



ISO 9002 & ISO 14001 CERTIFIED

# WAH NOBEL CHEMICALS LIMITED

## ANNUAL REPORT & ACCOUNTS 2003



## **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.

## SIX YEARS AT A GLANCE

	1997	1998	1999	2000	2001	2002
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**(A) Trading Results:**

i) Net Sales Revenue	127.138	130.700	118.723	161.747	209.350	216.624
ii) Gross Profit	25.482	30.279	35.345	51.294	49.926	55.503
iii) Operating Profit	16.516	21.172	26.370	41.521	38.277	41.973
iv) Profit Before Tax	14.538	17.543	22.305	38.763	35.421	39.228
v) Profit After Tax	9.662	11.687	18.776	27.597	36.433	25.662

**(B) Balance Sheet**

i) Paid-up Capital	37.500	37.500	37.500	37.500	37.500	37.500
ii) Shareholders Equity	76.659	79.909	89.311	103.783	121.466	162.903
iii) Property, Plants and Equipment	47.008	42.645	38.771	35.686	32.433	29.698
iv) Current Assets	86.023	124.597	126.178	118.456	113.570	165.908
v) Long Term Liabilities	2.637	1.918	1.200	-	-	-

**(C) Key Financial Ratios**

i) Gross Profit %	20%	23.17%	29.77%	31.71%	23.85%	25.62%
ii) Profit Before Tax %	11.40%	13.42%	18.79%	23.96%	16.92%	18.11%
iii) Earning Per Share After Tax Rs.	2.57	3.17	5.01	7.36	9.72	6.84
iv) yield Cash % (Dividend)	20%	22.50%	25%	35%	50%	27.50%
v) Debt: Equity Ratio	0.03:1	0.02:1	0.01:1	-	-	-
vi) Break-up Value Per Share Rs.	20.44	21.31	23.82	27.67	32.39	21.72
vii) Current Ratio	1.87:1	2.28:1	3:1	2.84:1	2.64:1	3.22:1

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

Lt. Gen. Abdul Qayyum <i>HI(M).</i>	:	Chairman
Mr. Rolf Ekberg	:	Vice Chairman
Mr. Syed Kaukab Mohyuddin	:	Managing Director/Chief Executive
Mr. Feroze Khan Malik	:	Director
Mr. Shabbir Ahmad	:	Director
Mr. Azhar Masood	:	Director
Mr. Muhammad Nawaz Tishna	:	Director (N.I.T. Nominee)

### **AUDIT COMMITTEE**

Mr. Azhar Masood	:	Chairman
Mr. Feroze Khan Malik	:	Member
Mr. S.K. Mohyuddin	:	Member

### **COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER**

Mr. Amanullah Khan, FCA	:	
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<b>AUDITORS</b>	:	Messrs Tariq Ayub, Anwar & Co. Chartered Accountants
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<b>LEGAL ADVISORS</b>	:	Messrs Khan & Piracha
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<b>BANKERS</b>	:	Muslim Commercial Bank Ltd United Bank Limited Allied Bank Of Pakistan Ltd
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<b>REGISTERED OFFICE</b>	:	G.T. Road, Wah Cantt.
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<b>PHONES</b>	:	(051) 5568760, (0596) 545243-6 (4 Lines) (0596) 9314101-21 (21 Lines) Ext. 22236
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<b>CABLE</b>	:	DYNAMITE
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<b>FAX</b>	:	0596-545241 0596-535862
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<b>E.MAIL</b>	:	wahnobel@comsats.net.pk wahnobel@micro.net.pk
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<b>WEBSITE</b>	:	www.wahnobel.com
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<b>FACTORY</b>	:	WAH CANTT.
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**WAH NOBEL CHEMICALS LIMITED**

**NOTICE OF**

**ANNUAL GENERAL MEETING**

NOTICE is hereby given that 20<sup>th</sup> 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 Saturday, the 15<sup>th</sup> November, 2003 at 11.00 hours to transact the following business:

1. To confirm Minutes of the Annual General Meeting held on 30<sup>th</sup> December, 2002.
2. To receive, consider and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30<sup>th</sup> June, 2003 together with Auditors' Report thereon.
3. To approve payment of dividend @ 30% i.e. Rs.3.00 per share of Rs.10/- as recommended by the Directors.
4. To appoint Auditors of the Company for the year 2003-04 and to fix their remuneration.
5. To transact any other business with the permission of the Chairman.

By Order of the Board

(AMANULLAH KHAN)  
COMPANY SECRETARY

WAH CANTT.

DATED: 20.10.2003.

NOTES:

1. To determine the entitlement of shareholders to the cash dividend the share transfer books of the Company will remain closed from 6<sup>th</sup> to 15<sup>th</sup> November, 2003 (both days inclusive). No transfer will be accepted for registration during this period. The members whose names appear in the register of members as at the close of business on 5<sup>th</sup> November, 2003 will qualify for payment of the dividend.
2. A member entitled to attend and vote at this 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 by the Company at its Registered Office not less than 48 hours before the meeting.
3. The shareholders are requested to communicate to the Company the change of address, if any, immediately.

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**WAH NOBEL CHEMICALS LIMITED**

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

Dear Shareholders,

The Directors of the Company are pleased to present their Annual Report and the Audited Accounts for the year ended 30<sup>th</sup> June, 2003 together with the Auditors' Report thereon.

1. **FINANCIAL RESULTS**

The profit earned and appropriations recommended by the Directors are as under:

	<u>Rupees</u>
After tax profit	26,896,444
Un-appropriated profit brought forward	<u>560,000</u>
Profit available for appropriation	27,456,444

2. **APPROPRIATIONS**

Transfer to General Reserve	4,500,000
Proposed dividend @ 30% i.e. Rs.3.00 Per share of Rs.10/- each.	<u>22,500,000</u>
	<u>27,000,000</u>
Un-appropriated profit carried forward	<u><u>456,444</u></u>

3. **NET EARNING PER SHARE**

The net earning per share was Rs.3.59 (2002: Rs.3.42).

4. **OPERATING PERFORMANCE**

Despite the problems of intense competition, over capacity and unfavourable market conditions with no significant enhancement of the sale prices during the year, the Company was able to increase its sales over the last year.

5. OUTLOOK FOR 2003-04

Economic and political scenario of the country is not yet clear on the LFO issue between the Government and the opposition parties and the Middle East crises. However, we are hopeful that the Company's business is expected to achieve better results.

