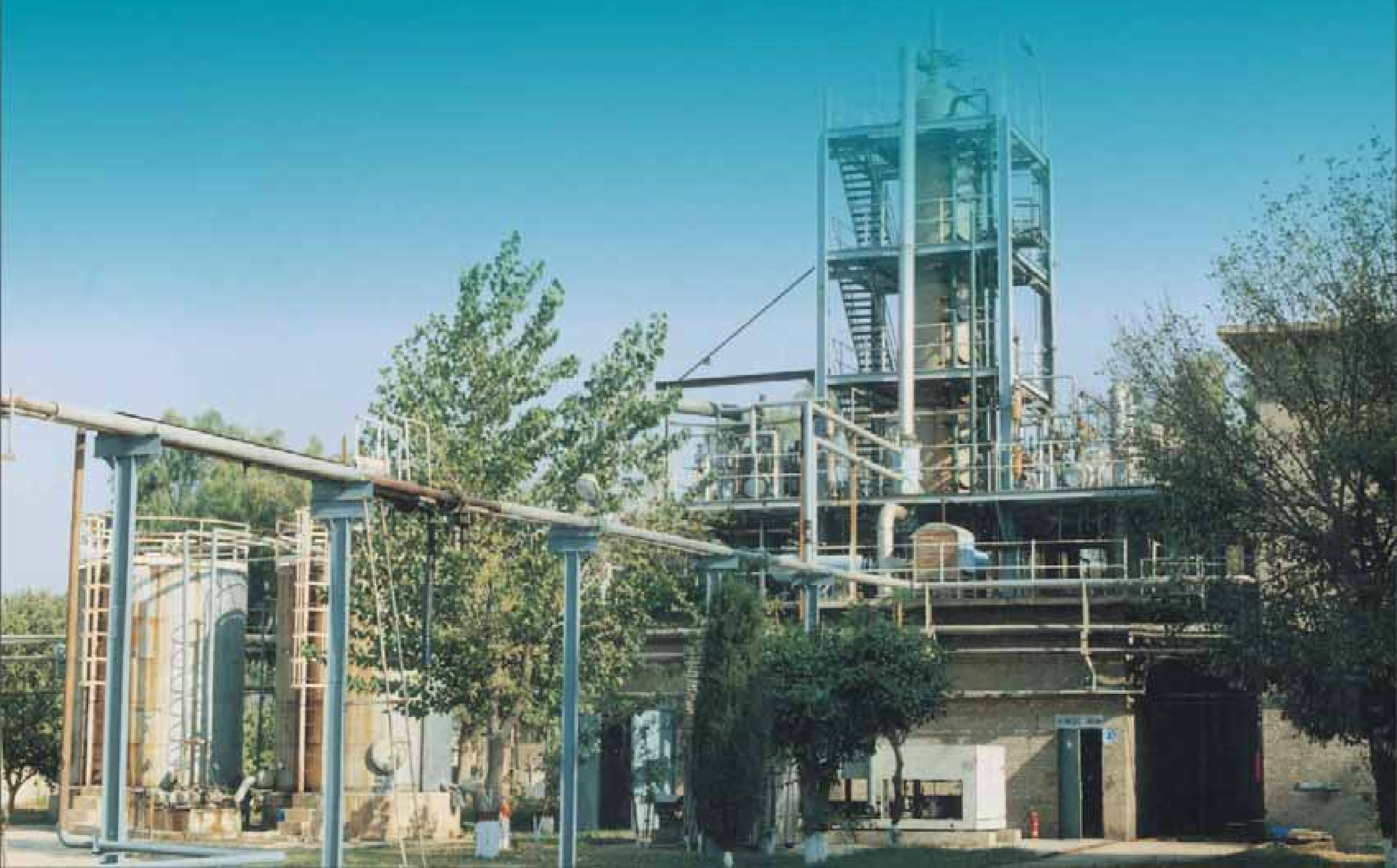
WAH NOBEL CHEMICALS LIMITED

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

ANNUAL REPORT 2010



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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. Shujaat Zamir Dar, HI (M), S.Bt.	:	Chairman
Mr. Torbjorn Saxmo	:	Vice Chairman
Mr. Mr. Feroze Khan Malik	:	Director
Mr. Muhammad Nawaz Tishna	:	Director (N.I.T. Nominee)
Mr. Syed Naseem Raza	:	Director
Mr. Khalid Pervaiz	:	Director
Mr. Riaz Ahmad	:	Director
CHIEF EXECUTIVE	:	Mr. Shabbir Ahmed

AUDIT COMMITTEE

Mr. Riaz Ahmad	:	Chairman
Mr. Feroze Khan Malik	:	Member
Mr. Khalid Pervaiz	:	Member

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER	:	Mr. Tanveer Elahi
AUDITORS	:	Anjum Asim Shahid Rehman Chartered Accountants
LEGAL ADVISORS	:	The Law Firm of Basit Musheer
SHARES REGISTRAR	:	Ilyas Saeed Associates (Pvt.) Ltd., Management Consultants, Office # 26, 2nd Floor, Rose Plaza, I-8 Markaz, Islamabad. Tel: 051-4102626-7, Fax: 051-4102628 Email: iilyas@hotmail.com
BANKERS	:	MCB Bank Limited Allied Bank of Pakistan Limited Bank Al-Habib Limited
REGISTERED OFFICE	:	G.T. Road, Wah Cantt.
PHONES	:	(051) 5568760, 4545243-6 (4 Lines) (051) 9314101-21 (21 Lines) Ext. 22236
FAX	:	(051) 4545241, (051) 4535862
E.MAIL	:	wahnobel@comsats.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, unparallel 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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 27th Annual General Meeting of the shareholders of WAH NOBEL CHEMICALS LIMITED will be held at the Registered Office of the Company, G.T. Road, Wah Cantt on Thursday, October 28, 2010 at 11.00 hours to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting held on May 31, 2010.

2. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2010 together with the Directors' and the Auditors' Reports thereon.

3. To approve payment of cash dividend @ Rs. 5.00 per share i.e. 50% as recommended by the Board of Directors.

4. To appoint Auditors of the Company for the year 2010-11 and to fix their remuneration.

5. To transact any other business with the permission of the Chair.

By Order of the Board

(TANVEER ELAHI)
COMPANY SECRETARY

WAH CANTT.

DATED: October 04, 2010

NOTES:

1. The share transfer books of the Company will remain closed from October 22, 2010 to October 28, 2010 (both days inclusive). Transfers received in order by the Shares Registrar of the Company by the close of business on October 21, 2010 will be treated in time for the entitlement of payment of dividend.

2. A member of the Company entitled to attend and vote at the 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 at the Company's Registered Office not later than 48 hours before the time appointed for the meeting and must be duly stamped, signed and witnessed.

3. 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.

4. Shareholders are requested to notify to the Shares registrar the change of address, if any, immediately.

5. Members who have not yet submitted photocopy of their computerized National identity Card (CNIC) to the Company's Shares Registrar are requested to send the same at the earliest.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

The Directors of the Company are pleased to present Annual Report of your Company together with the audited financial statements and the auditor's report for the year ended June 30, 2010 .

OPERATING PERFORMANCE

Company's performance during the previous two years i.e. 2007-08 and 2008-09 was exceptionally good. It was the result of business boom and market expansion due to which very good profit margins were possible. Situation was significantly different during 2009-10. The business and industry in the country stagnated and the Company faced fierce competition and price war situation. The profit margins therefore reduced. Resultantly, the overall profit in the company is lesser than the previous two years. Nevertheless the profit is significantly higher than in any year prior to 2007-08.

