of the quarterly accounts on the website of the company, And to do all necessary acts, deeds and things in connection therewith and ancillary thereto including consultation with the Stock Exchanges on which the Company is listed.

A statement as required under section 160(1)(b) of the Companies Ordinance, 1984 in respect of the special business to be considered at the meeting is being annexed

## OTHER BUSINESS

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

By Order of the Board

WAH CANTT.  
OCTOBER 02, 2014

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



Notes:

1. The share transfer books of the Company will remain closed from October 25, 2014 to October 31, 2014 (both days inclusive). Transfers received in order by the Shares Registrar of the Company by the close of business on October 24, 2014 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. Revision of Withholding Tax on dividend income under Section 150 of Finance Act 2014:

Pursuant to the provisions of Finance Act 2014, effective from July 1, 2014 a new criteria for withholding of tax on dividend income has been introduced by Federal Board of Revenue (FBR) as per this criteria, "Filer" and "Non-Filer" shareholders will pay tax on dividend income @ 10% and 15% respectively. You are therefore advised to check and ensure your Filer Status from Active Tax Payer List (ATL) available at FBR website <http://www.fbr.gov.pk/>

Shareholders are also requested to provide a valid / visible copy of their NTN certificate to Company's Share Registrar M/s Ilyas Saeed Associates (Pvt) Limited in case of physical shareholding and in case of their shareholding in book entry form to their CDC-Participants / CDC investor Account services .

At the time of dividend distribution, the Company, being a withholding agent, would check each shareholder's status on the ATL and, if the shareholder's name does not appear on the ATL, the increased rate of withholding tax at 15 per cent would be applied, in accordance with the law. In the instance of a 'filer' as defined above, withholding tax rate of ten percent (10%) will remain applicable Where the required documents are not submitted, the Company will be constrained to treat the non-complying Shareholder as a non-filer attracting a higher rate of withholding tax.

7. 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	

**Statement under section 160(1)(b) of the Companies Ordinance, 1984**

This Statement sets out the material facts concerning the Special Business; given in agenda item No.5 (placement of Quarterly Accounts of the company on its website ) to be transacted at the Annual General Meeting of Wah Nobel Chemicals Limited to be held on Friday, October 31, 2014

The Securities and Exchange Commission of Pakistan (SECP) vide its circular No.19 dated April 14, 2004 has allowed listed companies to place their quarterly accounts on their website instead of sending the same to each shareholder by post, subject to fulfilment of a few conditions including seeking of consent of the members.

Prior permission of SECP would be sought for transmitting the quarterly accounts through Company's website after the approval of the shareholders. The Company, however, will supply the copies of accounts to the shareholders on demand at their registered address, free of cost, within one week of receiving such request.

This will be a convenient and cost effective way for the Company to transmit its quarterly accounts and ensures quick and easy access for the members to such accounts of the Company.

The Directors of the Company have no interest in the above resolution that would need a further disclosure.

## 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, 2014 together with the Auditors' Report thereon.

### OPERATING PERFORMANCE

The year under review was once again marked by slow economic growth, high inflation, poor law and order situation, devaluation of the Rupee; continuous energy crisis. In spite of this during the year your Company has achieved net sales revenue of Rs. 1.304 billion compared to Rs.1.211 billion of last year, i.e. an increase of 7.66% over net sales revenue reported last year.

Company's gross profit has reduced to Rs. 193.842 million as compared to Rs. 233.840 million of the last year. The decline in gross profit is attributed to abnormal increase in price of basic raw material and in other input costs, all these factors resulted in higher cost of production. , however, due to fierce competition in the market, the selling prices of the products could not be increased proportionately.

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

Financial charges increased to Rs.9.998 million from Rs 0.481 million due to increase in working capital requirements.

Company earned after tax profit of Rs.66.775 million against last year's after tax profit of Rs.115.241 million. Net Profit decreased by Rs.48.466 million, where as net profit ratio declined to 5.12 % from 9.51 % of previous year.

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:

	<b>2014</b>	<b>2013</b>
	<b>Rupees (in thousands)</b>	
Net Sales	1,303,980	1,211,238
Gross Profit	193,842	233,840
Operating Profit	116,548	157,227
Profit before taxation	104,625	155,938
Provision for taxation	37,850	40,697
Profit after taxation	66,775	115,241
Other comprehensive income / (loss)	(1,229)	(925)
Total comprehensive income for the year	65,546	114,316
Un-appropriated profit brought forward Restated	118,168	78,852
Profit available for appropriation	183,714	193,168
<b>Appropriations</b>		
Dividend Paid (9,000,000 shares @ Rs. 5.50 per share)	49,500	45,000
Transfer to reserve	35,000	30,000
Un-appropriated profit carried forward	99,214	118,168

### DIVIDEND

Your Directors recommended for the year 2013-14, a payment of cash dividend @ Rs.4.00 per share (i.e 40%). 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, 2014 decreased to Rs.7.42 from Rs.12.80 as recorded in the previous year .

### OUTLOOK FOR 2014-15

The increasing trend in the costs of inputs , coupled with energy crises, rupee devaluation , fierce competition, political instability and high inflation are expected to affect the profitability of your Company. Despite these challenges management of your company will continue its focus to improve shareholders' value through tight cost control, product and process optimisation, price rationalization and efficient working capital management. Company expects that the newly installed UFMC project which commenced commercial production during the year will increase its revenue base and improve profitability in coming years.

### 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 its 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, 2014 were as follows:

	<b>Rupees</b>
Provident Fund	49,860,204
Gratuity Fund	14,694,876
Pension Fund	19,346,314

### BOARD OF DIRECTORS

During the year Mr. Asif Ali Siddiqui appointed as Director in place of Mr. Muhammad Rizwan effective November 25, 2013, consequent to transfer of Mr. Muhammad Rizwan.

The Board appreciates the contribution of outgoing director and welcomes new member on the Board.

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	02
2.	Mr. Torbjorn Saxmo	Director	04
3.	Mr. Feroz Khan Malik	Director	02
4.	Mr. Riaz Ahmed	Director	04
5.	Mr. Muhammad Nawaz Tishna	Director	05
6.	Mr. Muhammad Asif	Director	03
7.	Mr. Muhammad Rizwan	Director	03*
8.	Mr. Asif Ali Siddiqui	Director	02**
9.	Syed Naseem Raza	Chief Executive	05

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	03
2.	Mr. Feroz Khan Malik	Member	04
3.	Mr. Muhammad Rizwan	Member	01*
4.	Mr. Asif Ali Siddiqui	Member	-**

\* Resigned on November 25,2013

\*\*Appointed to fill casual vacancy on the Board w.e.f November 25,2013)

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. During the year, parent Company has installed Solar Energy Panels for energy conservation & to reduce the electricity burden.

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.

Business ethics are an integral part of our policies and procedures. 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 2013-14 company has contributed over Rs. 342 million to the national exchequer.

### **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](http://www.wahnobel.com/wnc.htm)

### **RECOGNITION**

Company's achievements and overall performance have been recognized by Rawalpindi Chamber of Commerce and Industry by awarding " Best Performance in Trade " for the year 2013.

### **VEND FEE AND PERMIT FEE**

As regards vend fee and permit fee case, Sindh High Court has already pronounced favorable judgment. Presently the case is pending with the Honorable Supreme Court of Pakistan. In view of the merits of the case and favorable decision of the Sindh High Court, the management is expecting a favorable 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 reappointment by the shareholders at the ensuing Annual General Meeting, as auditors of the Company for the year ending June 30, 2015.

