

**ANNUAL REPORT
& ACCOUNTS 2005**



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



**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.

CORPORATE 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. Shahid Ahmed	:	Director
Mr. Muhammad Nawaz Tishna	:	Director (N.I.T. Nominee)

AUDIT COMMITTEE

Mr. Shahid Ahmed	:	Chairman
Mr. Feroze Khan Malik	:	Member
Mr. Syed Kaukab Mohyuddin	:	Member

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Mr. Amanullah Khan, FCA

AUDITORS : M/s Ford Rhodes Sidat Hyder & Co.,
Chartered Accountants

LEGAL ADVISORS : M/s The Law Firm of Basit Musheer

BANKERS : Muslim Commercial Bank Ltd
Askari Commercial Bank Ltd.

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

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

CABLE : DYNAMITE

FAX : (051) 4545241
(051) 4535862

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

WEBSITE : www.wahnobel.com

FACTORY : Wah Cantt.

COMPANY PROFILE

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

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

PRODUCTION PREMISES

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

PRODUCT RANGE

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

INSTALLED CAPACITY

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

QUALITY LEADERSHIP

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

SIX YEARS AT A GLANCE

	2000	2001	2002	2003	2004	2005
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(A) Trading Results:

i) Net Sales Revenue	161.747	209.350	212.706	203.265	344.434	502.463
ii) Gross Profit	51.294	49.926	55.503	53.926	54.365	73.436
iii) Operating Profit	41.521	38.277	42.053	41.929	48.310	53.108
iv) Profit Before Tax	38.763	35.421	39.228	40.350	46.036	40.213
v) Profit After Tax	27.597	36.433	25.662	26.896	34.804	23.843

(B) Balance Sheet

i) Paid-up Capital	37.500	37.500	37.500	75.000	75.000	75.000
ii) Shareholders Equity	103.783	121.466	162.903	168.401	203.205	200.798
iii) Property, Plants and Equipment	35.686	32.433	29.698	106.648	134.813	128.062
vi) Current Assets	118.456	113.570	175.615	184.754	229.552	250.036
v) Long Term Liabilities	-	-	-	40.000	56.250	37.500

(C) Key Financial Ratios

i) Gross Profit %	31.71%	23.85%	26.09%	26.53%	15.79%	14.62%
ii) Profit Before Tax %	23.96%	16.92%	18.44%	19.85%	13.37%	8%
iii) Earning Per Share After Tax Rs.	7.36	9.72	6.84	3.59	4.64	3.18
iv) Yield Cash % (Dividend)	35%	50%	27.50%	30%	35%	-
v) Debt: Equity Ratio	-	-	-	4.21:1	3.61:1	5.35:1
vi) Break-up Value Per Share Rs.	27.67	32.39	21.72	22.45	27.10	26.77
vii) Current Ratio	2.84:1	2.64:1	2.87:1	1.80:1	2:1	2:1

WAH NOBEL CHEMICALS LIMITED

NOTICE OF

ANNUAL GENERAL MEETING

NOTICE is hereby given that 22nd 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 Thursday, the 22nd December, 2005 at 11.00 hours to transact the following business:

1. To confirm Minutes of the Annual General Meeting held on 29th October, 2004.
2. To receive, consider and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30th June, 2005 together with Auditors' Report thereon.
3. To approve payment of cash dividend @ Rs.1.50 per share i.e. 15% as recommended by the Directors:
4. To consider and if thought fit to approve issuance of 20% Bonus Shares, subject to the compliance with Companies (Issue of Capital) Rules 1996, by passing the following resolution as an Ordinary Resolution:

“RESOLVED THAT

A sum of Rs.13,000,000 out of the profit available for appropriation and Rs.2,000,000 out of the General Reserve be capitalised and transferred to Reserve for Bonus Shares and the total amount of Rs.15,000,000 be, subject to the compliance with Companies (Issue of Capital) Rules 1996, applied for the issue of 1,500,000 Ordinary Shares of Rs.10/-

each as fully paid Bonus Shares to the members whose names appear in the register of members as at the close of business on 13th December, 2005 in the proportion of one share for every 5 shares held i.e. 20%;

These Bonus Shares shall rank pari passu in all respects with the existing shares except that these shares shall not qualify for the dividend declared for the year ended June 30, 2005;

The Directors be and are hereby authorised to Consolidate all fractions of bonus shares and sell in the Stock Market and pay the proceeds of sales when realised to charitable institution(s); and

The Directors be and are hereby authorised and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of Bonus Shares."

5. To appoint Auditors of the Company for the year 2005-06 and to fix their remuneration.
6. To transact any other business with the permission of the Chairman.

By Order of the Board

(AMANULLAH KHAN)
COMPANY SECRETARY

WAH CANTT.

DATED: 28.11.2005.

NOTES:

1. To determine the entitlement of shareholders to the cash dividend the share transfer books of the Company will remain closed from 14th to 22nd December, 2005 (both days inclusive).
 2. Transfers received in order at the Registered Office of the Company by the close of business on 13th December, 2005 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 Account Holders are advised to bring their original National Identity Cards to authenticate their identity along with CDC account numbers at the meeting. However, if any proxies are granted by such shareholders, the same shall also have to be accompanied with attested copies of the National Identity Card of the grantor, and the signature on the proxy form has to be the same as appearing on the National Identity Card.
 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 30th June, 2005 together with the Auditors' Report thereon.

1. **FINANCIAL RESULTS**

	<u>Rupees</u>
Profit before taxation	40,212,771
Less: taxation	<u>(16,370,047)</u>
Profit after taxation	23,842,724
Add: Unappropriated profit brought forward	<u>27,260,491</u>
Profit available for appropriation	51,103,215
Appropriations:	
Dividend paid @ 35% i.e. Rs.3.50 per share of Rs.10/- each.	<u>(26,250,000)</u>
Un-appropriated profit carried forward	<u><u>24,853,215</u></u>

2. **APPROPRIATIONS**

Your Directors have recommended a payment of cash dividend @ Rs.1.50 per share (i.e. 15%). They have also recommended issue of 20% bonus shares in the proportion of one bonus share for every five shares held subject to the compliance with Companies (Issue of Capital) Rules 1996.

3. **NET EARNING PER SHARE**

The net earning per share was Rs.3.18 (2004: Rs.4.64).

