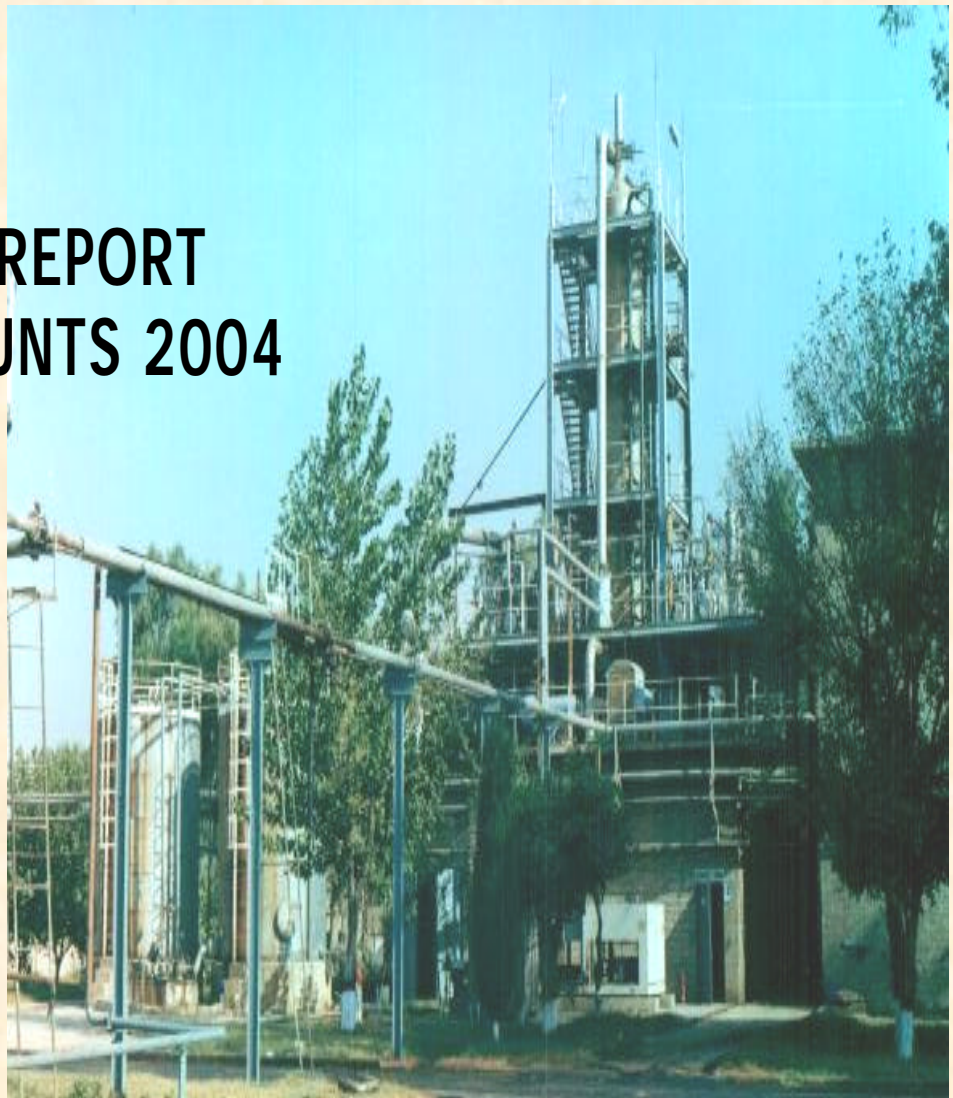




ISO 9001: 2000, ISO 14001, ISO 17025  
& OHSAS 18000 CERTIFIED

# ANNUAL REPORT & ACCOUNTS 2004



# WAH NOBEL CHEMICALS LIMITED

## **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.

## **WAH NOBEL CHEMICALS LIMITED**

### **BRIEF PROFILE**

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

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

#### **SAFETY**

Our top priority is safety of our employees and customers. We believe in continuous safety training in every aspect of manufacturing, handling, delivery and application of our products. Not only does Wah Nobel Chemicals Limited abide by international safety standards and regulations it also actively pursues opportunities of their improvement. On the basis of its stringent safety practices, the Company has been awarded OHSAS 18000 Certificate by a reputed German Accreditation Agency.

#### **QUALITY LEADERSHIP**

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

#### **ENVIRONMENTAL PRINCIPLES**

The Company is committed to promote the highest standard of safe and healthy working conditions and clean environment in its workplace and community at large. Wah Nobel Group is ISO 14001 certified and conservation of environment is the basis of our group policy and decision-making. We promote the correct and appropriate use of our products to minimize pollution and risk.

We make efficient use of energy and raw materials and are working systematically to reduce emissions in air, water and ground. The waste is minimized and we ensure its safe destruction or disposal where reuse, recycling are not possible.

Our business is more than just making and selling our products. We help our customers to improve their productivity by understanding their needs and implementing solutions that are cost effective and environment friendly.

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## SIX YEARS AT A GLANCE

	1999	2000	2001	2002	2003	2004
--	------	------	------	------	------	------

**(A) Trading Results:**

i) Net Sales Revenue	118.723	161.747	209.350	212.706	203.265	259.606
ii) Gross Profit	35.345	51.294	49.926	55.503	53.926	54.365
iii) Operating Profit	26.370	41.521	38.277	42.053	41.929	48.725
iv) Profit Before Tax	22.305	38.763	35.421	39.228	40.350	46.036
v) Profit After Tax	18.776	27.597	36.433	25.662	26.896	34.804

**(B) Balance Sheet**

i) Paid-up Capital	37.500	37.500	37.500	37.500	75.000	75.000
ii) Shareholders Equity	89.311	103.783	121.466	162.903	168.401	176.955
iii) Property, Plants and Equipment	38.771	35.686	32.433	29.698	106.648	134.813
vi) Current Assets	126.178	118.456	113.570	175.615	184.754	231.400
v) Long Term Liabilities	1.200	-	-	-	40.000	56.250