### **PATTERN OF SHAREHOLDING**

The pattern of shareholding as at June 30, 2014 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

WAHCANTT.  
OCTOBER 02, 2014

**(SYED NASEEM RAZA)**  
**CHIEF EXECUTIVE**

## Six Years at a Glance

	2009	2010	2011	2012	2013	2014
(Rupees in Thousands)						
<b>(A) Operating Results:</b>						
i) Net Sales Revenue	715,258	712,677	698,678	1,147,501	1,211,238	1,303,980
ii) Gross Profit	225,166	185,476	151,912	189,850	233,840	193,842
iii) Operating Profit	175,808	132,848	106,239	119,301	157,227	116,548
iv) Profit Before Tax	146,058	117,003	97,844	116,968	155,938	104,625
v) Profit After Tax	97,006	75,991	64,294	73,733	115,240	66,775
<b>(B) Financial Position</b>						
i) Paid-up Capital	90,000	90,000	90,000	90,000	90,000	90,000
ii) Shareholders Equity	351,126	382,117	401,411	430,145	499,112	515,158
iii) General Reserve	133,000	183,000	233,000	260,000	290,000	325,000
iv) Property, Plants and Equipment	110,111	105,209	100,181	92,989	109,571	167,015
v) Current Assets	399,767	358,411	385,464	491,637	544,733	704,236
<b>(C) Key Performance Indicators</b>						
i) Gross Profit %	31.48%	26.03%	21.74%	16.54%	19.31%	14.86%
ii) Profit Before Tax %	20.42%	16.42%	14.00%	10.19%	12.87%	8.02%
iii) Earning Per Share Rs.	10.78	8.44	7.14	8.19	12.8	7.42
iv) Cash Dividend %	50%	50%	50%	50%	55%	40%
vi) Break-up Value Per Share Rs.	39.01	42.46	44.60	47.79	55.45	57.24
vii) Current Ratio	2.26:1	3.46:1	3.51:1	2.70:1	2.91:1	1.86:1



## Pattern of Shareholding

as at June 30, 2014

No of shareholders	Shareholding		Total shares held
	From	To	
146	1	100	5,776
395	101	500	106,607
137	501	1,000	109,194
139	1,001	5,000	345,350
37	5,001	10,000	277,434
15	10,001	20,000	223,900
18	20,001	30,000	506,214
3	30,001	50,000	93,302
3	50,001	100,000	205,203
5	100,001	1,000,000	2,156,625
1	1,000,001	5,000,000	4,970,395
<b>899</b>	<b>Total</b>		<b>9,000,000</b>

Categories of shareholders	No. of Shareholders	Shares held	Percentage
• Directors, Chief Executive Officer, and their spouse and minor children.	7	60,105	0.67
• Associated Companies, undertakings and related parties.	4	5,102,497	56.69
• NIT/ICP	2	637,249	7.08
• Banks Development Financial Institutions, Non Banking Financial	4	427,399	4.75
• Insurance Companies	2	874,080	9.71
• Modarabas and Mutual Funds	2	7,960	0.09
• General Public			
a. Local	864	1,798,693	19.99
b. Foreign	1	8,673	0.10
• Others			
Charitable Trust	2	18,600	0.21
Benevolent / Pension Fund	2	60,245	0.67
Joint Stock Coys.	8	4,399	0.05
Stock Exchange.	1	100	0.00
<b>Total</b>	<b>899</b>	<b>9,000,000</b>	<b>100.00</b>

## Details of Pattern of Shareholding as per requirements of Code of Corporate Governance

Categories of Shareholders	Number of Shares held
----------------------------	-----------------------

### I) Associated Companies, undertakings and related parties.

1 Wah Nobel (Pvt) Ltd	4,970,395
2 WNPL Employees Provident Fund	87,000
3 WNCL Employees Provident Fund	33,102
4 WNPL Employees Provident Fund (WNDL)	12,000
	5,102,497

### II) Mutual Funds

1 CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	636,624
2 Investment Corporation 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. Asif Ali Siddiqui, 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
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### VI) Banks Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds .

1,309,439

### VII) Shareholders holding five percent or more voting rights / Interests

1 Wah Nobel (Pvt) Ltd	4,970,395
2 CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	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, 2014

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 Hussain 7. Mr. Asif Ali Siddiqui

2. The directors have confirmed that none of them is serving as director in more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or being a member of stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred on the Board on November 25, 2013 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. Last year CEO of the company has 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. No new appointment of CFO, Head of Internal Audit 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.
- 18
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.

On behalf of the Board

WAH CANTT  
October 02, 2014

**(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 with the best practices contained in the Code of Corporate Governance (the "Code") prepared by the Board of Directors of Wah Nobel Chemicals Limited, (the "Company") for the year ended June 30, 2014 to comply with the Listing Regulations of Stock Exchanges, where the Company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2014.

Further we highlight below instance of non compliance with the requirement of the Code as reflected in the statement of compliance.

	Note	Description
i)	1	No independent Director
ii)	9	No training of Director during the year

### **ANJUM ASIM SHAHID RAHMAN**

Chartered Accountants

Engagement Partner: Nadeem Tirmizi

Islamabad

October 2, 2014

## Auditors' Report to the Members

We have audited the annexed balance sheet of Wah Nobel Chemicals Limited as at June 30, 2014 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 except for change stated in note 3.1 a with which we concur;
  - 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, 2014 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.

With out qualifying our opinion we draw attention to note 36.1.2 to the financial statements which states that the Company is defendant in a lawsuit alleging non-payment of vend and permit fee of Rs. 843 million on methanol to the Excise and Taxation Department, Government of Sindh. The ultimate outcome of matter cannot be determined presently and therefore no provision for any liability that may result has been made in these financial statements. In the event of unsuccessful outcome, there is a substantial doubt that the Company will be able to continue as a going concern.

**ANJUM ASIM SHAHID RAHMAN**

Chartered Accountants

Engagement Partner: Nadeem Tirmizi

Islamabad

October 2, 2014



# Balance Sheet

as at June 30, 2014

	Note	2014 Rupees	Restated 2013 Rupees
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	167,015,181	109,571,385
Long term investment	5	35,707,826	36,295,421
Deferred taxation	6	-	1,126,130
<b>Total non-current assets</b>		<b>202,723,007</b>	<b>146,992,936</b>
<b>Current assets</b>			
Stores, spares and loose tools	7	53,600,855	40,786,085
Stock in trade	8	191,369,106	77,620,884
Trade debts	9	323,692,204	222,563,582
Advances	10	11,953,708	4,897,153
Trade deposits		40,070	40,070
Accrued interest income	11	168,500	198,328
Other receivables	12	43,069,336	11,422,495
Short-term investment	13	2,582,666	2,582,666
Taxation - net	14	67,653,744	20,446,514
Cash and bank balances	15	10,105,723	164,175,056
<b>Total current assets</b>		<b>704,235,912</b>	<b>544,732,833</b>
<b>Total assets</b>		<b>906,958,920</b>	<b>691,725,769</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
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	325,000,000	290,000,000
Unappropriated profit		99,213,506	118,167,627
<b>Total equity</b>		<b>515,157,910</b>	<b>499,112,031</b>
<b>Non-current liabilities</b>			
Deferred liabilities	19	7,796,836	5,972,838
Deferred taxation	6	5,758,932	-
<b>Total non-current liabilities</b>		<b>13,555,768</b>	<b>5,972,838</b>
<b>Current liabilities</b>			
Trade and other payables	20	169,655,194	186,640,900
Due to holding company	21	1,693,536	-
Accrued mark-up	22	5,118,525	-
Short term running finance - secured	23	201,777,987	-
<b>Total current liabilities</b>		<b>378,245,242</b>	<b>186,640,900</b>
<b>Total liabilities</b>		<b>391,801,010</b>	<b>192,613,738</b>
<b>Contingencies and commitments</b>	36		
<b>Total equity and liabilities</b>		<b>906,958,920</b>	<b>691,725,769</b>