The summarised results are as under:

	2010	2009
	Rupees (in thousands)	
Net Sales	712,677	715,258
Gross Profit	185,476	225,166
Profit before taxation	117,003	146,058
Provision for taxation	41,011	49,053
Profit after taxation	75,991	97,006
Un-appropriated profit brought forward	127,182	105,176
Profit available for appropriation	203,173	202,182
Appropriations		
Dividend Paid (9,000,000 shares @ Rs. 5/- per share)	45,000	45,000
Transfer to reserve	50,000	30,000
Un-appropriated profit carried forward	108,173	127,182

DIVIDEND

Your Directors have recommended for the year 2009-10, a payment of cash dividend @ Rs. 5.00 per share (i.e. 50%).

NET EARNING PER SHARE

The net earning per share was Rs.8.44 (2009: Rs.10.78)

OUTLOOK FOR 2010-11

By massive destruction of infrastructure by floods and continuous energy crises in the country, the economy has been badly affected. Business is really depressed. However, situation is expected to improve and Management of the Company is hopeful that business would pick-up momentum and prospects for better financial performance are expected to emerge during 2010-11.

CORPORATE AND FINANCIAL REPORTING FRAME WORK

As required by the Code of Corporate Governance , the Directors are pleased to report the following:

- The financial statements , prepared by the management of the Company , present fairly it's state of affairs, the result of its operations, cash flows and changes in equity.

- The Company has maintained proper books of account.

- Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.

- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.

- The system of internal control is sound in design and has been effectively implemented and monitored.

- There are no significant doubts upon the Company's ability to continue as a going concern.

- There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- Summary of key operating and financial data for the last six financial years is annexed with the report.

- The un-audited value of investments , including bank deposits, of retirement benefits funds as of June 30, 2010 were as follows:

	Rupees
Provident Fund	28,067,345
Gratuity Fund	5,780,508
Pension Fund	9,925,000

BOARD OF DIRECTORS

On August 31, 2009 Mr. Shahid Ahmed, Director has resigned from the Board consequent to his retirement from service and Mr. Riaz Ahmad has been appointed as Director to represent WNPL on the Board of Wah Nobel Chemicals Ltd .

In an Extraordinary General Meeting held on May 31,2010 for election of Directors all seven retiring directors were re-elected unopposed whose term of office will expire on May 31,2013.

Subsequent to year end NIT's nominee director, Mr. Muhammad Nawaz Tishna appointed as Director in place of Mr. Shahid Aziz effective July 19, 2010, consequent to Mr. Shahid Aziz resignation.

The Board held five meetings during the year under review. Attendance by each Director was as follows:

	Directors		Number of meetings Attended
1.	Lt. Gen. Shujaat Zamir Dar, *HI (M), S.Bt.*	Chairman	3
2.	Mr. Torbjorn Saxmo	Director	5
3.	Mr. Feroz Khan Malik	Director	3
4.	Mr. Shahid Ahmed	Director (Retired w.e.f. 31.08.2009)	Nil
5.	Mr. Riaz Ahmed	Director (Appointed w.e.f. 31.08.2009)	5
6.	Mr. Shahid Aziz	Director	4
7.	Mr. Syed Naseem Raza	Director	3
8.	Mr. Khalid Pervaiz	Director	5
9.	Mr. Shabbir Ahmed	Chief Executive	5

Leave of absence was grated to the members of Board who were unable to attend the meeting.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Being socially responsible corporate entity we are committed to our communities as we are to our customers, shareholders and employees. WNCL is committed to act ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local communities and society at large.

The Company practices active corporate citizenship through energy conservation, industrial relations, employment of special persons, occupational safety & health, business ethics, contributing to national exchequer

Our country is facing its worse ever energy crisis these days. The Company has taken various steps to conserve energy like restricted use of all air conditioners and heaters and replacement of electric bulbs with energy savers.

The Company is committed to provide quality products at competitive price to our customers. We also provide free advisory services to them.

The Company enjoys a good relationship between its management and employees. The Company also has a good relationship with vendors and suppliers

The Company has a Hajj scheme for its employees. The employees who have completed ten years of service with the Company are eligible for the Scheme. The Company sends every year 01 employee for performing Hajj at the Company's expense. So far 11 employees have performed Hajj under this scheme

The Company is committed to health and safety practices and work environments that enable our employees to work free of injury and illness. To achieve this, we ensure that operations comply with applicable occupational health and safety regulations.

The Company is committed to conduct all of its business activities according to the highest principles of business ethics and in full compliance with the laws and regulations of the state.

The company is contributing significant amount towards the national exchequer on account of corporate tax, general sales tax, excise duty, custom duty and vend / permit fee. During the year 2009-10, company has contributed over Rs 200 million to the national exchequer.

VEND FEE AND PERMIT FEE

As regards vend fee and permit fee case, Sindh High Court has already pronounced favourable judgement. Presently the case is pending with the learned Supreme Court of Pakistan. In view of the merits of the case and favourable decision of the Sindh High Court, the management is expecting a favourable decision from the apex court and is making necessary efforts to continue as a going concern.

AUDITORS

The present Auditors M/s Anjum, Asim, Shahid, Rehman & Company, Chartered Accountants, Islamabad retire and being eligible, offer themselves for re-appointment for the financial year 2010-11. The Audit Committee has recommended their re-appointment.

PATTERN OF SHAREHOLDING

The pattern of shareholding as at June 30 , 2010 is included in this report.

ACKNOWLEDGMENT

The Directors wish to place on record that the financial and operating results achieved by the Company have been due to the efficient management, constant hard work and concerted efforts of all employees of the Company. The Directors commend the performance of the management and all employees. The Directors also thank all the valued customers for their continued patronage and support.

On behalf of the Board

WAH CANTT
Date: October 04, 2010

(SHABBIR AHMED)
Chief Executive

SIX YEARS AT A GLANCE

		2005	2006	2007	2008	2009	2010
		(Rupees in Thousands)					
(A)	**Operating Results:**						
i)	Net Sales Revenue	502,463	559,959	495,908	697,510	715,258	712,677
ii)	Gross Profit	73,436	78,107	81,135	221,722	225,166	185,476
iii)	Operating Profit	53,108	51,787	49,905	172,586	175,808	132,848
iv)	Profit Before Tax	40,213	34,747	29,503	152,514	146,058	117,003
v)	Profit After Tax	23,843	23,503	18,895	101,992	97,006	75,991
(B)	**Financial Position**						
i)	Paid-up Capital	75,000	90,000	90,000	90,000	90,000	90,000
ii)	Shareholders Equity	200,798	213,050	215,128	299,120	351,126	382,117
iii)	General Reserve	100	98,000	98,000	103,000	133,000	183,000
iv)	Property, Plants and Equipment	128,062	122,532	117,470	109,852	110,111	105,209
v)	Current Assets	250,036	265,177	283,163	428,841	399,767	358,411
vi)	Long Term Liabilities	37,500	18,750	-		-	-
(C)	**Key Performance Indicators**						
i)	Gross Profit %	14.62%	13.94%	16.36%	31.78%	31.48%	26.03%
ii)	Profit Before Tax %	8%	6.20%	5.95%	21.86%	20.42%	16.42%
iii)	Earning Per Share Rs.	2.65	2.61	2.10	11.33	10.78	8.44
iv)	Cash Dividend %	15%	20%	20%	50%	50%	50%
v)	Debt: Equity Ratio	5.35:1	11.36:1	-	-		-
vi)	Break-up Value Per Share Rs.	26.77	23.67	23.90	33.23	39.01	42.46
vii)	Current Ratio	2:1	1.70:1	1.51:1	1.69:1	2.26:1	3.46:1