**(C) Key Financial Ratios**

i) Gross Profit %	29.77%	31.71%	23.85%	26.09%	26.53%	20.94%
ii) Profit Before Tax %	18.79%	23.96%	16.92%	18.44%	19.85%	17.73%
iii) Earning Per Share After Tax Rs.	5.01	7.36	9.72	6.84	3.59	4.64
iv) Yield Cash % (Dividend)	25%	35%	50%	27.50%	30%	35%
v) Debt: Equity Ratio	0.01:1	-	-	-	4.21:1	3.15:1
vi) Break-up Value Per Share Rs.	23.82	27.67	32.39	21.72	22.45	23.59
vii) Current Ratio	3:1	2.84:1	2.64:1	2.87:1	1.80:1	1.52:1

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

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

### **AUDIT COMMITTEE**

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

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

Mr. Amanullah Khan, FCA

**AUDITORS** : Messrs Tariq Ayub, Anwar & Co.  
Chartered Accountants

**LEGAL ADVISORS** : Messrs Khan & Piracha

**BANKERS** : Muslim Commercial Bank Ltd  
United Bank Limited  
Askari Commercial Bank Ltd.

**REGISTERED OFFICE** : G.T. Road, Wah Cantt.

**PHONES** : (051) 5568760, (0596) 545243-6 (4 Lines)  
(0596) 9314101-21 (21 Lines) Ext. 22236

**CABLE** : DYNAMITE

**FAX** : 0596-545241  
0596-535862

**E.MAIL** : wahnobel@comsats.net.pk  
wahnobel@micro.net.pk

**WEBSITE** : www.wahnobel.com

**FACTORY** : WAH CANTT.

**WAH NOBEL CHEMICALS LIMITED**

**NOTICE OF**

**ANNUAL GENERAL MEETING**

NOTICE is hereby given that 21<sup>st</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 Friday, the 29<sup>th</sup> October, 2004 at 11.00 hours to transact the following business:

1. To confirm Minutes of the Extra Ordinary General Meeting held on 28<sup>th</sup> May, 2004.
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, 2004 together with Auditors' Report thereon.
3. To approve payment of dividend @ 35 % i.e. Rs.3.50 per share of Rs.10/- as recommended by the Directors.
4. To appoint Auditors of the Company for the year 2004-05 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: 07.09.2004.

**NOTES:**

1. To determine the entitlement of shareholders to the cash dividend the share transfer books of the Company will remain closed from 22<sup>nd</sup> to 29<sup>th</sup> October, 2004 (both days inclusive).

2. Transfers received in order at the Registered Office of the Company by the close of business on 21<sup>st</sup> October, 2004 will be treated in time for the purpose of above mentioned entitlement(s) to the transferees.
3. 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 time for holding the meeting and must be duly stamped, signed and witnessed.
4. CDC shareholders are requested to bring with them their National Identity Cards along with participant's ID numbers and their account numbers at the time of attending the Annual General Meeting in order to facilitate their identification.
5. 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, 2004 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	34,804,047
Un-appropriated profit brought forward	456,444
Profit available for appropriation	<u>35,260,491</u>

2. **APPROPRIATIONS**

Transfer to General Reserve	8,000,000
Proposed dividend @ 35 % i.e. Rs.3.50 Per share of Rs.10/- each.	26,250,000
Un-appropriated profit carried forward	<u><u>1,010,491</u></u>

3. **NET EARNING PER SHARE**

The net earning per share was Rs.4.64.

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 and profits over the last year.

5. **OUTLOOK FOR 2004-05**

Situation in Afghanistan and Iraq remains volatile and fluid. Process of normalisation of relations and resolution of major issues between India and Pakistan is continuing. On the domestic front, there is improvement in the economic and political climate. The Company hopes to achieve better financial results during the year 2004-05.



6. EXPANSION PLAN

Having completed precommissioning of the plant, trial production has been undertaken and various minor problems have been solved. So far no major obstacle has been faced. Commercial production has commenced from 1<sup>st</sup> July 2004.

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). The Company for the year ended 30 June 2004 has duly complied with the provisions of the code and the directors hereby confirm the following:-

- (i) The financial statements present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.
- (ii) The Company 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 Company'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, 2004, 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 <i>(Retired w.e.f. 18.01.2004)</i>	3
2.	Maj. Gen. Muhammad Javed Chairman <i>(Appointed w.e.f. 18.01.2004)</i>	1
3.	Mr. Rolf Ekberg	2
4.	Mr. Syed Kaukab Mohyuddin Chief Executive	4
5.	Mr. Feroze Khan Malik	2
6.	Mr. Shabbir Ahmad	2
7.	Mr. Azhar Masood	4
8.	Mr. Muhammad Nawaz Tishna	3

- (x) Value of Investment of Provident Fund, gratuity and Pension Funds Scheme for the financial year ending June 30, 2004 are as follows:

	<u>Rupees</u>
Provident Fund	10,217,549
Gratuity Fund	2,946,491
Pension Fund	1,798,750

### 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 2004-05.

### 9. PATTERN OF SHAREHOLDING

The pattern of shareholding as at 30<sup>th</sup> June, 2004 is annexed to the accounts.

10. CHANGES IN THE BOARD

Consequent upon the nomination by the holding Company, M/s Wah Nobel (Pvt) Limited, Maj. Gen. Muhammad Javed, Chairman POFs, has been appointed as Chairman/Director in place of Lt. Gen. Abdul Qayyum and Mr. Azhar Nawaz Khan has been appointed as Director in place of Mr. Azhar Masood 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

(S.K. MOHYUDDIN)  
CHIEF EXECUTIVE

WAH CANTT.