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

\_\_\_\_\_  
DIRECTOR

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

# Profit and Loss Account

## for the year ended June 30, 2014

	Note	2014 Rupees	Restated 2013 Rupees
<b>Turnover-net</b>	25	1,303,980,097	1,211,237,651
<b>Cost of sales</b>	26	(1,110,138,093)	(977,397,599)
<b>Gross profit</b>		193,842,004	233,840,052
Administrative and general expenses	27	(18,737,567)	(26,510,875)
Selling and distribution expenses	28	(58,556,133)	(50,102,144)
<b>Operating profit</b>		116,548,304	157,227,033
Finance cost	30	(9,997,647)	(481,496)
Other operating expenses	31	(8,222,735)	(11,972,485)
Other income	29	6,884,998	11,034,316
Share in profit of associated company-net of tax	5	(587,595)	130,755
<b>Profit before taxation</b>		104,625,325	155,938,123
Taxation	32	(37,850,648)	(40,697,125)
<b>Profit for the year</b>		66,774,677	115,240,998
<b>Other comprehensive income for the year</b>			
Loss on remeasurement of staff defined benefit plan		(1,805,227)	(1,393,625)
Deferred tax credit relating to remeasurement of staff defined benefit plan		576,429	468,473
		(1,228,798)	(925,152)
<b>Total comprehensive income for the year</b>		65,545,879	114,315,846
<b>Earnings per share - basic and diluted</b>	33	7.42	12.80

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

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DIRECTOR

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CHIEF EXECUTIVE

# Cash Flow Statement

## for the year ended June 30, 2014

	Note	Rupees	Rupees
<b>Cash flows from operating activities</b>			
Profit before taxation		104,625,325	155,938,123
Adjustment for non cash and other items	34	33,802,474	36,088,117
Changes in working capital			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		(12,814,770)	1,152,358
Stock in trade		(113,748,222)	34,163,894
Trade debts		(100,641,037)	(14,495,322)
Advances		(7,056,555)	1,268,719
Other receivables		(31,646,841)	(4,403,258)
(Decrease) / increase in current liabilities:			
Trade and other payables		(19,965,520)	630,571
		(285,872,945)	18,316,962
<b>Cash generated from operations</b>		<b>(147,445,146)</b>	<b>210,343,202</b>
(Payments for) / Receipts of:			
Financial charges		(4,670,152)	(341,362)
Workers' profit participation fund	20.2	(2,076,713)	(7,918,366)
Workers' welfare fund	20.3	-	-
Gratuity	20.1	(6,000,000)	(1,100,000)
Accumulated compensated absences	19.1	(2,047,463)	(833,217)
Bank interest	29.1	803,853	7,279,091
Taxation	14	(77,596,387)	(78,532,520)
		(91,586,862)	(81,446,374)
<b>Net cash generated from operating activities</b>		<b>(239,032,008)</b>	<b>128,896,828</b>
<b>Cash flows from investing activities</b>			
Payments for capital expenditure		(67,553,305)	(23,759,415)
Interest on term deposit receipts	11	237,994	298,881
<b>Net cash generated from / (used in) investing activities</b>		<b>(67,315,311)</b>	<b>(23,460,534)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(49,500,000)	(45,000,000)
<b>Net cash (used in) financing activities</b>		<b>(49,500,000)</b>	<b>(45,000,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(355,847,319)</b>	<b>60,436,294</b>
Cash and cash equivalents at beginning of the year		164,175,056	103,738,762
<b>Cash and cash equivalents at the end of the year</b>	35	<b>(191,672,264)</b>	<b>164,175,056</b>

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

\_\_\_\_\_  
DIRECTOR

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

# Statement of Changes in Equity

for the year ended June 30, 2014

	Issued Subscribed and paid-up share capital	Capital reserve	Revenue reserves		Total
			General reserve	Un- appropriated profit	
Balance at July 1, 2012 as previously reported	90,000,000	944,404	260,000,000	79,200,154	430,144,559
Change in accounting policy for recognition of actuarial losses (note 3.1a)	-	-	-	(348,373)	(348,373)
Balance as at July 1, 2012 - restated	90,000,000	944,404	260,000,000	78,851,781	429,796,186
Total comprehensive income	-	-	-	114,315,846	114,315,846
<b>Transactions with owners</b>					
Final dividend @ Rs. 5 per share related to year ended June 30, 2012	-	-	-	(45,000,000)	(45,000,000)
Transfer to general reserve	-	-	30,000,000	(30,000,000)	-
<b>Balance as at June 30, 2013 - restated</b>	90,000,000	944,404	290,000,000	118,167,627	499,112,032
<b>Total comprehensive income</b>				65,545,879	65,545,879
<b>Transactions with owners</b>					
Final dividend @ Rs. 5.5 per share related to year ended June 30, 2013	-	-	-	(49,500,000)	(49,500,000)
<b>Transfer to general reserve</b>	-	-	35,000,000	(35,000,000)	-
<b>Balance as at June 30, 2014</b>	90,000,000	944,404	325,000,000	99,213,506	515,157,911

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

\_\_\_\_\_  
DIRECTOR

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

# Notes to the Financial Statements

## for the year ended June 30, 2014

### 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.

### 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, 2014

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, 2014.

There were certain new or revised 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 except IAS 19

# Notes to the Financial Statements

## for the year ended June 30, 2014

### 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. The Company has yet to assess the full impact of the amendments.

	Effective for periods beginning on or after
IFRS 2 Share-based Payments (Amendments)	July 1, 2014
IFRS 3 Business Combinations (Amendments)	July 1, 2014
IFRS 8 Operating Segments (Amendments)	July 1, 2014
IFRS 10 Consolidated Financial Statements (Amendments)	January 1, 2014
IFRS 12 Disclosure of Interests in Other Entities (Amendments)	January 1, 2014
IFRS 13 Fair Value Measurements (Amendments)	July 1, 2014
IAS 16 Property, Plant and Equipment (Amendments)	July 1, 2014
IAS 19 Employee Benefits (Amendments)	July 1, 2014
IAS 24 Related Party Disclosures (Amendments)	July 1, 2014
IAS 27 Separate Financial Statements (Amendments)	January 1, 2014
IAS 32 Financial Instruments: Presentation (Amendments)	January 1, 2014
IAS 36 Impairment of Assets (Amendments)	January 1, 2014
IAS 38 Intangible Assets (Amendments)	July 1, 2014
IAS 39 Financial Instruments: Recognition and Measurement (Amendments)	January 1, 2014
IAS 40 Investment Property (Amendments)	July 1, 2014
IFRIC 21 Levies	January 1, 2014

### 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 1 First time adoption of International Financial Reporting Standards
- IFRS 9 Financial Instrument
- IFRS 10 Consolidated financial statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of interest in other entities
- IFRS 13 Fair Value Measurement

# Notes to the Financial Statements

## for the year ended June 30, 2014

The following interpretations issued by the IASB have been waived of by SECP effective January 16, 2012:

- IFRIC 4 Determining whether an arrangement contains lease
- IFRIC 12 Service Concession Arrangements

### 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. Contributions are made in accordance with actuarial recommendations. Actuarial valuations are conducted by an independent actuary, annually using projected unit credit method related details of which are given in note 20 to the financial statements. The obligation at the balance sheet date is measured at the present value of the estimated future cash outflows. All contributions are charged to profit or loss for the year.