PATTERN OF SHAREHOLDING AS AT 30 06 2010

No of Shareholders	Shareholding From	Shareholding To	Total shares held
118	1	100	*6,300*
432	101	500	*117,385*
158	501	1,000	*122,763*
177	1001	5,000	*426,833*
39	5,001	10,000	*300,076*
14	10,001	20,000	*195,354*
13	20,001	30,000	*381,714*
6	30,001	50,000	*212,228*
3	50,001	100,000	*247,000*
4	100,001	1,000,000	*2,019,952*
1	1,000,001	5,000,000	*4,970,395*
965	*Total*		*9,000,000*

Categories of shareholders	No. of Shareholders	Shares held	Percentage
◆ Directors, Chief Executive Officer, and <u>their spouse and minor children.</u>			
Mr. Feroze Khan Malik, Director	*1*	*30,000*	*0.33*
Mrs. Anwar Sultana Malik	*1*	*30,100*	*0.33*
◆ Associated Companies, undertakings and related parties.			
Wah Nobel (Pvt) Ltd	*1*	*4,970,400*	*55.23*
WNPL Employees Provident Fund	*1*	*87,000*	*0.97*
WNCL Employees Provident Fund	*1*	*33,102*	*0.37*
WNPL Employees PF (WNDL)	*1*	*12,000*	*0.13*
◆ NIT	*3*	*1,038,042*	*11.53*
◆ ICP	*1*	*625*	*0.01*
◆ Banks Development Financial Institutions, Non Banking Financial Institutions.	*4*	*250,631*	*2.78*
◆ Insurance Companies	*2*	*874,080*	*9.71*
◆ Modarabas and Mutual Funds	*1*	*30*	*0.00*
◆ Shareholders holding 10%		-	-
◆ General Public			
a. Local	*933*	*1,646,048*	*18.29*
b. Foreign	*1*	*1,000*	*0.01*
◆ <u>Others:</u>			
Investment Companies.	*1*	*1,120*	*0.01*
Trust.	*2*	*18,600*	*0.21*
Joint Stock Coys.	*10*	*7,122*	*0.08*
Stock Exchange.	*1*	*100*	*0.00*
Total:	*965*	*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 communica-tion 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 Best Practices of CODE OF CORPORATE GOVERNANCE for the year ended June 30, 2010

This statement is being presented to comply with the Code of Corporate Governance as contained in the Listing Regulations of the Karachi, Lahore and Islamabad stock exchanges 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 and one non-executive director representing minority shareholders.

2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including this Company.

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 DFI or NBFI or being a member of stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year casual vacancy occurred in the Board was filled in by the directors in accordance with the law.

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 meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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. During the year the Board has approved the appointment of Company Secretary including his remuneration and terms & conditions of employment as determined by the CEO.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The quarterly, six monthly and annual financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises three members, of whom all are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Company has an effective internal audit function.

18. The statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing

regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions were duly reviewed and approved by Audit Committee and Board of Directors.

21. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board

WAH CANTT **(SHABBIR AHMED)**
Date: October 04, 2010. **Chief Executive**

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended June 30, 2010 prepared by the Board of Directors of Wah Nobel Chemicals Limited (the Company) to comply with the Listing Regulation of the Karachi, Lahore and Islamabad Stock Exchanges where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiiia) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, effective for the year ended June 30, 2010.

Anjum Asim Shahid Rahman
Chartered Accountants
Audit Engagement Partner
Nadeem Tirmizi

Islamabad
Date: October 04, 2010

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Wah Nobel Chemicals Limited** as at June 30, 2010 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 for the changes as indicated in note 3, 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, 2010 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 38.1.2 to the financial statements. The Company is defendant in a lawsuit alleging non-payment of vend and permit fee of Rs. 642 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.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants
Audit Engagement Partner
Nadeem Tirmizi

Islamabad
Date: October 04, 2010

BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	105,208,665	110,110,743
Long term investment	8	33,106,266	32,507,396
		138,314,931	**142,618,139**
CURRENT ASSETS			
Stores, spares and loose tools	9	30,524,556	32,043,495
Stock in trade	10	51,422,677	50,339,369
Trade debts	11	241,500,249	283,804,965
Advances	12	6,272,118	7,579,833
Trade deposits and prepayments	13	40,070	46,320
Other receivables	14	1,607,102	4,653,114
Short-term-investment	15	2,670,779	2,647,232
Cash and bank balances	16	24,373,129	18,652,577
		358,410,680	**399,766,905**
TOTAL ASSETS		**496,725,611**	**542,385,044**
SHARE CAPITAL AND RESERVES			
Authorized share capital	17	200,000,000	200,000,000
Issued, subscribed and paid up capital			
9,000,000 (2009: 9,000,000) ordinary shares of Rs.10 each	17	90,000,000	90,000,000
Capital reserve	18	944,404	944,404
Reserves	19	291,172,619	260,181,548
		382,117,023	**351,125,952**
LIABILITIES			
NON CURRENT LIABILITIES			
Deferred taxation	20	7,983,415	11,769,652
Accumulated compensated absence	21	3,041,532	2,923,408
		11,024,947	**14,693,060**
CURRENT LIABILITIES			
Trade and other payables	22	78,783,228	71,340,377
Due to associated companies	23	56,812	23,333
Accrued mark-up	24	615,560	3,160,446
Short term borrowings - secured	25	661,942	60,536,669
Taxation	26	23,466,099	41,505,207
		103,583,641	**176,566,032**
TOTAL LIABILITIES		**114,608,588**	**191,259,092**
CONTINGENCIES AND COMMITEMENTS	38		
TOTAL EQUITY AND LIABILITIES		**496,725,611**	**542,385,044**

The annexed notes from 1 to 48 form an integral part of these financial statements.

DIRECTOR **CHIEF EXECUTIVE**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
MANUFACTURED GOODS			
Turnover	27	833,835,845	836,856,484
Sales tax	27	(113,642,191)	(114,415,268)
Special excise duty	27	(7,516,450)	(7,183,048)
Net turnover		**712,677,204**	**715,258,168**
Cost of sales	28	(527,201,175)	(490,092,246)
GROSS PROFIT		**185,476,029**	**225,165,922**
Profit from trading activity	29	**-**	**1,569,340**
		185,476,029	**226,735,262**
OPERATING EXPENSES			
Administrative and general expenses	30	(20,269,626)	(17,775,474)
Selling and distribution expenses	31	(37,363,743)	(33,632,787)
Other operating income	32	5,005,270	481,054
OPERATING PROFIT		**132,847,930**	**175,808,055**
Finance cost	33	(7,198,199)	(19,701,492)
Other expenses	34	(9,246,096)	(11,150,218)
Share in profit/loss of associated Company-net of tax	8	598,870	1,102,062
PROFIT BEFORE TAXATION		**117,002,505**	**146,058,407**
Provision for taxation	35	(41,011,434)	(49,052,662)
PROFIT AFTER TAXATION		**75,991,071**	**97,005,745**
Other comprehensive income for the year		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**75,991,071**	**97,005,745**
Earnings per share - basic and diluted	36	**8.44**	**10.78**

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

The annexed notes from 1 to 48 form an integral part of these financial statements.