6. EXPANSION PLAN

The expansion plan for doubling the production capacity of formaldehyde plant has been successfully completed and production has been started since September 2003.

7. STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

Code of Corporate Governance

Securities and Exchange Commission of Pakistan (SECP) has formulated a "Code of Corporate Governance" (Code). This Code was inserted in the listing regulations of the Stock Exchanges on March 28, 2002. The Company for the year ended 30 June 2003 has duly complied with the provisions of the code, relevant. The directors hereby confirm the following as required by clauses of the Code.

- (i) The financial statements present fairly the Corporation's state of affairs, the result of its operations, cash flows and changes in equity.
- (ii) The Corporation has maintained proper books of account.
- (iii) Appropriate accounting policies have been consistently applied in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgement.



- (iv) International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed.
- (v) The system of internal control is sound in design and has been effectively implemented and monitored.
- (vi) There are no significant doubts upon the Corporation's ability to continue as a going concern.
- (vii) There has been no material departure from the best practices of corporate governance, as detailed in the Stock Exchange Listing Regulations.
- (viii) Summary of key operating and financial data of last six financial years is attached to this Report.

#### Board Meeting

- (ix) During the year ended 30<sup>th</sup> June, 2003, a total of four meetings of the Board of Directors were held. Leave was granted to the members of Board who were unable to attend the meeting. The attendance of each director at the meeting of the Board of Directors is as under:

<b>Directors</b>	<b>Number of Board Meetings Attended</b>
1. Lt. Gen. Abdul Qayyum      Chairman	2
2. Mr. Rolf Ekberg	-
3. Mr. Syed Kaukab Mohyuddin      Chief Executive	4
4. Mr. Feroze Khan Malik	4
5. Muhammad Sharif	4
6. Mr. Azhar Masood	2
7. Mr. Muhammad Nawaz Tishna	4

- (x) Value of Investment of Provident Fund, gratuity and Pension Funds Scheme for the financial year ending June 30, 2003 are as follows:

	<u>Rupees</u>
Provident Fund	6,986,521
Gratuity Fund	2,946,691
Pension Fund	1,314,688

8. AUDITORS

The present Auditors M/s Tariq Ayub Anwar & Company, Chartered Accountants, Lahore retire and being eligible, offer themselves for re-appointment for the financial year 2003-04.

9. PATTERN OF SHAREHOLDING

The pattern of shareholding as at 30<sup>th</sup> June, 2003 is annexed to the accounts.

10. CHANGES IN THE BOARD

Consequent upon the nomination by the holding Company, M/s Wah Nobel (Pvt) Limited, Mr. Shabbir Ahmad, DICR, POFs has been appointed as Director in place of Mr. Muhammad Sharif to represent WNPL on the Board of Wah Nobel Chemicals Limited.

11. ACKNOWLEDGEMENT

The Directors wish to place on record their deep appreciation for the hard work, loyalty and devotion to duty by all the employees of the Company and thank all its valued customers for their continued patronage and support.

On behalf of the Board

WAH CANTT.  
DATED: 20.10.2003.

(S.K. MOHYUDDIN)  
CHIEF EXECUTIVE

**STATEMENT OF COMPLIANCE WITH THE CODE OF  
CORPORATE GOVERNANCE FOR THE YEAR ENDED  
JUNE 30, 2003**

This statement is being presented to comply with the Code of Corporate Governance as contained in the Listing Regulation No.37 (Chapter XI) of the Karachi Stock Exchange, Clause 40 (Chapter XIII) of the Listing Regulation of the Lahore Stock Exchange and Section 36 (Chapter XI) of the Listing Regulations of the Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes one independent non-executive director, five non-independent non-executive directors nominated by institutions and one non-executive director representing minority shareholders.
2. The directors have voluntarily confirmed that none of them is serving as director in more than ten listed 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 Development Financial Institution or a Non-Banking Financial Institution.
4. No casual vacancy occurred in Board.

5. The Company has adopted a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision and mission statement, overall corporate strategy and significant policies. A complete record of particulars of significant policies along with the date on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of terms and conditions of employment of the Chief Executive have been taken by the Board. No director or Chief Executive is being remunerated by the Company.
8. The meeting of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, Company's memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities. The Company is committed to arrange orientation courses for its directors to apprise them of their duties and responsibilities in future.
10. The Chief Financial Officer (CFO) who is also a Company Secretary, and head of internal Audit were appointed prior to enactment of

the Code of Corporate Governance. Terms of appointment including remuneration in case of future appointments on these positions will be approved by the Board.

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 financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer before approval by the Board.
13. the Directors, Chief Executive 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 every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Company has an effective internal audit function.

18. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all material principles contained in the Code have been complied with.

AZHAR MASOOD  
CHAIRMAN BOARD OF  
AUDIT COMMITTEE

SYED KAUKAB MOHYUDDIN  
CHIEF EXECUTIVE

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

We have reviewed the Statement of Compliance with the best practice contained in the Code of Corporate Governance prepared by the Board of Directors of Wah Nobel Chemicals Limited to comply with the relevant Listing Regulations of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's Statement on internal control covers all controls and the effectiveness of such internal controls.

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 of Corporate Governance.

Lahore:

22 October 2003

TARIQ AYUB, ANWAR & CO.  
CHARTERED ACCOUNTANTS.

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of M/S WAH NOBEL CHEMICALS LIMITED as at 30<sup>th</sup> June, 2003, and related Profit & 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 purpose 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 a 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 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 account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) In our opinion;
  - i) the Balance Sheet and the Profit & 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 account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business and
  - iii) the business conducted, investment 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 & 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 30<sup>th</sup> June, 2003, 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.

Lahore:  
31-Naiper Road

TARIQ AYUB, ANWAR & CO.  
CHARTERED ACCOUNTANTS.



**WAH NOBEL CHEMICALS LIMITED**

**BALANCE SHEET**

**AS AT 30TH JUNE, 2003**

**CAPITAL & LIABILITIES**

**SHARE CAPITAL & RESERVES**

Authorised Capital:

20,000,000/- ( 2002 : 20,000,000/- ) Ordinary Shares of Rs. 10/  
each.