Consequent to the revision of IAS 19 "Employee Benefits" (IAS 19) which is effective for annual periods beginning on or after January 1, 2013, the Company has changed its accounting policy wherein, the actuarial gains and losses (remeasurement gains / losses) on defined benefit gratuity scheme (employees' retirement benefit plan) are now being recognized directly in equity through statement of other comprehensive income. Previously, such actuarial gains / losses arising at each valuation date were being recognized under the corridor approach whereby actuarial gains / losses in excess of corridor (10% of the higher of fair value of assets and present value of obligation) were recognized over the average remaining service life of the employees. In accordance with the transitional provisions as set out in IAS 19 (Revised), the Company has applied the revised standard retrospectively and, consequently the earliest periods presented in the balance sheet, other comprehensive income component of profit and loss account and the statement of changes in equity have been restated. The impact of retrospective application of IAS 19 (Revised) is as follows:

	Cumulative effect upto June 30, 2013	Cumulative effect upto June 30, 2012
(Increase) in trade and other payables	(1,929,584)	(535,959)
Increase in deferred taxation	656,059	187,586
(Decrease) in equity	(1,273,525)	(348,373)

The adoption of above accounting policy has no effect on the earliest period presented in the cash flow statement, profit and loss account, earnings per share, consequently the same have not been restated. Further, a third balance sheet as at the beginning of the preceding period has not been presented as the effect of retrospective application on that period is not material.



# Notes to the Financial Statements

## for the year ended June 30, 2014

### 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.

### 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.

# Notes to the Financial Statements

## for the year ended June 30, 2014

### 3.3 Trade and other payables

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

### 3.4 Provisions

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

### 3.5 Dividend and appropriation to reserves

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

### 3.6 Property, plant and equipment

#### Owned assets

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

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

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

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

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

Applicable depreciation rates of the items are as under:

Office building	5%
Factory building	10%
Tube well	10%

# Notes to the Financial Statements

## for the year ended June 30, 2014

Plant and machinery - old	10%
Plant and machinery - new	10% of utilized capacity
UFMC Plant	10%
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

### Leased assets

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

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

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

### 3.7 Impairment

The Company's assess 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.

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.

# Notes to the Financial Statements

## for the year ended June 30, 2014

### 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 Trade and other receivables

Trade and other receivables are recognized and carried at original invoice amount / cost less an allowance for any uncollectible amounts based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off against the provision. Provision for doubtful debts is charged to profit and loss account currently.

### 3.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current and saving accounts and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value and bank overdrafts. In balance sheet overdrafts are shown in current liabilities while favourable balance is shown in cash and bank.

### 3.13 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

# Notes to the Financial Statements

## for the year ended June 30, 2014

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.

### 3.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction and production of qualifying asset are capitalized as part of cost of that asset 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".

### 3.15 Transactions with related parties

All transactions with related parties are carried out on commercial terms as approved by the Board.

### 3.16 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.

#### 3.16.1 Financial assets

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

##### a) Investment held to maturity (HTM)

Investments held-to-maturity are non-derivative financial assets which carry fixed or determinable payments and fixed maturities other than loan and receivables. Investments are classified as HTM if the Company has the positive intention and ability to hold to maturity. The Company currently holds Term Deposits Receipts designated into this category. HTM investments are measured subsequently at 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

# Notes to the Financial Statements

## for the year ended June 30, 2014

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.

### 3.16.2 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.

### 3.17 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.

### 3.18 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.

### 3.19 Segment reporting

The Company considers itself of a single reputable segment consistent with the internal reporting provided to 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. However, certain information about the Company's products, as required by the approved accounting standards, is presented in note 41 to these financial statements. 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	2014 Rupees	2013 Rupees
	Operating fixed assets	4.1	167,015,181	86,923,919
	Capital work in progress		-	22,647,466
			167,015,181	109,571,385

# Notes to the Financial Statements

## for the year ended June 30, 2014

### 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	Workshop	Office	Workshop	Office	Workshop	Office	Workshop	Office	Workshop	Leasehold	land		
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	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	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)	(1,697,310)	(144,033,370)			
<b>Carrying amount June 30, 2013</b>	<b>1,119,231</b>	<b>3,777,502</b>	<b>31,861</b>	<b>79,126,431</b>	<b>466,241</b>	<b>283,014</b>	<b>1,217,132</b>	<b>322,983</b>	<b>574,863</b>	<b>86,919,258</b>	<b>4,661</b>	<b>86,923,919</b>	<b>4,661</b>	<b>86,923,919</b>			
Gross carrying amount	2,406,019	48,044,389	547,920	255,943,297	1,398,392	925,008	3,450,904	1,985,785	4,754,375	319,456,089	1,701,971	321,158,060	1,701,971	321,158,060			
Accumulated depreciation	(1,342,751)	(15,140,148)	(519,245)	(126,308,916)	(795,553)	(670,290)	(2,304,547)	(1,679,207)	(3,684,912)	(152,445,569)	(1,697,310)	(154,142,879)	(1,697,310)	(154,142,879)			
<b>Carrying amount June 30, 2014</b>	<b>1,063,268</b>	<b>32,904,241</b>	<b>28,675</b>	<b>129,634,381</b>	<b>602,839</b>	<b>254,718</b>	<b>1,146,357</b>	<b>306,578</b>	<b>1,069,463</b>	<b>167,010,520</b>	<b>4,661</b>	<b>167,015,181</b>	<b>4,661</b>	<b>167,015,181</b>			

#### 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	Workshop	Office	Workshop	Office	Workshop	Office	Workshop	Office	Workshop	Leasehold	land		
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	61,393	92,989,329			
Additions	-	-	-	-	19,000	-	995,449	97,500	-	1,111,949	-	1,111,949	-	1,111,949			
Depreciation	(88,907)	(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)	(56,732)	(7,177,359)			
<b>Carrying amount June 30, 2013</b>	<b>1,119,231</b>	<b>3,777,502</b>	<b>31,861</b>	<b>79,126,431</b>	<b>466,241</b>	<b>283,014</b>	<b>1,217,132</b>	<b>322,983</b>	<b>574,863</b>	<b>86,919,258</b>	<b>4,661</b>	<b>86,923,919</b>	<b>4,661</b>	<b>86,923,919</b>			
Additions	-	31,611,952	-	57,646,534	187,756	-	60,417	51,200	642,912	90,200,771	-	90,200,771	-	90,200,771			
Depreciation	(55,963)	(2,485,213)	(3,186)	(7,138,584)	(51,158)	(28,296)	(131,192)	(67,605)	(148,312)	(10,109,509)	-	(10,109,509)	-	(10,109,509)			
<b>Carrying amount June 30, 2014</b>	<b>1,063,268</b>	<b>32,904,241</b>	<b>28,675</b>	<b>129,634,381</b>	<b>602,839</b>	<b>254,718</b>	<b>1,146,357</b>	<b>306,578</b>	<b>1,069,463</b>	<b>167,010,520</b>	<b>4,661</b>	<b>167,015,181</b>	<b>4,661</b>	<b>167,015,181</b>			

4.1.1 Production capacity achieved by the new Formaldehyde and U.F Glue plants is 54% (2013: 75%) and 28% (2013: 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 subsequently renewed for another 30 year has been applied via letter Ref:Admin/WNG/620 date October 2, 2013.It is being amortized over the lease term. The lease is further renewable for a period of another 30 years.