DIRECTOR **CHIEF EXECUTIVE**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Issued Subscribed and paid-up share capital	Capital reserve - share premium	Revenue reserves: General reserve	Revenue reserves: Unappropriat-ed profit	Total
Balance as at July 1, 2008	90,000,000	944,404	103,000,000	105,175,803	299,120,207
Comprehensive income for the year					
Net profit for the year ended June 30, 2009	-	-	-	97,005,745	97,005,745
Other comprehensive income					
Transfer to General reserve	-	-	30,000,000	(30,000,000)	-
Total other comprehensive income	-	-	30,000,000	(30,000,000)	-
Total comprehensive income for the year ended June 30, 2009	-	-	30,000,000	67,005,745	97,005,745
Transaction with owners					
Final dividend for the year ended June 30, 2008 (Rs. 5 per share)				(45,000,000)	(45,000,000)
Total transactions with owner	-	-	-	(45,000,000)	(45,000,000)
Balance as at June 30, 2009	90,000,000	944,404	133,000,000	127,181,548	351,125,952
Balance as at July 1, 2009	90,000,000	944,404	133,000,000	127,181,548	351,125,952
Comprehensive income for the year					
Net profit for the year ended June 30, 2010	-	-	-	75,991,071	75,991,071
Other comprehensive income					
Transfer to General reserve			50,000,000	(50,000,000)	-
Total other comprehensive income	-	-	50,000,000	(50,000,000)	-
Total comprehensive income for the year ended June 30, 2010	-	-	50,000,000	25,991,071	75,991,071
Transaction with owners					
Final dividend for the year ended June 30, 2009 (Rs. 5 per share)				(45,000,000)	(45,000,000)
Total transactions with owner	-	-	-	(45,000,000)	(45,000,000)
Balance as at June 30, 2010	90,000,000	944,404	183,000,000	108,172,619	382,117,023

The annexed notes from 1 to 48 form an integral part of these financial statements.

DIRECTOR

CHIEF EXECUTIVE

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		117,002,505	146,058,407
Adjustment	37	33,315,498	42,990,585
Changes in working capital			
(Increase) / decrease in current assets:			
Stores, spares and loose tools		1,518,939	(12,012,551)
Stock in trade		(1,083,308)	67,105,436
Trade debts		33,828,348	(42,842,891)
Advances		1,307,715	8,737,099
Deposits and prepayments		6,250	6,250
Other receivables		2,138,229	12,730,881
(Decrease) / increase in current liabilities:			
Trade and other payables		6,387,063	(52,592,725)
		44,103,236	(18,868,501)
Cash generated from operations		**194,421,239**	**170,180,491**
Payments for:			
Financial charges		(9,539,987)	(17,359,621)
WPPF		(7,989,926)	(8,704,120)
Accumulated compensated absences		(568,641)	(694,320)
Taxation		(62,836,779)	(53,746,214)
		(80,935,333)	(80,504,275)
Net cash generated from operating activities		**113,485,906**	**89,676,216**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for capital expenditure		(3,187,353)	(6,881,903)
Interest on Term Deposit Receipts		103,527	90,711
Proceeds from sale of property, plant and equipment		193,200	500,000
Net cash used in investing activities		**(2,890,626)**	**(6,291,192)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings		(59,874,727)	(26,554,481)
Dividends paid		(45,000,000)	(45,000,000)
Net cash used in financing activities		(104,874,727)	(71,554,481)
Net increase in cash and cash equivalents		**5,720,553**	**11,830,543**
Cash and cash equivalents at beginning of the year		18,652,577	6,822,034
Cash and cash equivalents at end of the year	16	**24,373,130**	**18,652,577**

The annexed notes from 1 to 48 form an integral part of these financial statements.

DIRECTOR **CHIEF EXECUTIVE**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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 SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for the recognition of certain employee retirement benefits at present value in accordance with the actuarial recommendations.

2.2 Functional and presentation currency

The financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

2.3 Statement of Compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Ordinance and the requirements of and directives issued under that Ordinance. However, the requirements of and the directives issued under that Ordinance have been followed where those requirements are not consistent with the requirements of the IFRSs, as notified under the Ordinance.

Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2010:

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after January 1, 2009:

i) IAS 1 (Revised), ‘Presentation of Financial Statements’ (effective January 1, 2009)

IAS 1 (Revised) prohibits the presentation of items of income and expenses (i.e., ‘non-owner changes in equity’) in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a statement of other comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (the statement of comprehensive income and statement of other comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the earliest comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Company has applied IAS 1 (Revised) from July 1, 2009 and elected to present one performance statement (the profit and loss account) as more fully explained in note 3.1 below.

ii) IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009).

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the Company's financial statements.

- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the Company's financial statements.

- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. The adoption of this amendment will only impact the presentation of the financial statements.

- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed and not recognised. IAS 19 has been amended to be consistent with IAS 37.

iii) IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). In accordance with the new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. Adoption of the amendment is not expected to have any effect on the Company's financial statements.

iv) IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). This amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption of the above amendment, the option of immediately expensing those borrowing costs will be withdrawn. This amendment is not expected to have a significant effect on the Company's financial statements. The Company has applied IAS 23 from July 1, 2009 as more fully explained in note 3.2 below.

v) IAS 38 (Amendment) 'Intangible assets' (effective from January 1, 2009). This amendment states that a prepayment may only be recognised in the event that prepayment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have any effect on the Company's financial statements.

vi) IFRS 7 ‘Financial instruments – Disclosures’ (amendment) (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, the amendment is not expected to have a significant effect on the Company's financial statements.

vii) IFRS 8, ‘Operating segments’. This standard replaces IAS 14, ‘Segment reporting’ and requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. The management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker (i.e. Chief Executive) of the Company. The Company considers the business from a product wise perspective. However, these operating segments meet the aggregation criteria set forth in IFRS 8, therefore, the Company is not required to make segment wise disclosures. However, the entity wide disclosure requirements as required by IFRS 8 are applicable on the Company and are presented in note 39.

Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2010 but not relevant:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective:

The following standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after January 1, 2010 or later periods:

i) IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as heldfor-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. This amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company will apply IFRS 5 (amendment) from July 1, 2010. It is not expected to have a material impact on the Company's financial statements.

ii) IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. This amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company will apply IAS 1 (amendment) from July 1, 2010. It is not expected to have a material impact on the Company's financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or do not have any significant effect on Company's operations and are therefore not mentioned in these financial statements.

3 Changes in an accounting policies

3.1 The Company has applied IAS 1 (Revised) from July 1, 2009, and has elected to present one performance statement (profit and loss account). The change in accounting policy has not affected the assets and liabilities of the Company for either the current or prior periods and hence restated balance sheet has not been presented.

4 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 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:

4.1 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.

4.2 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 11.1 to these financial statements.

4.3 Employee benefit costs

Certain actuarial assumptions have been adopted as disclosed in note 14.1 and 21.1 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.

4.4 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.

4.5 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.

5 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 notes 14.1 and 21.1.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 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 14.1 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 pension scheme

The Company operates an approved defined benefit pension scheme for its permanent employees eligible under Employees Pension Fund Rules. Amount paid under this scheme is charged to the profit and loss account of related year.

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.

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 results of current valuation are summarized in note 21.

6.2 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.

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.

6.3 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.

6.4 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.

6.5 Dividend and appropriation to reserves

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

6.6 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 below 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.

Applicable depreciation rates of the items are as under:

Office building	5%
Factory building	10%
Tube well	10%
Plant and machinery-old	10%
Plant and machinery-New	10% of utilized capacity
Furniture and fixtures	10%
Office equipment	10%
Tools and workshop equipment	10%
Computer installations	20%
Motor vehicles	20%
Leasehold land	30 Years

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.

6.7 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.

6.8 Long term investments

Long tern 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.

6.9 Stores, spares and loose tools

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

6.10 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 Finished Goods	at weighted average cost of purchases plus applicable manufacturing expenses

6.11 Trade and other receivables

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

6.12 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.

6.13 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.

6.14 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.

6.15 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.

6.16 Transactions with related parties

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

6.17 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.

6.18 Investments held to maturity

Investment with fixed or determinable payments and fixed maturity which the Company has the positive intent and ability to hold to maturity, are carried at amortized cost using the effective yield method less impairment losses if so determined.

6.19 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.

6.20 Operating Segments

A geographical segment is a distinguishable component of the Company that is engaged in providing services within a different geographical area, which is subject to risk and rewards that are different from those of other segments. The Company is currently operating in only one geographical segment of Pakistan.

