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& OHSAS 18000 CERTIFIED

**WAH
NOBEL
CHEMICALS
LTD**

**ANNUAL REPORT
& ACCOUNTS 2007**

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VISION STATEMENT

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

CORPORATE MISSION

- To meet the current needs of its customers and anticipate their Future needs.
- To maintain close and direct contacts with the customers to ensure their complete satisfaction.
- Constantly improve the quality of all our activities through operational excellence.
- To give fullest regard to the safety and health of employees and customers.
- To promote professionalism at all levels through constant education, training and development of human resources.
- To safeguard the environment and the community from pollution.
- To create a conducive work environment and inspire people to perform to their fullest potential and to reward talent.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lt. Gen. Syed Sabahat Husain, HI (M)	:	Chairman
Mr. Rolf Ekberg	:	Vice Chairman
Mr. Syed Naseem Raza	:	Director
Mr. Feroze Khan Malik	:	Director
Mr. Shahid Ahmed	:	Director
Mr. Muhammad Nawaz Tishna	:	Director (N.I.T. Nominee)
Mr. Aftab Iqbal	:	Director

CHIEF EXECUTIVE : Mr. Shabbir Ahmed

AUDIT COMMITTEE

Mr. Shahid Ahmed	:	Chairman
Mr. Feroze Khan Malik	:	Member
Mr. Aftab Iqbal	:	Member

COMPANY SECRETARY : Mr. Tauqir Sadiq

ACTING GENERAL MANAGER FINANCE & ACCOUNTS

: Mr. Tanveer Elahi

AUDITORS : Anjum Asim Shahid Rehman
Chartered Accountants

LEGAL ADVISORS : The Law Firm of Basit Musheer

BANKERS : Muslim Commercial Bank Limited
Askari Commercial Bank Limited

REGISTERED OFFICE : G.T. Road, Wah Cantt.
PHONES : (051) 5568760, 4545243-6 (4 Lines)
(051) 9314101-21 (21 Lines) Ext. 22236
CABLE : DYNAMITE WAH CANTT.
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.



WAH NOBEL CHEMICALS LIMITED

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that 24th 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 Tuesday, the 27th November, 2007 at 11.00 hours to transact the following business:

1. To confirm Minutes of the Extra Ordinary General Meeting held on 28th May, 2007.
2. To receive, consider and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30th June, 2007 together with Auditors' Report thereon.
3. To approve payment of cash dividend @ Rs.2/- per share i.e. 20% as recommended by the Directors.
4. To appoint Auditors of the Company for the year 2007-08 and to fix their remuneration. One member has proposed the name of M/s Ford Rhodes Sidat Hyder & Co, Chartered Accountants for their appointment as Auditors of the Company for the next financial year ending June 30, 2008 in place of the retiring Auditors M/s Anjum Asim Shahid Rehman, Chartered Accountants. However, the retiring Auditors M/s Anjum Asim Shahid Rehman, are eligible and offer themselves for reappointment.
5. To approve holding of Board Meetings through audio/video conferencing.
6. To transact any other business with the permission of the Chairman.

By Order of the Board

(TAUQIR SADIQ)
COMPANY SECRETARY

WAH CANTT.
DATED: 31.10.2007.

NOTES:

1. To determine the entitlement of shareholders to the cash dividend the share transfer books of the Company will remain closed from 20th to 27th November, 2007 (both days inclusive).

2. Transfers received in order at the Registered Office of the Company by the close of business on 19th November, 2007 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.

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, 2007 together with the Auditors' Report thereon.

1. **FINANCIAL RESULTS**

	<u>Rupees</u>
Profit before taxation	29,502,749
Less: taxation	<u>(10,607,427)</u>
Profit after taxation	18,895,322
Add: Unappropriated profit brought forward	<u>25,287,807</u>
Profit available for appropriation	44,183,129
<u>Appropriations:</u>	
Dividend Paid @ 20%	
(No. of shares 9,000,000) @ Rs.2 per share.	18,000,000
Transfer to reserve	-
Un-appropriated profit carried forward	<u><u>26,183,129</u></u>

2. **APPROPRIATIONS**

Your Directors have recommended for the year 2006-07, a payment of cash dividend @ Rs.2/- per share (i.e.20%) and transfer to general reserve Rs.5,000,000.

3. **NET EARNING PER SHARE**

The net earning per share was Rs.2.10 (2006: Rs.2.04).

4. **OPERATING PERFORMANCE**

Despite the problems of intense competition, over capacity and the extreme difficulties faced at the beginning of the year, the management of the Company has managed to stabilize the operations of the Company and maintained the profitability level during the year.

5. OUTLOOK FOR 2007-08

Formaldehyde and Formaldehyde Resins are showing growth and, therefore, the management of the Company is endeavouring to increase the market share of its products and would maintain better profitability level during 2007-08

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 2007 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, 2007, a total of six 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.	Lt. Gen. Syed Sabahat Husain	Chairman	5
2.	Mr. Rolf Ekberg	Vice Chairman	3
2.	Mr. Feroze Khan Malik		6
3.	Mr. Shabbir Ahmed	Chief Executive	6
4.	Mr. Shahid Ahmed		6
6.	Mr. Muhammad Nawaz Tishna		6
7.	Mr. Syed Kaukab Mohyuddin	Ex-Chief Executive (Resigned w.e.f. 01.09.2006)	1
8.	Mr. Mohammad Alamgir	Director (Appointed w.e.f. 08.10.2006)	5

- (x) Value of Investment of Provident Fund, gratuity and Pension Funds Scheme for the financial year ending June 30, 2007 are as follows:

	<u>Rupees</u>
Provident Fund	11,407,451
Gratuity Fund	5,459,709
Pension Fund	3,673,610

7. VEND FEE AND PERMIT FEE

As regards Vend and Permit Fee case, Sindh High Court has already pronounced a very strong and favourable decision. Now the case is pending with the learned Supreme Court of Pakistan. In view of the merits of the case and previous decisions of the Sindh High Court, the management is expecting a favourable decision

from the apex Court. The management is making necessary efforts to continue as a going concern.

8. AUDITORS

One member has proposed the name of M/s Ford Rhodes Sidat Hyder & Co, Chartered Accountants for their appointment as Auditors of the Company for the next financial year ending June 30, 2008 in place of the retiring Auditors M/s Anjum Asim Shahid Rehman, Chartered Accountants. However, the retiring Auditors M/s Anjum Asim Shahid Rehman, are eligible and offer themselves for reappointment.