Issued, Subscribed & Paid Up Capital:

7,500,000/- ( 2002 : 3,750,000 ) Ordinary Shares of Rs. 10/- each

Share Deposit Money

Capital Reserve

General Reserve

Un-appropriated Profit

**LONG TERM LOAN**

**DEFERRED LIABILITIES**

Taxation

**CURRENT LIABILITIES & PROVISIONS**

Short Term Finances

Current Maturity of Long Term Loan

Creditors, Provisions & Accrued Charges

Other Payables

Provision For Taxation - Net of Advances

Proposed Dividend

**CONTINGENCIES & COMMITMENTS**

**NOTE**

**2003  
RUPEES**

**2002  
RUPEES**

200,000,000

200,000,000

75,000,000

37,500,000

- 36,399,190

944,404

944,404

92,000,000

87,500,000

456,444

560,000

168,400,848

162,903,594

35,000,000

-

5,557,000

6,225,000

30,904,696

-

5,000,000

-

22,450,091

17,890,752

19,625,918

11,179,671

895,628

1,781,550

22,500,000

20,625,000

101,376,333

51,476,973

-

-

310,334,181

220,605,567

**PROPERTY & ASSETS**

**FIXED CAPITAL EXPENDITURE**

Operating Fixed Assets - Tangible

Capital Work -in - Progress - Plant & Machinery

**LONG TERM INVESTMENT**

**CURRENT ASSETS**

Stores, Spares & Loose Tools

Stock in Trade

Trade Debtors

Advances, Deposits & Prepayments

Other Receivables

Cash & Bank Balances

**NOTE**

**2003  
RUPEES**

**2002  
RUPEES**

27,617,125

29,298,054

79,030,641

399,774

106,647,766

29,697,828

25,000,000

25,000,000

15,290,030

15,190,590

25,877,807

18,107,460

81,865,897

58,439,038

1,544,666

1,264,567

24,859,157

2,904,283

29,248,857

70,001,801

178,686,414

165,907,739

310,334,181

220,605,567

The annexed Notes from 1 to 34 form an integral part of these Accounts.

DIRECTOR

CHIEF EXECUTIVE

**WAH NOBEL CHEMICALS LIMITED**  
**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30TH JUNE, 2003**

	<u>NOTE</u>	<u>2003</u> <u>RUPEES</u>	<u>2002</u> <u>RUPEES</u>
SALES	20	203,264,810	212,706,179
COST OF GOODS SOLD	21	146,838,609	157,203,042
	GROSS PROFIT	<u>56,426,201</u>	<u>55,503,137</u>
TRADING INCOME		1,040,981	454,459
		<u>57,467,182</u>	<u>55,957,596</u>
OPERATING EXPENSES			
Administrative & General	22	5,487,906	5,643,607
Selling & Distribution	23	10,050,060	8,260,635
		<u>15,537,966</u>	<u>13,904,242</u>
	OPERATING PROFIT	<u>41,929,216</u>	<u>42,053,354</u>
OTHER INCOME	24	2,553,087	1,576,526
		<u>44,482,303</u>	<u>43,629,880</u>
FINANCIAL & OTHER EXPENSES			
Financial Charges	25	792,114	1,195,419
Other Charges	26	3,339,745	3,206,623
		<u>4,131,859</u>	<u>4,402,042</u>
PROFIT - For the year before Taxation		<u>40,350,444</u>	<u>39,227,838</u>
PROVISION FOR TAXATION			
Current Taxation		14,122,000	13,840,000
Deferred Taxation		(668,000)	(275,000)
		<u>13,454,000</u>	<u>13,565,000</u>
PROFIT - For the year after Taxation		<u>26,896,444</u>	<u>25,662,838</u>
UN-APPROPRIATED PROFIT - Brought Forward		560,000	522,162
	PROFIT AVAILABLE FOR APPROPRIATION	<u>27,456,444</u>	<u>26,185,000</u>
APPROPRIATIONS			
Transferred to General Reserve		4,500,000	5,000,000
Dividend @ 30% (2002 @ 27.5 %)		22,500,000	20,625,000
		<u>27,000,000</u>	<u>25,625,000</u>
UN-APPROPRIATED PROFIT - Carried to the Balance Sheet		<u>456,444</u>	<u>560,000</u>
EARNINGS PER SHARE - Basic			
.- as originally reported	27.1	-	6.84
.- as restated including the effect of Right Issue	27.2	<u>3.59</u>	<u>3.42</u>

The annexed Notes from 1 to 34 form an integral part of these Accounts.

DIRECTOR

CHIEF EXECUTIVE

**WAH NOBEL CHEMICALS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE, 2003**

	<b><u>2003</u></b> <b><u>RUPEES</u></b>	<b><u>2002</u></b> <b><u>RUPEES</u></b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
NET PROFIT - Before Taxation	40,350,444	39,227,838
ADJUSTMENT OF ITEMS NOT INVOLVING MOVEMENT OF CASH		
Depreciation	3,071,838	3,339,506
	43,422,282	42,567,344
<b>(INCREASE)/DECREASE IN CURRENT ASSETS</b>		
Stores, Spares & Loose Tools	(99,440)	(2,416,096)
Stock in Trade	(7,770,347)	463,001
Trade Debtors	(23,426,859)	(18,631,740)
Advances, Deposits & Prepayments	(280,099)	3,830,154
Other Receivables	(21,954,874)	3,842,976
	(53,531,619)	(12,911,705)
<b>INCREASE/(DECREASE) IN CURRENT LIABILITIES</b>		
Creditors, Provisions & Accrued Charges	4,559,339	1,767,083
Current Maturity of Long Term Loans	5,000,000	-
Other Payables	8,446,247	1,896,240
	18,005,586	3,663,323
NET (INCREASE)/DECREASE IN WORKING CAPITAL	(35,526,033)	(9,248,382)
INCOME TAX PAID	(15,007,922)	(12,396,545)
NET CASH INFLOW FROM OPERATING ACTIVITIES	(7,111,673)	20,922,417
<b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
PURCHASE OF FIXED ASSETS	(1,390,909)	(204,400)
CAPITAL WORK - IN - PROGRESS	(78,630,867)	(399,774)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(80,021,776)	(604,174)
<b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>		
SHORT TERM BORROWINGS	30,904,696	-
SHARE DEPOSIT MONEY	-	36,399,190
PROCEEDS FROM ISSUE OF SHARES	1,100,810	-
PROCEEDS FROM LONG TERM LOAN	35,000,000	-
DIVIDEND PAID	(20,625,000)	(18,750,000)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	46,380,506	17,649,190
NET INCREASE IN CASH & CASH EQUIVALENTS	(40,752,943)	37,967,433
CASH & CASH EQUIVALENTS AS AT 1ST JULY, 2002	70,001,801	32,034,368
CASH & CASH EQUIVALENTS AS AT 30TH JUNE, 2003	29,248,858	70,001,801