DATED. 07.09.2004

**WAH NOBEL CHEMICALS LIMITED**

**PATTERN OF SHAREHOLDING**

Pattern of holding of the shares held by the shareholders as at

3 0

0 6

2 0 0 4

No of shareholders	Shareholding	Total shares held
69	shareholding from 1 to 100 shares	4,080
374	shareholding from 101 to 500 shares	89,816
62	shareholding from 501 to 1000 shares	52,225
90	shareholding from 1001 to 5000 shares	211,200
21	shareholding from 5001 to 10000 shares	158,350
6	shareholding from 10001 to 20000 shares	92,250
16	shareholding from 20001 to 25000 shares	395,762
1	shareholding from 25001 to 50000 shares	27,581
2	shareholding from 50001 to 100000 shares	169,250
1	shareholding from 500001 to 1000000 shares	718,400
1	shareholding from 1000001 to 2500000 shares	1,439,091
1	shareholding from 2500001 to 5000000 shares	4,141,995
644	Total	7,500,000

Categories of shareholders	Shares held	Percentage
<ul style="list-style-type: none"> <li>Directors, Chief Executive Officer, and their spouse and minor children.</li> </ul>	<b>Mr. Feroze Khan Malik, (Director &amp; his spouse): 48,000</b>	0.64
<ul style="list-style-type: none"> <li>Associated Companies, undertakings and related parties.</li> </ul>	4,252,081	56.69
<ul style="list-style-type: none"> <li>NIT and ICP</li> </ul>	<b>NIT: 1,077,000 ICP: 2,055</b>	14.36 0.03
<ul style="list-style-type: none"> <li>Banks Development Financial Institutions, Non Banking Financial Institutions.</li> </ul>	1,250	0.02
<ul style="list-style-type: none"> <li>Insurance Companies</li> </ul>	815,150	10.87
<ul style="list-style-type: none"> <li>Modarabas and Mutual Funds</li> </ul>	5,825	0.08
<ul style="list-style-type: none"> <li>Shareholders holding 10%</li> </ul>	-	-
<ul style="list-style-type: none"> <li>General Public                             <ul style="list-style-type: none"> <li>a. Local</li> <li>b. Foreign</li> </ul> </li> </ul>	1,287,839 -	17.17 -
<ul style="list-style-type: none"> <li>Others (to be specified)</li> </ul>	<b>Investment Companies: 1,800 Trust: 9,000</b>	0.02 0.12
Total:	7,500,000	100.00

**STATEMENT OF COMPLIANCE WITH THE CODE OF  
CORPORATE GOVERNANCE FOR THE YEAR ENDED  
JUNE 30, 2004**

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. During the year, two casual vacancies arising from the retirement of Lt. Gen. Abdul Qayyum, Chairman and Mr. Azhar Masood, Director, (both nominees of the holding Company, M/s Wah Nobel (Pvt) Limited), were filled by appointment of Maj. Gen. Muhammad Javed, Chairman POFs, as Chairman/Director and Mr. Azhar Nawaz Khan as Director.

The term of office of Directors expired on 31.05.2004. Elections of Directors for the next term of three years commencing 01.06.2004 were held in Extra Ordinary General Meeting of the shareholders on 28.05.2004. All the retiring Directors were re-elected unopposed.

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 NAWAZ KHAN  
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 Statements 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.

Islamabad.  
26<sup>th</sup> August, 2004.

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, 2004, 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, 2004, 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.

Islamabad.  
26<sup>th</sup> August, 2004

TARIQ AYUB, ANWAR & CO.  
CHARTERED ACCOUNTANTS.

# WAH NOBEL CHEMICALS LIMITED

## BALANCE SHEET

AS AT 30TH JUNE, 2004

<u>CAPITAL &amp; LIABILITIES</u>	<u>NOTE</u>	<u>2004 RUPEES</u>	<u>2003 RUPEES</u>	<u>PROPERTY &amp; ASSETS</u>	<u>NOTE</u>	<u>2004 RUPEES</u>	<u>2003 RUPEES</u>
<u>SHARE CAPITAL &amp; RESERVES</u>				<u>FIXED CAPITAL EXPENDITURE</u>			
Authorised Capital: 20,000,000 ( 2003 : 20,000,000 ) Ordinary Shares of Rs. 10/- each.		<u>200,000,000</u>	<u>200,000,000</u>	Operating Fixed Assets - Tangible	12	25,286,043	27,617,125
				Capital Work -in - Progress	13	<u>109,526,738</u>	<u>79,030,641</u>
						<u>134,812,781</u>	<u>106,647,766</u>
Issued, Subscribed & Paid Up Capital: 7,500,000 ( 2003 : 7,500,000 ) Ordinary Shares of Rs. 10/- each.	3	75,000,000	75,000,000				
Capital Reserve	4	944,404	944,404				
General Reserve	5	100,000,000	92,000,000				
Un-appropriated Profit		<u>1,010,491</u>	<u>456,444</u>				
		<u>176,954,895</u>	<u>168,400,848</u>				
<u>LONG TERM LOAN-SECURED</u>	6	56,250,000	40,000,000	<u>LONG TERM INVESTMENT</u>	14	25,000,000	25,000,000
<u>DEFERRED LIABILITIES</u>							
Taxation		5,289,000	5,557,000				
<u>CURRENT LIABILITIES &amp; PROVISIONS</u>				<u>CURRENT ASSETS</u>			
Short Term Finances- secured	7	57,586,145	30,904,696	Stores, Spares & Loose Tools	15	15,217,123	15,290,030
Current Maturity of Long Term Loan	6	18,750,000	-	Stock in Trade	16	38,899,548	25,877,807
Creditors, Provisions & Accrued Charges	8	29,134,640	28,517,456	Trade Debtors-unsecured	17	127,232,770	87,933,263
Other Payables	9	20,997,674	19,625,918	Advances, Deposits & Prepayments	18	11,912,318	1,544,666
Provision For Taxation - Net of Advances	10	-	895,628	Other Receivables	19	15,803,201	24,859,157
Proposed Dividend		<u>26,250,000</u>	<u>22,500,000</u>	Cash & Bank Balances	20	<u>22,334,613</u>	<u>29,248,857</u>
		<u>152,718,459</u>	<u>102,443,698</u>			<u>231,399,573</u>	<u>184,753,780</u>
<u>CONTINGENCIES &amp; COMMITMENTS</u>	11	-	-				
		<u>391,212,354</u>	<u>316,401,546</u>			<u>391,212,354</u>	<u>316,401,546</u>

The annexed Notes from 1 to 36 form an integral part of these Accounts.