9. PATTERN OF SHAREHOLDING

The pattern of shareholding as at 30th June, 2007 is annexed.

10. CHANGES IN THE BOARD

Consequent upon the resignation of Mr. S.K. Mohyuddin and the nomination by the holding Company, M/s Wah Nobel (Pvt) Limited (WNPL), Mr. Mohammad Alamgir has been appointed as Director in place of Mr. S.K. Mohyuddin to represent WNPL on the Board of Wah Nobel Chemicals Limited.

11. The Company applied to the Commission for extension in time for holding the Annual General Meeting up to 30th November, 2007 which was granted by the Commission.

12. ACKNOWLEDGEMENT

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

On behalf of the Board

WAH CANTT.
DATED: 31.10.2007.

(SHABBIR AHMED)
CHIEF EXECUTIVE

SIX YEARS AT A GLANCE

	2002	2003	2004	2005	2006	2007
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(A) Trading Results:

i) Net Sales Revenue	212.706	203.265	344.434	502.463	559.959	495.908
ii) Gross Profit	55.503	53.926	54.365	73.436	78.107	81.135
iii) Operating Profit	42.053	41.929	48.310	53.108	51.787	49.905
iv) Profit Before Tax	39.228	40.350	46.036	40.213	34.747	29.503
v) Profit After Tax	25.662	26.896	34.804	23.843	23.503	18.895

(B) Balance Sheet

i) Paid-up Capital	37.500	75.000	75.000	75.000	90.000	90.000
ii) Shareholders Equity	162.903	168.401	203.205	200.798	213.050	215.128
iii) Property, Plants and Equipment	29.698	106.648	134.813	128.062	122.532	117.470
vi) Current Assets	175.615	184.754	229.552	250.036	265.177	283.163
v) Long Term Liabilities	-	40.000	56.250	37.500	18.750	-

(C) Key Financial Ratios

i) Gross Profit %	26.09%	26.53%	15.79%	14.62%	13.94%	16.36%
ii) Profit Before Tax %	18.44%	19.85%	13.37%	8%	6.20%	5.95%
iii) Earning Per Share After Tax Rs.	6.84	3.59	4.64	2.65	2.61	2.10
iv) Yield Cash % (Dividend)	27.50%	30%	35%	15%	20%	-
v) Debt: Equity Ratio	-	4.21:1	3.61:1	5.35:1	11.36:1	-
vi) Break-up Value Per Share Rs.	21.72	22.45	27.10	26.77	23.67	23.90
vii) Current Ratio	2.87:1	1.80:1	2:1	2:1	1.70:1	1.51:1

WAH NOBEL CHEMICALS LIMITED

PATTERN OF SHAREHOLDING

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

3 0 0 6 2 0 0 7

No of shareholders	Shareholding	Total shares held
100	shareholding from 1 to 100 shares	5,370
414	shareholding from 101 to 500 shares	111,641
153	shareholding from 501 to 1000 shares	115,595
171	shareholding from 1001 to 5000 shares	366,419
42	shareholding from 5,001 to 10,000 shares	304,284
18	shareholding from 10,001 to 20,000 shares	230,700
4	shareholding from 20,001 to 25,000 shares	91,500
17	shareholding from 25,001 to 50,000 shares	510,616
2	shareholding from 50,001 to 100,000 shares	139,000
3	shareholding from 100,001 to 1,000,000 shares	2,154,480
1	shareholding from 1,000,001 to 5,000,000 shares	4,970,395
925	Total	9,000,000

Categories of shareholders	Shares held	Percentage
♦ Directors, Chief Executive Officer, and their spouse and minor children.	Mr. Feroze Khan Malik, Director & his spouse: 57,600	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	4,970,400 87,000 33,102 12,000	55.23 0.97 0.37 0.13
♦ NIT and ICP	NIT: 1,292,400 ICP: 625	14.36 0.01
♦ Banks Development Financial Institutions, Non Banking Financial Institutions.	1,500	0.02
♦ Insurance Companies	874,080	9.71
♦ Modarabas and Mutual Funds	6,990	0.08
♦ Shareholders holding 10%	-	-
♦ General Public a. Local b. Foreign	1,558,780 -	17.32 -
♦ Others (to be specified)	Investment Companies: 1,920 Trust: 18,600 Joint Stock Coys. 85,003	0.02 0.21 0.94
Total:	9,000,000	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.

**STATEMENT OF COMPLIANCE WITH THE CODE OF
CORPORATE GOVERNANCE FOR THE YEAR ENDED
JUNE 30, 2007**

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. Consequent upon the resignation of Mr. S.K. Mohyuddin and the nomination by the holding Company, M/s Wah Nobel (Pvt) Limited (WNPL), Mr. Mohammad Alamgir has been appointed as Director in place of Mr. S.K. Mohyuddin to represent WNPL on the Board of Wah Nobel Chemicals Limited.
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 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.
11. The financial statements of the Company were duly endorsed by the Chief Executive and Chief Financial Officer before submission to the Board for approval.
12. 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.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors including the chairman of the committee.
15. 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.
16. The Company has an effective internal audit function.
17. 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.
18. 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.
19. We confirm that all material principles contained in the Code have been complied with.

SHAHID AHMED
CHAIRMAN BOARD OF
AUDIT COMMITTEE

SHABBIR AHMED
CHIEF EXECUTIVE

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Wah Nobel Chemicals Limited** (the Company) to comply with the relevant Listing Regulations No. 37 of the Karachi Stock Exchange, Chapter XIII of the Listing Regulations of Lahore Stock Exchange and Chapter XI of the Listing regulations of the Islamabad Stock Exchange 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 Corporate Governance.

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 as applicable to the Company for the year ended June 30, 2007.

Islamabad
Date: 31.10.2007.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Wah Nobel Chemicals Limited** as at June 30, 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:-

- a. in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion:-

- i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied, except as disclosed in notes 5.1 and 5.8 with which we concur;
 - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2007 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 16.1.2 to the financial statements. The Company is defendant in a lawsuit alleging non-payment of vend and permit fee of Rs. 490 million on methanol to the excise and taxation department, Government of Sindh. The ultimate outcome of matter cannot be determined presently and therefore no provision for any liability that may result has been made in these

financial statements. In the event of unsuccessful outcome, there is a substantial doubt that the Company will be able to continue as a going concern.