4. OPERATING PERFORMANCE

Despite the problems of intense competition, over capacity and increase in C&F price of methanol and price of urea with no significant enhancement of the sale prices during the year, the Company was able to maintain its profitability through increase its sales volume.

5. OUTLOOK FOR 2005-06

Formaldehyde based industry continues to suffer from oversupply and fierce competition which leaves no room for passing the increase in cost of inputs to the customers. The increase in inflation and mark up rates and higher fuel prices are likely to put further pressure on our margins. However, the declining trend in the C&F cost of methanol is a good omen for the formaldehyde industry. The Company is making all efforts to diversify its products, economise in the cost of inputs and enhance its sales revenues and looks forward to achieve better results in the year 2005-06.

6. 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 2005 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 30th June, 2005, 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:

Directors		Number of Board Meetings Attended
1. Maj. Gen. Muhammad Javed	Chairman	4
2. Mr. Rolf Ekberg	Vice Chairman	-
3. Mr. Feroze Khan Malik		4
4. Mr. Shabbir Ahmad		4
5. Mr. Azhar Nawaz Khan	<i>(Retired w.e.f. 13.06.2005.</i>	4

Directors	Number of Board Meetings Attended
6. Mr. Shahid Ahmed	-
<i>(Appointed w.e.f. 13.06.2005.</i>	
7. Mr. Muhammad Nawaz Tishna	4
8. Mr. Syed Kaukab Mohyuddin	4
Chief Executive	

(x) Value of Investment of Provident Fund, gratuity and Pension Funds Scheme for the financial year ending June 30, 2005 are as follows:

	<u>Rupees</u>
Provident Fund	10,861,609
Gratuity Fund	2,947,291
Pension Fund	2,401,690

7. AUDITORS

The present Auditors M/s Ford Rhodes, Sidat Hyder & Co, Chartered Accountants, Islamabad retire and being eligible, offer themselves for re-appointment for the financial year 2005-06.

8. PATTERN OF SHAREHOLDING

The pattern of shareholding as at 30th June, 2005 is annexed.

9. CHANGES IN THE BOARD

Consequent upon the nomination by the holding Company, M/s Wah Nobel (Pvt) Limited (WNPL), Mr. Shahid Ahmed has been appointed as Director in place of Mr. Azhar Nawaz Khan to represent WNPL on the Board of Wah Nobel Chemicals Limited.

10. 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: 28.11.2005.

WAH NOBEL CHEMICALS LIMITED

PATTERN OF SHAREHOLDING

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

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2 0 0 5

No of shareholders	Shareholding	Total shares held
61	shareholding from 1 to 100 shares	3,680
350	shareholding from 101 to 500 shares	81,891
52	shareholding from 501 to 1000 shares	43,500
70	shareholding from 1001 to 5000 shares	160,700
18	shareholding from 5001 to 10000 shares	133,850
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
1	shareholding from 50001 to 100000 shares	72,500
1	shareholding from 500001 to 1000000 shares	718,400
1	shareholding from 1000001 to 2500000 shares	1,627,891
1	shareholding from 2500001 to 5000000 shares	4,141,995
578	Total	7,500,000

Categories of shareholders	Shares held	Percentage
♦ Directors, Chief Executive Officer, and their spouse and minor children.	Mr. Feroze Khan Malik, Director & his spouse: 48,000	0.64
♦ Associated Companies, under-takings and related parties. Wah Nobel (Pvt) Ltd WNPL Employees Provident Fund WNCL Employees Provident Fund WNDL Employees Provident Fund	4,142,000 72,500 27,581 10,000	55.23 0.97 0.37 0.13
♦ NIT and ICP	NIT: 1,077,000 ICP: 625	14.36 0.01
♦ Banks Development Financial Institutions, Non Banking Financial Institutions.	1,250	0.02
♦ Insurance Companies	718,400	9.58
♦ Modarabas and Mutual Funds	5,825	0.08
♦ Shareholders holding 10%	-	-
♦ General Public a. Local b. Foreign	1,386,219 -	18.48 -
♦ Others (to be specified)	Investment Companies: 1,600 Trust: 9,000	0.02 0.12
Total:	7,500,000	100.00

STATEMENT OF ETHICS & BUSINESS PRACTICES

The Company's Ethics and Business Practices conform to the WNL Group Vision and the Company's Mission Statement.

THE PURPOSE AND VALUES OF BUSINESS

Manufacturing of Formaldehyde and Formaldehyde Resins that conform to the Specified Standards in order to achieve the qualitative edge over the competitors and save foreign exchange, develop and utilize technical capabilities in the resin industry.

EMPLOYEES

Recruitment of personnel on merit offering training and career development, equal opportunities of growth, no discrimination or harassment and reward for achievements. Improved working conditions, ensuring safety, security and health. Terminal benefits as per policy on retirement or redundancy.

Employees shall not use Company information and assets for their personal advantage. Conflict of interest shall be avoided and disclosed where it exists and guidance sought, if required.

CUSTOMER RELATION

Ensure customer satisfaction and delight by providing quality products at competitive prices and ensuring after sale service/advice.

SHAREHOLDERS, FINANCIAL INSTITUTIONS & CREDITORS

Protection of investment made in the Company and proper return on money lent/invested. A commitment to accurate and timely communication on achievements and prospects.

SUPPLIERS

Prompt settling of bills. Co-operation to achieve quality and efficiency. No bribery or excess hospitality accepted or given.

SOCIETY/COMMUNITY

Compliance with the spirit of laws. Timely payment of all Government taxes and dues. Eliminate the release of substance that may cause environmental damage. Financial assistance for promoting education and social activities including games and donations/charity to deserving.

GENERAL

The Company shall neither support any political party nor contribute funds to groups or associations whose activities promote political interest. The Company shall promote its legitimate business interest and look after the betterment of its employees.

IMPLEMENTATION

Company Board to ensure implementation of these codes, regular monitoring, review for modification/ amendment where necessary.

OBJECTIVES & STRATEGIC PLANNING

OBJECTIVES

Constantly endeavour to be market leader in terms of market share and technology pace-setters in areas of operations and to continuously improve efficiency and competitive strength.

To offer customers quality products and support services at competitive prices and to their satisfaction.

By continuously improving performance, aim to generate earnings sufficient to ensure a secure future for the Company and to protect and increase shareholders' return.

