

**ANNUAL REPORT
& ACCOUNTS 2006**



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



**WAH NOBEL
CHEMICALS
LIMITED**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Wah Nobel Chemicals Limited** as at **June 30, 2006** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of 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 profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of 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, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Companies Ordinance, 1984 in the manner so required and, respectively, give a true and fair view of the state of the Company's affairs as at **June 30, 2006** 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.

Without qualifying our opinion, we draw attention to note 15.1.2 to the financial statements. The Company is defendant in a lawsuit alleging non-payment of vend and permit fee of Rs. 430 million on methanol to the Excise and Taxation Department, Government of Sindh. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in these financial statements. In the event of an unsuccessful outcome, there is a substantial doubt that the Company will be able to continue as a going concern.

ISLAMABAD:

CHARTERED ACCOUNTANTS

FRH & Co.

WAH NOBEL CHEMICALS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2006

		<u>2006</u>	<u>2005</u>			<u>2006</u>	<u>2005</u>
	Note	(Rupees)			Note	(Rupees)	
SHARE CAPITAL AND RESERVES				NON - CURRENT ASSETS			
Share capital	6	90,000,000	75,000,000	Property, plant and equipment	16	122,532,098	128,061,977
Capital reserve	7	944,404	944,404				
Revenue reserves	8	<u>122,105,899</u>	<u>124,853,215</u>				
		213,050,303	200,797,619				
NON CURRENT LIABILITIES				Long term investment	17	25,000,000	25,000,000
Long term financing - secured	9	18,750,000	37,500,000				
Deferred tax liability	10	23,329,815	18,785,045				
Accumulated compensated absence	11	1,892,329	1,111,538				
CURRENT LIABILITIES				CURRENT ASSETS			
Trade and other payables	12	52,505,465	39,192,100	Stores, spares and loose tools	18	20,194,448	19,959,193
Accrued mark-up	13	3,194,934	3,020,964	Stock in trade	19	46,328,779	49,236,715
Short term borrowings - secured	14	81,236,350	83,940,392	Trade debts	20	144,388,431	137,814,712
Current portion of long term financing - secured	9	18,750,000	18,750,000	Advances, deposits and prepayments	21	7,312,691	5,184,381
		155,686,749	144,903,456	Other receivables	22	25,474,592	6,211,621
				Taxation - net	23	12,623,711	18,211,201
				Cash and bank balances	24	8,854,446	13,417,858
						265,177,098	250,035,681
CONTINGENCIES AND COMMITMENTS							
	15						
		412,709,196	403,097,658			412,709,196	403,097,658

AUDITORS' REPORT ANNEXED

The annexed notes from 1 to 43 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2006

	Note	2006 <u>(Rupees)</u>	2005 <u>(Rupees)</u>
Sales - net	25	559,959,101	502,463,325
Cost of sales	26	(481,851,735)	(429,027,751)
Gross profit		<u>78,107,366</u>	<u>73,435,574</u>
Profit from trading activity	27	731,501	6,096,750
		<u>78,838,867</u>	<u>79,532,324</u>
Administrative and general expenses	28	(11,909,118)	(8,691,227)
Selling and distribution expenses	29	(19,496,967)	(17,732,868)
		<u>(31,406,085)</u>	<u>(26,424,095)</u>
Other operating income	32	4,354,077	10,250
		<u>51,786,859</u>	<u>53,118,479</u>
Finance cost	30	(14,325,331)	(10,568,910)
Other expenses	31	(2,714,074)	(2,336,798)
		<u>(17,039,405)</u>	<u>(12,905,708)</u>
Profit before taxation		<u>34,747,454</u>	<u>40,212,771</u>
Provision for taxation	33	(11,244,770)	(16,370,047)
Profit after taxation		<u>23,502,684</u>	<u>23,842,724</u>
Earnings per share - basic and diluted	34	<u>2.61</u>	<u>2.65</u>

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

The annexed notes from 1 to 43 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2006