The financial statements of the Company for the year ended June 30, 2006 were audited by another firm of chartered accountants whose report dated November 27, 2006 expressed an unqualified opinion but with addition of emphasis of matter paragraph.

Islamabad
Date: 31.10.2007.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants

WAH NOBEL CHEMICALS LIMITED
BALANCE SHEET
AS AT JUNE 30, 2007

		Restated			Restated		
	Note	2007	2006		2007	2006	
		Rupees	Rupees		Rupees	Rupees	
Share capital and Reserves				Non Current Assets			
Issued, subscribed and paid up capital 9,000,000 (2006: 9,000,000) ordinary shares of Rs.10 each	6	90,000,000	90,000,000	Property, plant and equipment	17	117,469,699	123,390,250
Capital reserve	7	944,404	944,404	Long term investment	18	25,703,037	26,209,623
Revenue reserves	8	124,183,129	123,287,806			143,172,736	149,599,873
		215,127,533	214,232,210				
Non Current Liabilities				Current Assets			
Long term financing - secured	9	-	18,750,000	Stores, spares and loose tools	19	21,872,107	20,194,448
Liability under finance lease	10	-	581,275	Stock in trade	20	57,345,390	46,328,779
Deferred tax liability	11	21,680,020	23,329,815	Trade debts	21	157,117,394	144,388,431
Accumulated compensated absence	12	2,401,315	1,892,329	Advances, deposits and prepayments	22	8,512,056	7,312,691
				Other receivables	23	4,879,992	25,474,592
				Taxation - net	24	2,859,367	12,623,711
				Cash and bank balances	25	30,576,489	8,854,446
						283,162,794	265,177,098
Current Liabilities							
Current portion of liability under finance le:	10	581,275	304,593				
Trade and other payables	13	79,445,030	52,505,465				
Accrued mark-up	14	3,247,027	3,194,934				
Short term borrowings - secured	15	85,103,331	81,236,350				
Current portion of long term financing - secured	9	18,750,000	18,750,000				
		187,126,662	155,991,342				
Contingencies And Commitments	16						
		426,335,530	414,776,971			426,335,530	414,776,971

The annexed notes from 1 to 44 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, 2007

		2007	Restated 2006
	Note	Rupees	Rupees
Manufactured goods			
Sales - net	26	495,908,078	559,959,101
Cost of sales	27	(414,773,386)	(481,851,735)
Gross profit		<u>81,134,692</u>	<u>78,107,366</u>
Profit from trading activity	28	2,749,259	731,501
		<u>83,883,952</u>	<u>78,838,867</u>
Operating expenses			
Administrative and general expenses	29	(14,252,027)	(12,013,949)
Selling and distribution expenses	30	(20,177,681)	(19,262,324)
		(34,429,708)	(31,276,273)
Other operating income	33	450,680	1,854,077
		<u>49,904,924</u>	<u>49,416,671</u>
Financial charges			
Finance cost	31	(17,202,662)	(14,388,421)
Other expenses	32	(2,692,927)	(2,714,074)
Share in loss of associated company	18	(506,586)	(2,696,938)
		(20,402,175)	(19,799,433)
Profit before taxation		<u>29,502,749</u>	<u>29,617,238</u>
Provision for taxation	34	(10,607,427)	(11,244,770)
Profit after taxation		<u><u>18,895,323</u></u>	<u><u>18,372,468</u></u>
Earnings per share - basic and diluted	35	<u><u>2.10</u></u>	<u><u>2.04</u></u>

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

The annexed notes from 1 to 44 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	2007	Restated 2006
Note	Rupees	Rupees
Cash flows from operating activities		
Profit before taxation	29,502,749	29,617,238
Adjustment for:		
Depreciation	6,278,180	6,640,425
(Profit)/loss on sale of property, plant and equipment	(2,610)	8,862
Financial charges on bank borrowings	16,537,442	13,892,398
Charge based on actuarial valuation of employees' gratuity fund	71,496	503,580
Share in loss of associated company	506,586	5,196,938
Workers' Profit Participation Fund (WPPF)	1,696,515	1,957,595
Workers' Welfare Fund (WWF)	713,978	381,000
Provision for accumulated compensated absences	1,211,824	780,791
Provision for doubtful debts	5,792,575	2,493,959
Dividend Income	-	(2,500,000)
	32,805,986	29,355,547
Changes in working capital		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(1,677,659)	(235,255)
Stock in trade	(11,016,611)	2,907,936
Trade debts	(18,521,537)	(9,067,678)
Advances, deposits and prepayments	(1,199,365)	(2,128,310)
Other receivables	20,523,103	(19,766,551)
(Decrease) / increase in current liabilities:		
Trade and other payables	26,508,147	13,186,821
	14,616,079	(15,103,037)
Cash generated from operations	76,924,814	43,869,749
Payments for:		
Financial charges	(16,485,349)	(13,718,428)
WPPF	(1,979,076)	(2,212,051)
Accumulated compensated absences	(702,838)	-
Taxation	(2,492,877)	(1,112,509)
	(21,660,140)	(17,042,988)
Net cash generated from operating activities	55,264,675	26,826,761
Cash flows from investing activities		
Payments for capital expenditure	(362,270)	(906,132)
Proceeds from sale of property, plant and equipment	7,250	1,251
Dividend received	-	2,500,000
Net cash used in investing activities	(355,020)	1,595,119
Cash flows from financing activities		
Long term financing repayments	(18,750,000)	(18,750,000)
Short term borrowings	3,866,982	(2,704,042)
Repayment against finance lease arrangement	(304,593)	(281,250)
Dividends paid	(18,000,000)	(11,250,000)
Net cash used in financing activities	(33,187,612)	(32,985,292)
Net decrease in cash and cash equivalents	21,722,043	(4,563,412)
Cash and cash equivalents at beginning of the year	8,854,446	13,417,858
Cash and cash equivalents at end of the year	25 <u>30,576,489</u>	<u>8,854,446</u>

The annexed notes from 1 to 44 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, 2007

	Share Capital	Capital reserve	Reserve for issue of bonus shares	General reserve	Unappropriated profit	Total
	Rupees					
Balance as at June 30, 2005 as previously reported	75,000,000	944,404	-	100,000,000	24,853,215	200,797,619
Change in accounting policy (Note 5.8)					6,406,561	6,406,561
Correction of error (Note 40)					(94,438)	(94,438)
Balance as at June 30, 2005 as restated	75,000,000	944,404	-	100,000,000	31,165,338	207,109,742
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 as restated	-	-	-	-	18,372,468	18,372,468
Balance as at June 30, 2006 as restated	90,000,000	944,404	-	98,000,000	25,287,806	214,232,210
Dividend @ Rs. 2.00 per share	-	-	-	-	(18,000,000)	(18,000,000)
Profit for the year	-	-	-	-	18,895,323	18,895,323
Balance as at June 30, 2007	<u>90,000,000</u>	<u>944,404</u>	<u>-</u>	<u>98,000,000</u>	<u>26,183,129</u>	<u>215,127,533</u>

The annexed notes from 1 to 44 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, 2007

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.