To enhance creativity and job satisfaction, provide employees opportunity for personal development.

Be an integral part of national economy with a strong sense of responsibility to society and the environment.

STRATEGIC PLANNING

To make optimum use of resources to maximize indigenization of required products.

The Company plans to establish and maintain a strong R&D Department to provide technical assistance for product development and research.

Ensure customer satisfaction by providing quality products at competitive prices with warranty coverage and ensuring after sale service.

**STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE FOR THE YEAR ENDED
JUNE 30, 2005**

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 and has been declared as a defaulter by any Stock Exchange.

4. During the year, a casual vacancy arising from the retirement of Mr. Azhar Nawaz Khan, Director, (nominee of the holding Company, M/s Wah Nobel (Pvt) Limited), was filled by appointment of Mr. Shahid Ahmed, Managing Director, Wah Industries Limited, as Director.
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 submission to the Board for approval.
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.

SHAHID AHMED
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.

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS.

Islamabad.
Dated: 28.11. 2005

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Wah Nobel Chemicals Limited** as at **June 30, 2005** 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 except for the changes as stated in note 4.5 with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business and
 - iii) the business conducted, 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 June 30, 2005 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.
Dated: 28.11.2005.

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS.

WAH NOBEL CHEMICALS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005 <u>(Rupees)</u>	2004
Sales	23	502,463,325	344,433,806
Cost of sales	24	(429,027,751)	(290,068,865)
Gross profit		<u>73,435,574</u>	<u>54,364,941</u>
Profit from trading activity	25	6,096,750	6,202,572
		<u>79,532,324</u>	<u>60,567,513</u>
Administrative and general expenses	26	(8,691,227)	(5,216,134)
Selling and distribution expenses	27	(17,732,868)	(7,040,408)
		<u>(26,424,095)</u>	<u>(12,256,542)</u>
		53,108,229	48,310,971
Finance cost	28	(10,568,910)	(1,110,476)
Other operating expenses	29	(2,336,798)	(2,850,213)
		<u>(12,905,708)</u>	<u>(3,960,689)</u>
		40,202,521	44,350,282
Other operating income	30	10,250	1,685,765
Profit before taxation		<u>40,212,771</u>	<u>46,036,047</u>
Provision for taxation	31	(16,370,047)	(11,232,000)
Profit after taxation		<u>23,842,724</u>	<u>34,804,047</u>
Earnings per share - basic and diluted	32	<u>3.18</u>	<u>4.64</u>

Appropriations have been reflected in the statement of changes in equity.

The annexed notes from 1 to 39 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2005

	2005	2004
Note	(Rupees)	
Cash flows from operating activities		
Profit before taxation	40,212,771	46,036,047
Adjustment for non cash items:		
Depreciation	7,505,790	2,975,667
Loss / (gain) on sale of property, plant and equipment	79,550	(286,019)
Financial charges on bank borrowings	9,525,718	-
Adjustment based on actuarial valuation of employees' gratuity fund	(2,188,488)	-
Allocation of Workers' Profit Participation Fund (WPPF)	2,116,462	-
Provision for accumulated compensated absences	170,938	-
Provision for doubtful debts	4,094,619	-
	21,304,589	2,689,648
Changes in working capital		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(4,742,070)	72,907
Stock in trade	(10,337,167)	(13,021,741)
Trade debts	(16,164,201)	(39,299,508)
Advances, deposits and prepayments	(1,640,817)	(1,998,896)
Other receivables	12,260,461	9,055,956
(Decrease) / increase in current liabilities:		
Trade and other payables	(5,735,726)	1,988,940
	(26,359,520)	(43,202,342)
Cash generated from operations	35,157,840	5,523,353
Payments for:		
Financial charges	(8,332,095)	-
Employees' gratuity fund	(840,606)	-
WPPF	(2,439,440)	-
Accumulated compensated absences	(265,716)	-
Taxation	(12,716,449)	(20,764,382)
	(24,594,306)	(20,764,382)
Net cash generated from / (used in) operating activities	10,563,534	(15,241,029)
Cash flows from investing activities		
Payments for capital expenditure	(839,536)	(31,142,864)
Proceeds from sale of property, plant and equipment	5,000	288,200
Net cash used in investing activities	(834,536)	(30,854,664)
Cash flows from financing activities		
Long term financing - proceeds	-	35,000,000
Long term financing - repayments	(18,750,000)	-
Short term borrowings	26,354,247	26,681,449
Dividends paid	(26,250,000)	(22,500,000)
Net cash used in financing activities	(18,645,753)	39,181,449
Net decrease in cash and cash equivalents	(8,916,755)	(6,914,244)
Cash and cash equivalents at beginning of the year	22,334,613	29,248,857
Cash and cash equivalents at end of the year	22 13,417,858	22,334,613

The annexed notes from 1 to 39 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2005

	Share capital	Capital reserve	General reserve	Unappropriated profit	Total
	(Rupees)				
Balance at July 01, 2003 as previously reported	75,000,000	944,404	92,000,000	456,444	168,400,848
Effect of change in accounting policy - note 4.5					
Dividend for the year ended June 30, 2003 @ Rs. 3.00 per share	-	-	-	22,500,000	22,500,000
Balance as at July 01, 2003 (restated)	75,000,000	944,404	92,000,000	22,956,444	190,900,848
Dividend @ Rs. 3.00 per share	-	-	-	(22,500,000)	(22,500,000)
Profit for the year	-	-	-	34,804,047	34,804,047
Transfer to general reserve	-	-	8,000,000	(8,000,000)	-
Balance as at June 30, 2004 (restated)	75,000,000	944,404	100,000,000	27,260,491	203,204,895
Dividend @ Rs. 3.50 per share	-	-	-	(26,250,000)	(26,250,000)
Profit for the year	-	-	-	23,842,724	23,842,724
Transfer to general reserve	-	-	-	-	-
Balance as at June 30, 2005	<u>75,000,000</u>	<u>944,404</u>	<u>100,000,000</u>	<u>24,853,215</u>	<u>200,797,619</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1 Status and nature of business

Wah Nobel Chemicals Limited (the Company) was incorporated in Pakistan on May 31, 1983 as a public limited company under the Companies Act, 1913, (now the Companies Ordinance, 1984) and its shares are quoted on the Karachi, Lahore and Islamabad stock exchanges of Pakistan. The holding company of the Company is Wah Nobel (Private) Limited and the ultimate holding company is Wah Industries Limited. The registered office and manufacturing facilities of the Company are situated in Wah Cantt, Pakistan.