# Notes to the Financial Statements

## for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
4.1.3	Depreciation charge for the year has been allocated as under:		
	Cost of sales	9,906,487	6,970,646
	Administrative expenses	203,022	206,713
		<u>10,109,509</u>	<u>7,177,359</u>
4.1.4	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		
	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	11,295,421	11,164,666
	Share of profit / (loss) of current period-net of tax	(587,595)	130,755
		<u>10,707,826</u>	<u>11,295,421</u>
		<u>35,707,826</u>	<u>36,295,421</u>
	The Company is associated with Wah Nobel Acetates Limited (WNAL) due to common directorship. WNAL is engaged in manufacture, compound, import and export, acquire, sell and otherwise deal in any and all types and kinds of chemicals including acetaldehyde, acetic acid, butyl acetate, ethyl acetate or any		
	Assets	685,584,493	679,171,008
	Liabilities	325,604,842	312,137,393
	Revenues	592,408,337	507,731,381
	Profit	(7,053,962)	1,569,692
6	Deferred taxation -net		
	Deferred tax liability - July 01, - Restated	1,126,130	(4,715,510)
	Credited to profit and loss for the year	(7,461,491)	5,373,167
	Credited to other comprehensive income	576,429	468,473
	Net deferred tax asset / (liability) - June 30,	<u>(5,758,932)</u>	<u>1,126,130</u>
6.1	The deferred tax asset/ (liability) comprises of the following:		
	Deferred tax liability on taxable temporary differences		
	Accelerated tax depreciation	(30,276,668)	(23,040,098)
	Share in profit from associates	(1,070,783)	(1,129,542)
	Deferred tax asset on deductible temporary differences		
	Provision for doubtful debts	21,783,074	22,608,946
	Provision for staff retirement and other benefits	2,572,956	2,030,765
	Provision for gratuity scheme - routed through other comprehensive income	1,232,488	656,059
		<u>(5,758,933)</u>	<u>1,126,130</u>
7	Store, spares and loose tools		
	Stores	28,465,190	23,547,277
	Spares	24,856,716	16,988,633
	Loose tools	278,949	250,175
		<u>53,600,855</u>	<u>40,786,085</u>



# Notes to the Financial Statements

## for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
<b>8 Stock in trade</b>			
Raw and packing material	26.2	70,953,507	27,932,972
Work in process	26.1	1,172,169	712,951
Finished goods	26	42,446,813	6,071,362
Goods in transit	8.1	76,796,617	42,903,599
		<u>191,369,106</u>	<u>77,620,884</u>
<b>8.1 Goods in transit includes in-bonded raw material.</b>			
<b>9 Trade debts</b>			
Considered good - unsecured		323,692,204	222,563,582
Considered doubtful - unsecured		66,009,316	66,496,901
		<u>389,701,520</u>	<u>289,060,483</u>
Provision for doubtful debts	9.1	(66,009,316)	(66,496,901)
		<u>323,692,204</u>	<u>222,563,582</u>
<b>9.1 Reconciliation of provision for doubtful debts</b>			
Opening provision		66,496,901	56,496,901
Charge for the year	27	-	10,000,000
		<u>66,496,901</u>	<u>66,496,901</u>
Debts written off		(487,585)	-
Balance at the end of the year		<u>66,009,316</u>	<u>66,496,901</u>
<b>10 Advances</b>			
Advances - unsecured, considered good to suppliers		10,187,381	3,905,628
to employees for expenses		1,766,327	991,525
		<u>11,953,708</u>	<u>4,897,153</u>
<b>10.1</b> 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 (2013 : Rs Nil ).			
<b>11 Accrued interest income</b>			
Profit receivable on term deposit receipts		168,500	198,328
<b>12 Other receivables</b>			
Sales tax refundable		28,887,885	10,903,948
Receivable from employees gratuity fund	20.1	-	-
Letter of credit / guarantee margin		180,900	180,900
Due from associated companies		-	33,247
Others		14,000,551	304,400
		<u>43,069,336</u>	<u>11,422,495</u>
<b>13 Short-term-investment</b>			
Held in local currency			
Term deposit receipts		2,582,666	2,582,666
		<u>2,582,666</u>	<u>2,582,666</u>

Held-to-maturity financial assets comprise term deposit receipts (TDRs) having maturity up to 1 year and average profit rate above 7.76% per annum (2013:above 9. 1%) and held under lien with bank.

## Notes to the Financial Statements

### for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
14	<b>Taxation</b>		
	Opening balance	(20,446,514)	12,015,714
	Current tax		
	- Current	29,287,828	60,137,158
	- Prior	1,101,329	(14,066,866)
	Income tax paid / withheld during the year	(77,596,387)	(78,532,520)
		(67,653,744)	(20,446,514)
15	<b>Cash and bank balances</b>		
	Cash in hand	50,111	66,443
	Cash with banks:		
	in current accounts	10,055,612	19,466,354
	in saving accounts	15.1	144,642,259
		10,105,723	164,175,056
15.1	These carry profit at the rate of average 9.5% per annum (2013: 9.5%) .		
16	<b>Share capital</b>		
	2014 Numbers	2014 Rupees	2013 Rupees
	20,000,000	200,000,000	200,000,000
	2013 Numbers		
	20,000,000		
	Authorized		
	20,000,000	200,000,000	200,000,000
	Ordinary shares of Rs. 10 each		
	Issued, subscribed and paid up		
	6,750,000	67,500,000	67,500,000
	6,750,000		
	Ordinary shares of Rs. 10 each fully paid in cash		
	2,250,000	22,500,000	22,500,000
	2,250,000		
	Ordinary shares of Rs. 10 each issued as fully paid bonus shares		
	9,000,000	90,000,000	90,000,000
	9,000,000		
16.1	Wah Nobel (Private) Limited (the holding Company) held 4,970,400 (2013: 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	<b>Capital reserve</b>		
	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	<b>General reserve</b>		
	Balance at the beginning of the year	290,000,000	260,000,000
	Transfer during the year	35,000,000	30,000,000
		325,000,000	290,000,000

# Notes to the Financial Statements

## for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees			
19	<b>Deferred liabilities</b>					
	Provision for accumulated compensated absences	19.1	7,796,836	5,972,838		
19.1	The amounts recognized in the balance sheet are determined as follows:					
	Opening present value of defined benefit obligations		5,972,838	3,851,535		
	Current service cost		2,030,640	1,065,266		
	Interest cost		544,402	500,700		
	Benefits paid during the year		(2,047,463)	(833,217)		
	Actuarial ( gain )/loss on present value of defined benefit obligation		1,296,420	1,388,554		
			7,796,836	5,972,838		
19.2	The amounts recognized in the profit and loss account are as follows:					
	Current service cost		2,030,640	1,065,266		
	Interest cost		544,402	500,700		
	Actuarial ( gain )/loss on present value of defined benefit obligation		1,296,420	1,388,554		
			3,871,462	2,954,520		
		2014	2013	2012	2011	2010
	Present value of defined benefit	7,796,836	5,972,838	3,851,535	3,420,822	3,041,532
19.3	The principal actuarial assumptions used were as follows:		2014	2013		
	Discount rate		11%	13%		
	Expected rate of increase in salary		13.25%	11%		
	Average number of leaves accumulated per annum by the officers		9 days	9 days		
	Average number of leaves accumulated per annum by the staff		5 days	5 days		
	Average number of leaves accumulated per annum by the workers		3 days	3 days		
			2014	2013		
			Rupees	Rupees		
20	<b>Trade and other payables</b>					
	Trade creditors		100,375,908	122,034,738		
	Advances from customers		4,876,995	2,025,247		
	Accrued expenses		4,398,579	5,403,489		
	Bonus payable		11,818,315	10,353,594		
	Sales tax payable		1,761,462	2,840,224		
	Unclaimed dividends		3,077,893	2,709,237		
	Payable to employees gratuity fund	20.1	12,165,847	13,422,490		
	Workers' profit participation fund	20.2	5,650,533	1,867,743		
	Workers' welfare fund	20.3	22,661,169	20,513,967		
	Payable to employees' provident fund	20.4	609,070	502,037		
	Other liabilities		2,259,423	4,968,134		
			169,655,194	186,640,900		
20.1	The amounts recognized in the balance sheet are as follows:					
	Present value of defined benefit obligations	20.1.1	31,732,155	27,519,950		
	Fair value of plan assets	20.1.2	(19,566,308)	(14,097,460)		
	Balance at end of the year		12,165,847	13,422,490		