	2006	2005
Note	(Rupees)	
Cash flows from operating activities		
Profit before taxation	34,747,454	40,212,771
Adjustment for:		
Depreciation	6,425,897	7,505,790
Loss on sale of property, plant and equipment	8,862	79,550
Financial charges on bank borrowings	13,892,398	9,525,718
Charge / adjustment based on actuarial valuation of employees' gratuity fund	503,580	(2,188,488)
Workers' Profit Participation Fund (WPPF)	1,957,595	2,116,462
Workers' Welfare Fund (WWF)	381,000	-
Provision for accumulated compensated absences	780,791	170,938
Provision for doubtful debts	2,493,959	4,094,619
Dividend Income	(2,500,000)	-
	23,944,082	21,304,589
Changes in working capital		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(235,255)	(4,742,070)
Stock in trade	2,907,936	(10,337,167)
Trade debts	(9,067,678)	(16,164,201)
Advances, deposits and prepayments	(2,128,310)	(1,640,817)
Other receivables	(19,766,551)	12,260,461
(Decrease) / increase in current liabilities:		
Trade and other payables	13,186,821	(5,735,726)
	(15,103,037)	(26,359,520)
Cash generated from operations	43,588,499	35,157,840
Payments for:		
Financial charges	(13,718,428)	(8,332,095)
Employees' gratuity fund	-	(840,606)
WPPF	(2,212,051)	(2,439,440)
Accumulated compensated absences	-	(265,716)
Taxation	(1,112,509)	(12,716,449)
	(17,042,988)	(24,594,306)
Net cash generated from operating activities	26,545,511	10,563,534
Cash flows from investing activities		
Payments for capital expenditure	(906,132)	(839,536)
Proceeds from sale of property, plant and equipment	1,251	5,000
Dividend received	2,500,000	-
Net cash used in investing activities	1,595,119	(834,536)
Cash flows from financing activities		
Long term financing repayments	(18,750,000)	(18,750,000)
Short term borrowings	(2,704,042)	26,354,247
Dividends paid	(11,250,000)	(26,250,000)
Net cash used in financing activities	(32,704,042)	(18,645,753)
Net decrease in cash and cash equivalents	(4,563,412)	(8,916,755)
Cash and cash equivalents at beginning of the year	13,417,858	22,334,613
Cash and cash equivalents at end of the year	24 8,854,446	13,417,858

The annexed notes from 1 to 43 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, 2006

	Issued, Subscribed and paid up capital	Capital reserve	Reserve for issue of bonus shares	General reserve	Unappropriated profit	Total
	(Rupees)					
Balance as at June 30, 2004	75,000,000	944,404	-	92,000,000	35,260,491	203,204,895
Dividend @ Rs. 3.50 per share	-	-	-	-	(26,250,000)	(26,250,000)
Transfer to general reserve	-	-	-	8,000,000	(8,000,000)	-
Profit for the year	-	-	-	-	23,842,724	23,842,724
Balance as at June 30, 2005	<u>75,000,000</u>	<u>944,404</u>	<u>-</u>	<u>100,000,000</u>	<u>24,853,215</u>	<u>200,797,619</u>
Dividend @ Rs. 1.50 per share	-	-	-	-	(11,250,000)	(11,250,000)
Transfer from the general reserve to reserve for the issue of bonus shares	-	-	2,000,000	(2,000,000)	-	-
Transfer to the reserve for the issue of bonus shares	-	-	13,000,000	-	(13,000,000)	-
Bonus share issued @ 20%	15,000,000	-	(15,000,000)	-	-	-
Profit for the year	-	-	-	-	23,502,684	23,502,684
Balance as at June 30, 2006	<u><u>90,000,000</u></u>	<u><u>944,404</u></u>	<u><u>-</u></u>	<u><u>98,000,000</u></u>	<u><u>24,105,899</u></u>	<u><u>213,050,303</u></u>

The annexed notes from 1 to 43 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, 2006

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.

Standards, interpretations and amendments to published approved accounting standards that are not yet effective

i.	IAS 19	Amendments - Employees Benefits	Effective from January 1, 2006
ii.	IAS 39	Financial Instruments: Recognition and Measurement - Fair Value Option	Effective from January 1, 2006
iii.	IAS 1	Presentation of Financial Statements Capital Disclosures	Effective from January 1, 2007

Adoption of above amendments may only impact the extent of disclosures presented in the financial statements.

In addition to above, a new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and seven have been issued by International Accounting Standard Board (IASB). Out of these four IFRSs have been adopted by the Institute of Chartered Accountant of Pakistan (ICAP). However, since these have not been adopted by SECP, therefore, do not form part of the approved local financial reporting framework:

IFRS - 2 (Share based Payments);
IFRS - 3 (Business Combinations);
IFRS - 5 (Non-current Assets held for Sale and Discontinued Operations); and
IFRS - 6 (Exploration for and Evaluation of Mineral Resources).