DIRECTOR

CHIEF EXECUTIVE

**WAH NOBEL CHEMICALS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30TH JUNE, 2003**

	<b>Share Capital</b>	<b>Capital Reserves</b>	<b>Share Deposit Money</b>	<b>General Reserves</b>	<b>Unappropriated Profit</b>	<b>Total</b>
	<u>RUPEES</u>	<u>RUPEES</u>	<u>RUPEES</u>	<u>RUPEES</u>	<u>RUPEES</u>	<u>RUPEES</u>
Balance as at 30th June, 2001	37,500,000	944,404	-	82,500,000	522,162	121,466,566
Net Profit - for the Year Ended 30th June, 2002	-	-	-	-	25,662,838	25,662,838
Transfer to General Reserve	-	-	-	5,000,000	(5,000,000)	-
Dividend @ 27.5 %	-	-	-	-	(20,625,000)	(20,625,000)
Received during the year	-	-	36,399,190	-	-	36,399,190
Balance as at 30th June, 2002	<u>37,500,000</u>	<u>944,404</u>	<u>36,399,190</u>	<u>87,500,000</u>	<u>560,000</u>	<u>162,903,594</u>
Proceeds from issue of Shares	37,500,000					37,500,000
Net Profit - for the Year Ended 30th June, 2003	-	-	-	-	26,896,444	26,896,444
Share Deposit Money adjusted against Share Capital			(36,399,190)			(36,399,190)
Transfer to General Reserve	-	-	-	4,500,000	(4,500,000)	-
Dividend @ %	-	-	-	-	(22,500,000)	(22,500,000)
Balance as at 30th June, 2003	<u><u>75,000,000</u></u>	<u><u>944,404</u></u>	<u><u>-</u></u>	<u><u>92,000,000</u></u>	<u><u>456,444</u></u>	<u><u>168,400,848</u></u>

DIRECTOR

CHIEF EXECUTIVE

# **WAH NOBEL CHEMICALS LIMITED**

## **NOTES TO THE ACCOUNTS**

### **FOR THE YEAR ENDED 30TH JUNE, 2003**

#### **1 THE COMPANY AND ITS OPERATIONS**

The Company was incorporated in Pakistan on 31st May 1983 as a Public Limited Company. Its Shares are listed on the Karachi, Lahore & Islamabad Stock Exchanges.

The Company is principally engaged in the manufacture of Formaldehyde and Formaldehyde based Liquid Resins for use as bonding agent in the Chip Board, PlyWood and Flush Door manufacturing Industries. The manufacturing facilities of the Company are situated in Wah Cantt. The Company is also engaged in the erection of Plants and Trading activities.

#### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Statement of Compliance:**

The Financial Statement has been prepared in accordance with the Accounting Standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standig Interpretation Committee of the IASC, as adopted in Pakistan and the requirements of the Companies Ordinance, 1984.

##### **2.2 Accounting Convention :**

The Accounts have been prepared under the Historical Cost Convention without any adjustment for the effects of Inflation and Current Values.

##### **2.3 Taxation :**

**Current** Taxation is provided on the basis of Taxable Income at the applicable rates after taking into account tax credits and rebates available under the Income Tax Ordinance, 2001.

**Deferred** Taxation is provided on all major Timing Differences using the Liability Method. However, Deferred Taxation to the extent is not provided if it can be established with the reasonable probability that these timing differences will not reverse in foreseeable future.

##### **2.4 Staff Gratuity:**

The Company provides Gratuity to its Employees through the Fund Established under an Irrevocable Trust, which has been approved by the Commissioner of Income Tax. The difference between the Total Obligation of the Company in respect of all the eligible Employees on the last day of each Financial Year and the Value of Net Assets of the Fund on that date, determined on the basis of the Actuarial Valuation, is contributed by the Company and is recognised as an Expense for the year.

##### **2.5 Operating Fixed Assets :**

These are stated at Cost less Accumulated Depreciation except Capital Work-in-Progress which is stated at Cost. Depreciation is charged to Income at rates given in Note 12 applying the reducing balance method . Leasehold Land in 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 capitalised and Assets so replaced , if any, are retired.

Profit or Loss on Disposal of Fixed Assets is taken to Profit & Loss Account in the year of Disposal.

##### **2.6 Long Term Investments :**

Investments are initially measured at Cost. At subsequent reporting dates, the Company reviews the carrying amount of the Investment to assess whether there is any indication that such Investments have suffered an impairment loss. If any such indication exist the recoverable amount is estimated in order to determine the extent of impairment loss if any.

Where an impairment loss subsequently reverses, the carrying amount of the Investment is increased to the revised recoverable amount but limited to the extent of initial cost of Investment. A reversal of Impairment loss is recognized as Income.

##### **2.7 Stores ,Spares & Loose Tools:**

This is valued at the Lower of Cost and Net Realizable Value. Cost is determined on average basis.

##### **2.8 Stock in Trade:**

This is valued at the Lower of Cost and Net Realizable Value. Cost is determined on moving average basis. Items in Transit are valued at cost comprising invoice value plus other charges paid thereon. Net Realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

**2.9 Revenue Recognition:**

Revenue from Sales of Company's Product and Merchandise is recognised on Delivery of Goods to the Customers while Revenue from erection of Plant is recognised on Percentage of Completion Method. Revenue from Indenting is recognised when received.

**2.10 Borrowing Cost:**

Borrowing Costs that are directly attributable to the acquisition, construction and production of Qualifying asset are capitalized as part of cost of that asset. All other interest, mark-up and other charges incurred during the year are charged to the Income.

**2.11 Provisions:**

Provisions are recognised when the Company has a present Legal or Constructive Obligation as a result of past events, when it is probable that an Out Flow of resources will be required to settle the Obligation and a reliable estimate of the amount can be made.

**2.12 Financial Instruments:**

Financial instruments carried in the Balance Sheet include Trade Debtors, Receivables, Advances, Deposits, Cash and Bank balances and Creditors. The particular recognition methods adopted are disclosed in the individual policy statement associated with each Financial Instrument.