The principal activity of the Company is to manufacture Formaldehyde and Formaldehyde based liquid resins for use as bonding agent in the chip board, plywood and flush door manufacturing industries. It is also engaged in erection of plants and trading activities.

2 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3 Basis of preparation

These financial statements have been prepared under the historical cost convention.

4 Summary of significant accounting policies

4.1 Staff retirement benefits

a) The Company has the following plans for its employees:

Defined benefit gratuity scheme

The Company operates an approved gratuity fund established under an irrevocable trust to provide gratuity to all its eligible employees on retirement or cessation of their services. Annual contributions to the gratuity fund are based on actuarial valuation using Projected Unit Credit Method, related details of which are given in note 20 to the financial statements. All contributions are charged to profit and loss account for the year. Actuarial gains / losses in excess of 10% of the higher of fair value of fund's assets and present value of defined benefit obligation are recognised over the average remaining service life of the employees.

Defined benefit insured pension scheme

The Company, under an insurance contract, operates an approved defined benefit pension scheme for its permanent employees eligible under Employees Pension Fund Rules. Premiums paid under the insurance policy are charged to the profit and loss account of related year. During the year Rs. 502,071 (2004 : 404,062) has been recognised as an expense by the Company.

Defined contributory provident fund

The Company also operates an approved defined contributory provident fund for all eligible employees for which contributions are charged to the profit and loss account. During the year Rs. 574,343 (2004 : 542,738) has been recognised as an expense by the Company.

b) **Accumulated compensated absences**

The Company provides a facility to its employees for accumulating their annual earned leaves. Accumulated compensated absences upto a maximum limit of 120 days for each employee are encashable on cessation of service while absences above this limit are encashed immediately. Provision is made for the additional amount that the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date and related expense thereof is charged to the profit and loss account.

4.2 Taxation

Current taxation

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account available tax credits and rebates, if any, or minimum tax payable under Income Tax Ordinance, 2001, whichever is higher.

Deferred taxation

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is charged or credited to the profit and loss account.

4.3 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

4.4 Provisions

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

4.5 Dividend recognition

Dividend is recognised as a liability in the period in which it is declared. Upto previous year, dividends proposed after the balance sheet date but before the financial statements were authorized for issue were recorded as a liability. The change has been necessitated by revision in the Fourth Schedule to the Companies Ordinance, 1984. This change in accounting policy has been accounted for retrospectively as required by the International Accounting Standard 8; "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". The corresponding figures have been restated accordingly. Had there been no change in accounting policy, the unappropriated profit and the current liabilities for the year ended June 30, 2005 would have been lower and higher respectively by Rs.11.250 million (2004 : Rs.26.250 million).

The Board of Directors have proposed dividend for the year ended June 30, 2005 of Rs.1.50 per share amounting to Rs.11.250 at their meeting held on November 28, 2005 for approval of members at the Annual General Meeting to be held on December 22, 2005. These financial statements do not reflect this dividend payable consequent upon change in Fourth Schedule to the Companies Ordinance, 1984.

4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any except capital work in progress which is stated at cost.

Depreciation is charged to income at rates given in note 14 applying the reducing balance method . The Company has a policy to depreciate the expansion in plant and machinery on written down value in proportion to utilised capacity till such time the expanded production capacity is fully utilised. 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 property, plant and equipment is taken to profit and loss account in the year of disposal.

4.7 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

4.8 Long term investments

Investments are initially measured at cost. At subsequent reporting dates, the recoverable amounts are estimated in order to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognised as expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognised in profit and loss account.

4.9 Stores, spares and loose tools

These are valued at lower of cost and net realizable value. Cost is determined on average basis.

4.10 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.

4.11 Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount / cost less an allowance for any uncollectible amounts.

4.12 Cash and cash equivalents

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

4.13 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.

4.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction and production of qualifying asset are capitalized as part of cost of that asset. All other borrowing costs are charged to the profit and loss account in the year when incurred.

4.15 Transactions with related parties

All transactions with related parties are booked on the principles of normal commercial practice between independent businesses.

4.16 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and derecognized when it ceases to be a party to such contractual provisions of the instrument. All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received respectively and subsequently carried at fair value, amortized cost or cost, as the case may be.

Financial instruments carried in the balance sheet include loans, trade and other payables, investments, trade debts, deposits, receivables and cash and bank balances. The particular recognition methods adopted are disclosed in the individual policy statement associated with each financial instrument.

4.17 Offsetting

Assets and liabilities are offset and the net amount is reported in the financial statements only when there is legally enforceable right to set-off the recognised amount and the Company intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

		2005	2004
	Note	(Rupees)	
5 Share capital			
Authorized			
20,000,000	(2004 : 20,000,000) ordinary shares of Rs. 10/- each	200,000,000	200,000,000
Issued, subscribed and paid up			
6,750,000	(2004 : 6,750,000) ordinary shares of Rs. 10 /- each fully paid in cash	67,500,000	67,500,000
750,000	(2004 : 750,000) ordinary shares of Rs. 10 /- each 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 (2004 : 4,142,000) ordinary shares of Rs. 10 /- each at balance sheet date.			
6 Capital reserve			
Represents exchange gain arising on the translation of foreign currency accounts held by the Company and interest thereon, up to the date of allotment of shares to the overseas Pakistani shareholders who, under an agreement, had subscribed in foreign currency at the rate of Rs. 13 /- per US Dollar.			
7 Revenue reserves			
General reserve	7.1	100,000,000	100,000,000
Unappropriated profit		24,853,215	27,260,491
		<u>124,853,215</u>	<u>127,260,491</u>
7.1 General reserve			
Balance at the beginning of the year		100,000,000	92,000,000
Transfer during the year		-	8,000,000
		<u>100,000,000</u>	<u>100,000,000</u>
8 Long term financing - secured			
Balance at the beginning of the year	8.1	56,250,000	40,000,000
Drawdown during the year		-	35,000,000
		<u>56,250,000</u>	<u>75,000,000</u>
Current portion shown under current liabilities		<u>(18,750,000)</u>	<u>(18,750,000)</u>
		<u>37,500,000</u>	<u>56,250,000</u>
8.1	Represents loan 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 Offered Rate (KIBOR) plus 150 basic points with a floor of 4.5% per annum. The loan is secured against first charge over plant and machinery financed through ACBL and first pari passu charge over current assets of the Company.		
The principal amount of the loan is repayable in 8 semi-annual equal installments of Rs.9,375,000 each, which commenced from October 19, 2004. Mark up is payable on quarterly basis.			
9 Deferred liabilities			
Accumulated compensated absences	9.1	1,111,538	1,206,316
Deferred taxation	9.2	18,785,045	5,289,000
		<u>19,896,583</u>	<u>6,495,316</u>
9.1 Accumulated compensated absences			
Balance at the beginning of the year		1,206,316	1,223,621
Charge for the year		170,938	-
		<u>1,377,254</u>	<u>1,223,621</u>
Payments made during the year		<u>(265,716)</u>	<u>(17,305)</u>
Balance at the end of the year		<u>1,111,538</u>	<u>1,206,316</u>