# Notes to the Financial Statements

## for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
<b>20.1.1 Movement in the present value of funded obligation is as follows:</b>			
Present value of defined benefit obligation at beginning		27,519,950	12,297,717
Interest cost on defined benefit obligation		2,934,811	1,598,703
Current service cost		1,805,859	1,005,279
Past service cost		-	10,323,006
Benefits paid		(1,421,451)	(86,334)
Benefits payable		(258,240)	-
Remeasurement of defined benefit obligation		1,151,225	2,381,579
<b>Present value of defined benefit obligation at end</b>		<b>31,732,155</b>	<b>27,519,950</b>
<b>20.1.2 Movement in the fair value of plan assets is as follows:</b>			
Fair value of plan assets at beginning		14,097,460	10,704,283
Interest income on plan assets		1,802,541	1,391,557
Contributions		6,000,000	1,100,000
Benefits paid		(1,421,451)	(86,334)
Benefits payable		(258,240)	-
Remeasurement of plan assets		(654,002)	987,954
<b>Fair value of plan assets at end</b>		<b>19,566,308</b>	<b>14,097,460</b>
<b>20.1.3 Charge for the year is as follows:</b>			
Current service cost		1,805,859	1,005,279
Past service cost		-	10,323,006
Interest cost		2,934,811	1,598,703
Expected return on plan assets		(1,802,541)	(1,391,557)
<b>Charge for the year</b>		<b>2,938,130</b>	<b>11,535,431</b>
<b>20.1.4 Remeasurement chargeable in Other comprehensive income (OCI)</b>			
Remeasurement loss on obligation		1,151,225	2,381,579
Remeasurement loss/(gain) on plan assets		654,002	(987,954)
<b>Remeasurement loss recognized in OCI</b>		<b>1,805,227</b>	<b>1,393,625</b>
			Restated
		2014	2013
	Note	Rupees	Rupees
<b>20.1.5 Movement in liability recognised in balance sheet:</b>			
Balance at beginning of year		13,422,490	1,593,434
Cost for the year		2,938,130	11,535,431
Remeasurement recognized in OCI during the year		1,805,227	1,393,625
Contributions during the year		(6,000,000)	(1,100,000)
<b>Balance at end of year</b>		<b>12,165,847</b>	<b>13,422,490</b>

# Notes to the Financial Statements

## for the year ended June 30, 2014

20.1.6 Plan assets comprise of:	2014	2013
Bond	63.4%	57%
Equity	28.0%	32%
Cash and bank balances	8.6%	11%
	<u>100%</u>	<u>100%</u>

20.1.7 The principal actuarial assumptions used in the actuarial valuation are as follows:	2014	2013
Discount rate	11%	13%
Discount rate used for year end obligation	13.25%	11%
Expected rate of salary growth		
Salary increase FY 2014	NA	10%
Salary increase FY 2015 onward	12%	10%
Mortality rate	SLIC 2001-2005 set back 1 year	EFU 61-66
Withdrawal rates	age based (per appendix)	age based (per appendix)
Retirement assumption	Age 63 for officers and 60 for staff and workers	Age 63 for officers and 60 for staff and workers
Estimated charge to profit and loss account for the next year	3,335,831	3,282,333

### 20.1.8 Sensitivity analysis

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

	Effect of 1% increase	Effect of 1% decrease
Discount rate	29,326,460	34,482,969
Future salary growth	34,512,959	29,259,352

20.1.9 The average duration of the defined benefit obligation as at June 30, 2014 is 8 years.

	Note	2014 Rupees	2013 Rupees
20.2 Workers' profit participation fund			
Balance at the beginning of the year		1,867,743	1,278,232
Interest for the period on fund utilized by the Company	30	208,970	140,134
Payments during the year		(2,076,713)	(7,918,366)
Allocation for the year	31	5,650,533	8,367,743
Balance at the end of the year		<u>5,650,533</u>	<u>1,867,743</u>

### 20.3 Workers' welfare fund

Balance at the beginning of the year		20,513,967	17,334,225
Allocation for the year	31	2,147,202	3,179,742
Balance at the end of the year		<u>22,661,169</u>	<u>20,513,967</u>

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 unfavourable decision on the appeal of department against the decision of appellate tribunal.

# Notes to the Financial Statements

## for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees			
20.4	Payable to employees' provident fund					
	Opening payable	502,037	312,549			
	Contribution/withheld during the year	6,579,922	5,005,814			
	Payments during the year	(6,472,889)	(4,816,326)			
	Balance at the end of the year	609,070	502,037			
21	Due to holding company					
	Wah Nobel (Private) Limited - holding company	1,693,536	-			
22	Accrued mark up					
	On short term running finance - secured	5,118,525	-			
		5,118,525	-			
23	SHORT TERM RUNNING FINANCE - SECURED					
	Bank Al-Habib	24	23,657,558	-		
	Allied Bank Limited	24	76,551,641	-		
	MCB Bank Limited	24	11,318,026	-		
	Askari Bank Ltd	24	90,250,762	-		
	Short term running finance - secured		201,777,987	-		
24	Facilities related to short term running finance - secured					
			Limits			
	Banks	Markup	2014	2013		
	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		
	Askari Bank Ltd	1 month average KIBOR plus 0.35%	100 million			
24.1	The mark up on the facilities are without a floor or cap, payable quarterly.					
24.2	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				
	Askari Bank Limited	Ranking charge of Rs. 134 million on all present and future current assets of the Company.				
24.3	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 2014	2013	Letter of credit 2014	2013
			(Figures in Rupees)			
	Bank Al Habib Limited	24.3.1	20,000,000	20,000,000	250,000,000	180,000,000
	Allied Bank limited	24.3.2	-	-	100,000,000	100,000,000
	MCB Bank Limited	24.3.3	10,000,000	10,000,000	100,000,000	100,000,000
	Askari Bank Limited	24.3.4	-	-	100,000,000	-

# Notes to the Financial Statements

## for the year ended June 30, 2014

24.3.1 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

24.3.2 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.

24.3.3 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.

24.3.4 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	2014 Rupees	2013 Rupees
<b>25 Turnover</b>			
Gross revenue - manufacturing		1,529,545,083	1,403,030,630
Sales tax		(225,564,986)	(191,792,979)
<b>Net turnover</b>		<b>1,303,980,097</b>	<b>1,211,237,651</b>
<b>26 Cost of sales</b>			
Cost of goods manufactured	26.1	1,144,308,954	974,053,219
Packing material consumed		2,204,590	526,430
		<b>1,146,513,544</b>	<b>974,579,649</b>
Opening stock of finished goods		6,071,362	8,889,312
Closing stock of finished goods	8	(42,446,813)	(6,071,362)
		<b>1,110,138,093</b>	<b>977,397,599</b>
<b>26.1 Cost of goods manufactured</b>			
Raw material consumed	26.2	985,561,300	863,265,422
Stores and spares consumed		32,324,123	14,986,263
Salaries, wages and other benefits	28.1	60,578,707	47,799,943
Fuel and power		48,678,443	34,392,307
Rent, rates and taxes		499,010	337,912
Insurance		1,174,683	1,196,221
Repairs and maintenance of vehicles		994,657	1,149,126
Outside security charges		1,044,736	888,656
Miscellaneous expenses		4,006,026	3,433,409
Depreciation	4.1.3	9,906,487	6,970,646
Manufacturing cost		<b>1,144,768,172</b>	<b>974,419,905</b>
Opening stock of work in process		712,951	346,265
Closing stock of work in process	8	(1,172,169)	(712,951)
		<b>1,144,308,954</b>	<b>974,053,219</b>
<b>26.2 Raw material consumed</b>			
Opening stock	8	27,932,972	33,089,045
Purchases during the year		886,674,821	858,109,349
		<b>914,607,793</b>	<b>891,198,394</b>
Closing stock	8	70,953,507	(27,932,972)
		<b>985,561,300</b>	<b>863,265,422</b>