DIRECTOR

CHIEF EXECUTIVE

**WAH NOBEL CHEMICALS LIMITED**  
**PROFIT & LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30TH JUNE, 2004**

	<u>NOTE</u>	<u>2004</u> <u>RUPEES</u>	<u>2003</u> <u>RUPEES</u>
SALES	21	259,606,105	203,264,810
COST OF GOOGS SOLD	22	205,241,164	149,338,609
	GROSS PROFIT	<u>54,364,941</u>	<u>53,926,201</u>
TRADING INCOME	23	<u>6,202,572</u>	<u>1,040,981</u>
		60,567,513	54,967,182
OPERATING EXPENSES			
Administrative & General	24	4,802,204	5,487,906
Selling & Distribution	25	7,040,408	7,550,060
		<u>11,842,612</u>	<u>13,037,966</u>
	OPERATING PROFIT	48,724,901	41,929,216
OTHER INCOME	26	<u>1,685,765</u>	<u>2,553,087</u>
		50,410,666	44,482,303
FINANCIAL & OTHER EXPENSES			
Financial Charges	27	1,110,476	792,114
Other Charges	28	3,264,143	3,339,745
		<u>4,374,619</u>	<u>4,131,859</u>
PROFIT - For the year before Taxation		46,036,047	40,350,444
PROVISION FOR TAXATION			
Current Taxation		11,500,000	14,122,000
Deferred Taxation		(268,000)	(668,000)
		<u>11,232,000</u>	<u>13,454,000</u>
PROFIT - For the year after Taxation		34,804,047	26,896,444
UN-APPROPRIATED PROFIT - Brought Forward		456,444	560,000
PROFIT AVAILABLE FOR APPROPRIATION		<u>35,260,491</u>	<u>27,456,444</u>
APPROPRIATIONS			
Transferred to General Reserve		8,000,000	4,500,000
Dividend @35% (2003 @ 30 %)		26,250,000	22,500,000
		<u>34,250,000</u>	<u>27,000,000</u>
UN-APPROPRIATED PROFIT - Carried to the Balance Sheet		<u>1,010,491</u>	<u>456,444</u>
EARNING PER SHARE		<u>4.64</u>	<u>3.59</u>

The annexed Notes from 1 to 36 form an integral part of these Accounts.

DIRECTOR

CHIEF EXECUTIVE

**WAH NOBEL CHEMICALS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30TH JUNE, 2004**

	<b><u>2004</u></b> <b><u>RUPEES</u></b>	<b><u>2003</u></b> <b><u>RUPEES</u></b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
NET PROFIT - Before Taxation	46,036,047	40,350,444
ADJUSTMENT OF ITEMS NOT INVOLVING MOVEMENT OF CASH		
Depreciation	2,975,667	3,071,838
Profit On Sale of Fixed Assets	(286,019)	-
	48,725,695	43,422,282
 <b>(INCREASE)/DECREASE IN CURRENT ASSETS</b>		
Stores, Spares & Loose Tools	72,907	(99,440)
Stock in Trade	(13,021,741)	(7,770,347)
Trade Debtors	(39,299,508)	(19,787,113)
Advances, Deposits & Prepayments	(1,998,896)	(280,099)
Other Receivables	9,055,956	(21,954,874)
	(45,191,282)	(49,891,873)
 <b>INCREASE/(DECREASE) IN CURRENT LIABILITIES</b>		
Creditors, Provisions & Accrued Charges	617,184	919,594
Other Payables	1,371,756	8,446,246
	1,988,940	9,365,840
NET (INCREASE)/DECREASE IN WORKING CAPITAL	(43,202,342)	(40,526,033)
INCOME TAX PAID	(20,764,382)	(15,007,922)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(15,241,029)	(12,111,673)
 <b><u>CASH FLOW FROM INVESTING ACTIVITIES</u></b>		
PURCHASE OF FIXED ASSETS	(646,767)	(1,390,909)
SALE PROCEEDS OF FIXED ASSETS	288,200	-
CAPITAL WORK - IN - PROGRESS	(30,496,097)	(78,630,867)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(30,854,664)	(80,021,776)
 <b><u>CASH FLOW FROM FINANCING ACTIVITIES</u></b>		
SHORT TERM BORROWINGS	26,681,449	30,904,696
PROCEEDS FROM ISSUE OF SHARES	-	1,100,810
PROCEEDS FROM LONG TERM LOAN	35,000,000	40,000,000
DIVIDEND PAID	(22,500,000)	(20,625,000)
NET CASH INFLOW FROM FINANCING ACTIVITIES	39,181,449	51,380,506
NET DECREASE IN CASH & CASH EQUIVALENTS	(6,914,244)	(40,752,943)
 CASH & CASH EQUIVALENTS AS AT 1ST JULY, 2003	 29,248,857	 70,001,800
 CASH & CASH EQUIVALENTS AS AT 30TH JUNE, 2004	 22,334,613	 29,248,857

DIRECTOR

CHIEF EXECUTIVE

**WAH NOBEL CHEMICALS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30TH JUNE, 2004**

	<b>Share Capital</b>	<b>Capital Reserves</b>	<b>Share Deposit Money</b>	<b>General Reserves</b>	<b>Unappropriated Profit</b>	<b>Total</b>
	<b><u>RUPEES</u></b>	<b><u>RUPEES</u></b>	<b><u>RUPEES</u></b>	<b><u>RUPEES</u></b>	<b><u>RUPEES</u></b>	<b><u>RUPEES</u></b>
Balance as at 30th June, 2002	37,500,000	944,404	36,399,190	87,500,000	560,000	162,903,594
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	-	-	(36,399,190)	-	-	(36,399,190)
Transferred to General Reserve	-	-	-	4,500,000	(4,500,000)	-
Dividend @ 30 %	-	-	-	-	(22,500,000)	(22,500,000)
Balance as at 30th June, 2003	<u>75,000,000</u>	<u>944,404</u>	<u>-</u>	<u>92,000,000</u>	<u>456,444</u>	<u>168,400,848</u>
Net Profit - for the Year Ended 30th June, 2004	-	-	-	-	34,804,047	34,804,047
Transferred to General Reserve	-	-	-	8,000,000	(8,000,000)	-
Dividend @ 35%	-	-	-	-	(26,250,000)	(26,250,000)
Balance as at 30th June, 2004	<u><u>75,000,000</u></u>	<u><u>944,404</u></u>	<u><u>-</u></u>	<u><u>100,000,000</u></u>	<u><u>1,010,491</u></u>	<u><u>176,954,895</u></u>

DIRECTOR

CHIEF EXECUTIVE

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 30TH JUNE, 2004**

**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 Standing 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 Employees' Benefits:**

The main features of the schemes operated by the company for its employees are as follows:

**2.4.1** 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.

Following significant assumptions are being used for valuation of this scheme.