	Note	2005	2004
		(Rupees)	
9.2 Deferred taxation			
The balance of deferred tax is in respect of the following major temporary differences:			
Temporary differences between accounting and tax depreciation		23,906,000	5,289,000
Unused tax losses		(4,604,026)	-
Temporary differences between accounting provision for doubtful debts and amount claimed for tax purposes		(1,451,037)	-
Temporary difference in respect of receivable from employees' gratuity fund		934,108	-
		<u>18,785,045</u>	<u>5,289,000</u>
10 Trade and other payables			
Trade creditors		20,750,275	18,384,318
Bills payable		1,296,459	549,979
Accrued expenses		2,930,980	6,666,302
Payable to employees' provident fund		225,689	192,587
Due to Wah Nobel Acetates Limited - fellow subsidiary		1,426	2,855,978
Retention money		43,000	5,034,860
Bonus payable		1,969,860	2,218,368
Sales tax payable		3,128,836	-
Unclaimed dividends		864,673	863,178
Workers' Profit Participation Fund	10.1	2,116,462	2,439,440
Workers' Welfare Fund		4,719,974	4,752,534
Other liabilities		1,144,466	1,293,260
		<u>39,192,100</u>	<u>45,250,804</u>
10.1 Workers' Profit Participation Fund			
Balance at the beginning of the year		2,439,440	2,167,050
Interest for the period on Fund utilised by the Company		122,807	169,653
Payments during the year		(2,562,247)	(2,336,703)
Allocation for the year		2,116,462	2,439,440
Balance at the end of the year		<u>2,116,462</u>	<u>2,439,440</u>
11 Interest and mark-up accrued			
On long term financing		1,199,466	612,583
On short term borrowings		1,821,498	1,214,758
		<u>3,020,964</u>	<u>1,827,341</u>
12 Short term borrowings			
Short term running finance - secured	12.1	65,940,392	57,586,145
Short term import credit - secured	12.2	18,000,000	-
		<u>83,940,392</u>	<u>57,586,145</u>
12.1	Represents balance payable under running finance facility of Rs.100 million (2004 : Rs. 70 million) from Muslim Commercial Bank Limited which is carrying mark up at the rate of 6 months average KIBOR plus 100 basic points with a floor of 3.5% calculated on daily product basis and payable quarterly.		
	The facility is secured by a first charge on the plant and machinery excluding the extension of plant financed through ACBL (referred to in note 8 above) and first pari passu hypothecation charge over the current assets of the Company. The facility was valid till June 30, 2005.		
12.2	Represents short term credit facility from Muslim Commercial Bank Limited for import of goods through letter of credit and carries mark up at the rate of 13.87% per month. The facility allows maximum credit period of 90 days and is secured against lien over duly executed trust receipt to be utilized for retirement of import documents.		

13 Contingencies and commitments

13.1 Contingencies

13.1.1 In 1990, the Government of Sindh levied excise duty @ Rs. 4 per bulk gallon on transport of imported Methanol outside the province of Sindh under the Sindh Abkari Act, 1878. The Company filed a Constitutional Petition No. D - 123/91 in the High Court of Sindh that the duty was ultra vires of article 151 of the Constitution. The Court granted interim relief by permitting the Company to remove Methanol by submitting bank guarantees in lieu of payment of excise duty. Accordingly, the Company has submitted bank guarantees of Rs. 8,845,220 (2004 : Rs. 8,845,220) for transport of 7200 tons of Methanol outside Sindh.

On August 12, 2004 the High Court Sindh decided the case in favour of the Company. Excise Department Sindh has filed a leave to appeal in the Supreme Court on September 07, 2004 against the said judgement which is pending adjudication by the Supreme Court.

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

After hearing the appeal of Excise Department Sindh against the Company and other Formaldehyde manufacturers, the Supreme Court remanded the case of levy of vend fee and permit fee to the High Court Sindh for adjudication on all points of law and fact. Vide its 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.

Currently all imports of Methanol are being released on payment of Rs. 3/- per bulk gallon in cash and submission of guarantee @ Rs. 14/- per bulk gallon in the form of indemnity bonds. Accordingly, in case of an unfavorable decision of the Supreme Court, the Company is exposed to an aggregate obligation of Rs. 355 million (2004 : Rs. 285 million) on account of vend fee and permit fee based on the guarantees issued against methanol imported and released upto the balance sheet date. However, keeping in view the facts and previous decisions, the management is confident that no such exposure will arise to the Company.

13.1.3 Under the Punjab Excise Act, 1914, Excise Commissioner / Director General , Excise and Taxation Department, Punjab has issued a notification dated June 30, 2003 by which the department has levied fees on the import, possession, industrial use and sale of Methanol. The Company and other manufacturers, importers and vendors of Methanol have filed writ petitions in the High Court, Lahore and obtained stay order against these levies.

The case is pending adjudication by the High Court, Lahore.

13.1.4 In 2001, the Deputy Collector of Customs, Central Excise and Sales Tax, Rawalpindi issued a show cause notice against the Company alleging that the Company had evaded sales tax amounting to Rs. 5,668,837 on trading of different items, sales of packaging material and receipts against transportation cost. The said show cause notice was upheld by Order-in-Original passed by Additional Collector Customs, Central Excise and Sales Tax, Rawalpindi. An appeal against the said Order was moved by the Company before the Customs, Central Excise and Sales Tax Appellate Tribunal, Islamabad, which was allowed vide Order dated March 07, 2002 except to the extent of alleged sales tax on transportation costs. Against this order, an appeal has been preferred by the Department before the Lahore High Court, Rawalpindi Bench, which is pending adjudication.

