

# Report & Unaudited Accounts

**FOR THE HALF YEAR**  
**Ended December 31, 2004**



**WAH  
NOBEL  
CHEMICALS  
LTD.**



## **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.

## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

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

### **AUDIT COMMITTEE**

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

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

Mr. Amanullah Khan, FCA

### **AUDITORS**

Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants

### **LEGAL ADVISORS**

The Law Firm of Basit Musheer

### **BANKERS**

Muslim Commercial Bank Ltd.  
Askari Commercial Bank Ltd.

### **REGISTERED OFFICE**

**G.T. ROAD, WAH CANTT.**

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

**CABLE** : DYNAMITE WAH CANTT.

**FAX** : (0596) 545241  
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**E-MAIL** : wahnobel@comsats.net.pk  
wahnobel@micro.net.pk

**WEBSITE** : www.wahnobel.com

**FACTORY** : WAH CANTT.

**WAH NOBEL CHEMICALS LIMITED**

**DIRECTORS' REPORT TO THE SHAREHOLDERS**

The Directors are pleased to present their report and the un-audited accounts of your Company for the half year ended 31<sup>st</sup> December, 2004.

The continued rise in the prices of Methanol and Urea, the two basic raw materials, without a proportionate increase in the sale prices of our products is putting strain on the profit margins which the Company is trying to offset by increased turnover. The Company is also augmenting its profitability by enhanced trading activities.

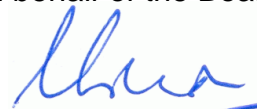
The Company has earned a pre-tax profit of Rs.25.621 million during the six months ended 31<sup>st</sup> December, 2004 as against profit of Rs.21.860 million earned in the corresponding period of the previous year.

By the grace of Almighty Allah, the new formaldehyde plant of the Company which successfully started commercial production since 1<sup>st</sup> July, 2004 is running efficiently.

The management of the Company looks forward to the future with confidence and envisages sustained performance in the next six months of the financial year.

The Directors wish to express their appreciation of the team of dedicated officers and staff/workers who continue to make concerted efforts for the growth of the Company.

On behalf of the Board



**SYED KAUKAB MOHYUDDIN  
CHIEF EXECUTIVE**

WAH CANTT.  
Dated : 26.02.2005.

## REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of **Wah Nobel Chemicals Limited** as at **December 31, 2004**, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements"), for the half-year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The financial statements of the Company for the half year ended December 31, 2003 and year ended June 30, 2004 were reviewed and audited, respecting, by another firm of chartered accountants whose reports dated January 12, 2004 and September 07, 2004 expressed unqualified opinions on those financial statements

ISLAMABAD: 26 FEB 2005

*Ford Rhodes Sidat Hyder & Co.*  
CHARTERED ACCOUNTANTS

*FRS11260.*

**WAH NOBEL CHEMICALS LIMITED**  
**BALANCE SHEET (UN-AUDITED)**  
**AS AT DECEMBER 31, 2004**

	Note	Rupees in '000's	
		December 31, 2004	June 30, 2004
<b>ASSETS</b>			
<b>Fixed assets - tangible</b>			
Operating Assets - at book value	4	131,472	25,286
Capital work in progress - at cost		-	109,527
<b>Long term investment</b>		25,000	25,000
<b>Current assets</b>			
Stores, spares and loose tools		17,960	15,217
Stock in trade		34,986	38,899
Trade debtors - unsecured		166,452	127,233
Advances, deposits, prepayments and other receivables		55,125	38,909
Advance tax - net of provision		16,850	8,369
Cash and bank balances		12,786	22,335
		<u>304,159</u>	<u>250,962</u>
		<u>460,631</u>	<u>410,775</u>
<b>CAPITAL AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorised capital:			
20,000,000 ordinary shares of Rs.10/- each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid up capital:			
7,500,000 [June 2004, 7,500,000] ordinary shares of Rs.10/- each, fully paid up in cash		75,000	75,000
Capital reserve		944	944
General reserve		100,000	100,000
Unappropriated profit		17,032	1,011
		192,976	176,955
<b>Long term loan - secured</b>		46,875	56,250
<b>Deferred liability - taxation</b>		14,889	5,289
<b>Current liabilities</b>			
Short term borrowing - secured		82,949	57,586
Current maturity of long term loan		18,750	18,750
Creditors, accrued and other liabilities		104,192	69,695
Dividend payable		-	26,250
		205,891	172,281
<b>Contingencies and Commitments</b>	5	<u>460,631</u>	<u>410,775</u>

AUDITORS' REVIEW REPORT ANNEXED

The annexed notes form an integral part of these financial statements.