The Company expects that the adoption of these pronouncements mentioned above will have no significant impact on the Company's financial statements in the period of initial application.

3 Critical judgments and estimates

The preparation of financial statements in conformity with the above requirements require the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in respective notes to the financial statements.

4 Basis of preparation

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

5 Summary of significant accounting policies

5.1 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 recognized 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 (2005 : 502,071) has been recognized 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 (2005 : 574,343) has been recognized 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.

5.2 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, rebates and exemptions available, if any, or minimum tax payable under Income Tax Ordinance, 2001, whichever is higher.

Deferred taxation

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

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

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

5.3 Trade and other payables

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

5.4 Provisions

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

5.5 Dividend and appropriation to reserves

Dividends and appropriations to the reserves are recognized in the period in which these are approved.

5.6 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 15 applying the reducing balance method . The Company has a policy to depreciate the expansion in plant and machinery on written down value in proportion to utilized capacity till such time the expanded production capacity is fully utilized. Leasehold land is amortized over the period of the lease. Depreciation on additions during the year is calculated from the month of acquisition to the end of the financial year and depreciation on deletions is calculated up to the date of disposal.

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

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

5.7 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.

5.8 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 recognized 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 recognized in profit and loss account.

5.9 Stores, spares and loose tools

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

5.10 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 realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

5.11 Trade and other receivables

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

5.12 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.

5.13 Revenue recognition

Revenue from sales of Company's product and merchandise is recognized on delivery of goods to the customers while revenue from erection of plant is recognized on percentage of completion method. Revenue from indenting is recognized when received.

Interest income is accounted for on accrual basis and dividend income is recognized when right to receive is established.

5.14 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.

5.15 Operating leases

Lease payments under operating leases are recognized as an expense in the profit and loss account on a straight line basis over the respective lease term.

5.16 Transactions with related parties

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

5.17 Financial instruments

All the financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and derecognized when the contractual rights that comprise the financial assets are realized, expired or surrendered. Financial liabilities are derecognized when they are extinguished - that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the profit and loss account currently. All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given and received, respectively, and subsequently carried at fair value, amortized cost or cost, as the case may be.

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.

5.18 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 recognized amount and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

		2006	2005
	Note	(Rupees)	
6 Share capital			
Authorized			
20,000,000	(2005 : 20,000,000) ordinary shares of Rs. 10/- each	200,000,000	200,000,000
Issued, subscribed and paid up			
6,750,000	(2005 : 6,750,000) ordinary shares of Rs. 10 /- each fully paid in cash	67,500,000	67,500,000
2,250,000	(2005 : 750,000) ordinary shares of Rs. 10 /- each issued as fully paid bonus shares	22,500,000	7,500,000
9,000,000		90,000,000	75,000,000

Wah Nobel (Private) Limited (the holding company) held 4,970,400 (2005 : 4,142,000) ordinary shares of Rs. 10 /- each at balance sheet date.

7 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.

8 Revenue reserves

General reserve	8.1	98,000,000	100,000,000
Unappropriated profit		24,105,899	24,853,215
		122,105,899	124,853,215