- Expected rate of increase in salary level is 10% per annum.
- Expected rate of return is 10% on plan assets.
- Discount rate is 6 %.
- Actual return on plan assets for the year ended 30th June, 2003 was Rs. 525,995 (2002: Rs. 452,980)

**2.4.2** The company operates an Approved Defined Benefit Pension Scheme for its permanent employees eligible under Employees Pension Fund Rules. During the Year Rs.484,062 (2003 : Rs. 458,000) has been recognised as an expense by the Company.

**2.4.3** The Company operates an Approved Defined Contribution Provident Fund for its all employees. During the Year Rs. 542,738 (2003: Rs. 511,147) has been recognised as an expense by the Company.

**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 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 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 Transactions with related parties:**

All transactions with related parties are priced on an arms length basis.Price for these transactions are determined on the basis of comparable uncontrolled price method.

**2.12 Provisions:**

Provisions are recongnised 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.

**2.13 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

	<u>2004</u> <u>RUPEES</u>	<u>2003</u> <u>RUPEES</u>
<b>3 ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		
6,750,000 ( 2003: 6,750,000 ) Ordinary Shares of Rs. 10 /- each fully paid in Cash	67,500,000	67,500,000
750,000 ( 2003: 750,000 ) Ordinary Shares of Rs. 10 /- issued as Fully Paid Bonus Shares	7,500,000	7,500,000
<u>7,500,000</u>	<u>75,000,000</u>	<u>75,000,000</u>

Wah Nobel (Private) Limited, the holding Company held 4,142,000 Ordinary Shares of Rs. 10 /- each at 30th June, 2004 (2003 : 4,142,000).

#### 4 **CAPITAL RESERVE**

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.

#### 5 **GENERAL RESERVE**

Balance as at 1st July, 2003  
Transferred during the year

	<b>2004</b>	<b>2003</b>
	<b>RUPEES</b>	<b>RUPEES</b>
	92,000,000	87,500,000
	8,000,000	4,500,000
	<u>100,000,000</u>	<u>92,000,000</u>

#### 6 **LONG TERM LOAN - SECURED**

Balance at 1st July, 2003  
Drawdown during the year  
Total Drawdown  
Less: Current Maturity

	40,000,000	-
	35,000,000	40,000,000
	<u>75,000,000</u>	<u>40,000,000</u>
	18,750,000	-
	<u>56,250,000</u>	<u>40,000,000</u>

This loan has been obtained from Askari Commercial Bank Limited (ACBL) for a period of 5 years including one year grace period and carries mark up @ 6 months Karachi Interbank Offer Rate (KIBOR) Plus 150 basic points with a floor of 4.5% per annum. The loan is secured against first charge over Plant & Machinery financed through ACBL and first pari passu charge over current assets.

The Principal amount of the loan is repayable in 8 semi-annual equal installments of Rs.9,375,000 each, commencing 19th October, 2004. Mark up is payable on quarterly basis.

#### 7 **SHORT TERM FINANCE - SECURED**

The Company was availing a Running Finance Facility of Rs.75 million from Muslim Commercial Bank Ltd at a mark up of KIBOR plus 100 basic points calculated on daily product basis and payable quarterly.

The facility is secured by a first charge on the plant & machinery excluding the extension plant financed through ACBL (referred to in note 6 above) and first pari passu hypothecation charge over the current assets of the Company. The facility was valid till 30<sup>th</sup> June, 2004.

Effective 1<sup>st</sup> July 2004, the facility has been enhanced to Rs.100 million and reviewed for one year to 30th June, 2005.

#### 8 **CREDITORS, PROVISIONS & ACCRUED CHARGES**

Trade Creditors  
Accrued Liabilities  
Advances from Customers

	16,766,231	20,524,245
	12,368,409	6,326,535
	-	1,666,676
	<u>29,134,640</u>	<u>28,517,456</u>

#### 9 **OTHER PAYABLES**

Wah Nobel Acetates Ltd (Associated undertaking)  
Workers' Welfare Fund  
Workers' Profit Participation Fund  
Due to Wah Nobel ( Pvt ) Ltd.  
Unclaimed Dividend  
Gratuity Payable  
Accrued Mark-up on Secured Borrowings  
Retention Money Payable  
Tax Deducted at Source  
Miscellaneous

(Note 9.1)

	2,855,978	-
	4,752,534	4,439,227
	2,439,440	2,167,050
	-	5,039,788
	863,178	736,991
	360,213	345,288
	675,000	1,146,130
	5,034,860	4,219,573
	6,971	345,582
	4,009,500	1,186,289
	<u>20,997,674</u>	<u>19,625,918</u>

##### 9.1 **Workers' Profit Participation Fund**

Balance as at 1st July, 2003  
Interest for the period on Fund utilised by the Company

	2,167,050	2,167,050
	169,653	82,597
	<u>2,336,703</u>	<u>2,249,647</u>

Less: Payments during the year

	2,336,703	2,249,647
	-	-

Allocation for the year

	2,439,440	2,167,050
--	-----------	-----------

Balance as at 30th June, 2004

	<u>2,439,440</u>	<u>2,167,050</u>
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	<u>2004</u> <u>RUPEES</u>	<u>2003</u> <u>RUPEES</u>
<b>10 <u>PROVISION FOR TAX - Net of Advance Tax</u></b>		
Balance as at 1st July, 2003	895,628	1,781,550
Provision for the Current Year	11,500,000	14,122,000
	<u>12,395,628</u>	<u>15,903,550</u>
Payments / Adjustments	20,764,382	15,007,922
Transferred to Advance Tax	8,368,754	-
	<u>-</u>	<u>895,628</u>

**11 CONTINGENCIES & COMMITMENTS**

**11.1** 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. 9,058,521 (2003: Rs. 9,058,521) for transport of 7200 tons of Methanol outside Sindh.