*Azhar Nawaz Khan*

**AZHAR NAWAZ KHAN**  
DIRECTOR

*FC/2004*

*Syed Kaukab Mohyuddin*

**SYED KAUKAB MOHYUDDIN**  
CHIEF EXECUTIVE

**WAH NOBEL CHEMICALS LIMITED**  
**PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2004**

Rupees in '000's

	Quarter ended December 31, 2004	Half year ended December 31, 2004	Quarter ended December 31, 2003	Half year ended December 31, 2003
Gross sales	121,330	218,121	66,117	129,081
Sales tax	15,679	28,307	9,991	19,509
Net sales	105,651	189,814	56,126	109,572
Cost of sales	84,550	154,260	36,728	79,396
Gross profit	21,101	35,554	19,398	30,176
Trading income	3,011	4,363	-	315
	24,112	39,917	19,398	30,491
<b>Operating expenses</b>				
Administrative and general expenses	4,463	5,839	1,106	2,094
Selling and distribution expenses	987	2,929	2,984	5,856
	5,450	8,768	4,090	7,950
Operating profit	18,662	31,149	15,308	22,541
Other income	65	99	444	1,460
	18,727	31,248	15,752	24,001
<b>Financial and other charges:</b>				
Financial charges	2,357	4,143	256	521
Workers' profit participation fund	948	1,484	775	1,174
Workers welfare fund	(204)	-	294	446
	3,101	5,627	1,325	2,141
Net profit before taxation	15,626	25,621	14,427	21,860
Provision for taxation	6,100	9,600	5,050	7,650
Net profit after taxation	9,526	16,021	9,377	14,210
Unappropriated profit brought forward	7,506	1,011	5,289	456
Unappropriated profit carried to balance sheet	17,032	17,032	14,666	14,666
Earnings per share - basic and diluted:	1.27	2.14	1.25	1.89

The annexed notes form an integral part of these financial statements.

*Azhar Nawaz Khan*  
**AZHAR NAWAZ KHAN**  
**DIRECTOR**

*Syed Kaukab Mohyuddin*  
**SYED KAUKAB MOHYUDDIN**  
**CHIEF EXECUTIVE**

WAH CANTT DATED 26.02.2005.

**WAH NOBEL CHEMICALS LIMITED**  
**CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2004**

	Rupees in '000's	
	December 31, 2004	December 31, 2003
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before taxation	25,621	21,860
Items not involving movement of cash:		
Financial & Other Charges	5,627	-
Depreciation	3,343	1,375
Provision against doubtful debts	2,496	-
Interest on TDRs	(99)	-
	<u>11,367</u>	<u>1,375</u>
	<u>36,988</u>	<u>23,235</u>
Operating profit before working capital changes		
Working capital changes:		
(Increase) in stores, spares and loose tools	(2,743)	662
Decrease in stock in trade	3,913	12,565
(Increase) in trade debts	(41,715)	(16,832)
(Increase) in advances, deposits, prepayments and other receivables	(16,177)	17,044
(Decrease) / Increase in creditors, accrued and other liabilities	25,910	(498)
	<u>(30,812)</u>	<u>12,941</u>
Cash generated from operations	6,176	36,176
Income tax paid	(8,481)	(7,478)
Dividend paid	(12,583)	(6,336)
Financial & other charges paid	(10,707)	-
Interest received	60	-
Net cash (outflow) / inflow from operating activities	<u>(25,535)</u>	<u>22,362</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(3)	(15,706)
Net cash used in investing activities	<u>(3)</u>	<u>(15,706)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term loan	(9,375)	35,000
Short term borrowing	25,363	(13,840)
Short term deposit	-	15,000
Net cash flows from financing activities	<u>15,988</u>	<u>36,160</u>
Net (decrease) / increase in cash and cash equivalents	<u>(9,549)</u>	<u>42,816</u>
Cash and cash equivalents at beginning of the period	<u>22,335</u>	<u>14,249</u>
Cash and cash equivalents at end of the period	<u><u>12,786</u></u>	<u><u>57,065</u></u>

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**AZHAR NAWAZ KHAN**  
**DIRECTOR**

  
**SYED KAUKAB MOHYUDDIN**  
**CHIEF EXECUTIVE**

WAH CANTT DATED 26.02.2005.