# Notes to the Financial Statements

## for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
<b>27 Administrative and general expenses</b>			
Salaries, wages and other benefits	28.1	11,445,335	10,407,472
Corporate service charges		900,000	900,000
Office rent		107,891	66,180
Electricity and water charges		711,093	538,917
Postage, telephone and telex		408,929	283,712
Printing and stationery		709,012	627,046
Travelling and conveyance		1,290,088	1,486,024
Entertainment		477,349	131,865
Legal and professional charges		1,179,917	622,421
Fees and subscription		445,730	446,860
Advertisement and publicity		85,388	86,220
Maintenance expenses		53,888	67,046
Provision for doubtful debts	9.1	-	10,000,000
Miscellaneous expenses		719,925	640,399
Depreciation	4.1.3	203,022	206,713
		<b>18,737,567</b>	<b>26,510,875</b>
<b>28 Selling and distribution expenses</b>			
Salaries, wages and other benefits	28.1	12,475,263	9,899,059
Postage, telephone and telex		118,809	91,325
Printing and stationery		22,361	3,570
Travelling and conveyance		657,827	381,561
Carriage		36,990,547	37,425,719
UFMC Sales Commission		5,731,046	-
Vehicle running expenses		949,295	672,698
Transit insurance		610,992	911,889
Entertainment		8,500	6,553
Miscellaneous expenses		991,493	709,770
		<b>58,556,133</b>	<b>50,102,144</b>
<b>28.1</b>			
Related amounts include contribution towards pension fund of Rs. 1,748,105 (2013: Rs. 1,425,445), provident fund of Rs.2,581,029 (2013: Rs. 1,672,557), expense for accumulating absences of Rs.3,871,462 (2013: Rs. 2,954,520), gratuity of Rs.2,938,130 (2013: Rs.11,535,431) and provision for bonus to employees of Rs. 9,454,652 (2013: Rs. 10,353,594).			
<b>29 Other income</b>			
Income from financial assets	29.1	1,012,019	7,477,419
Income from non-financial assets	29.2	5,872,979	3,556,897
		<b>6,884,998</b>	<b>11,034,316</b>
<b>29.1 Income from financial assets</b>			
Interest on term deposit receipts		208,166	198,328
Bank interest		803,853	7,279,091
		<b>1,012,019</b>	<b>7,477,419</b>
<b>29.2 Income from non-financial assets</b>			
Miscellaneous income		526,262	1,084,247
Sale of scrap		5,346,717	2,472,650
		<b>5,872,979</b>	<b>3,556,897</b>



# Notes to the Financial Statements

## for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
<b>30 Finance cost</b>			
Interest on workers' profit participation fund	20.2	208,970	140,134
Mark up on short term running finance - secured		9,575,041	146,567
Bank charges		213,636	194,795
		<u>9,997,647</u>	<u>481,496</u>
<b>31 Other operating expenses</b>			
Workers' profit participation fund	20.2	5,650,533	8,367,743
Workers' welfare fund	20.3	2,147,202	3,179,742
Auditors' remuneration	31.1	425,000	425,000
		<u>8,222,735</u>	<u>11,972,485</u>
<b>31.1 Auditors' remuneration</b>			
Annual audit fee		325,000	325,000
Half yearly review		100,000	100,000
		<u>425,000</u>	<u>425,000</u>
<b>32 Taxation</b>			
Provision for the year			
- Current for the year		29,287,828	60,137,158
- Prior year		1,101,329	(14,066,866)
- Deferred	6	7,461,491	(5,373,167)
		<u>37,850,648</u>	<u>40,697,125</u>
<b>32.1 Tax charge reconciliation</b>			
Accounting profit		104,625,325	155,938,123
Tax rate		34 %	35 %
Tax on accounting profit at applicable rate		35,572,610	54,578,344
Tax effect of amounts/expenses that are inadmissible for tax purposes		7,604,543	11,087,777
Tax effect of amounts/expenses that are admissible for tax purposes		(13,889,325)	(5,528,963)
Prior year adjustment		1,101,329	(14,066,866)
Tax effect of timing differences		7,461,491	(5,373,167)
		<u>37,850,648</u>	<u>40,697,125</u>
<b>33 Earnings per share - basic and diluted</b>			
Profit for the year		66,774,677	115,240,998
Number of ordinary shares outstanding during the year	16	9,000,000	9,000,000
Earnings per share-basic and diluted		7.42	12.80
<b>34 Adjustment for non-cash items</b>			
The following non-cash and other items have been adjusted in profit before taxation for the year to arrive at operating cash flow:			
Adjustments			
Depreciation	4	10,109,509	7,177,359
Interest on term deposit receipts	29.1	(208,166)	(198,328)
Bank interest	29.1	(803,853)	(7,279,091)
Financial charges		9,788,677	341,362
Interest on workers' profit participation fund	30	208,970	140,134
Provision for gratuity fund	20.1	2,938,130	11,535,431
Share in profit of associated company	5	587,595	(130,755)

# Notes to the Financial Statements

## for the year ended June 30, 2014

	Note	2014 Rupees	2013 Rupees
Workers' profit participation fund (WPPF)	20.2	5,650,533	8,367,743
Workers' welfare fund (WWF)	20.3	2,147,202	3,179,742
Provision for accumulated compensated absences	19.2	3,871,462	2,954,520
Provision for doubtful debts/write off	9.1	(487,585)	10,000,000
		<u>33,802,474</u>	<u>36,088,117</u>
<b>35 Cash and cash equivalent</b>			
Cash and bank balances		10,105,723	164,175,056
Short term running finance - secured		(201,777,987)	-
		<u>(191,672,264)</u>	<u>164,175,056</u>

### 36 Contingencies and commitments

#### 36.1 Contingencies

**36.1.1** 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 (2013 : 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.

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

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

Currently all imports of Methanol are being released on payment of Rs. 3/- per bulk gallon in cash and submission of guarantee @ Rs. 14/- per bulk gallon in the form of indemnity bonds. Accordingly, in case of an unfavorable decision of the Supreme Court, the Company is exposed to an aggregate obligation of Rs. 843 million (2013 : Rs. 798 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. This material uncertainty exists which may cast significant doubt on the entity's ability to continue as going concern therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business. 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.

# Notes to the Financial Statements

## for the year ended June 30, 2014

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.

- 36.1.3 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.

	2014 Rupees	2013 Rupees
36.2 Commitments in respect of:		
Letters of credit for purchase of stocks	<u>54,716,750</u>	<u>72,812,700</u>
Capital expenditure contracted but not incurred.	<u>-</u>	<u>48,427,977</u>
36.2.1 Post dated cheques issued in favour of collector of customs against custom duties and other levies on methanol kept in bonded ware house.	<u>36,456,899</u>	<u>7,166,786</u>

### 37 Staff provident fund

- 37.1 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:

	2014 (Unaudited) Rupees	2013 Rupees
Size of fund/trust	<u>60,787,468</u>	<u>51,861,059</u>
Cost of investment made	<u>49,219,629</u>	<u>43,106,926</u>
Percentage of investment (%)	<u>81%</u>	<u>83%</u>
Fair value of investment	<u>53,273,373</u>	<u>44,502,572</u>

### 37.2 The break-up of fair value of investment is:

Regular income certificates (RIC)	25,700,000	25,700,000
N.I.T units	6,939,176	4,891,931
Term deposits - FWBL	18,317,057	13,600,000
Shares in Wah Nobel Chemicals Limited.	<u>2,317,140</u>	<u>660,000</u>
	<u>53,273,373</u>	<u>44,851,931</u>
	Percentage	

### 37.3 Percentage of investment made is:

Regular income certificates (RIC)	48%	57%
N.I.T units	13%	11%
Term deposits - FWBL	34%	30%
Shares in Wah Nobel Chemicals Limited.	4%	1%

# Notes to the Financial Statements

## for the year ended June 30, 2014

### 38 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 38.1.

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

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

#### a) Market risks

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

#### i) Interest rate risk

The interest rate risk is the risk that the fair value or future 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	2014 Rupees	2013 Rupees
<b>Financial Assets</b>			
Bank balances	15	-	144,642,259
Short-term investment	13	2,582,666	2,582,666
		<b>2,582,666</b>	<b>147,224,925</b>
<b>Financial Liabilities</b>			
Short term running finance - secured		201,777,987	-
		<b>201,777,987</b>	<b>-</b>
<b>Net financial assets / (liabilities)</b>		<b>(199,195,321)</b>	<b>147,224,925</b>

The effective markup rates for the financial assets and liabilities are mentioned in respective notes to the financial statements.