In an identical petition filed by Crescent Board Ltd. the Sindh High Court decided the case in favour of the petitioners in September 1993 and it was not challenged.

On 12th August, 2004 the High Court Sindh decided the case in favour of Wah Nobel Chemicals Limited. At the request of Additional Advocate General, the operation of the judgement was suspended for two weeks as the Excise Deptt Sindh expressed the desire to file a Leave to Appeal in the Supreme Court. The said leave to appeal was not filed till 26th August 2004.

**11.2** 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 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 judgement 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 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 judgement 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.

If the case is decided against the Company, the liability on account of Vend Fee and Permit Fee would be Rs. 295 million (2003 : 245 million) on account of further import of Methanol.

**11.3** 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.

Further proceedings in the matter are expected in the coming months.

**11.4** Capital Commitments as at 30th June 2004 is nil (2003 : 30 million) .

## 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, 2004	
	AS AT 1ST JULY, 2003	ADDITIONS (DELETIONS)	AS AT 30TH JUNE, 2004	RATE %	TO 1ST JULY, 2003	ADJUSTMENT	PROVIDED FOR THE YEAR		TO 30TH JUNE, 2004
	Rupees	Rupees	Rupees		Rupees		Rupees		Rupees
LAND - Lease hold	1,701,971	-	1,701,971	-	1,129,917	-	56,736	1,186,653	515,318
BUILDINGS - on Lease hold Land									
Office	1,045,428	-	1,045,428	5	608,312	-	21,856	630,168	415,260
Factory	7,997,936	-	7,997,936	10	6,535,834	-	146,210	6,682,044	1,315,892
Tubewell	547,920	-	547,920	10	456,543	-	9,138	465,681	82,239
	9,591,284	-	9,591,284		7,600,689	-	177,204	7,777,893	1,813,391
PLANT & MACHINERY	89,858,802	-	89,858,802	10	67,921,007	-	2,193,780	70,114,787	19,744,015
FURNITURE & FIXTURES	350,143	188,437	538,580	10	150,028	-	20,012	170,040	368,540
MOTOR VEHICLES	2,758,530	26,880	2,664,410	20	1,307,108	118,819	290,461	1,478,750	1,185,660
OFFICE EQUIPMENT & APPLIANCE	646,277	20,000 (121,000)	666,277	10	267,240	-	37,904	305,144	361,133
LABORATORY EQUIPMENT	1,255,711	-	1,255,711	10	1,027,816	-	22,790	1,050,606	205,105
WORKSHOP EQUIPMENT	463,089	-	463,089	10	335,039	-	12,805	347,844	115,245
WEIGH BRIDGE	582,652	-	582,652	10	419,208	-	16,344	435,552	147,100
COMPUTER INSTALLATION	1,002,037	411,450	1,413,487	20	435,320	-	147,631	582,951	830,536
2004:	<u>108,210,496</u>	<u>525,767</u>	<u>108,736,263</u>		<u>80,593,372</u>	<u>118,819</u>	<u>2,975,667</u>	<u>83,450,220</u>	<u>25,286,043</u>
2003:	<u>106,819,587</u>	<u>1,390,909</u>	<u>108,210,496</u>		<u>77,521,533</u>		<u>3,071,838</u>	<u>80,593,371</u>	<u>27,617,125</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>2004</u> RUPEES	<u>2003</u> RUPEES
Cost of Goods Manufactured	(Note 22.1)	2,748,264	2,871,552
Administrative & General Expenses	(Note 24)	227,403	200,286
		<u>2,975,667</u>	<u>3,071,838</u>

	<u>2004</u> <u>RUPEES</u>	<u>2003</u> <u>RUPEES</u>
<b>13 CAPITAL WORK-IN-PROGRESS</b>		
Buildings	9,795,092	9,541,278
Plant & Machinery	99,731,646	69,489,363
	<u>109,526,738</u>	<u>79,030,641</u>
<b>14 LONG TERM INVESTMENT</b>		
Wah Nobel Acetates Limited - Associated Undertaking	<u>25,000,000</u>	<u>25,000,000</u>
2,500,000 /- Fully Paid Ordinary Shares of Rs. 10 /- each. Equity held : 8 % ( 2003 : 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, 2004 was Rs. 25,756,330 (2003 : Rs. 32,334,217).		
<b>15 STORES, SPARES &amp; LOOSE TOOLS</b>		
Stores & Spares	10,767,243	12,968,928
Tools & Equipment	73,143	72,152
Laboratory Supplies	303,220	81,338
Factory Supplies	4,018,344	2,127,155
Packing Material	55,173	40,457
	<u>15,217,123</u>	<u>15,290,030</u>
<b>16 STOCK IN TRADE</b>		
Raw Material	12,387,042	9,640,459
Work in Process	168,170	316,264
Finished Goods	8,318,292	3,017,561
Goods in Transit	18,022,489	12,899,834
Others	3,555	3,689
	<u>38,899,548</u>	<u>25,877,807</u>
<b>17 TRADE DEBTORS</b> -Unsecured, considered good		
Against Chemical Products	103,818,155	84,765,381
Against Other Products	23,465,815	3,219,082
	<u>127,283,970</u>	<u>87,984,463</u>
Less: Provision for Doubtful Debts against Chemical Products	51,200	51,200
	<u>127,232,770</u>	<u>87,933,263</u>
<b>18 ADVANCES, DEPOSITS &amp; PREPAYMENTS</b>		
Advances to Employees for Expenses - Unsecured but considered good	684,449	509,757
Advances to Suppliers - Unsecured but considered good	2,401,736	936,836
Advance Income Tax (Note 10)	8,368,754	-
Deposits	40,070	73,523
Prepayments	417,309	24,550
	<u>11,912,318</u>	<u>1,544,666</u>
<b>19 OTHER RECEIVABLES</b> - Unsecured but considered good		
Interest Receivable	25,867	1,297,072
Due from Associated Undertakings (Note 19.1)	1,571,279	16,088,333
Sales Tax Receivables	11,615,532	5,484,909
Others	2,590,523	1,988,843
	<u>15,803,201</u>	<u>24,859,157</u>
<b>19.1 Due from Associated Undertakings</b>		
Wah Nobel Detonators (Pvt.) Ltd.	1,571,279	12,536,062
Wah Nobel Acetates Limited	-	3,552,271
	<u>1,571,279</u>	<u>16,088,333</u>
<b>20 CASH &amp; BANK BALANCES</b>		
Cash in Hand	12,998	492
Cash with Banks		
On Current Accounts	19,726,137	11,420,765
On Deposit Account	2,582,666	17,582,666
On PLS Account	12,812	244,934
	<u>22,321,615</u>	<u>29,248,365</u>
	<u>22,334,613</u>	<u>29,248,857</u>