13.2 Commitments in respect of:

13.2.1 Letters of credit for purchase of stocks

13.2.2 Rentals payable under non-cancellable vehicle lease arrangements:

- not later than one year

- later than one year but not later than five years

2005-06

2006-07

2007-08

2008-09

2009-10

	2005	2004
	(Rupees)	
	48,700,000	21,815,000
	559,668	814,188
	-	814,188
	559,668	814,188
	559,668	814,188
	252,484	155,424
	94,395	-

14 Property, plant and equipment

These are made up as follows:

Note	C O S T				D E P R E C I A T I O N				Written down value (WDV)	Annual rate of depreciation on WDV	
	As at July 01, 2004	Capitalization */ additions / adjustment **	(Disposals) / (capitalization) *	As at June 30, 2005	As at July 01, 2004	Charge for the year	On (disposals) / (transfer)	As at June 30, 2005	As at June 30, 2005	%	
	(Rupees)										
Operating assets											
Leasehold land	14.1	1,701,971	-	-	1,701,971	1,186,653	56,736	-	1,243,389	458,582	-
Buildings on leasehold land:											
Office building		1,045,428	1,360,591	-	2,406,019	630,168	88,793	-	718,961	1,687,058	5
Factory building		7,997,936	8,434,501	-	16,432,437	6,682,044	975,039	-	7,657,083	8,775,354	10
Tubewell		547,920	-	-	547,920	465,681	8,224	-	473,905	74,015	10
		9,591,284	9,795,092 *	-	19,386,376	7,777,893	1,072,056	-	8,849,949	10,536,427	
Plant and machinery	14.2	89,858,802	100,047,298 *	-	189,906,100	70,114,787	5,835,293	-	75,950,080	113,956,020	10
Furniture and fixtures		538,580	151,798	(2,193)	688,185	170,040	40,600	(1,932)	208,708	479,477	10
Office equipment		666,277	-	-	666,277	305,144	36,113	-	341,257	325,020	10
Tools and workshop equipment		2,301,452	83,086	-	2,384,538	1,834,002	47,444	-	1,881,446	503,092	10
Computer installations		1,413,487	289,000	(260,750)	1,441,737	582,951	180,416	(176,461)	586,906	854,831	20
Motor vehicles		2,664,410	-	-	2,664,410	1,478,750	237,132	-	1,715,882	948,528	20
		108,736,263	110,366,274	(262,943)	218,839,594	83,450,220	7,505,790	(178,393)	90,777,617	128,061,977	
Capital work in progress		109,526,738	315,652 **	(109,842,390) *	-	-	-	-	-	-	-
	2005	218,263,001	110,681,926	(110,105,333)	218,839,594	83,450,220	7,505,790	(178,393)	90,777,617	128,061,977	
Operating assets		108,210,496	646,767	(121,000)	108,736,263	80,593,372	2,975,667	(118,819)	83,450,220	25,286,043	
Capital work in progress		79,030,641	30,496,097	-	109,526,738	-	-	-	-	109,526,738	-
	2004	187,241,137	31,142,864	(121,000)	218,263,001	80,593,372	2,975,667	(118,819)	83,450,220	134,812,781	

14.1 Leasehold land measuring 10 acres was acquired on August 01, 1983 from the Cantonment Board, Wah, for an initial period of 30 years and is being amortized over the lease term. The lease is renewable for a period of another 60 years.

14.2 Production capacity achieved by the newly capitalized Formaldehyde and U.F Glue plants is 35% and 58%, respectively.

14.3 Depreciation for the year has been allocated as follows:

	2005	2004	
	(Rupees)		
Cost of goods manufactured	24.1	7,159,860	2,748,264
Administrative and general expenses	26	345,930	227,403
		7,505,790	2,975,667

14.4 Details of property, plant and equipment disposed off;

	Cost	Book value	Sale proceeds	Mode of sale	Particulars of buyer
	(Rupees)				
Computer installations and furniture	262,944	84,550	5,000	Tender	Zia-ud-din, Gujranwala

15 Long term investment

Represents investment of 2,500,000 (2004: 2,500,000) fully paid ordinary shares of Rs 10/- each of Wah Nobel Acetates Limited (fellow subsidiary). The investment comprises 8.33% of Wah Nobel Acetates Limited share capital as at June 30, 2005 (2004: 8.33%).

	Note	2005 (Rupees)	2004
16 Stores, spares and loose tools			
Stores		7,239,285	4,376,737
Spares		9,627,648	10,767,243
Loose tools		94,468	73,143
Items in transit		2,997,792	-
		<u>19,959,193</u>	<u>15,217,123</u>
17 Stock in trade			
Raw and packing material		22,362,140	12,387,042
Work in process		2,399,322	168,170
Finished goods		6,128,371	8,318,292
Goods in transit		18,346,882	18,022,489
Others		-	3,555
		<u>49,236,715</u>	<u>38,899,548</u>
18 Trade debts - unsecured			
Considered good		137,814,712	125,745,130
Considered doubtful		4,145,819	51,200
		<u>141,960,531</u>	<u>125,796,330</u>
Provision for doubtful debts		(4,145,819)	(51,200)
		<u>137,814,712</u>	<u>125,745,130</u>
19 Advances, deposits and prepayments			
Advances - unsecured, considered good to suppliers		4,519,844	2,401,736
to employees for expenses		570,071	684,449
		5,089,915	3,086,185
Deposits		40,070	40,070
Prepayments		54,396	417,309
		<u>5,184,381</u>	<u>3,543,564</u>
19.1	The maximum aggregate amount of advances due from Chief Executive, Directors and Executives at the end of any month during the year was Rs. Nil (2004 : Rs Nil).		
20 Other receivables			
Interest accrued		29,866	25,867
Due from associated undertakings	20.1	2,386,886	1,571,279
Sales tax refundable		650,088	11,615,532
Receivable from / (payable to) employees gratuity fund	20.2	2,668,881	(360,213)
Others		475,900	2,590,523
		<u>6,211,621</u>	<u>15,442,988</u>
20.1 Due from associated undertakings			
Wah Nobel (Private) Limited - holding company		1,997,770	-
Wah Nobel Detonators (Private) Limited - fellow subsidiary		389,116	1,571,279
		<u>2,386,886</u>	<u>1,571,279</u>