7 PROPERTY, PLANT AND EQUIPMENT

Particulars	Buildings on leasehold land			Plant & Machinery	Furniture & Fixture	Equipment		Computer Installations	Motor Vehicles	Total Owned assets	Leased assets	TOTAL
	Office	Factory	Tube well			Office	Tools and Workshop				Leasehold land	
Gross carrying amount	2,406,019	16,432,437	547,920	190,066,150	1,155,936	870,008	2,395,038	1,837,085	3,844,450	219,555,043	1,701,971	221,257,014
Accumulated depreciation	(959,572)	(10,035,204)	(493,965)	(91,464,438)	(443,399)	(474,858)	(2,019,621)	(1,128,564)	(2,972,142)	(109,991,762)	(1,413,597)	(111,405,359)
Carrying amount June 30, 2008	1,446,447	6,397,233	53,955	98,601,712	712,537	395,150	375,417	708,521	872,308	109,563,281	288,374	109,851,655
Gross carrying amount	2,406,019	16,432,437	547,920	195,784,624	1,159,636	870,008	2,395,038	1,837,085	3,844,450	225,277,219	1,701,971	226,979,188
Accumulated depreciation	(1,031,894)	(10,674,927)	(499,361)	(95,688,496)	(515,023)	(514,373)	(2,057,167)	(1,270,268)	(3,146,605)	(115,398,114)	(1,470,331)	(116,868,445)
Carrying amount June 30, 2009	1,374,125	5,757,510	48,560	100,096,128	644,613	355,635	337,871	566,817	697,845	109,879,105	231,640	110,110,743
Gross Carrying Amount	2,406,019	16,432,437	547,920	198,296,763	1,159,636	870,008	2,395,038	1,837,085	4,111,463	228,056,369	1,701,971	229,758,340
Accumulated depreciation	(1,100,603)	(11,250,679)	(504,217)	(102,574,321)	(579,484)	(549,937)	(2,090,954)	(1,383,631)	(2,988,735)	(123,022,561)	(1,527,114)	(124,549,676)
Carrying amount June 30, 2010	1,305,416	5,181,758	43,703	95,722,442	580,152	320,071	304,084	453,454	1,122,728	105,033,807	174,857	105,208,664

The carrying amount of property, plant and equipment for the period presented in these financial statements as at June 30, 2010 are:

Particulars	Buildings on leasehold land			Plant & Machinery	Furniture & Fixture	Equipment		Computer Installa-tions	Motor Vehicles	Total Owned assets	Leased assets	Total assets
	Office	Factory	Tube well			Office	Tools and Workshop				Leasehold land	
Carrying amount June 30, 2008	1,446,447	6,397,233	53,955	98,601,712	712,537	395,150	375,417	708,521	872,308	109,563,281	288,374	109,851,655
Additions				6,878,201	3,700					6,881,901		6,881,901
Adjustment												-
Disposals				(122,569)						(122,569)		(122,569)
Depreciation	(72,322)	(639,723)	(5,396)	(5,261,216)	(71,624)	(39,515)	(37,546)	(141,704)	(174,463)	(6,443,510)	(56,734)	(6,500,244)
Carrying amount June 30, 2009	1,374,125	5,757,510	48,560	100,096,128	644,614	355,635	337,871	566,817	697,845	109,879,103	231,640	110,110,743
Additions	-	-	-	2,512,139	-	-	-	-	675,214	3,187,354	-	3,187,353
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	(20,064)	(20,064)	-	(20,064)
Depreciation	(68,709)	(575,752)	(4,857)	(6,885,825)	(64,461)	(35,564)	(33,787)	(113,363)	(230,267)	(8,012,585)	(56,783)	(8,069,367)
Carrying amount June 30, 2010	1,305,416	5,181,758	43,703	95,722,442	580,152	320,071	304,084	453,454	1,122,728	105,033,808	174,857	105,208,665

7.1 Production capacity achieved by the newly capitalized Formaldehyde and U.F Glue plants is 65% and 34%, respectively.

7.2 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.

		Note	2010 Rupees	2009 Rupees
7.3	Depreciation charge for the year has been allocated as under:			
	Cost of sales	28.1	7,787,270	6,175,111
	Administrative expenses	30	282,097	325,133
			8,069,367	6,500,244

7.4 Details of property, plant and equipment sold:

Description	Cost	NBV	Proceeds	Gain / Loss	Mode
Vehicle: Suzuki Khybe	408,201	20,064	193,200	173,136	Bid

Sale was made to Mr. Ishfaq Ahmed, CNIC 37406-4569583-5

8 LONG TERM INVESTMENT

Investments in related party:
Wah Nobel Acetate Limited

	2010 Rupees	2009 Rupees
2,500,000 shares of Rs. 10/- each. (equity held: 8.33%)	25,000,000	25,000,000
Share of profit of prior periods	7,507,396	6,405,334
Share of profit / (loss) of current period-net of tax	598,870	1,102,062
	8,106,266	7,507,396
	33,106,266	32,507,396

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 acetate or any other acetate etc.

	2010 Rupees	2009 Rupees
Assets	705,974,602	777,467,072
Liabilities	377,226,173	455,907,974
Revenues	532,215,972	616,327,744
Profit (Loss)	7,189,331	13,230,037

9 STORE, SPARES AND LOOSE TOOLS

	2010 Rupees	2009 Rupees
Stores	11,232,211	9,855,585
Spares	19,067,989	21,961,851
Loose tools	224,356	226,059
	30,524,556	32,043,495

10 STOCK IN TRADE

	2010 Rupees	2009 Rupees
Raw and packing material	27,030,344	20,705,116
Work in process	555,504	1,045,520
Finished goods	9,656,525	3,010,030
Goods in transit	14,180,304	25,578,703
	51,422,677	50,339,369

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

		Note	2010 Rupees	2009 Rupees
11	**TRADE DEBTS-SECURED**			
	Considered good		241,500,249	283,804,965
	Considered doubtful		43,614,759	35,138,390
			285,115,008	318,943,355
	Provision for doubtful debts	11.1	(43,614,759)	(35,138,390)
			241,500,249	283,804,965
11.1	**Reconciliation of provision for doubtful debts**			
	Opening provision		35,138,390	28,182,430
	Charge for the year		10,234,095	7,540,442
			45,372,485	35,722,872
	Provision write back		(1,757,726)	-
	Debts written off		-	(584,482)
	Balance at the end of the year		43,614,759	35,138,390
12	**ADVANCES**			
	Advances - unsecured, considered good			
	to suppliers		5,826,951	7,139,799
	to employees for expenses		445,167	440,034
			6,272,118	7,579,833

12.1 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 (2009 : Rs Nil).

		Note	2010 Rupees	2009 Rupees
13	**TRADE DEPOSITS AND PREPAYMENTS**			
	Deposits		40,070	40,070
	Prepayments		-	6,250
			40,070	46,320
14	**OTHER RECEIVABLES**			
	Sales tax refundable		7,331	2,320,560
	Receivable from / (payable to) employees gratuity	14.1	1,054,471	1,962,254
	Letter of credit / guarantee margin		180,900	180,900
	Others		364,400	189,400
			1,607,102	4,653,114
14.1	**Receivables from/(payable to) employees gratuity fund**			
a)	Movement in the asset / (liability) recognized in the balance sheet:			
	Balance at beginning of the year		1,962,254	2,199,676
	Charge for the year		(907,783)	(237,422)
	Payments to the fund during the year		-	-
	Balance at end of the year		1,054,471	1,962,254

		Note	2010 Rupees	2009 Rupees
b)	Reconciliation of the asset / (liability) recognized in the balance sheet:			
	Present value of defined benefit obligation		(11,034,231)	(9,770,064)
	Fair value of plan assets		10,457,736	9,954,667
	Surplus / (deficit)		(576,495)	184,603
	Unrecognized actuarial losses		1,630,966	1,777,651
	Net asset / (liability)		1,054,471	1,962,254
c)	Amounts charged to profit and loss account during the current year:			
	Current service cost		864,753	766,364
	Interest cost		1,172,408	830,829
	Expected return on plan assets		(1,194,560)	(1,304,641)
	Actuarial (gain) / losses charge		65,182	(55,130)
			907,783	237,422