	Note	2006 (Rupees)	2005
8.1 General reserve			
Balance at the beginning of the year		100,000,000	92,000,000
Transfer during the year		<u>(2,000,000)</u>	<u>8,000,000</u>
		<u>98,000,000</u>	<u>100,000,000</u>
9 Long term financing - secured			
Balance at the end of the year	9.1	37,500,000	56,250,000
Current portion shown under current liabilities		<u>(18,750,000)</u>	<u>(18,750,000)</u>
		<u>18,750,000</u>	<u>37,500,000</u>
9.1	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 bps with a floor of 4.5% per annum. The loan is secured against first exclusive charge over plant and machinery financed through ACBL.		
	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.		
10 Deferred tax liability			
This is comprised of following temporary differences:			
Taxable temporary differences:			
Difference in tax and accounting bases of tangible fixed assets		25,653,737	23,906,000
Provision for gratuity fund		-	934,108
Deductible temporary differences:			
Unused tax losses (assessed and unassessed)		-	(4,604,026)
Provision for doubtful debts		<u>(2,323,922)</u>	<u>(1,451,037)</u>
		<u>23,329,815</u>	<u>18,785,045</u>
11 Accumulated compensated absences			
Balance at the beginning of the year		1,111,538	1,206,316
Charge for the year		<u>780,791</u>	<u>170,938</u>
		1,892,329	1,377,254
Payments made during the year		-	(265,716)
Balance at the end of the year		<u>1,892,329</u>	<u>1,111,538</u>
12 Trade and other payables			
Trade creditors		36,478,913	20,750,275
Bills payable		760,686	1,296,459
Accrued expenses		2,345,422	2,930,980
Payable to employees' provident fund		266,810	225,689
Due to Wah Nobel Acetates Limited - fellow subsidiary		-	1,426
Due to Wah Nobel (Private) Limited - holding company		29,957	-
Retention money		43,000	43,000
Bonus payable		2,508,462	1,969,860
Sales tax payable		1,293,507	3,128,836
Unclaimed dividends		978,827	864,673
Workers' Profit Participation Fund	12.1	1,862,006	2,116,462
Workers' Welfare Fund	12.2	5,100,974	4,719,974
Other liabilities		836,901	1,144,466
		<u>52,505,465</u>	<u>39,192,100</u>
12.1 Workers' Profit Participation Fund			
Balance at the beginning of the year		2,116,462	2,439,440
Interest for the period on Fund utilized by the Company		95,595	122,807
Payments during the year		<u>(2,212,051)</u>	<u>(2,562,247)</u>
Allocation for the year		1,862,000	2,116,462
Balance at the end of the year		<u>1,862,006</u>	<u>2,116,462</u>

		2006	2005
		(Rupees)	
12.2 Workers' Welfare Fund			
Balance at the beginning of the year		4,719,974	4,752,534
Payments during the year		-	(32,560)
Allocation for the year		381,000	-
Balance at the end of the year		<u>5,100,974</u>	<u>4,719,974</u>
13 Accrued mark-up			
On long term financing		1,090,255	1,199,466
On short term borrowings		<u>2,104,679</u>	<u>1,821,498</u>
		<u>3,194,934</u>	<u>3,020,964</u>
14 Short term borrowings - secured			
Short term running finance - secured	14.1	81,236,350	65,940,392
Short term import credit - secured	14.2	-	18,000,000
		<u>81,236,350</u>	<u>83,940,392</u>

14.1 Represents balance payable under running finance facility of Rs.100 million (2005 : Rs. 100 million) from Muslim Commercial Bank Limited which is carrying mark up at the rate of 3 months average KIBOR plus 1.5% spread, without a floor or cap, payable quarterly.

The facility is secured against first hypothecation charge over fixed assets of the Company.

14.2 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 10.14% 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.

15 Contingencies and commitments

15.1 Contingencies

15.1.1 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 (2005 : 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 favor of the Company. Excise Department Sindh has filed a leave to appeal in the Supreme Court on September 07, 2004 against the said judgment which is pending adjudication by the Supreme Court.

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

After hearing the appeal of Excise Department Sindh against the Company and other Formaldehyde manufacturers, the Supreme Court remanded the case of levy of vend fee and permit fee to the High Court Sindh for adjudication on all points of law and fact. Vide its judgment dated March 26, 2003, High Court Sindh again decided the matter in favor 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. 430 million (2005 : Rs. 355 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.

- 15.1.3** 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.

- 15.1.4** 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.

	2006	2005
	(Rupees)	
15.2 Commitments in respect of:		
15.2.1 Letters of credit for purchase of stocks	<u>61,383,000</u>	<u>48,700,000</u>
15.2.2 Rentals payable under non-cancelable vehicle lease arrangements:		
- not later than one year	1,044,288	559,668
- later than one year but not later than five years		
2006-07	1,044,288	559,668
2007-08	635,200	559,668
2008-09	477,111	252,484
2009-10	63,786	94,395