	<u>2004</u> <u>RUPEES</u>	<u>2003</u> <u>RUPEES</u>
<b>21 SALES</b>		
Gross revenue from Sale of Manufactured products	304,167,458	236,016,443
Less: Sales Tax	44,561,353	32,751,633
	<u>259,606,105</u>	<u>203,264,810</u>
<b>22 COST OF SALES</b>		
Finished Goods as at 1st July, 2003	3,017,561	2,951,297
Cost of Goods Manufactured <b>(Note 22.1)</b>	210,333,247	149,244,918
Packing Material Consumed	208,648	159,955
	<u>213,559,456</u>	<u>152,356,170</u>
Finished Goods as at 30th June, 2004	8,318,292	3,017,561
	<u>205,241,164</u>	<u>149,338,609</u>
<b>22.1 Cost of Goods Manufactured</b>		
Work in Process as at 1st July, 2003	316,264	473,564
Raw Material Consumed <b>(Note 22.2)</b>	263,562,115	154,702,108
Salaries, Wages & Other Benefits	10,665,750	12,496,292
Stores & Spares Consumed	3,756,280	3,150,004
Fuel & Power	10,074,584	10,072,594
Rent, Rates & Taxes	239,050	363,157
Insurance	1,727,700	1,425,346
Repairs & Maintenance of Vehicles	496,273	313,503
Miscellaneous Expenses	1,742,838	1,477,946
Depreciation <b>(Note 12.3)</b>	2,748,264	2,871,552
	<u>295,329,118</u>	<u>187,346,066</u>
Recoveries / Adjustments	(84,827,701)	(37,784,884)
Work in Process as at 30th June, 2004	(168,170)	(316,264)
	<u>210,333,247</u>	<u>149,244,918</u>
<b>22.2 Raw Material Consumed</b>		
Stock as at 1st July, 2003	9,640,459	11,485,891
Add : Purchases	266,308,698	152,856,676
	<u>275,949,157</u>	<u>164,342,567</u>
Less : Stock as at 30th June, 2004	12,387,042	9,640,459
	<u>263,562,115</u>	<u>154,702,108</u>
<b>23 PROFIT FROM TRADING ACTIVITY</b>		
Gross Sales	27,197,854	6,188,125
Less Sales Tax	4,251,846	929,000
	<u>22,946,008</u>	<u>5,259,125</u>
Cost Of Sales	16,743,436	4,218,144
Net Profit On Trading	<u>6,202,572</u>	<u>1,040,981</u>
<b>24 ADMINISTRATIVE &amp; GENERAL EXPENSES</b>		
Salaries, Wages & Other Benefits	2,039,029	2,152,955
Management Fee	650,000	550,000
Professional Tax	-	20,000
Office Rent	67,404	67,404
Electricity & Water Charges	242,658	193,022
Postage, Telephone & Telex	108,212	90,007
Printing & Stationery	290,047	357,420
Travelling & Conveyance	175,864	150,055
Entertainment	198,032	179,510
Legal & Professional Charges	110,500	617,692
Fees & Subscription	43,500	78,600
Advertisement & Publicity	112,830	67,188
Vehicles Running & Maintenance Expenses	188,331	158,901
Share Issue Expenses	-	320,456
Donations	29,400	45,000
Miscellaneous Expenses	318,994	239,410
Depreciation <b>(Note 12.3)</b>	227,403	200,286
	<u>4,802,204</u>	<u>5,487,906</u>