	2010	2009	2008	2007	2006
Present value of defined benefit obligation	(11,034,231)	(9,770,064)	(6,923,574)	(6,362,141)	(5,415,392)

d) Actuarial valuation of these plans was carried out as at June 30, 2010 using Projected Unit Credit Method. Significant actuarial assumptions used were as follows:

	2010	2009
Discount rate	12%	12%
Expected rate of eligible salary increase in future years	11%	11%
Expected rate of return on plan assets per annum	12%	12%
Average expected remaining working life time of employees	12 years	12 years

15 SHORT-TERM-INVESTMENT

Held-to-maturity financial assets comprise Term Deposit Receipts (TDR) having maturity up to 1 year at 5% profit under lien with bank. The carrying amount, measured at amortized cost, of these financial asset is as follows:

	2010	2009
Held in Local currency		
TDR cost	2,582,666	2,582,666
Accrued interest	88,113	64,566
	2,670,779	2,647,232

16 CASH AND BANK BALANCES

	2010	2009
Cash in hand	28,650	63,873
Cash with banks:		
in current accounts	24,344,479	18,588,704
	24,373,129	18,652,577

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

17 SHARE CAPITAL

2010	2009		2010	2009
Numbers			Rupees	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
9,000,000	9,000,000		90,000,000	90,000,000

Wah Nobel (Private) Limited (the holding company) held 4,970,400 (2009 : 4,970,400) ordinary shares of Rs. 10 /- each at balance sheet date.

18 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.

19 RESERVES

	Note	2010	2009
General reserve	19.1	183,000,000	133,000,000
Unappropriated profit		108,172,619	127,181,548
		291,172,619	260,181,548

19.1 General reserve

	2010	2009
Balance at the beginning of the year	133,000,000	103,000,000
Transfer during the year	50,000,000	30,000,000
	183,000,000	133,000,000

20 DEFERRED TAXATION

	Note	2010	2009
Deferred tax liability	20.1	7,983,415	11,769,652
		7,983,415	11,769,652

	2010 (Rupees)		2009 (Rupees)	
	Liabilities	Assets	Liabilities	Assets
20.1 This is comprised of following temporary differences:				
Non current assets				
Property, plant and equipment	26,441,012		27,061,973	
Current Assets				
Trade debtors		(15,265,166)		(12,298,437)
Deferred liabilities				
Accumulated compensated absence		(1,064,536)		(1,023,193)
Share in Profit of Associate Company		(2,127,895)		(1,970,691)
	26,441,012	(18,457,597)	27,061,973	(15,292,321)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

			2010 Rupees	2009 Rupees
21	**ACCUMULATED COMPENSATED ABSENCES**			
	Provision for accumulated compensated absences	21.1	3,041,532	2,923,408
21.1	**The amounts recognized in the balance sheet are determined as follows:**			
	Present value of defined benefit obligations as on June 30, 2009		2,923,408	3,219,363
	Current service cost		319,788	341,775
	Interest cost		350,809	321,936
	Benefits paid during the year		(568,641)	(694,320)
	Actuarial (gain)/loss on present value of defined benefit obligation		16,168	(265,346)
			3,041,532	2,923,408
21.2	**The amounts recognized in the profit and loss account are as follows:**			
	Current service cost		319,788	341,775
	Interest cost		350,809	321,936
	Actuarial (gains)/losses charge		16,168	(265,346)
			686,765	398,365
21.3	**The principal actuarial assumptions used were as follows:**			
	Discount rate		12%	12%
	Expected rate of increase in salary		11%	11%
	Average number of leaves accumulated per annum by the officers		9 days	9 days
	Average number of leaves accumulated per annum by the staff		5 days	5 days
	Average number of leaves accumulated per annum by the workers		3 days	3 days
22	**TRADE AND OTHER PAYABLES**			
	Trade creditors		37,969,462	28,747,012
	Advances from customers		3,854,244	3,651,065
	Accrued expenses		471,707	439,094
	Payable to employees' provident fund		290,312	352
	Bonus payable		6,300,000	7,169,959
	Sales tax payable		3,086,905	7,161,366
	Unclaimed dividends		2,123,912	1,078,856
	Workers' profit participation fund	22.1	6,268,407	7,791,248
	Workers' welfare fund	22.2	15,180,187	12,568,078
	Other liabilities		3,238,092	2,733,346
			78,783,228	71,340,377

		Note	2010 Rupees	2009 Rupees
22.1	**Workers' Profit Participation Fund**			
	Balance at the beginning of the year		7,791,248	7,904,769
	Interest for the period on Fund utilized by the Company		203,098	803,771
	Payments during the year		(7,989,926)	(8,704,120)
	Allocation for the year		6,263,987	7,786,828
	Balance at the end of the year		6,268,407	7,791,248
22.2	**Workers' Welfare Fund**			
	Balance at the beginning of the year		12,568,078	9,574,687
	Payments during the year		-	-
	Allocation for the year		2,612,109	2,993,391
	Balance at the end of the year		15,180,187	12,568,078
23	**DUE TO ASSOCIATED COMPANIES**			
	Wah Nobel (Private) Limited - Holding company		56,812	23,333
24	**ACCRUED MARK UP**			
	On short term borrowings		615,560	3,160,446
			615,560	3,160,446
25	**SHORT TERM FINANCE-SECURED**			
	Bank Al-Habib	25.1	-	60,166,591
	Allied Bank Limited	25.1	661,942	370,078
	MCB Bank Limited		-	-
	Short term running finance - secured	25.1	661,942	60,536,669

25.1 This represents amount payable under finance facility of Rs. 150 million (2009: 150), 50 million (2009: 50 million) and 100 million (2009: 100 million) from Bank-Al-Habib Limited, Muslim Commercial Bank Limited and Allied Bank Limited respectively. The facilities are carrying mark up at the rate of 1 month average KIBOR plus 0.50%, 1 month average KIBOR plus 0.50% and 1 month KIBOR plus .50% spread respectively, with out a floor or cap, payable quarterly.

Presently facilities by Allied Bank Limited and Bank-Al-Habib are secured against ranking charge on all current and future assets of the Company for Rs 254 Million with 25% margin and 310 million (margin 25 %). Facility from MCB Bank Limited is against first hypothecation charge on all present and future current assets of the Company.

25.2 FACILITIES OF LETTER OF GUARANTEE AND LETTER OF CREDIT

Following banks have extended facilities of Letter of Guarantee and Letter of Credit

		Letter of guarantee		Letter of Credit	
		2010	**2009**	**2010**	**2009**
MCB Bank Limited	25.2.1	10,000,000	10,000,000	100,000,000	100,000,000
Bank Al Habib Limited	25.2.2	20,000,000	20,000,000	160,000,000	180,000,000
Allied Bank limited	25.2.3	-	-	190,000,000	190,000,000

25.2.1 The facilities have been secured by first hypothecation charge over current assets of the Company

25.2.2 Letter of guarantee is secured against counter guarantee from the Company and letter of Credit is secured by lien on shipping documents duly insured in favor of the Bank.