16 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	Annual rate of depreciation on WDV %	
		As at July 01, 2005	Capitalization */ additions / adjustment **	(Disposals) / (capitalization) *	As at June 30, 2006	As at July 01, 2005	Charge for the year	On (disposals) / (transfer)	As at June 30, 2006		As at June 30, 2006
(Rupees)											
Operating assets											
Leasehold land	16.1	1,701,971	-	-	1,701,971	1,243,389	56,736	-	1,300,125	401,846	-
Buildings on leasehold land:											
Office building		2,406,019	-	-	2,406,019	718,961	84,352	-	803,313	1,602,706	5
Factory building		16,432,437	-	-	16,432,437	7,657,083	877,535	-	8,534,618	7,897,819	10
Tube well		547,920	-	-	547,920	473,905	7,401	-	481,306	66,614	10
		19,386,376	-	-	19,386,376	8,849,949	969,288	-	9,819,237	9,567,139	
Plant and machinery	16.2	189,906,100	-	-	189,906,100	75,950,080	4,863,921	-	80,814,001	109,092,099	10
Furniture and fixtures		688,185	464,751	-	1,152,936	208,708	68,226	-	276,934	876,002	10
Office equipment		666,277	189,731	-	856,008	341,257	41,429	-	382,686	473,322	10
Tools and workshop equipment		2,384,538	-	-	2,384,538	1,881,446	50,309	-	1,931,755	452,783	10
Computer installations		1,441,737	251,650	(28,972)	1,664,415	586,906	186,282	(18,858)	754,330	910,085	20
Motor vehicles		2,664,410	-	-	2,664,410	1,715,882	189,706	-	1,905,588	758,822	20
		218,839,594	906,132	(28,972)	219,716,754	90,777,617	6,425,897	(18,858)	97,184,656	122,532,098	
Capital work in progress		-	- **	- *	-	-	-	-	-	-	
2006		218,839,594	906,132	(28,972)	219,716,754	90,777,617	6,425,897	(18,858)	97,184,656	122,532,098	
Operating assets		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	

16.1 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.

16.2 Production capacity achieved by the newly capitalized Formaldehyde and U.F Glue plants is 24% and 76%, respectively.

16.3 Depreciation for the year has been allocated as follows:

		2006	2005
(Rupees)			
Cost of goods manufactured	26.1	6,045,621	7,159,860
Administrative and general expenses	28	380,276	345,930
		<u>6,425,897</u>	<u>7,505,790</u>

17 Long term investment

Represents investment of 2,500,000 (2005: 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, 2006 (2005: 8.33%).

	Note	2006 (Rupees)	2005
18 Stores, spares and loose tools			
Stores		6,977,383	7,239,285
Spares		13,065,269	9,627,648
Loose tools		151,796	94,468
Items in transit		-	2,997,792
		<u>20,194,448</u>	<u>19,959,193</u>
19 Stock in trade			
Raw and packing material		13,793,711	22,362,140
Trading stock		3,185,361	-
Work in process		2,932,418	2,399,322
Finished goods		6,210,281	6,128,371
Goods in transit		20,207,008	18,346,882
		<u>46,328,779</u>	<u>49,236,715</u>
20 Trade debts - unsecured			
Considered good		144,388,431	137,814,712
Considered doubtful		6,639,778	4,145,819
		<u>151,028,209</u>	<u>141,960,531</u>
Provision for doubtful debts	20.1	(6,639,778)	(4,145,819)
		<u>144,388,431</u>	<u>137,814,712</u>
20.1 Reconciliation of provision for doubtful debts			
Opening provision		4,145,819	51,200
Charge for the year		3,109,074	4,094,619
		<u>7,254,893</u>	<u>4,145,819</u>
Reversal during the year		(615,115)	-
Balance at the end of the year		<u>6,639,778</u>	<u>4,145,819</u>
21 Advances, deposits and prepayments			
Advances - unsecured, considered good			
to suppliers		6,449,981	4,519,844
to employees for expenses		807,790	570,071
		<u>7,257,771</u>	<u>5,089,915</u>
Deposits		40,070	40,070
Prepayments		14,850	54,396
		<u>7,312,691</u>	<u>5,184,381</u>
21.1			
The maximum aggregate amount of advances due from Chief Executive, Directors, Executives and from associated undertakings at the end of any month during the year was Rs. Nil (2005 : Rs Nil).			
22 Other receivables			
Interest accrued		51,229	29,866
Due from associated undertakings	22.1	29,384	2,386,886
Sales tax refundable		378,474	650,088
Receivable from / (payable to) employees gratuity fund	22.2	2,165,301	2,668,881
Letter of credit margin		22,098,900	-
Others		751,304	475,900
		<u>25,474,592</u>	<u>6,211,621</u>
22.1 Due from associated undertakings			
Wah Nobel (Private) Limited - holding company		-	1,997,770
Wah Nobel Detonators (Private) Limited - fellow subsidiary		-	389,116
Wah Nobel Acetates Limited - fellow subsidiary		29,384	-
		<u>29,384</u>	<u>2,386,886</u>