	<u>2003</u> <u>RUPEES</u>	<u>2002</u> <u>RUPEES</u>
<b>3 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
6,750,000 ( 2002: 3,000,000 ) Ordinary Shares of Rs. 10 /- each fully paid in Cash	67,500,000	30,000,000
750,000 ( 2002: 750,000 ) Ordinary Shares of Rs. 10 /- issued as Fully Paid Bonus	7,500,000	7,500,000
<u>7,500,000</u>	<u>75,000,000</u>	<u>37,500,000</u>
Wah Nobel (Private) Limited, the holding Company held 4,142,000 Ordinary Shares of Rs. 10 /- each at 30th June, 2003 (2002 : 2,071,000)		
<b>3.1 Subscription Towards Right Shares</b>		
Total Letters of Rights issued 3,750,000 shares of Rs. 10 each	-	37,500,000
Less: Subscription received to 30th June 2002	-	1,100,810
	<u>-</u>	<u>36,399,190</u>
Subsequent to 30th June 2002, the 110,081 unsubscribed shares were allotted at par to the Provident Fund of Wah Nobel Group of Companies against Cash payment.		
<b>4 CAPITAL RESERVE</b>		
This 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.		
<b>5 GENERAL RESERVE</b>		
Balance as at 1st July, 2002	87,500,000	82,500,000
Transferred during the year	4,500,000	5,000,000
	<u>92,000,000</u>	<u>87,500,000</u>
<b>6 LONG TERM LOAN</b>		
Askari Commercial Bank Limited	40,000,000	-
Less: Current Maturity	5,000,000	-
	<u>35,000,000</u>	<u>-</u>
The Loan was sanctioned by M/s Askari Commercial Bank Limited @ 8.5% per annum for five years with one year grace period. The Principal amount will be repaid in 8 equal semi-annual installments. It is secured by a first charge by way of Equitable Mortgage on the Fixed Assets being installed for the Formaldehyde expansion project and floating charge on the Book Debts and Stock in Trade of the Company.		
<b>7 SHORT TERM FINANCE</b>		
The Muslim commercial bank Limited originally provided Running Finance facility of Rs. 40.000 Millions at the Mark-up of 27 paisa per Rs. 1000/- per day on daily product basis. The facility is valid till 30th June, 2003 and is renewable for a further term of one year. This is secured against equitable mortgage of Property and Hypothecation of Machinery worth Rs. 50.000 Millions, first charge on the Fixed/Current Assets of the Company and floating charge over book debts and other receivables.		
<b>8 CREDITORS, PROVISIONS &amp; ACCRUED CHARGES</b>		
Trade Creditors	14,456,880	10,929,170
Accrued Liabilities	6,326,535	6,416,197
Advances from Customers	1,666,676	545,385
	<u>22,450,091</u>	<u>17,890,752</u>

	<u>2003</u>	<u>2002</u>
	<u>RUPEES</u>	<u>RUPEES</u>
<b>9 OTHER PAYABLES</b>		
Sales Tax Payable	-	1,278,818
Workers' Welfare Fund	4,439,227	3,615,749
Workers' Profit Participation Fund	2,167,050	2,109,024
Due to Wah Nobel ( Pvt ) Ltd.	5,039,788	1,903,183
Unclaimed Dividend	736,991	601,487
Gratuity Payable	345,288	74,859
Accrued Mark-up on Secured Borrowings	1,146,130	134,859
Retention Money Payable	4,219,573	-
Miscellaneous	1,531,871	1,461,692
	<u>19,625,918</u>	<u>11,179,671</u>
<b>9.1 Workers' Profit Participation Fund</b>		
Balance as at 1st July, 2002	2,109,024	1,912,788
Interest for the period on Fund utilised by the Company	82,597	257,440
	<u>2,191,621</u>	<u>2,170,228</u>
Less: Payments during the year	2,191,621	2,170,228
	-	-
Allocation for the year	2,167,050	2,109,024
Balance as at 30th June, 2003	<u>2,167,050</u>	<u>2,109,024</u>
<b>10 PROVISION FOR TAX - Net of Advance Tax</b>		
Balance as at 1st July, 2002	1,781,550	338,095
Provision for the Current Year	14,122,000	13,840,000
	<u>15,903,550</u>	<u>14,178,095</u>
Payments / Adjustments	15,007,922	12,396,545
	<u>895,628</u>	<u>1,781,550</u>
<b>11 CONTINGENCIES &amp; COMMITMENTS</b>		
<b>11.1</b>	<p>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 - 1213/91 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. 9,058,521 (2002: Rs. 9,058,521) for transport of 7200 tons of Methanol outside Sindh.</p> <p>In an identical petition filed by Crescent Board Ltd. the Sindh High Court has decided the case in favour of the petitioners in September 1993. The decision of the Court on the Company's writ petition is expected to be the same.</p>	
<b>11.2</b>	<p>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 20th August, 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 Ultrawires 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 12th June, 2001 by the High Court , but Sind Government moved an appeal in the Supereme Court against the Decision of the High Court.</p> <p>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 judgement dated March 26, 2003, High Court Sind again decided the matter in favour of the Company and other manufacturers. Excise Department filed a leave to appeal in the Supereme Court on June 12, 2003. The Court has admitted the appeal for regular hearing. The case is now awaiting adjudication by the Supereme Court.</p> <p>If the case is decided against the Company, the liability on account of Vend Fee and Permit Fee would be Rs. 245.000 million ( 2002 : 214.000 million ) on account of further import of Manthol.</p>	
<b>11.3</b>	<p>Under the Punjab Excise Act, 1940, 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.</p> <p>Further proceedings in the matter are expected in the coming months.</p>	
<b>11.4</b>	<p>Capital Commitments in respect of Plant Expansion outstanding at 30th June 2003 amounted to Rs. 30.000 million (2002 : 69.000 million ) .</p>	