2.1 Statement, interpretations and amendments to published accounting standards that are not yet effective

The following standards, interpretations and amendments of approved accounting standards effective for accounting period beginning on or after January 01, 2007 are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements other than certain increased disclosures in some cases:

- IAS 1 - Presentation of Financial Statements: Capital Disclosures
- IAS 23 - Borrowing Costs (Revised 2007)
- IFRIC 10 - Interim Financial Reporting and Impairment
- IFRIC 11 - Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - Customer Loyalty Programmes
- IFRIC 14 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

In addition to above, a new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and eight IFRSs 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) and approved by SECP. However, following IFRSs have not been adopted by SECP, therefore, do not form part of the approved local financial reporting framework:

- IFRS 1 - First-time Adoption of the International Financial Reporting Standard
- IFRS 4 - Insurance Contracts
- IFRS 7 - Financial Instruments : Disclosures
- IFRS 8 - Operating Segments

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 in applying the accounting policies

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. In the process of applying the Company's accounting policies, which are described above, the management has made the following the judgment that has the most significant effect on the amounts recognized in the financial statements. The areas where various assumptions and estimates are significant to the financial statements and where judgment was exercised in application of accounting policies are as follows:

3.1 Contingencies

The Company has disclosed significant contingent liabilities for the pending litigations and claims against the Company based on its judgment and the advice of the legal advisors for the estimated financial outcome. The actual outcome of these litigations and claims can have an effect on the carrying amount of the liabilities recognized at the balance sheet date. However, based on the judgment of the Company and its legal advisors, the likely outcomes of these litigations and claims is remote and there is no need to recognize any liability at the balance sheet date.

3.2 Provision for doubtful debts

The Company estimates the recoverability of the trade debts and provides for doubtful debts based on its experience. The carrying amount of the trade debts and provision for doubtful debts are disclosed in the note 21 to these financial statements.

3.3 Employee benefit costs

Certain actuarial assumptions have been adopted as disclosed in note 23.1 to the financial statement for the actuarial valuation of staff retirement benefit plans. Actuarial assumptions are the best estimates of the variables that will determine the ultimate cost of providing the post retirement employment benefits. Changes in these assumptions in future years may effect the liability/asset under these plans in those years.

3.4 Property, plant and equipment

The Company reviews the useful lives of property, plant and equipment on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with corresponding effect on the depreciation charge and impairment.

3.5 Taxation

In making the estimates for income taxes currently payable by the Company, management considers the current income tax laws and decisions of appellate authorities on certain issues in the past.

4 Basis of preparation

These financial statements have been prepared under the historical cost convention except obligations under certain employee benefits which are measured at the present value as referred to in

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 23.1 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. 589,438 (2006 : 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. 841,867 (2006 : 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 are encashable on cessation of service. Provision is made for the additional amount that the Company expects to pay as a result of unused entitlement that has accumulated at the balance sheet date and related expense thereof is charged to the profit and loss account. The Company has changed its accounting policy for measurement of liability and related expense and now Projected Unit Credit Method has been used for actuarial valuation carried out for the first time on 30 June, 2007. The results of current valuation are summarized in note 12.

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.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Deferred taxation

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

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

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

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

Owned assets

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

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

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

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

Leased assets

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

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

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

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 (Change in accounting policy)

During the year the Company has changed its accounting policy with respect to investment in associated company. Previously, the Company recognized this investment at cost in accordance with IAS - 28 "Accounting for Investment in Associates". Now after adoption of revised IAS -28 "Investment in Associates", investment in an associated company is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit and loss of the investee after the date of acquisition. The Company's share of the profit and loss is recognized in profit and loss account. Distribution received from the investee reduces the carrying amount of the investment.

The change in accounting policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the requirements of revised IAS - 8 "Accounting Policies, Change in Accounting Estimates and Errors"

The change in accounting policy has following impact on these financial statements:

	Rupees
Effects on period prior to 2006	
Increase in unappropriated profit	6,406,561
Increase in long term investment	<u>6,406,561</u>
Effect on 2006	
(Decrease) in profit	<u>(5,196,938)</u>
(Decrease) in long term investment	<u>(5,196,938)</u>
(Decrease) in earning per share	<u>(0.58)</u>

5.9 Stores, spares and loose tools

These are valued at lower of cost and net realizable value. Cost is determined using the weighted average method.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

5.10 Stock in trade

This is valued at the lower of cost and net realizable value. Cost is determined on weighted 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.

Cost is determined as follows:

Raw material		at weighted average cost
Work in process	}	at weighted average cost of purchases plus applicable manufacturing expenses
Finished Goods		

5.11 Trade and other receivables

Trade and other receivables are recognized and carried at original invoice amount / cost less an

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 time apportioned basis using the effective interest rate 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.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

6 SHARE CAPITAL

<u>2007</u> <u>2006</u>			<u>2007</u> <u>2006</u>	
Numbers			(Rupees)	
Authorized				
20,000,000	20,000,000	Ordinary shares of Rs. 10 each	200,000,000	200,000,000
Issued, subscribed and paid up				
6,750,000	6,750,000	Ordinary shares of Rs. 10 each fully paid in cash	67,500,000	67,500,000
2,250,000	2,250,000	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	22,500,000	22,500,000
<u>9,000,000</u>	<u>9,000,000</u>		<u>90,000,000</u>	<u>90,000,000</u>

Wah Nobel (Private) Limited (the holding company) held 4,970,400 (2006 : 4,970,400) 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.