	Note	2006	2005
		(Rupees)	
22.2 Receivable from / (payable to) employees gratuity fund			
a) Movement in the asset / (liability) recognized in the balance sheet:			
Balance at beginning of the year		2,668,881	(360,213)
Charge for the year		(503,580)	2,188,488
Payments to the fund during the year		-	840,606
Balance at end of the year		<u>2,165,301</u>	<u>2,668,881</u>
b) Reconciliation of the asset / (liability) recognized in the balance sheet:			
Present value of defined benefit obligation		(5,415,392)	(4,922,435)
Fair value of plan assets		8,519,159	8,529,782
Surplus / (deficit)		3,103,767	3,607,347
Unrecognized actuarial gain		(938,466)	(938,466)
Net asset / (liability)		<u>2,165,301</u>	<u>2,668,881</u>
c) Amounts charged to profit and loss account during the current year:			
Current service cost		(581,521)	(433,040)
Interest cost		(443,019)	(435,958)
Expected return on plan assets		520,960	740,614
Charge due to application of Projected Unit Credit Method		-	2,316,872
		<u>(503,580)</u>	<u>2,188,488</u>
d) Actuarial valuation of these plans was carried out as at June 30, 2006 using Projected Unit Credit Method. Significant actuarial assumptions used were as follows:			
Discount factor per annum		9%	9%
Expected rate of increase in salary level per annum		8%	8%
Expected rate of return on plan assets per annum		10%	10%
Average expected remaining working life time of employees		13 years	13 years
23 Taxation - net			
Advance tax		19,323,711	21,085,203
Provision for current taxation		(6,700,000)	(2,874,002)
		<u>12,623,711</u>	<u>18,211,201</u>
24 Cash and bank balances			
Cash with banks			
in current accounts		6,146,753	10,791,692
in deposit accounts		2,582,666	2,595,814
		8,729,419	13,387,506
Cash in hand		125,027	30,352
		<u>8,854,446</u>	<u>13,417,858</u>
Cash with bank in deposit accounts include Rs 2,582,666 (2005 : Rs 2,582,666) under lien of a commercial bank.			
25 Sales			
Gross revenue from sale of manufactured products		643,584,370	533,215,098
Sales tax		(83,625,269)	(69,601,001)
		559,959,101	463,614,097
Revenue from service charges		-	38,849,228
		<u>559,959,101</u>	<u>502,463,325</u>
26 Cost of sales			
Cost of goods manufactured	26.1	481,447,484	426,613,657
Packing material consumed		486,161	224,173
		481,933,645	426,837,830
Opening stock of finished goods		6,128,371	8,318,292
Closing stock of finished goods		(6,210,281)	(6,128,371)
		<u>481,851,735</u>	<u>429,027,751</u>

	Note	2006	2005
		(Rupees)	
26.1 Cost of goods manufactured			
Raw material consumed	26.1.1	430,118,647	377,382,433
Stores and spares consumed		8,528,309	7,378,502
Salaries, wages and other benefits		15,187,617	12,903,697
Fuel and power		16,623,984	18,867,589
Rent, rates and taxes		109,130	459,174
Insurance		2,835,358	2,499,381
Repairs and maintenance of vehicles		603,524	564,988
Car lease rentals		442,613	197,611
Miscellaneous expenses		1,485,777	1,431,574
Depreciation	16.3	6,045,621	7,159,860
Manufacturing cost		481,980,580	428,844,809
Opening stock of work in process		2,399,322	168,170
Closing stock of work in process		(2,932,418)	(2,399,322)
		<u>481,447,484</u>	<u>426,613,657</u>
26.1.1 Raw material consumed			
Opening stock		22,362,140	12,387,042
Purchases during the year		421,550,218	387,357,531
		<u>443,912,358</u>	<u>399,744,573</u>
Closing stock		(13,793,711)	(22,362,140)
		<u>430,118,647</u>	<u>377,382,433</u>
27 Profit from trading activity			
Gross sales		7,538,816	82,865,111
Sales tax		(983,324)	(10,528,006)
		<u>6,555,492</u>	<u>72,337,105</u>
Cost of sales		(5,823,991)	(66,240,355)
Net profit on trading		<u>731,501</u>	<u>6,096,750</u>
28 Administrative and general expenses			
Salaries, wages and other benefits		4,347,780	1,663,401
Management fee		800,000	725,000
Office rent		230,362	78,004
Electricity and water charges		453,961	414,610
Postage, telephone and telex		262,961	372,747
Printing and stationery		493,860	413,657
Traveling and conveyance		140,513	272,139
Entertainment		122,867	38,731
Legal and professional charges		1,091,933	1,278,086
Fees and subscription		96,798	93,893
Advertisement and publicity		108,889	154,779
Vehicles running and maintenance expenses		233,972	203,704
Car lease rentals		177,897	132,268
Provision for doubtful debts		2,493,959	4,094,619
Donations	28.1	14,100	15,450
Miscellaneous expenses		458,990	582,697
Depreciation	16.3	380,276	345,930
Adjustment based on actuarial valuation of gratuity scheme		-	(2,188,488)
		<u>11,909,118</u>	<u>8,691,227</u>
28.1 These donations do not include any amount paid to any person or organization in which the Chief Executive, Directors or their spouses had any interest.			