**12 OPERATING FIXED ASSETS - Tangible**

12.1 These are made up as follows:

PARTICULARS	C O S T			D E P R E C I A T I O N				WRITTEN DOWN VALUE AS AT 30TH JUNE, 2003
	AS AT 1ST JULY, 2002	ADDITIONS	AS AT 30TH JUNE, 2003	RATE %	TO 1ST JULY, 2002	PROVIDED FOR THE YEAR	TO 30TH JUNE, 2003	
	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	
LAND - Lease hold	1,701,971	-	1,701,971	-	1,073,185	56,732	1,129,917	572,054
BUILDINGS - on Lease hold Land								
Office	1,045,428	-	1,045,428	5	585,306	23,006	608,312	437,116
Factory	7,997,936	-	7,997,936	10	6,373,378	162,456	6,535,834	1,462,102
Tubewell	547,920	-	547,920	10	446,390	10,153	456,543	91,377
	9,591,284	-	9,591,284		7,405,074	195,615	7,600,689	1,990,595
PLANT & MACHINERY	89,858,802	-	89,858,802	10	65,483,474	2,437,533	67,921,007	21,937,795
FURNITURE & FIXTURES	228,561	121,582	350,143	10	133,887	16,141	150,028	200,115
MOTOR VEHICLES	1,722,280	1,036,250	2,758,530	20	1,160,138	146,970	1,307,108	1,451,422
OFFICE EQUIPMENT & APPLIANCES	572,177	74,100	646,277	10	231,986	35,254	267,240	379,037
LABORATORY EQUIPMENT	1,255,711	-	1,255,711	10	1,002,494	25,322	1,027,816	227,895
WORKSHOP EQUIPMENT	463,089	-	463,089	10	320,812	14,227	335,039	128,050
WEIGH BRIDGE	582,652	-	582,652	10	401,047	18,161	419,208	163,444
COMPUTER INSTALLATION	843,060	158,977	1,002,037	20	309,436	125,884	435,320	566,717
	<u>106,819,587</u>	<u>1,390,909</u>	<u>108,210,496</u>		<u>77,521,533</u>	<u>3,071,839</u>	<u>80,593,372</u>	<u>27,617,125</u>
2002:	<u>106,615,187</u>	<u>204,400</u>	<u>106,819,587</u>		<u>74,182,027</u>	<u>3,339,506</u>	<u>77,521,533</u>	<u>29,298,054</u>

12.2 Leasehold Land measuring 10 Acres was acquired on 1st August, 1983 from the Cantonment Board, Wah, for an initial period of 30 years. The Lease is renewable for a period of another 60 years.

12.3 Depreciation for the year has been allocated as follows:

		<u>2003</u> RUPEES	<u>2002</u> RUPEES
Cost of Goods Manufactured	(Note 22.1)	2,871,552	3,161,577
Administrative & General Expenses	(Note 23)	200,286	177,929
		<u>3,071,838</u>	<u>3,339,506</u>



	<u>2003</u> <u>RUPEES</u>	<u>2002</u> <u>RUPEES</u>
<b>13 <u>LONG TERM INVESTMENT</u></b>		
Wah Nobel Acetate Limited - Associated Undertaking	25,000,000	25,000,000
2,500,000/- Fully Paid Ordinary Shares of Rs. 10/- each. Equity held : 13 % ( 2002 : 13 % ) Chief Executive : Syed Kaukab Mohyuddin Value of Investment based on the Net Assets shown in the Audited Accounts for the Year ended 30th June, 2002 was Rs. 17,186,358		
<b>14 <u>STORES, SPARES &amp; LOOSE TOOLS</u></b>		
Stores & Spares	12,968,928	13,255,257
Tools & Equipment	72,152	67,144
Laboratory Supplies	81,338	147,256
Factory Supplies	2,127,155	1,658,364
Packing Material	40,457	62,569
	<u>15,290,030</u>	<u>15,190,590</u>
<b>15 <u>STOCK IN TRADE</u></b>		
Raw Material	9,640,459	11,485,891
Work in Process	316,264	473,564
Finished Goods	3,017,561	2,951,297
Goods in Transit	12,899,834	3,193,020
Trading Division & Others	3,689	3,688
	<u>25,877,807</u>	<u>18,107,460</u>
<b>16 <u>TRADE DEBTORS</u> -Unsecured, considered good</b>		
Against Chemical Products	78,698,016	46,616,225
Against Other Products	3,219,081	11,874,013
	<u>81,917,097</u>	<u>58,490,238</u>
Less: Provision for Doubtful Debts against Chemical Products	51,200	51,200
	<u>81,865,897</u>	<u>58,439,038</u>
<b>17 <u>ADVANCES, DEPOSITS &amp; PREPAYMENTS</u></b>		
Advances to Employees for Expenses - Unsecured but considered good	509,757	450,691
Advances to Suppliers - Unsecured but considered good	936,836	761,422
Deposits	73,523	40,070
Prepayments	24,550	12,384
	<u>1,544,666</u>	<u>1,264,567</u>
<b>18 <u>OTHER RECEIVABLES</u> - Unsecured but considered good</b>		
Interest Receivable	1,297,072	509,671
Due from Associated Undertakings	16,088,333	1,140,905
Sales Tax Receivables	5,484,909	-
Others	1,988,843	1,253,707
	<u>24,859,157</u>	<u>2,904,283</u>
<b>18.1 Due from Associated Undertakings</b>		
Wah Nobel Detonators (Pvt.) Ltd.	12,536,062	959,579
Wah Nobel Acetates Limited	3,552,271	181,326
	<u>16,088,333</u>	<u>1,140,905</u>

(Note 18.1)