# Notes to the Financial Statements

## for the year ended June 30, 2014

### Markup rate sensitivity analysis

If markup rates had been 50 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended June 30, 2014 would decrease / increase by Rs. 146,936 thousand (2013: Nil). This is mainly attributable to the Company's exposure to markup rates on its variable rate

### 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. 57,495,159 (2013: 55,512,945) which were subject to foreign currency risk. A one rupee change in the exchange rate of foreign currencies would have the impact of +/- Rs. 569,259 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. 336,758,910 (2013: Rs. 389,978,249), the financial assets that are subject to credit risk amounted to Rs. 336,758,910 (2013: Rs. 389,911,806).

The maximum exposure to credit risk as at June 30, 2014, along with comparative is tabulated below:

	Note	2014 Rupees	2013 Rupees
Financial Assets			
Trade debts	9	323,692,204	222,563,582
Trade deposits		40,070	40,070
Other receivables		485,300	418,547
Accrued interest income	11	168,500	198,328
Short-term-investment		2,582,666	2,582,666
Bank balances		10,055,612	164,108,613
		<b>337,024,352</b>	<b>389,911,806</b>

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

	Rating agency	Rating		2014 Rupees
		Short term	Long term	
National Bank of Pakistan	JCR-VIS	A-1+	AAA	901,026
Askari Bank Limited	PACRA	A1+	AA	30,510
Bank-Al Falah Limited	PACRA	A1+	AA	8,799,765
MCB Bank Limited	PACRA	A1+	AAA	2,903,868
Bank-Al Habib Limited	PACRA	A1+	AA+	-
Habib Bank Limited	JCR-VIS	A-1+	AAA	3,109
Allied Bank Limited	PACRA	A1+	AA+	-
				<b>12,638,278</b>

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, 2014

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

	Note	2014 Rupees	2013 Rupees
Neither past due nor provided for		211,501,689	180,424,836
Past due but not provided for:			
- within 90 days		89,378,805	10,202,860
- within 91 to 180 days		2,073,366	5,788,574
- over 180 days		20,738,344	26,634,897
Considered good		323,692,204	223,051,167
Past dues provided for		66,009,316	66,009,316
Total	9	<u>389,701,520</u>	<u>289,060,483</u>

### 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

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 2014, The Company's financial liabilities have contractual/probable maturities which are summarized below:

June 30, 2014	Current	
	Within 6 months	6 to 12 months
Trade and other payables	121,494,871	-
Due to holding company	1,693,536	-
	<u>123,188,407</u>	-

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

June 30, 2013	Current	
	Within 6 months	6 to 12 months
Trade and other payables	142,737,475	-
Due to holding company	-	-
	<u>142,737,475</u>	-

### d) Fair value estimation

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

# Notes to the Financial Statements

## for the year ended June 30, 2014

### 38.1 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	2014 Rupees	2013 Rupees
<b>Financial Assets</b>			
<b>Current assets:</b>			
<b>Loans and receivables at amortized cost:</b>			
Trade debts	9	323,692,204	222,563,582
Trade deposits		40,070	40,070
Other receivables		485,300	418,547
Accrued interest income	11	168,500	198,328
Cash and cash at bank	15	10,105,723	164,175,056
Investments held to maturity			
Short term investments	13	2,582,666	2,582,666
		<u>337,074,463</u>	<u>389,978,249</u>
<b>Financial Liabilities</b>			
<b>Current liabilities:</b>			
<b>Financial liabilities at amortized cost:</b>			
Trade and other payables		121,494,871	142,737,475
Due to holding company	21	1,693,536	-
		<u>123,188,407</u>	<u>142,737,475</u>

### 39 Capital risk management

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

### 40 Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amount charged in these financial statements in respect of remuneration and allowances, including all benefits, to chief executives and executives of the Company are given below:

	Executives	
	2014 Rupees	2013 Rupees
Managerial remuneration	11,108,610	-
Leave encashment	783,612	-
Retirement benefits	1,955,008	-
Bonus and incentives	3,088,115	-
	<u>16,935,345</u>	<u>-</u>
Number of persons	8	-

40.1 Comparative figures have not been presented as no employee of the Company fall under the definition of "Executive" as given in Fourth Schedule to the Companies Ordinance, 1984 in the previous year.

40.2 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

# Notes to the Financial Statements

## for the year ended June 30, 2014

### 41 Operating segment

These financial statements have been prepared on the basis of single reportable segment.

- Formaldehyde, glue and UFMC sales represent 93.3% (2013: 100%) of the total sales of the Company.
- 100% (2013: 100%) of the Company's sales relate to customers in Pakistan.
- All non-current assets of the Company as at June 30, 2014 are located in Pakistan
- Ten (2013: Eight) of the Company's customers having sales aggregating Rs.1061 million (2013:996 million) contributed towards 80% (2013: 82%) of the Company's sales. Two (2013: Two) customers individually exceeded 10% of total sales.

### 42 Capacity and production

	Designed annual capacity		Actual production	
	2014	2013	2014	2013
	Metric Tones			
Formaldehyde and Formalin solvent	30,000	30,000	23,114	26,224
Urea / Phenol Formaldehyde	19,000	19,000	23,572	25,704
UFMC	4,000	-	1,429	-

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

### 43 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

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:

	2014	2013
	Rupees	Rupees
Expenses incurred (on behalf of) / by the group companies net	<u>826,783</u>	<u>(934,934)</u>
Corporate service fee charged by holding company	<u>900,000</u>	<u>900,000</u>
Sales to associate company	<u>955,050</u>	<u>439,979</u>
Dividend paid to the holding company	<u>27,337,200</u>	<u>24,852,000</u>
Other related parties		
Payment to:		
Employees' pension fund trust	1,748,105	1,425,445
Employees' provident fund trust	6,472,889	4,816,326
Workers' profit participation fund	2,076,713	7,918,366
Employees' gratuity fund	6,000,000	1,100,000



# Notes to the Financial Statements

## for the year ended June 30, 2014

44 **Number of employees**

Total number of permanent employees as at June 30, 2014 is 123 (2013 : 110) and average number of employees over the period were 113 (2013: 109)

45 **Non-adjusting event after balance sheet date**

The Board of directors at the meeting held on October 02, 2014 have proposed for the year ended June 30, 2014 cash dividend of Rs. 4.00 per share (2013: Rs. 5.50 per share), amounting to Rs. 36 million subject to approval of members at the annual general meeting.

46 **Date of authorization**

These financial statements were authorized for issue on October 02, 2014 by the Board of Directors of the

47 **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.

48 **General**

Figures have been rounded off to the nearest rupee.

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**DIRECTOR**

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**CHIEF EXECUTIVE**



# 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 31<sup>st</sup> Annual General Meeting of the Company to be held on Friday, October 31, 2014 at 1100 hrs and /or any adjournment thereof.

Signed this \_\_\_\_\_ day of October, 2014.

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:**

- 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.
- The Proxy must be a member of the Company.
- Signature(s) should agree with the specimen signature/s registered with the Company.
- For CDC Account Holders/Corporate Entities  
In addition to the above the following requirements have to be met.
  - Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
  - The proxy shall produce his original CNIC or original passport at the time of the meeting.
  - In case of a corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier along with proxy form to the Company).



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