25.2.3 Letter of credit is secured by lien on shipping documents duly insured in favor of the Bank.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

		Note	2010 Rupees	2009 Rupees
26	**TAXATION**			
	Advance tax		39,684,142	28,746,214
	Provision for taxation		(63,150,241)	(70,251,421)
			(23,466,099)	(41,505,207)
27	**TURNOVER**			
	Gross revenue from turnover of manufactured products		833,835,845	836,856,484
	Sales tax		(113,642,191)	(114,415,268)
	Special excise duty		(7,516,450)	(7,183,048)
			712,677,204	715,258,168
28	**COST OF SALE**			
	Cost of goods manufactured	28.1	533,338,330	484,286,722
	Packing material consumed		509,340	435,923
			533,847,670	484,722,645
	Opening stock of finished goods		3,010,030	8,379,631
	Closing stock of finished goods		(9,656,525)	(3,010,030)
			527,201,175	490,092,246
28.1	**Cost of goods manufactured**			
	Raw material consumed	28.1.1	455,320,668	417,784,958
	Stores and spares consumed		12,067,959	8,577,770
	Salaries, wages and other benefits	31.1	24,877,912	21,837,085
	Fuel and power		29,262,809	24,629,475
	Rent, rates and taxes		159,260	612,503
	Insurance		1,338,352	1,545,121
	Repairs and maintenance of vehicles		611,554	357,221
	Car lease rentals		-	118,525
	Miscellaneous expenses		1,422,530	1,762,055
	Depreciation	7.3	7,787,270	6,175,111
	Manufacturing cost		532,848,314	483,399,824
	Opening stock of work in process		1,045,520	1,932,418
	Closing stock of work in process		(555,504)	(1,045,520)
			533,338,330	484,286,722

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

		Note	2010 Rupees	2009 Rupees
28.1.1	**Raw material consumed**			
	Opening stock		20,705,116	49,996,707
	Purchases during the year		461,645,896	388,493,367
			482,351,012	438,490,074
	Closing stock		(27,030,344)	(20,705,116)
			455,320,668	417,784,958
29	**PROFIT FROM TRADING ACTIVITY**			
	Gross sales		-	3,335,105
	Sales tax		-	(101,710)
			-	3,233,395
	Cost of sales		-	(1,664,055)
	Net profit on trading		-	1,569,340
30	**ADMINISTRATIVE AND GENERAL EXPENSES**			
	Salaries, wages and other benefits	31.1	4,523,594	4,569,308
	Management fee		900,000	900,000
	Office rent		60,665	99,680
	Electricity and water charges		497,184	488,422
	Postage, telephone and telex		245,774	318,157
	Printing and stationery		510,865	462,947
	Traveling and conveyance		735,165	735,939
	Entertainment		75,584	94,729
	Legal and professional charges		842,274	856,842
	Fees and subscription		159,248	35,188
	Advertisement and publicity		206,230	167,720
	Vehicles running and maintenance expenses		111,816	111,686
	Car lease rentals		112,341	406,964
	Provision for doubtful debts		10,234,095	7,540,442
	Miscellaneous expenses		772,694	662,317
	Depreciation	7	282,097	325,133
			20,269,626	17,775,474

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

		Note	2010 Rupees	2009 Rupees
31	**SELLING AND DISTRIBUTION EXPENSES**			
	Salaries, wages and other benefits	31.1	5,468,923	3,592,837
	Postage, telephone and telex		89,028	182,343
	Printing and stationery		35,685	1,580
	Traveling and conveyance		241,903	331,009
	Carriage		29,828,220	28,138,147
	Vehicle running expenses		744,986	430,632
	Transit insurance		673,360	706,703
	Entertainment		9,992	1,060
	Car lease rental		217,578	201,054
	Miscellaneous expenses		54,068	47,422
			37,363,743	33,632,787

31.1 Contributions towards provident fund and pension fund during the year is Rs. 999,517 (2009: Rs. 857,172) and Rs. 963,492 (2009: Rs. 991,336) respectively.

		2010 Rupees	2009 Rupees
32	**OTHER OPERATING INCOME**		
	Income from financial assets / liabilities	4,095,032	103,623
	Income from non-financial assets	910,238	377,431
		5,005,270	481,054
32.1	**Income from financial assets / liabilities**		
	Interest on term deposit	127,074	103,623
	Liabilities no longer payable written back	2,210,232	-
	Provision write back	1,757,726	-
		4,095,032	103,623
32.2	**Income from non-financial assets**		
	Profit / (Loss) on sale of property, plant and equipment	173,136	377,431
	Sale of Scrap	737,102	-
		910,238	377,431
33	**FINANCE COST**		
	Interest on Workers' Profit Participation Fund	203,098	803,771
	Mark up on short term finances	6,605,683	18,240,823
	Bank charges	389,418	656,898
		7,198,199	19,701,492

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

		Note	2010 Rupees	2009 Rupees
34	**OTHER EXPENSES**			
	Workers' Profit Participation Fund		6,263,987	7,786,828
	Workers' Welfare Fund		2,612,109	2,993,391
	Auditor's remuneration	34.1	370,000	370,000
			9,246,096	11,150,219
34.1	**Auditors' remuneration**			
	Audit fee		280,000	280,000
	Half yearly review		90,000	90,000
			370,000	370,000
35	**PROVISION FOR TAXATION**			
	Current - for the year		44,797,671	51,799,272
	Deferred		(3,786,237)	(2,746,610)
			41,011,434	49,052,662
35.1	**Tax charge reconciliation**			
	Accounting profit		117,002,505	146,058,407
	Tax rate		35 %	35 %
	Tax on accounting profit at applicable rate		40,950,877	51,120,442
	Tax effect of amounts/expenses that are inadmissible for tax pur		9,962,817	8,164,779
	Tax effect of amounts/expenses that are admissible for tax purpo		(6,116,023)	(7,485,949)
	Tax effect of unabsorbed depreciation		-	-
	Excess provision for the year		-	-
	Tax effect of timing differences		(3,786,237)	(2,746,610)
			41,011,434	49,052,662

		Note	2010 Rupees	2009 Rupees
36	**EARNINGS PER SHARE - BASIC AND DILUTED**			
	Net profit after tax		75,991,071	97,005,745
	Number of ordinary shares outstanding during the year		9,000,000	9,000,000
	Earnings per share-basic and diluted		8.44	10.78

37 CASH FLOW STATEMENT

The following non-cash flow adjustments have been made to the pre-tax result for the year to arrive at operating cash flow:

Adjustment:	2010 Rupees	2009 Rupees
Depreciation	8,069,367	6,500,244
(Profit)/loss on sale of property, plant and equipment	(173,136)	(377,431)
Interest on Term Deposit Receipts	(127,074)	(103,623)
Financial charges on bank borrowings	6,995,101	18,897,721
Other accrued charges	203,098	803,771
Charge based on actuarial valuation of employees' gratuity fund	907,783	237,422
Share in profit of associated Company	(598,870)	(1,102,062)
Workers' Profit Participation Fund (WPPF)	6,263,987	7,786,828
Workers' Welfare Fund (WWF)	2,612,109	2,993,391
Provision for accumulated compensated absences	686,765	398,365
Provision write back	(1,757,726)	-
Provision for doubtful debts net	10,234,095	6,955,960
	33,315,498	**42,990,585**

38 CONTINGENCIES AND COMMITMENTS

38.1 Contingencies

38.1.1 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 (2009 : 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.

38.1.2 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. 642 million (2009 : Rs. 589 million) on account of vend fee and permit fee based on the guarantees issued against methanol imported and released up to 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.

38.1.3 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.

		2010 Rupees	2009 Rupees
38.2	**Commitments in respect of:**		
	Letters of credit for purchase of stocks	43,614,800	20,450,219
38.2.1	Post dated cheques issued in favor of Collector of Customs against custom duties and other levies on Methanol kept in bonded ware house.	7,644,482	-

39 FINANCIAL RISK MANAGEMENT

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks. The Company's risk management is coordinated in close co-operation with the board of directors by minimizing the exposure to financial markets.