	<u>2004</u> <u>RUPEES</u>	<u>2003</u> <u>RUPEES</u>
<b>25 <u>SELLING &amp; DISTRIBUTION EXPENSES</u></b>		
Salaries, Wages & Other Benefits	1,996,938	2,074,627
Postage, Telephone & Telex	118,517	176,872
Printing & Stationery	31,923	34,404
Sales Promotions	116,752	166,757
Travelling & Conveyance	132,128	262,119
Cartage	3,059,967	3,856,397
Vehicle Running Expenses	1,076,245	811,173
Transit Insurance	180,135	106,654
Entertainment	25,240	27,040
Miscellaneous Expenses	40,139	34,017
Car Lease Rental Charges	262,424	-
	<u>7,040,408</u>	<u>7,550,060</u>
<b>26 <u>OTHER INCOME</u></b>		
Sale of Scrap	-	557,363
Profit on Investment & Deposits	1,399,746	1,995,724
Profit On Sale of Fixed Assets	286,019	-
	<u>1,685,765</u>	<u>2,553,087</u>
<b>27 <u>FINANCIAL EXPENSES</u></b>		
Mark up on Running Finance	179,254	79,920
Interest on Workers' Profit Participation Fund	169,653	82,597
Bank Guarantee Commission & Charges	761,569	629,597
	<u>1,110,476</u>	<u>792,114</u>
Borrowing Costs attributable to the Qualifying asset capitalized during the year amounts to Rs.6,060,081 (2003: Rs.1,527,762).		
<b>28 <u>OTHER EXPENSES</u></b>		
Workers' Profit Participation Fund	2,439,440	2,167,050
Workers Welfare Fund	313,307	823,478
Auditors' Remuneration	97,466	78,717
Tax & Advisory Services	413,930	270,500
	<u>3,264,143</u>	<u>3,339,745</u>
<b>28.1 Auditors' Remuneration</b>		
Audit Fee	90,000	75,000
Out of Pocket Expenses	7,466	3,717
	<u>97,466</u>	<u>78,717</u>
<b>29 <u>EARNING PER SHARE</u></b>		
<b>29.1</b> As Originally reported:		
Profit after Taxation attributable to Ordinary Share Holders	34,804,047	26,896,444
No of Ordinary Shares Issued	7,500,000	7,500,000
	<u>4.64</u>	<u>3.59</u>
<b>30 <u>TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</u></b>		
<b>30.1</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. 14,549,691 (2003 : Rs. 6,355,710).		
<b>30.2</b> The maximum aggregate amount Due from the Associated Undertakings-Wah Nobel Detonators (Pvt) Ltd, at the end of any Month during the year was Rs.23,463,838 (2003 : Rs. 13,904,529)		
<b>30.3</b> The maximum aggregate amount Due from the Associated Undertakings Wah Nobel Acetates Ltd , at the end of any Month during the year was Rs.6,825,904 (2003 : Rs.3,552,271)		
<b>30.4</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>3,126,338</u>	<u>2,952,682</u>

### 31 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 31.1 Financial Assets and Liabilities

	Interest / Mark-Up Bearing			Non-Interest Bearing			Total
	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	RUPEES
<b>FINANCIAL ASSETS</b>							
<b>On Balance Sheet</b>							
Trade Debts	-	-	-	127,232,770	-	127,232,770	127,232,770
Deposits	-	-	-	40,070	-	40,070	40,070
Other Receivables	25,867	-	25,867	4,161,802	-	4,161,802	4,187,669
Cash and Bank Balances	22,321,615	-	22,321,615	12,998	-	12,998	22,334,613
	<u>22,347,482</u>	-	<u>22,347,482</u>	<u>131,447,640</u>	-	<u>131,447,640</u>	<u>153,795,122</u>
<b>Off Balance Sheet</b>							
	-	-	-	-	-	-	-
<b>2004</b>	<u>22,347,482</u>	-	<u>22,347,482</u>	<u>131,447,640</u>	-	<u>131,447,640</u>	<u>153,795,122</u>
<b>2003</b>	<u>30,545,437</u>	-	<u>30,545,437</u>	<u>106,084,453</u>	-	<u>106,084,453</u>	<u>136,629,890</u>
<b>FINANCIAL LIABILITIES</b>							
<b>On Balance Sheet</b>							
Long Term Finance	18,750,000	56,250,000	75,000,000	-	-	-	75,000,000
Short Term Finance	57,586,145	-	57,586,145	-	-	-	57,586,145
Creditors & Accrued Charges	-	-	-	29,134,640	-	29,134,640	29,134,640
Other Payables	2,799,653	-	2,799,653	17,523,021	-	17,523,021	20,322,674
	<u>79,135,798</u>	<u>56,250,000</u>	<u>135,385,798</u>	<u>46,657,661</u>	-	<u>46,657,661</u>	<u>182,043,459</u>
<b>Off Balance Sheet</b>							
	-	-	-	-	-	-	-
<b>2004</b>	<u>79,135,798</u>	<u>56,250,000</u>	<u>135,385,798</u>	<u>46,657,661</u>	-	<u>46,657,661</u>	<u>182,043,459</u>
<b>2003</b>	<u>33,417,034</u>	<u>40,000,000</u>	<u>73,417,034</u>	<u>42,818,230</u>	-	<u>42,818,230</u>	<u>116,235,264</u>

#### 31.2 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.

##### 31.2.1 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.

##### 31.2.2 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.

##### 31.2.3 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.

**32 PAYMENT TO DIRECTORS & OFFICERS**

**32.1** No Fee or Remuneration etc., was paid by the Company to the Chief Executive and Directors except for the lump sum amount of Rs. 650,000/- charged by Wah Nobel (Pvt.) Limited, the Holding Company as Management Services (2003: Rs.550,000)

**32.2** The maximum aggregate amount due from the Chief Executive, Directors and Executives at the end of any Month during the year was Nil. (2003:Nil)

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

	<u>2004</u> <u>RUPEES</u>	<u>2003</u> <u>RUPEES</u>
Managerial Remuneration	4,165,213	3,661,707
Housing, Utilities & Other Benefits	3,090,021	2,101,956
Company's Contribution to Provident Fund	267,738	241,441
Leave Passage	30,853	163,096
	<u>7,553,825</u>	<u>6,168,200</u>
Number of Persons	<u>14</u>	<u>12</u>

**33 NUMBER OF EMPLOYEES**

Number of Employees as on the Balance Sheet date were :

<u>98</u>	<u>100</u>
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**34 PLANT CAPACITY & ACTUAL PRODUCTION**

	<b>Plant Capacity M. Tons</b>	<b>Actual Production in M . Tons</b>	
		<b>2004</b>	<b>2003</b>
Formaldehyde & Formaline Solvent	15,000	17,033	14,800
Urea / Phenol Formaldehyde	9,500	13,934	10,472

**35 DATE OF AUTHORISATION**

These Financial Statements were authorised for issue on 7th September,2004 in accordance with the Resolution of the Board of Directors.

**36 COMPARATIVE FIGURES**

Corresponding Figures for 2003 have been re-arranged, wherever necessary, for the purposes of comparison.

DIRECTOR

CHIEF EXECUTIVE

**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 21<sup>st</sup> Annual General Meeting of the Company to be held on 29<sup>th</sup> day of October, 2004 and at every adjournment thereof.

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

this \_\_\_\_\_ day of \_\_\_\_\_ 2004 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.