	Note	<u>2007</u>	<u>2006</u>
		(Rupees)	
8 REVENUE RESERVE			
General reserve	8.1	98,000,000	98,000,000
Unappropriated profit		26,183,129	25,287,806
		<u>124,183,129</u>	<u>123,287,806</u>
8.1 General reserve			
Balance at the beginning of the year		98,000,000	100,000,000
Transfer during the year		-	(2,000,000)
		<u>98,000,000</u>	<u>98,000,000</u>

9 LONG TERM FINANCING - SECURED

Balance at the end of the year	9.1	18,750,000	37,500,000
Current portion shown under current liabilities		(18,750,000)	(18,750,000)
		<u>-</u>	<u>18,750,000</u>

9.1 This amount 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 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.

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

	2007	2006
Note	(Rupees)	
10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Minimum lease payments at the balance sheet date	595,740	940,080
Less: Finance charges allocated to future periods	14,465	54,212
Present value of minimum lease payments	581,275	885,868
Less: current portion shown under current liabilities	581,275	304,593
	<u>-</u>	<u>581,275</u>
Not later than one year		
Lease installments outstanding	595,740	344,340
Less: Finance charges	14,465	39,747
Present value of lease installments	<u>581,275</u>	<u>304,593</u>
Later than one year but not later than five years		
Lease installments outstanding	-	595,740
Less: Finance charges	-	14,465
Present value of lease installments	<u>-</u>	<u>581,275</u>
10.1 The liabilities represent the present value of minimum lease payments discounted at the rate 8% implicit in the agreements and are payable in monthly installments including financial charges under finance lease. The Company has the option to purchase these assets at the end of the lease term and has the intention to exercise such option		
11 DEFERRED TAX LIABILITY		
This is comprised of following temporary differences:		
Taxable temporary differences:		
Difference in tax and accounting bases of tangible fixed assets	26,031,344	25,653,737
Provision for gratuity fund	-	-
Deductible temporary differences:		
Unused tax losses (assessed and unassessed)	-	-
Provision for doubtful debts	(4,351,324)	(2,323,922)
	<u>21,680,020</u>	<u>23,329,815</u>
12 ACCUMULATED COMPENSATED ABSENCES		
Provision for accumulated compensated absences	11.1 <u>2,401,315</u>	<u>1,892,329</u>
12.1 The amounts recognized in the balance sheet are determined as follows:		
Present value of defined benefit obligations as on June 30, 2006	1,892,329	-
Current service cost	775,897	-
Interest cost	168,092	-
Benefits paid during the year	(702,838)	-
Actuarial (gain)/loss on present value of defined benefit obligation	479,243	-
Transitional asset due to IAS 19 to be recognized in the later periods	(211,408)	-
	<u>2,401,315</u>	<u>-</u>

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

	2007	2006
Note	(Rupees)	
12.2 The amounts recognized in the profit and loss account are as follows:		
Current service cost	775,897	-
Interest cost	168,092	-
Actuarial (gains)/losses charge	479,243	-
Past service cost	-	-
Asset charged due to application of IAS 19	(211,408)	-
	<u>1,211,824</u>	<u>-</u>
12.3 The principal actuarial assumptions used were as follows:		
Discount rate	10%	-
Expected rate of increase in salary	10%	-
Average number of leaves accumulated per annum by the officers	10 days	-
Average number of leaves accumulated per annum by the staff	6 days	-
Average number of leaves accumulated per annum by the workers	3 days	-
13 TRADE AND OTHER PAYABLES		
Trade creditors	54,267,522	36,478,913
Bills payable	826,914	760,686
Accrued expenses	8,192,619	2,345,422
Payable to employees' provident fund	286,297	266,810
Due to Wah Nobel (Private) Limited - holding company	444,686	29,957
Retention money	43,000	43,000
Bonus payable	2,321,007	2,508,462
Sales tax payable	3,752,047	1,293,507
Unclaimed dividends	1,192,867	978,827
Workers' Profit Participation Fund	13.1 1,579,445	1,862,006
Workers' Welfare Fund	13.2 5,814,952	5,100,974
Other liabilities	723,674	836,901
	<u>79,445,030</u>	<u>52,505,465</u>
13.1 Workers' Profit Participation Fund		
Balance at the beginning of the year	1,862,006	2,116,974
Interest for the period on Fund utilized by the Company	117,076	95,595
Payments during the year	(1,979,076)	(2,212,563)
Allocation for the year	1,579,439	1,862,000
Balance at the end of the year	<u>1,579,445</u>	<u>1,862,006</u>
13.2 Workers' Welfare Fund		
Balance at the beginning of the year	5,100,974	4,719,974
Payments during the year	-	-
Allocation for the year	713,978	381,000
Balance at the end of the year	<u>5,814,952</u>	<u>5,100,974</u>
14 ACCRUED MARK-UP		
On long term financing	622,479	1,090,255
On short term borrowings	2,624,548	2,104,679
	<u>3,247,027</u>	<u>3,194,934</u>
15 SHORT TERM BORROWING - SECURED		
Short term running finance - secured	15.1 85,103,331	81,236,350

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

- 15.1** Represents balance payable under running finance facility of Rs.100 million (2006 : Rs. 100 million) from Muslim Commercial Bank Limited which is carrying mark up at the rate of 3 months average KIBOR plus 1.75% spread, without a floor or cap, payable quarterly.

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

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- 16.1.1** 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 (2006 : 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.

- 16.1.2** 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. 490 million (2006 : Rs. 430 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.

- 16.1.3** 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.

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16.1.4 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.

	<u>2007</u>	<u>2006</u>
	<u>(Rupees)</u>	
16.2 Commitments in respect of:		
16.2.1 Letters of credit for purchase of stocks	<u>37,250,000</u>	<u>61,383,000</u>
16.2.2 Rentals payable under non-cancelable vehicle lease arrangements:		
- not later than one year	581,275	304,593
- later than one year but not later than five years	-	581,275

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17 PROPERTY, PLANT AND EQUIPMENT