	<u>2003</u> <u>RUPEES</u>	<u>2002</u> <u>RUPEES</u>
<b>19 CASH &amp; BANK BALANCES</b>		
Cash in Hand	492	39,407
Cash with Banks		
On Current Accounts	11,420,765	21,585,365
On Deposit Account	17,582,666	12,582,666
On PLS Account	244,934	35,794,363
	<u>29,248,365</u>	<u>69,962,394</u>
	<u>29,248,857</u>	<u>70,001,801</u>
<b>20 SALES</b>		
Gross revenue from Sale of Manufactured products	236,016,443	248,184,734
Less: Sales Tax	<u>32,751,633</u>	<u>35,478,555</u>
	<u>203,264,810</u>	<u>212,706,179</u>
<b>21 COST OF SALES</b>		
Finished Goods as at 1st July, 2002	2,951,297	1,787,141
Cost of Goods Manufactured <b>(Note 21.1)</b>	146,744,918	158,167,577
Packing Material Consumed	<u>159,955</u>	<u>199,621</u>
	149,856,170	160,154,339
Finished Goods as at 30th June, 2003	<u>3,017,561</u>	<u>2,951,297</u>
	<u>146,838,609</u>	<u>157,203,042</u>
<b>21.1 Cost of Goods Manufactured</b>		
Work in Process as at 1st July, 2002	473,564	462,024
Raw Material Consumed <b>(Note 21.2)</b>	114,417,224	122,115,171
Salaries, Wages & Other Benefits	12,496,292	13,371,768
Stores & Spares Consumed	3,150,004	5,787,848
Fuel & Power	10,072,594	11,409,262
Rent, Rates & Taxes	363,157	264,698
Insurance	1,425,346	591,390
Repairs & Maintenance of Vehicles	313,503	174,502
Miscellaneous Expenses	1,477,946	1,302,901
Depreciation <b>(Note 12.3)</b>	<u>2,871,552</u>	<u>3,161,577</u>
	147,061,182	158,641,141
Work in Process as at 30th June, 2003	<u>316,264</u>	<u>473,564</u>
	<u>146,744,918</u>	<u>158,167,577</u>
<b>21.2 Raw Material Consumed</b>		
Stock as at 1st July, 2002	11,485,891	16,308,390
Add : Purchases	<u>112,571,792</u>	<u>117,292,671</u>
	124,057,683	133,601,061
Less : Stock as at 30th June, 2003	<u>9,640,459</u>	<u>11,485,891</u>
	<u>114,417,224</u>	<u>122,115,170</u>
<b>22 ADMINISTRATIVE &amp; GENERAL EXPENSES</b>		
Salaries, Wages & Other Benefits	2,152,955	2,186,212
Management Fee	550,000	550,000
Professional Tax	20,000	20,000
Office Rent	67,404	67,404
Electricity & Water Charges	193,022	151,297
Postage, Telephone & Telex	90,007	73,116
Printing & Stationery	357,420	357,187
Travelling & Conveyance	150,055	214,635
Entertainment	179,510	226,122
Legal & Professional Charges	617,692	540,210
Fees & Subscription	78,600	182,746
Advertisement & Publicity	67,188	76,372
Vehicles Running & Maintenance Expenses	158,901	212,542
Share Issue Expenses	320,456	375,000
Donations	45,000	71,125
Miscellaneous Expenses	239,410	161,710
Depreciation <b>(Note 12.3)</b>	<u>200,286</u>	<u>177,929</u>
	<u>5,487,906</u>	<u>5,643,607</u>

	<u>2003</u> <u>RUPEES</u>	<u>2002</u> <u>RUPEES</u>
<b>23 <u>SELLING &amp; DISTRIBUTION EXPENSES</u></b>		
Salaries, Wages & Other Benefits	2,074,627	1,783,877
Postage, Telephone & Telex	176,872	190,158
Printing & Stationery	34,404	22,307
Sales Promotions	166,757	87,870
Travelling & Conveyance	262,119	169,436
Cartage & Octroi	6,356,397	5,127,500
Vehicle Running Expenses	811,173	707,052
Transit Insurance	106,654	155,871
Entertainment	27,040	11,095
Miscellaneous Expenses	34,017	5,469
	<u>10,050,060</u>	<u>8,260,635</u>
<b>24 <u>OTHER INCOME</u></b>		
Sale of Scrap	557,363	283,998
Profit on Investment & Deposits	1,721,613	860,943
Miscellaneous Income	274,111	431,585
	<u>2,553,087</u>	<u>1,576,526</u>
<b>25 <u>FINANCIAL EXPENSES</u></b>		
Mark up on Running Finance	79,920	263,210
Interest on Workers' Profit Participation Fund	82,597	257,440
Bank Guarantee Commission & Charges	629,597	674,769
	<u>792,114</u>	<u>1,195,419</u>
Borrowing Costs attributable to the Qualifying asset capitalized during the year amounts to Rs. 1,527,762 (2002- Nil).		
<b>26 <u>OTHER EXPENSES</u></b>		
Workers' Profit Participation Fund	2,167,050	2,109,024
Workers Welfare Fund	823,478	843,609
Auditors' Remuneration	78,717	79,810
Tax & Advisory Services	270,500	174,180
	<u>3,339,745</u>	<u>3,206,623</u>
<b>26.1 <u>Auditors' Remuneration</u></b>		
Audit Fee	75,000	75,000
Out of Pocket Expenses	3,717	4,810
	<u>78,717</u>	<u>79,810</u>
<b>27 <u>EARNINGS PER SHARE</u></b>		
<b>27.1</b> As Originally reported:		
Profit after Taxation attributable to Ordinary Share Holders		25,662,838
No of Ordinary Shares Issued		3,750,000
Earnings per Share		<u>6.84</u>
<b>27.2</b> As restated including the effect of Right Issue:		
Profit after Taxation attributable to Ordinary Share Holders	26,896,444	25,662,838
No of Ordinary Shares Issued	7,500,000	7,500,000
Earnings per Share	<u>3.59</u>	<u>3.42</u>
The letters of right shares of 3.750 million were issued on 30 April 2002 and later on these shares were fully subscribed.		
Fully paid shares were, however, issued after 30th June 2002. Therefore, for comparison purposes, earnings of 2002 per share have been recalculated on the basis of 7,500,000 shares.		
<b>28 <u>TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</u></b>		
<b>28.1</b> The maximum aggregate amount Due to Wah Nobel (Pvt.) Limited, the Holding Company, at the end of any Month during the year was Rs. 6,355,710 (2002 : Rs. 2,409,515).		
<b>28.2</b> The maximum aggregate amount Due from the Associated Undertakings, at the end of any Month during the year was Rs. 16,083,033 (2002 : Rs.7,067,615 )		
<b>28.3</b> The aggregate amount charged to the Company by Wah Nobel (Pvt.) Limited, the Holding Company during the year was as follows:		
Service etc. including Facilities	<u>2,952,682</u>	<u>663,824</u>