	Note	2005 (Rupees)	2004
20.2 Receivable from / (payable to) employees gratuity fund			
a) Movement in the asset / (liability) recognised in the balance sheet:			
Balance at beginning of the year		(360,213)	(345,288)
Charge for the year		2,188,488	(360,213)
Payments to the fund during the year		840,606	345,288
Balance at end of the year		<u>2,668,881</u>	<u>(360,213)</u>
b) Reconciliation of the asset / (liability) recognised in the balance sheet:			
Present value of defined benefit obligation		(4,922,435)	(6,142,145)
Fair value of plan assets		8,529,782	5,781,932
Surplus / (deficit)		3,607,347	(360,213)
Unrecognised actuarial gain		(938,466)	-
Net asset / (liability)		<u>2,668,881</u>	<u>(360,213)</u>
c) Amounts charged to profit and loss account during the current year:			
Current service cost		(433,040)	(360,213)
Interest cost		(435,958)	-
Expected return on plan assets		740,614	
Charge due to application of Projected Unit Credit Method		2,316,872	
		<u>2,188,488</u>	<u>(360,213)</u>
d) Actuarial valuation of these plans was carried out as at June 30, 2005 using Projected Unit Credit Method. Significant actuarial assumptions used were as follows:			
Discount factor per annum		9%	-
Expected rate of increase in salary level per annum		8%	-
Expected rate of return on plan assets per annum		10%	-
Average expected remaining working life time of employees		13 years	-
21 Advance income tax - net			
Advance tax		21,085,203	19,868,754
Provision for current taxation		(2,874,002)	(11,500,000)
		<u>18,211,201</u>	<u>8,368,754</u>
22 Cash and bank balances			
Cash in hand		30,352	12,998
Cash with banks			
in current accounts		10,791,692	4,726,137
in deposit accounts		2,595,814	17,595,478
		13,387,506	22,321,615
		<u>13,417,858</u>	<u>22,334,613</u>
Cash with bank in deposit accounts include Rs 2,582,666 (2004 : Rs 2,582,666) under lien of a commercial bank.			
23 Sales			
Gross revenue from sale of manufactured products		533,215,098	304,167,458
Sales tax		(69,601,001)	(44,561,353)
		463,614,097	259,606,105
Revenue from service charges		38,849,228	84,827,701
		<u>502,463,325</u>	<u>344,433,806</u>
24 Cost of sales			
Cost of goods manufactured	24.1	426,613,657	295,160,948
Packing material consumed		224,173	208,648
		426,837,830	295,369,596
Opening stock of finished goods		8,318,292	3,017,561
Closing stock of finished goods		(6,128,371)	(8,318,292)
		<u>429,027,751</u>	<u>290,068,865</u>

	Note	2005 (Rupees)	2004
24.1 Cost of goods manufactured			
Raw material consumed	24.1.1	377,382,433	263,562,115
Stores and spares consumed		7,378,502	3,756,280
Salaries, wages and other benefits		12,903,697	10,665,750
Fuel and power		18,867,589	10,074,584
Rent, rates and taxes		459,174	239,050
Insurance		2,499,381	1,727,700
Repairs and maintenance of vehicles		564,988	496,273
Miscellaneous expenses		1,629,185	1,742,838
Depreciation		7,159,860	2,748,264
Manufacturing cost		<u>428,844,809</u>	<u>295,012,854</u>
Opening stock of work in process		168,170	316,264
Closing stock of work in process		<u>(2,399,322)</u>	<u>(168,170)</u>
		<u>426,613,657</u>	<u>295,160,948</u>
24.1.1 Raw material consumed			
Opening stock		12,387,042	9,640,459
Purchases during the year		387,357,531	266,308,698
		<u>399,744,573</u>	<u>275,949,157</u>
Closing stock		<u>(22,362,140)</u>	<u>(12,387,042)</u>
		<u>377,382,433</u>	<u>263,562,115</u>
25 Profit from trading activity			
Gross sales		82,865,111	27,197,854
Sales tax		<u>(10,528,006)</u>	<u>(4,251,846)</u>
		72,337,105	22,946,008
Cost of sales		<u>(66,240,355)</u>	<u>(16,743,436)</u>
Net profit on trading		<u>6,096,750</u>	<u>6,202,572</u>
26 Administrative and general expenses			
Salaries, wages and other benefits		1,663,401	2,039,029
Management fee		725,000	650,000
Office rent		78,004	67,404
Electricity and water charges		414,610	242,658
Postage, telephone and telex		372,747	108,212
Printing and stationery		413,657	290,047
Traveling and conveyance		272,139	175,864
Entertainment		38,731	198,032
Legal and professional charges		1,278,086	524,430
Fees and subscription		93,893	43,500
Advertisement and publicity		154,779	112,830
Vehicles running and maintenance expenses		203,704	188,331
Provision for doubtful debts		4,094,619	-
Donations	26.1	15,450	29,400
Miscellaneous expenses		714,965	318,994
Depreciation		345,930	227,403
Adjustment based on actuarial valuation of gratuity scheme		<u>(2,188,488)</u>	<u>-</u>
		<u>8,691,227</u>	<u>5,216,134</u>

26.1 These donations do not include any amount paid to any person or organisation in which the Chief Executive, Directors or their spouses had any interest.