	Note	COST			Rate %	DEPRECIATION			WDV As at June 30, 2007		
		As at July 01, 2006	Additions	Deletions		As at June 30, 2007	As at July 01, 2006	On deletion		For the year	
		Rupees					Rupees				
Owned assets											
Buildings on leasehold land;											
Office building		2,406,019	-	-	2,406,019	5	803,313	-	80,130	883,443	1,522,576
Factory building		16,432,437	-	-	16,432,437	10	8,534,618	-	789,782	9,324,400	7,108,037
Tube well		547,920	-	-	547,920	10	481,306	-	6,664	487,970	59,950
		19,386,376			19,386,376		9,819,237		876,576	10,695,813	8,690,563
Plant and machinery	17.1	189,906,100	160,050	-	190,066,150	10	80,814,001	-	4,639,559	85,453,560	104,612,590
Furniture and fixtures		1,152,936	-	-	1,152,936	10	276,934	-	87,600	364,534	788,402
Office equipment		856,008	14,000	-	870,008	10	382,686	-	48,266	430,952	439,056
Tools and workshop equipment		2,384,538	10,500	-	2,395,038	10	1,931,755	-	46,153	1,977,908	417,130
Computer installations		1,664,415	177,720	(7,250)	1,834,885	20	754,330	(2,610)	199,902	951,622	883,263
Motor vehicles		2,664,410	-	-	2,664,410	20	1,905,588	-	151,766	2,057,354	607,056
		218,014,783	362,270	(7,250)	218,369,803		95,884,531	(2,610)	6,049,822	101,931,743	116,438,060
Leased assets											
Leasehold land	17.2	1,701,971	-	-	1,701,971	-	1,300,125	-	56,736	1,356,861	345,110
Motor vehicles		1,676,040	-	-	1,676,040		817,888	-	171,622	989,510	686,529
		3,378,011	-	-	3,378,011		2,118,013	-	228,358	2,346,371	1,031,639
	2007	<u>221,392,793</u>	<u>362,270</u>	<u>(7,250)</u>	<u>221,747,813</u>		<u>98,002,544</u>	<u>(2,610)</u>	<u>6,278,180</u>	<u>104,278,114</u>	<u>117,469,699</u>
	2006	<u>220,515,634</u>	<u>906,132</u>	<u>(28,972)</u>	<u>221,392,794</u>		<u>91,380,977</u>	<u>(18,858)</u>	<u>6,640,425</u>	<u>98,002,544</u>	<u>123,390,250</u>

17.1 Production capacity achieved by the newly capitalized Formaldehyde and U.F Glue plants is 32% and 36%, respectively.

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

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	Note	2007 Rupees	Restated 2006 Rupees
17.2 Depreciation for the year has been allocated as follows:			
Cost of goods manufactured	27.1	5,690,660	6,045,621
Administrative and general expenses	29	587,520	594,804
		<u>6,278,180</u>	<u>6,640,425</u>

18 LONG TERM INVESTMENT

Wah Nobel Acetate Limited

2,500,000 shares of Rs. 10/- each. (equity held: 8.33%)

25,000,000 25,000,000

Share of profit of prior periods

1,209,623 6,406,561

Share of loss of current period

(506,586) (2,696,938)

Dividend received during the period

- (2,500,000)

703,037 1,209,623

25,703,037 26,209,623

The company is associated with Wah Nobel Acetates Limited (WNAL) due to common directorship. WNAL is engaged in manufacture, compound, import and export, acquire, sell and otherwise deal in any and all types and kinds of chemicals including acetaldehyde, acetic acid, butyl acetate, ethyl

19 STORES, SPARES AND LOOSE TOOLS

Stores	6,035,109	6,977,383
Spares	15,680,650	13,065,269
Loose tools	156,347	151,796
	<u>21,872,107</u>	<u>20,194,448</u>

20 STOCK IN TRADE

Raw and packing material	40,644,135	13,793,711
Trading stock	-	3,185,361
Work in process	868,052	2,932,418
Finished goods	12,038,559	6,210,281
Goods in transit	3,794,644	20,207,008
	<u>57,345,390</u>	<u>46,328,779</u>

21 TRADE DEBTS - UNSECURED

Considered good	157,117,394	144,388,431
Considered doubtful	12,432,353	6,639,778
	<u>169,549,747</u>	<u>151,028,209</u>
Provision for doubtful debts	21.1 (12,432,353)	(6,639,778)
	<u>157,117,394</u>	<u>144,388,431</u>

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	Notes	2007 Rupees	2006 Rupees
21.1 Reconciliation of provision for doubtful debts			
Opening provision		6,639,778	4,145,819
Charge for the year		5,792,575	3,109,074
		<u>12,432,353</u>	<u>7,254,893</u>
Reversal during the year		-	(615,115)
Balance at the end of the year		<u><u>12,432,353</u></u>	<u><u>6,639,778</u></u>
22 ADVANCES, DEPOSITS AND PREPAYMENTS			
Advances - unsecured, considered good			
to suppliers		7,984,605	6,449,981
to employees for expenses		471,231	807,790
		<u>8,455,836</u>	<u>7,257,771</u>
Deposits		40,070	40,070
Prepayments		16,150	14,850
		<u><u>8,512,056</u></u>	<u><u>7,312,691</u></u>
22.1 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 (2006 : Rs Nil).			
23 OTHER RECEIVABLES			
Interest accrued		51,653	51,229
Due from Wah Nobel Acetates Limited - fellow subsidiary		-	29,384
Sales tax refundable		340,758	378,474
Receivable from / (payable to) employees gratuity fund	23.1	2,093,805	2,165,301
Letter of credit margin		-	22,098,900
Others		2,393,776	751,304
		<u><u>4,879,992</u></u>	<u><u>25,474,592</u></u>
23.1 Receivable from / (payable to) employees gratuity fund			
a) Movement in the asset / (liability) recognized in the balance sheet:			
Balance at beginning of the year		2,165,301	2,668,881
Charge for the year		(71,496)	(503,580)
Payments to the fund during the year		-	-
Balance at end of the year		<u><u>2,093,805</u></u>	<u><u>2,165,301</u></u>
b) Reconciliation of the asset / (liability) recognized in the balance sheet:			
Present value of defined benefit obligation		(6,362,141)	(5,415,392)
Fair value of plan assets		9,394,412	8,519,159
Surplus / (deficit)		<u>3,032,271</u>	<u>3,103,767</u>
Unrecognized actuarial gain		(938,466)	(938,466)
Net asset / (liability)		<u><u>2,093,805</u></u>	<u><u>2,165,301</u></u>

WAH NOBEL CHEMICALS LIMITED
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	2007	2006
	Rupees	Rupees
c) Amounts charged to profit and loss account during the current year:		
Current service cost	(600,353)	(581,521)
Interest cost	(600,240)	(443,019)
Expected return on plan assets	875,253	520,960
Actuarial (gain) / losses charge	-	-
Excess charge in prior year	253,844	-
	<u>(71,496)</u>	<u>(503,580)</u>

d) Actuarial valuation of these plans was carried out as at June 30, 2007 using Projected Unit Credit Method. Significant actuarial assumptions used were as follows:

	2007	2006
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	9%	9%
Average expected remaining working life time of employees	12 years	12 years

	2007	2006
	Rupees	Rupees
24 TAXATION - NET		
Advance tax	15,116,588	19,323,711
Provision for current taxation	(12,257,221)	(6,700,000)
	<u>2,859,367</u>	<u>12,623,711</u>

25 CASH AND BANK BALANCES

Cash with banks

in current accounts	27,869,504	6,146,753
in deposit accounts	2,582,666	2,582,666
	30,452,170	8,729,419
Cash in hand	124,319	125,027
	<u>30,576,489</u>	<u>8,854,446</u>

Cash with bank in deposit accounts include Rs 2,582,666 (2006 : Rs 2,582,666) under lien of a

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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	Note	2007 Rupees	2006 Rupees
26 SALES			
Gross revenue from sale of manufactured products		571,527,723	643,584,370
Sales tax		(75,619,645)	(83,625,269)
		<u>495,908,078</u>	<u>559,959,101</u>
27 COST OF SALES			
Cost of goods manufactured	27.1	420,414,803	481,447,484
Packing material consumed		186,861	486,161
		<u>420,601,664</u>	<u>481,933,645</u>
Opening stock of finished goods		6,210,281	6,128,371
Closing stock of finished goods		(12,038,559)	(6,210,281)
		<u>414,773,386</u>	<u>481,851,735</u>
27.1 Cost of goods manufactured			
Raw material consumed	27.1.1	370,118,623	430,118,647
Stores and spares consumed		7,639,955	8,528,310
Salaries, wages and other benefits		17,191,738	15,187,617
Fuel and power		13,618,804	16,623,984
Rent, rates and taxes		269,927	109,130
Insurance		2,139,302	2,835,358
Repairs and maintenance of vehicles		505,583	603,524
Car lease rentals		242,460	442,613
Miscellaneous expenses		933,385	1,485,777
Depreciation	17.2	5,690,660	6,045,621
Manufacturing cost		<u>418,350,437</u>	<u>481,980,580</u>
Opening stock of work in process		2,932,418	2,399,322
Closing stock of work in process		(868,052)	(2,932,418)
		<u>420,414,803</u>	<u>481,447,484</u>
27.1.1 Raw material consumed			
Opening stock		13,793,711	22,362,140
Purchases during the year		396,969,048	421,550,218
		<u>410,762,758</u>	<u>443,912,358</u>
Closing stock		(40,644,135)	(13,793,711)
		<u>370,118,624</u>	<u>430,118,647</u>
28 PROFIT FROM TRADING ACTIVITY			
Gross sales		13,183,261	7,538,816
Sales tax		(1,211,836)	(983,324)
		<u>11,971,425</u>	<u>6,555,492</u>
Cost of sales		(9,222,166)	(5,823,991)
Net profit on trading		<u>2,749,259</u>	<u>731,501</u>

	Note	2007 Rupees	2006 Rupees
29 ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries, wages and other benefits		4,021,498	4,347,780
Management fee		800,000	800,000
Office rent		136,424	230,362
Electricity and water charges		339,184	453,961
Postage, telephone and telex		278,141	262,961
Printing and stationery		335,319	493,860
Traveling and conveyance		260,124	140,513
Entertainment		42,763	122,867
Legal and professional charges		322,619	1,091,933
Fees and subscription		154,550	96,798
Advertisement and publicity		279,850	108,889
Vehicles running and maintenance expenses		157,051	233,972
Car lease rentals		388,322	68,200
Provision for doubtful debts		5,792,575	2,493,959
Donations	29.1	1,500	14,100
Miscellaneous expenses		354,587	458,990
Depreciation	17.2	587,520	594,804
		<u>14,252,027</u>	<u>12,013,949</u>
29.1	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.		
30 SELLING AND DISTRIBUTION EXPENSES			
Salaries, wages and other benefits		2,658,862	3,028,594
Postage, telephone and telex		96,861	85,233
Printing and stationery		11,592	16,063
Sales promotions		7,200	-
Traveling and conveyance		141,119	188,424
Carriage and octroi		15,178,903	13,646,892
Vehicle running expenses		1,168,414	1,434,531
Transit insurance		845,437	682,382
Entertainment		1,180	936
Car lease rental		4,095	145,880
Miscellaneous expenses		64,018	33,389
		<u>20,177,681</u>	<u>19,262,324</u>
31 FINANCE COST			
Mark up on long term financing		3,420,815	5,021,986
Interest on Workers' Profit Participation Fund		117,076	95,595
Finance charges on lease		39,747	63,090
Mark up on short term finances		13,116,627	8,870,412
Bank charges		508,397	337,338
		<u>17,202,662</u>	<u>14,388,421</u>

	Note	2007 Rupees	2006 Rupees
32 OTHER EXPENSES			
Workers' Profit Participation Fund		1,579,439	1,862,000
Workers' Welfare Fund		713,978	381,000
Auditors' remuneration	32.1	399,510	471,074
		<u>2,692,927</u>	<u>2,714,074</u>
32.1 Auditors' remuneration			
Audit fee		280,000	280,000
Half yearly review		90,000	90,000
Out of pocket expenses		29,510	101,074
		<u>399,510</u>	<u>471,074</u>
33 OTHER OPERATING INCOME			
Interest on term deposits		103,730	103,306
Profit / (Loss) on sale of property, plant and equipment		2,610	(8,862)
Others		344,340	1,759,633
		<u>450,680</u>	<u>1,854,077</u>
34 PROVISION FOR TAXATION			
Current - for the year		12,257,221	6,700,000
Deferred		(1,649,794)	4,544,770
		<u>10,607,427</u>	<u>11,244,770</u>
34.1 Tax charge reconciliation			
Accounting profit		<u>29,502,749</u>	<u>29,617,238</u>
Tax rate		<u>35 %</u>	<u>35 %</u>
Tax on accounting profit at applicable rate		10,325,962	10,366,033
Tax effect of amounts/expenses that are inadmissible for tax purposes		5,383,562	3,289,790
Tax effect of amounts/expenses that are admissible for tax purposes		(3,452,303)	(3,883,864)
Tax effect of unabsorbed depreciation		-	(3,071,960)
Tax effect of timing differences		(1,649,794)	4,544,770
		<u>10,607,427</u>	<u>11,244,770</u>
35 EARNING PER SHARE			
Net profit after tax		<u>18,895,323</u>	<u>18,372,468</u>
Number of ordinary shares outstanding during the year		<u>9,000,000</u>	<u>9,000,000</u>
Earnings per share-basic and diluted		<u>2.10</u>	<u>2.04</u>