## 29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 29.1 Financial Assets and Liabilities

	Interest / Mark-Up Bearing			Non-Interest Bearing			Total RUPEES
	Maturity Up to One Year	Maturity After One Year	Total	Maturity Up to One Year	Maturity After One Year	Total	
	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	RUPEES	
<b>FINANCIAL ASSETS</b>							
<b>On Balance Sheet</b>							
Trade Debts	-	-	-	81,865,897	-	81,865,897	81,865,897
Deposits	-	-	-	73,523	-	73,523	73,523
Other Receivables	1,297,072	-	1,297,072	18,077,176	-	18,077,176	19,374,248
Cash and Bank Balances	29,248,365	-	29,248,365	492	-	492	29,248,857
	30,545,437	-	30,545,437	100,017,088	-	100,017,088	130,562,525
<b>Off Balance Sheet</b>							
	-	-	-	-	-	-	-
<b>2003</b>	<u>30,545,437</u>	<u>-</u>	<u>30,545,437</u>	<u>100,017,088</u>	<u>-</u>	<u>100,017,088</u>	<u>130,562,525</u>
<b>2002</b>	<u>509,671</u>	<u>-</u>	<u>509,671</u>	<u>43,760,646</u>	<u>-</u>	<u>43,760,646</u>	<u>44,270,317</u>
<b>FINANCIAL LIABILITIES</b>							
<b>On Balance Sheet</b>							
Short Term Finance	30,904,696	-	30,904,696	-	-	-	30,904,696
Creditors & Accrued Charges	-	-	-	20,783,415	-	20,783,415	20,783,415
Other Payables	2,512,338	-	2,512,338	15,967,450	-	15,967,450	18,479,788
	33,417,034	-	33,417,034	36,750,865	-	36,750,865	70,167,899
<b>Off Balance Sheet</b>							
	-	-	-	-	-	-	-
<b>2003</b>	<u>33,417,034</u>	<u>-</u>	<u>33,417,034</u>	<u>36,750,865</u>	<u>-</u>	<u>36,750,865</u>	<u>70,167,899</u>
<b>2002</b>	<u>4,684,928</u>	<u>-</u>	<u>4,684,928</u>	<u>18,372,765</u>	<u>-</u>	<u>18,372,765</u>	<u>23,057,693</u>

### 29.2 Risk Management Objectives

The Company finances its operations through equity, borrowings and management of Working Capital with a view to maintaining a reasonable mix between the various sources of finance to minimize risk

Taken as a whole, risk arising from the Company's Financial Instruments is limited as there is no significant exposure to market risk in respect of such instruments.

#### 29.2.1 Interest Rate Risk Management

The Company borrows funds usually at fixed interest rates. The Risk arising from changes in the value of Financial Instruments from changes in market interest rates is therefore minimal.

#### 29.2.2 Concentration of Credit Risk

Credit Risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company applies credit limits to its customers and does not have significant exposure to any individual customer.

#### 29.2.3 Fair Values of the Financial Instruments

The carrying value of all the Financial Assets and Liabilities reflected in the Financial Statements approximate their fair value except for Long Term Investment which is stated at Cost. Fair value is determined on the basis of objective evidence at each reporting date.

**30 PAYMENT TO DIRECTORS & OFFICERS**

**30.1** No Fee or Remuneration etc., was paid by the Company to the Chief Executive and Directors except for the lump sum amount of Rs. 550,000/- charged by Wah Nobel (Pvt.) Limited, the Holding Company as Management Services (2002: Rs.550,000)

**30.2** The maximum aggregate amount due from the Chief Executive, Directors and Executives at the end of any Month during the year was Nil. (2002:Nil)

**30.3** The aggregate amount charged in the Accounts for the year for Remuneration, including Benefits and Perquisites, to Executives drawing above Rs. 100,000 per annum, were as follows:

	<u>2003</u> <u>RUPEES</u>	<u>2002</u> <u>RUPEES</u>
Managerial Remuneration	5,063,929	4,293,792
Housing, Utilities & Other Benefits	2,436,769	2,164,818
Company's Contribution to Provident Fund	304,873	268,891
Leave Passage	163,096	145,087
	<u>7,968,667</u>	<u>6,872,588</u>
Number of Persons	<u>21</u>	<u>21</u>

**31 NUMBER OF EMPLOYEES**

Number of Employees as on the Balance Sheet date were :

<u>100</u>	<u>101</u>
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**32 PLANT CAPACITY & ACTUAL PRODUCTION**

	<b>Plant Capacity</b> <b>M. Tons</b>	<b>Actual Production</b> <b>in M . Tons</b>	
		<b>2003</b>	<b>2002</b>
Formaldehyde & Formalin Solvent	15,000	14,800	13,960
Urea / Phenol Formaldehyde	9,500	10,472	11,495

Urea / Phenol Formaldehyde Plant was utilized in excess of Capacity which represents 1.5 shift per day.

**33 DATE OF AUTHORISATION**

These Financial Statements were authorised for issue on 20.10.2003 in accordance with the Resolution of the Board of Directors.

**34 COMPARATIVE FIGURES**

Corresponding Figures for 2002 have been re-arranged, wherever necessary, for the purposes of comparison.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED

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PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS  
OF WAH NOBEL CHEMICALS LIMITED AS AT June 30 2003

NO.OF SHAREHOLDERS	SHARE HOLDING	TOTAL SHARES HELD
77	1 - 100	4,805
407	101 - 500	102,752
81	501 - 1000	68,975
130	1001 - 5000	308,975
26	5001 - 10000	207,700
7	10001 - 20000	103,050
16	20001 - 25000	395,762
1	25001 - 50000	27,581
2	50001 - 100000	169,250
1	500001 - 1000000	718,400
1	1000001 - 2500000	1,250,755
1	2500001 - 5000000	4,141,995
750		7,500,000

CATEGORIES OF SHARE HOLDERS	NUMBERS	SHARES HELD	PERCENTAGE
INDIVIDUALS	733	1,149,719	15.33
INVESTMENT COMPANIES	5	6,225	0.08
INSURANCE COMPANIES	3	825,150	11.00
FINANCIAL INSTITUTION	1	1,250	0.02
MODARABA COMPANIES	2	5,825	0.08
JOINT STOCK COMPANIES	1	4,141,995	55.23
CDC	1	1,250,755	16.67
OTHERS	4	119,081	1.59
	750	7,500,000	100.00

**WAH NOBEL CHEMICALS LIMITED**

**PROXY FORM**

Please quote  
Folio No.

I/We \_\_\_\_\_

of \_\_\_\_\_

in the District of \_\_\_\_\_

being a Member/Members of \_\_\_\_\_

hereby appoint \_\_\_\_\_

of \_\_\_\_\_

being a Member of the Company as my/our proxy to vote for me/us and on my/our behalf at 20<sup>th</sup> Annual General Meeting of the Company to be held on 15<sup>th</sup> day of November, 2003 and at every adjournment thereof.

Signed by the said \_\_\_\_\_

this \_\_\_\_\_ day of \_\_\_\_\_ 2003 in my presence.

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Member

- NOTES :
- 1) This form of proxy to be effective must be received by the Company duly completed at the Company's Registered Office at G.T. Road, Wah Cantt not less than 48 hours before the time for holding the meeting.
  - 2) A proxy must be a Member of the Company.
  - 3) Signature should agree with the specimen registered with the Company.