	Note	2006	2005
		(Rupees)	
29 Selling and distribution expenses			
Salaries, wages and other benefits		3,028,594	1,393,282
Postage, telephone and telex		85,233	87,189
Printing and stationery		16,063	57,388
Sales promotions		-	168,630
Traveling and conveyance		188,424	166,696
Carriage and octroi		13,646,892	13,064,763
Vehicle running expenses		1,434,531	1,407,911
Transit insurance		682,382	1,024,841
Entertainment		936	8,998
Car lease rental		380,523	271,475
Miscellaneous expenses		33,389	81,695
		<u>19,496,967</u>	<u>17,732,868</u>
30 Finance cost			
Mark up on long term financing		5,021,986	4,332,766
Interest on Workers' Profit Participation Fund		95,595	122,807
Mark up on short term finances		8,870,412	5,192,952
Bank charges		337,338	920,385
		<u>14,325,331</u>	<u>10,568,910</u>
31 Other expenses			
Workers' Profit Participation Fund		1,862,000	2,116,462
Workers' Welfare Fund		381,000	-
Auditors' remuneration	31.1	471,074	220,336
		<u>2,714,074</u>	<u>2,336,798</u>
31.1 Auditors' remuneration			
Audit fee		310,000	210,000
Out of pocket expenses		161,074	10,336
		<u>471,074</u>	<u>220,336</u>
32 Other operating income			
Interest on term deposits		103,306	89,800
Dividend income		2,500,000	-
(Loss) on sale of property, plant and equipment		(8,862)	(79,550)
Others		1,759,633	-
		<u>4,354,077</u>	<u>10,250</u>
33 Provision for taxation			
Current - for the year		6,700,000	2,874,002
Deferred		4,544,770	13,496,045
		<u>11,244,770</u>	<u>16,370,047</u>
33.1 Tax charge reconciliation			
Numerical reconciliation between the average effective tax rate and the applicable tax rate:			
		%	
Applicable tax rate		35.00	
Tax effects of amounts that are not deductible for tax purposes		(0.60)	
Tax effect of charge in prior years' tax		(2.04)	
Average effective tax rate charge to profit and loss account		<u>32.36</u>	
Last year the income tax was based on section 113 of the Income Tax Ordinance, 2001 which specifies minimum tax charge at the rate of one half percent on the Company's turnover. Therefore, tax expense reconciliation is not presented for last year.			
34 Earnings per share			
Net profit after tax		23,502,684	23,842,724
Number of ordinary shares outstanding during the year		9,000,000	9,000,000
Earnings per share-basic and diluted		<u>2.61</u>	<u>2.65</u>