WAH NOBEL CHEMICALS LIMITED
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36 FINANCIAL INSTRUMENT AND RELATED DISCLOSURES

36.1 Financial assets and liabilities

		2007						
Effective interest rates %		Markup / interest bearing			Non-markup / interest bearing			Total
		Maturity upto one year	Maturity after one	Sub total	Maturity upto one year	Maturity after one	Sub total	
		(Rupees)						
Financial assets								
		-	-	-	-	25,703,037	25,703,037	25,703,037
		-	-	-	157,117,394	-	157,117,394	157,117,394
		-	-	-	40,070	-	40,070	40,070
		-	-	-	2,445,429	-	2,445,429	2,445,429
		2,582,666	-	2,582,666	27,993,824	-	27,993,824	30,576,490
	3	2,582,666	-	2,582,666	187,596,716	25,703,037	213,299,754	215,882,420
Financial liabilities								
	10.5	18,750,000	-	18,750,000	-	-	-	18,750,000
	8	581,275	-	581,275	-	-	-	581,275
	10.6	85,103,331	-	85,103,331	-	-	-	85,103,331
		-	-	-	68,012,289	-	68,012,289	68,012,289
		-	-	-	3,247,027	-	3,247,027	3,247,027
		104,434,606	-	104,434,606	71,259,316	-	71,259,316	175,693,921
Off balance sheet items								
		-	-	-	490,000,000	-	490,000,000	490,000,000
		-	-	-	8,845,220	-	8,845,220	8,845,220
		-	-	-	37,250,000	-	37,250,000	37,250,000
		-	-	-	536,095,220	-	536,095,220	536,095,220

		2006						
Effective interest rates %		Markup / interest bearing			Non-markup / interest bearing			Total
		Maturity upto one year	Maturity after one	Sub total	Maturity upto one year	Maturity after one	Sub total	
		(Rupees)						
Financial assets								
		-	-	-	-	26,209,623	26,209,623	26,209,623
		-	-	-	144,388,431	-	144,388,431	144,388,431
		-	-	-	40,070	-	40,070	40,070
		-	-	-	22,930,817	-	22,930,817	22,930,817
		2,582,666	-	2,582,666	6,271,781	-	6,271,781	8,854,447
	3	2,582,666	-	2,582,666	173,631,099	26,209,623	199,840,722	202,423,388
Financial liabilities								
	10.5	18,750,000	18,750,000	37,500,000	-	-	-	37,500,000
	8	304,593	581,275	885,868	-	-	-	885,868
	10.6	81,236,350	-	81,236,350	-	-	-	81,236,350
		-	-	-	43,982,168	-	43,982,168	43,982,168
		-	-	-	3,194,934	-	3,194,934	3,194,934
		100,290,943	19,331,275	119,622,218	47,177,102	-	47,177,102	166,799,320
Off balance sheet items								
		-	-	-	430,000,000	-	430,000,000	430,000,000
		-	-	-	8,845,220	-	8,845,220	8,845,220
		-	-	-	61,383,000	-	61,383,000	61,383,000
		-	-	-	500,228,220	-	500,228,220	500,228,220

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36.2 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 36.1.

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.

36.3 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.

37 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

37.1 No fee or remuneration was paid by the Company to Chief Executive and Directors except for the lump sum amount of Rs. 800,000/- (2006 : Rs. 800,000/-) charged by Wah Nobel (Private) Limited, as management fee as disclosed in note 28.

37.2 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.

38 CAPACITY AND PRODUCTION

	Designed Annual Capacity		Actual Production	
	2007	2006	2007	2006
	Metric Tones			
Formaldehyde and Formaline	30,000	30,000	19,755	18,657
Urea / Phenol Formaldehyde	19,000	19,000	18,938	16,754

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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39 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

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:

	2007	2006
	Rupees	Rupees
Receipts of funds from the holding company	<u>31,429,768</u>	<u>67,635,479</u>
Repayment of funds to the holding company	<u>32,920,262</u>	<u>68,000,000</u>
Expenses incurred (on behalf of) / by the group companies	<u>220,872</u>	<u>1,486,121</u>
Vehicles lease rentals paid by the holding company	<u>913,735</u>	<u>875,316</u>
Dividend paid to the holding company	<u>9,940,800</u>	<u>6,123,000</u>
Bonus shares issued to the holding company	<u>-</u>	<u>8,284,000</u>

40 CORRECTION OF ERROR

Vehicles provided to employees were erroneously recognized as operating lease by the Company instead of finance lease as required by IAS 17 "Leases". Now financial statements have been restated to correct this error retrospectively. The effect of this restatement is summarized below:

	Rupees
Effects on period prior to 2006	
Decrease in unappropriated profit	<u>94,438</u>
Increase in operating assets	<u>1,072,640</u>
(Increase) in liability under finance lease	<u>(1,167,078)</u>
Effect on 2006	
(Increase) in profits	<u>(66,722)</u>
(Decrease) in operating asset	<u>(214,528)</u>
Decrease in liability under finance lease	<u>281,250</u>

**WAH NOBEL CHEMICALS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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41 NUMBER OF EMPLOYEES

Total number of permanent employees as at June 30, 2007 is 96 (2006 : 102)

42 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of directors at the meeting held on October 31, 2007 have proposed for the year ended June 30, 2007 cash dividend of Rs.2.00 per share (2006: Rs. 2.00 per share), amounting to Rs.18 million subject to approval of members at the annual general meeting to be held on November 27, 2007.

43 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 31, 2007 by the Board of Directors of the Company.

44 GENERAL

Figures have been rounded off to the nearest rupee.

DIRECTOR

CHIEF EXECUTIVE

WAH NOBEL CHEMICALS LIMITED

PROXY FORM

Please quote
Folio No.

I/We _____

of _____

in the District of _____

being a Member/Members of _____

hereby appoint _____

of _____

being a Member of the Company as my/our proxy to vote for me/us and on my/our behalf at 24th Annual General Meeting of the Company to be held on Tuesday, the 27th day of November, 2007 and at every adjournment thereof.

Signed by the said _____

this _____ day of _____ 2007 in my presence.

Signature of Witness

Signature of Member

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