	Note	2005 (Rupees)	2004
27 Selling and distribution expenses			
Salaries, wages and other benefits		1,393,282	1,996,938
Postage, telephone and telex		87,189	118,517
Printing and stationery		57,388	31,923
Sales promotions		168,630	116,752
Traveling and conveyance		166,696	132,128
Carriage and octroi		13,064,763	3,059,967
Vehicle running expenses		1,235,950	1,076,245
Commission charges		171,961	-
Transit insurance		1,024,841	180,135
Entertainment		8,998	25,240
Car lease rental charges		271,476	262,424
Miscellaneous expenses		81,694	40,139
		<u>17,732,868</u>	<u>7,040,408</u>
28 Finance cost			
Interest on long term financing		4,332,766	-
Interest on Workers' Profit Participation Fund		122,807	169,653
Mark up on short term finances		5,192,952	179,254
Bank charges		920,385	761,569
		<u>10,568,910</u>	<u>1,110,476</u>
Borrowing costs attributable to the qualifying asset capitalized during the year amounts to Rs. Nil (2004 : Rs.6,060,081).			
29 Other operating expenses			
Workers' Profit Participation Fund		2,116,462	2,439,440
Workers' Welfare Fund		-	313,307
Auditors' remuneration	29.1	220,336	97,466
		<u>2,336,798</u>	<u>2,850,213</u>
29.1 Auditors' remuneration			
Audit fee		210,000	90,000
Out of pocket expenses		10,336	7,466
		<u>220,336</u>	<u>97,466</u>
30 Other operating income			
Income from financial assets			
Interest on term deposits		89,800	82,750
Interest on fixed deposits		-	1,316,996
Income from non-financial assets			
(Loss) / gain on sale of property, plant and equipment		(79,550)	286,019
		<u>10,250</u>	<u>1,685,765</u>
31 Provision for taxation			
Current - for the year	31.1	2,874,002	11,500,000
Deferred		13,496,045	(268,000)
		<u>16,370,047</u>	<u>11,232,000</u>
31.1	The Company has a current taxable loss due to initial depreciation allowance on the plant and machinery capitalised during the year, therefore, provision for current year taxation represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001 at the rate of 0.5 percent of turnover of the Company.		
32 Earnings per share			
Net profit after tax		23,842,724	34,804,047
Number of ordinary shares outstanding during the year		7,500,000	7,500,000
Earnings per share-basic and diluted		<u>3.18</u>	<u>4.64</u>
33 Remuneration of Chief Executive, Directors and Executives			
33.1	No fee or remuneration was paid by the Company to Chief Executive and Directors except for the lump sum amount of Rs. 725,000/- (2004 : Rs. 625,000/-) charged by Wah Nobel (Private) Limited, as management fee as disclosed in note 26.		
33.2	None of the employees other than Chief Executive and Directors, fall under the definition of "Executive" as given in Fourth Schedule to the Companies Ordinance, 1984.		

34 Financial instruments and related disclosures

34.1 Financial assets and liabilities

	Effective interest rates %	Markup / interest bearing			Non-markup / interest bearing			Total	
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2005	2004
		(Rupees)							
Financial assets									
Long term investments		-	-	-	-	25,000,000	25,000,000	25,000,000	25,000,000
Trade debts		-	-	-	137,814,712	-	137,814,712	137,814,712	125,745,130
Deposits		-	-	-	40,070	-	40,070	40,070	40,070
Other receivables		-	-	-	2,892,652	-	2,892,652	2,892,652	4,187,669
Cash and bank balances	3	2,595,814	-	2,595,814	10,822,044	-	10,822,044	13,417,858	22,334,613
		<u>2,595,814</u>	<u>-</u>	<u>2,595,814</u>	<u>151,569,478</u>	<u>25,000,000</u>	<u>176,569,478</u>	<u>179,165,292</u>	<u>177,307,482</u>
Financial liabilities									
Long term financing	10.14	-	37,500,000	37,500,000	-	-	-	37,500,000	56,250,000
Short term borrowings	7.78	83,940,392	-	83,940,392	-	-	-	83,940,392	57,586,145
Trade and other payables		-	-	-	29,001,139	-	29,001,139	29,001,139	37,866,243
Interest and mark up accrued		-	-	-	3,020,964	-	3,020,964	3,020,964	1,827,341
Current portion of long term financing - secured	10.14	18,750,000	-	18,750,000	-	-	-	18,750,000	18,750,000
		<u>102,690,392</u>	<u>37,500,000</u>	<u>140,190,392</u>	<u>32,022,103</u>	<u>-</u>	<u>32,022,103</u>	<u>172,212,495</u>	<u>172,279,729</u>
Off balance sheet items									
Contingent liabilities				-	355,000,000		355,000,000	355,000,000	295,000,000
Letters of guarantee				-	8,845,220		8,845,220	8,845,220	8,845,220
Letters of credit				-	48,700,000		48,700,000	48,700,000	21,815,000
		<u>-</u>	<u>-</u>	<u>-</u>	<u>412,545,220</u>	<u>-</u>	<u>412,545,220</u>	<u>412,545,220</u>	<u>325,660,220</u>

34.2 Risk management

a) 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 does not have significant exposure to any individual customer.

b) Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. Foreign currency risk is minimal as the Company does not have significant dealings in foreign currencies.

c) Interest / mark-up rate risk

Interest / mark-up rate risk arises from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The Company has both long term and short term financing / borrowing at variable rates based on KIBOR. Rates of interest / markup prevailing during the year on these borrowings are disclosed in note 34.1.

d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to the dynamic nature of the business. The Company's treasury aims at maintaining flexibility in funding by keeping committed credit lines.

34.3 Fair value of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values except for long term investment which is stated at cost.

35 Transactions with related parties

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

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

Wah Nobel (Private) Limited - holding company

Wah Nobel Acetates Limited - fellow subsidiary

Wah Nobel Detonators (Private) Limited (WNDL) - fellow subsidiary

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

	2005	2004
	(Rupees)	
Transfer of funds to group companies	115,388,162	109,238,189
Receipts of funds from group companies	125,529,725	114,571,001
Expenses incurred on behalf of group companies	4,761,597	7,182,791
Expenses incurred by group companies on behalf of the Company	5,439,054	3,639,220
Service charges billed and recovered through WNDL	34,392,160	-
Vehicles lease rentals paid by the holding company	349,423	-

36 Production capacity

	Designed Annual Capacity		Actual Production	
	2005	2004	2005	2004
	Metric Tonnes			
Formaldehyde and Formaline Solvent	30,000	15,000	20,301	17,033
Urea / Phenol Formaldehyde	19,000	9,500	15,003	13,934

37 Number of employees

Total number of permanent employees as at June 30, 2005 was 83 (2004 : 98)

38 Comparative figures

Previous year figures have been rearranged and reclassified wherever necessary for the purposes of comparison. Major changes made during the year were reclassifications resulting from the substituted Fourth Schedule to the Companies Ordinance, 1984.

39 Date of authorisation

These financial statements were authorised for issue on November 28, 2005 by the Board of Directors of the Company.

DIRECTOR

CHIEF EXECUTIVE