The most significant financial risks to which the Company's is exposed to are described below. See also note 39.2 for a summary of Company's financial assets and liabilities by category:

39.1 Financial risk factors

(a) Foreign currency sensitivity

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into foreign currencies. The Company is not exposed to foreign currency risk.

(b) Interest rate sensitivity

Interest rate risk mainly arises through interest bearing liabilities and assets. At 30 June, 2010 the Company is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates - see note 25 for further information.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +3.43% and -2.7% (2009: +10.26% and -19.03%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's financial instruments held at each balance sheet date. All other variables are held constant.

	2010		2009	
	Rupees		Rupees	
	3.43%	-2.7%	+10.26%	-19.30%
Net Result for the year	22,716	(17,668)	6,210,749	(11,521,895)

(c) Credit risk analysis

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transaction. Out of the total financial assets of Rs. 268,894,527 (2009: Rs. 305,515,144), the financial assets that are subject to credit risk amounted to Rs. 268,865,278 (2009: Rs. 305,451,271).

The maximum exposure to credit risk as at June 30, 2010, along with comparative is tabulated below:

	2010 Rupees	2009 Rupees
Financial Assets		
Trade debts	241,500,249	283,804,965
Trade deposits and prepayments	40,070	40,070
Other receivables	310,300	370,300
Profit receivable from banks	88,113	64,566
Short-term-investment	2,582,666	2,582,666
Cash and bank balances	24,344,479	18,588,704
	268,865,878	**305,451,271**

The bank balances along with credit ratings are tabulated below:

		Rating	2010 Rupees
National Bank of Pakistan	JCR-VIS	A-1+	1,476,709
Askari Bank Limited	PACRA	A1+	5,256
Bank-Al Falah Limited	PACRA	A1+	16,741,997
MCB Bank Limited	PACRA	A1+	6,289,270
Bank-Al Habib Limited	PACRA	A1+	2,410,343
Habib Bank Limited	JCR-VIS	A-1+	3,570
			26,927,145

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligation to the Company.

For trade receivables, internal risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are fixed based on internal or external ratings in accordance with limits set by the management. The utilization of credit limits is regularly monitored. Accordingly the credit risk is minimal and the Company also believes that it is not exposed to major concentration of credit risk.

The ageing of trade debts at June 30, 2010 is as follows:

	2010	2009
Neither past due nor provided for	119,884,579	137,369,171
Past due but not provided for:		
- within 90 days	22,183,543	65,774,180
- within 91 to 180 days	21,920,404	29,564,385
- over 180 days	77,511,724	51,097,229
Considered Good	241,500,249	283,804,965
Past dues provided for	43,614,759	35,138,390
Total	285,115,008	318,943,355

(d) Liquidity risk analysis

The Company manages its liquidity needs by monitoring cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and on the basis of a rolling 90-days projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified in 90 days projection.

The Company maintains cash to meet its liquidity requirements for up to 20-days periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities, dividend payout policy and additional equity injection by the sponsor Company.

As at June 30, 2010, the Company's liabilities have contractual/probable maturities which are summarized below:

	Current	
June 30, 2010	**Within 6 months**	**6 to 12 months**
Trade and other payables	78,783,228	
Accrued mark up	615,560	
Due to associated Companies	56,811	
Short term borrowing	-	661,942
	79,455,599	661,942

These liabilities are compared to the maturity of the Company's financial liabilities in the previous year as follow:

	Current	
June 30, 2009	**Within 6 months**	**6 to 12 months**
Trade and other payables	71,340,377	
Due to associated companies	23,333	
Accrued mark up	3,160,446	
Short term borrowing		60,536,669
	74,524,156	60,536,669

(e) Fair value estimation

The carrying value of financial assets and liabilities approximates their fair value.

39.2 Summary of financial assets and liabilities by category

The carrying amounts of financial assets and liabilities as recognized at the balance sheet date of the reporting periods under review may also be categorized as follows.

	2010 Rupees	2009 Rupees
Financial Assets		
Loans and receivables at amortized cost:		
Current assets:		
Trade debts	241,500,249	283,804,965
Trade deposits and prepayments	40,070	40,070
Other receivables	310,300	370,300
Profit receivable from banks	88,113	64,566
Cash and cash at bank	24,373,129	18,652,577
Investments held to maturity		
Current Assets:		
Short Term Investments	2,582,666	2,582,666
	268,894,528	305,515,144
Financial Liabilities		
Financial liabilities at amortized cost:		
Current liabilities:		
Trade and other payables	49,660,963	40,614,871
Accrued mark-up	615,560	3,160,446
Short term borrowings - secured	661,942	60,536,669
	50,938,465	104,311,986

40 CAPITAL RISK MANAGEMENT

Company is not subject to any externally imposed capital requirements.

Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity plus reserve and debts less cash and cash equivalents as presented on the face of the balance sheet. Capital for the reporting periods under review is summarized as follows:

	2010 Rupees	2009 Rupees
Total equity	382,117,023	351,125,952
Cash and bank	(24,373,129)	(18,652,577)
Capital	**357,743,894**	**332,473,375**
Total equity	382,117,023	351,125,952
Borrowing	-	-
Overall financing	**382,117,023**	**351,125,952**
Capital-to-overall financing ratio	**1:1.07**	**1:1.06**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

41 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

41.1 No fee or remuneration was paid by the Company to Chief Executive and Directors except for the lump sum amount of Rs. 900,000/- (2009: Rs. 900,000/-) charged by Wah Nobel (Private) Limited, as management fee as disclosed in note 30.

41.2 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.

42 CAPACITY AND PRODUCTION

	Designed annual capacity		Actual production	
	2010	2009	2010	2009
	Metric Tones			
Formaldehyde and Formalin Solvent	30,000	30,000	24,781	21,646
Urea / Phenol Formaldehyde	19,000	19,000	24,288	23,435

43 TRANSACTION 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

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

	2010 Rupees	2009 Rupees
Expenses incurred (on behalf of) / by the group companies net	(1,750,376)	(2,461,473)
Vehicles lease rentals paid by the holding Company	883,854	1,116,903
Management services by holding Company	900,000	900,000
Purchases from Associate Company	72,060	40,379
Dividend paid to the holding Company	24,852,000	24,852,000

Other related parties

Payment to:

Employees' Gratuity Fund Trust	-	-
Employees' Pension Fund Trust	963,492	991,336
Employees' Provident Fund Trust	999,517	857,172
Worker Profit Participation Fund	7,989,926	8,704,120

44 NUMBER OF EMPLOYEES

Total number of permanent employees as at June 30, 2010 is 111 (2009 : 115)

45 NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of directors at the meeting held on October 04, 2010 have proposed for the year ended June 30, 2010 cash dividend of Rs. 5.00 per share (2009: Rs. 5.00 per share), amounting to Rs. 45 million subject to approval of members at the annual general meeting.

46 DATE OF AUTHORIZATION

These financial statements were authorized for issue on October 04, 2010 by the Board of Directors of the Company.

47 CORRESPONDING FIGURES

Following reclassifications have been made in for better presentation.:

- Trade creditors and Advances from suppliers in the corresponding figures, i.e. 2008-09, appearing as "Other Liabilities" have been reclasified to "Trade creditors" and "Advances" respectively as follow:

	From	To
Other Payables	5,232,737	2,733,346
Trade Payables	24,327,536	28,747,012
Advances	5,659,748	7,579,833

48 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 ____

being a Member/Members of The Wah Nobel Chemicals Limited

hereby appoint ____

of____

who is also a Member of the Company as my/our proxy to vote for me/us and on my/our behalf at 27th Annual General Meeting of the Company to be held on Thursday, the October 28, 2010 and at any adjournment thereof.

Signed by the said ____

this ________________ day of_______________ 2010 in my presence.

Signature on Revenue Stamp of Rs. 5/-

__________________ __________________

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.