35 Financial instruments and related disclosures

35.1 Financial assets and liabilities

2006							
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	
%	(Rupees)						
Financial assets							
Long term investments	-	-	-	-	25,000,000	25,000,000	25,000,000
Trade debts	-	-	-	144,388,431	-	144,388,431	144,388,431
Deposits	-	-	-	40,070	-	40,070	40,070
Other receivables	-	-	-	22,930,817	-	22,930,817	22,930,817
Cash and bank balances	3	2,582,666	-	2,582,666	6,271,781	-	8,854,447
		<u>2,582,666</u>	<u>-</u>	<u>2,582,666</u>	<u>173,631,099</u>	<u>25,000,000</u>	<u>198,631,099</u>
							<u>201,213,765</u>
Financial liabilities							
Long term financing	10.5	18,750,000	18,750,000	37,500,000	-	-	37,500,000
Short term borrowings	10.6	81,236,350	-	81,236,350	-	-	81,236,350
Trade and other payables		-	-	-	43,982,168	-	43,982,168
Interest and mark up accrued		-	-	-	3,194,934	-	3,194,934
		<u>99,986,350</u>	<u>18,750,000</u>	<u>118,736,350</u>	<u>47,177,102</u>	<u>-</u>	<u>165,913,452</u>
Off balance sheet items							
Contingent liabilities		-	-	-	430,000,000	-	430,000,000
Letters of guarantee		-	-	-	8,845,220	-	8,845,220
Letters of credit		-	-	-	61,383,000	-	61,383,000
		<u>-</u>	<u>-</u>	<u>-</u>	<u>500,228,220</u>	<u>-</u>	<u>500,228,220</u>

2005							
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	
%	(Rupees)						
Financial assets							
Long term investments	-	-	-	-	25,000,000	25,000,000	25,000,000
Trade debts	-	-	-	137,814,712	-	137,814,712	137,814,712
Deposits	-	-	-	40,070	-	40,070	40,070
Other receivables	-	-	-	2,892,652	-	2,892,652	2,892,652
Cash and bank balances	3	2,595,814	-	2,595,814	10,822,044	-	13,417,858
		<u>2,595,814</u>	<u>-</u>	<u>2,595,814</u>	<u>151,569,478</u>	<u>25,000,000</u>	<u>179,165,292</u>
Financial liabilities							
Long term financing	10.14	-	37,500,000	37,500,000	-	-	37,500,000
Short term borrowings	7.78	83,940,392	-	83,940,392	-	-	83,940,392
Trade and other payables		-	-	-	29,001,139	-	29,001,139
Interest and mark up accrued		-	-	-	3,020,964	-	3,020,964
		<u>102,690,392</u>	<u>37,500,000</u>	<u>140,190,392</u>	<u>32,022,103</u>	<u>-</u>	<u>172,212,495</u>
Off balance sheet items							
Contingent liabilities		-	-	-	355,000,000	-	355,000,000
Letters of guarantee		-	-	-	8,845,220	-	8,845,220
Letters of credit		-	-	-	48,700,000	-	48,700,000
		<u>-</u>	<u>-</u>	<u>-</u>	<u>412,545,220</u>	<u>-</u>	<u>412,545,220</u>

35.2 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 35.1.

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.

35.3 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.

36 Remuneration of Chief Executive, Directors and Executives

- 36.1** No fee or remuneration was paid by the Company to Chief Executive and Directors except for the lump sum amount of Rs. 800,000/- (2005 : Rs. 725,000/-) charged by Wah Nobel (Private) Limited, as management fee as disclosed in note 27.
- 36.2** 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.

37 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:

	2006	2005
	(Rupees)	
Receipts of funds from the holding company	67,635,479	125,529,725
Repayment of funds to the holding company	68,000,000	115,388,162
Expenses incurred (on behalf of) / by the group companies	1,486,121	677,457
Service charges billed and recovered through WNDL	-	34,392,160
Vehicles lease rentals paid by the holding company	875,316	349,423
Dividend paid to the holding company	6,123,000	14,497,000
Bonus shares issued to the holding company	8,284,000	-

38 Capacity and production

	Designed Annual Capacity		Actual Production	
	2006	2005	2006	2005
	Metric Tonnes			
Formaldehyde and Formaline Solvent	30,000	30,000	18,657	20,301
Urea / Phenol Formaldehyde	19,000	19,000	16,754	15,003

39 Number of employees

Total number of permanent employees as at June 30, 2006 was 102 (2005 : 83)

40 Proposed dividend

The Board of directors at the meeting held on November 27, 2006 have proposed for the year ended June 30, 2006 cash dividend of Rs.2.00 per share (2005: Rs. 1.5 per share), amounting to Rs.18.000 million subject to approval of members at the annual general meeting to be held on December 27, 2006.

41 Comparative figures

Previous year figures have been rearranged and reclassified wherever necessary for the purposes of comparison.

42 Date of authorization

These financial statements were authorized for issue on November 27, 2006 by the Board of Directors of the Company.

43 General

Figures have been rounded off to the nearest rupee.

DIRECTOR

CHIEF EXECUTIVE