**WAH NOBEL CHEMICALS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2004**

Rupees in '000's

	Share Capital	Capital Reserve	General Reserve	Un- appropriated Profit	Total
Balance as at June 30, 2003	75,000	944	92,000	456	168,400
After tax profit for the half year ended December 31, 2003	-	-	-	14,210	14,210
Balance as at December 31, 2003	75,000	944	92,000	14,666	182,610
After tax profit for the half year ended June 30, 2004	-	-	-	20,595	20,595
Transferred to General Reserve	-	-	8,000	(8,000)	-
Dividend @ 35%	-	-	-	(26,250)	(26,250)
Balance as at June 30, 2004	75,000	944	100,000	1,011	176,955
After tax profit for the period ended December 31, 2004	-	-	-	16,021	16,021
Balance as at December 31, 2004	<u>75,000</u>	<u>944</u>	<u>100,000</u>	<u>17,032</u>	<u>192,976</u>

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**AZHAR NAWAZ KHAN**  
**DIRECTOR**

  
**SYED KAUKAB MOHYUDDIN**  
**CHIEF EXECUTIVE**

WAH CANTT DATED 26.02.2005.

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2004**

**1. THE COMPANY AND ITS OPERATIONS**

- 1.1** The Company was incorporated in Pakistan on May 31, 1983 as a public limited company. Its shares are listed on the Karachi, Lahore and Islamabad Stock Exchanges.
- 1.2** The Company is principally engaged in the manufacture of formaldehyde and formaldehyde based liquid resins for use as bonding agent in the chipboard, plywood and flush door manufacturing industries. The manufacturing facilities of the Company are situated at Wah Cantt. The Company is also engaged in erection of plants and trading activities.

**2. BASIS OF PREPARATION**

- 2.1** These financial statements are unaudited but subject to limited scope review by the external auditors as required by the Code of Corporate Governance and are being circularised in compliance with section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as applicable in Pakistan.
- 2.2** The accompanying financial statements have been prepared under the historical cost convention.

**3. ACCOUNTING POLICIES**

The accounting policies adopted in preparation of these half yearly financial statements are same as those applied in the preparation of preceding annual financial statements of the Company.

**4. OPERATING ASSETS - AT BOOK VALUE**

Following is the statement of additions to and deletions from fixed assets during the period:

		<b>December 31, 2004</b>	
		<b>Rupees '000'</b>	
		<b>Additions / transfers</b>	<b>Deletions</b>
Factory building - lease hold land	<b>4.1</b>	9,795	-
Plant and Machinery	<b>4.1</b>	99,732	-
Furniture, fixtures and fittings		3	-
		109,530	-

- 4.1** Represents transfer/capitalisation from Capital Work in Progress.

The expansion in plant and machinery resulted in increase in installed production capacity from 15,000 Metric Tons to 30,000 Metric Tons of Formaldehyde and Formaline Solvent and from 9,500 Metric Tons to 19,000 Metric Tons of Urea/Phenol Formaldehyde.

*ASST. MGR.*

The Company has a policy to depreciate the expansion in plant and machinery on written down value in proportion to utilised capacity till such time the expanded production capacity is fully utilised. During the period the newly expanded plant and machinery operated at 30% of its installed production capacity.

## 5. CONTINGENCIES AND COMMITMENTS

### 5.1 Contingencies

The contingencies reported in the preceding annual financial statements have undergone the following changes:

**5.1.1** The contingent liability of the Company on account of vend fee and permit fee has increased from Rs. 295 million to Rs. 325 million on account of further import of Methanol from July 01, 2004 to December 31, 2004.

**5.1.2** 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 removal of Methanol by submitting Bank Guarantees in lieu of payment of Excise Duty. Accordingly the Company submitted Bank Guarantees of Rs. 8,845,220 (June 30, 2004: Rs. 8,845,220) for transport of 7,200 tons of Methanol outside Sindh.

On August 12, 2004 the High Court, Sindh decided the case in favour of the Company. Excise Department, Sindh has filed a Leave to Appeal in the Supreme Court on September 7, 2004 against the said judgement.

### 5.2 Commitments for Capital Expenditure

Commitments for Capital Expenditure as at December 31, 2004 are nil [June 30, 2004:

## 6. RELATED PARTY TRANSACTIONS

The Company enters into transactions with following related parties during the normal course of business on an arms-length basis:

Wah Nobel (Private) Limited	Holding company
Wah Nobel Acetates Limited	Associate
Wah Nobel Detonators (Private) Limited (WNDL)	Associate

Aggregate of significant transactions with related parties during the period were as follows:

	<b>December 31, 2004 Rupees '000'</b>
Funds provided by the Company	32,900
Funds received by the Company	(74,729)
Expenses incurred on behalf of related parties	191
Charge of payroll of staff seconded to related parties	1,382
Expenses incurred on behalf of Company	(7,418)
Management fee charged by Holding Company	(375)
Delivery services including transportation and handling outsourced to WNDL by the Company.	25,313

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**7. CORRESPONDING FIGURES**

In order to comply with the requirements of International Accounting Standard No.34 "Interim Financial Reporting", balance sheet has been compared with the balances of last annual financial statements, whereas profit and loss account and cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.

**8. DATE OF AUTHORIZATION OF ISSUE**

These financial statements were authorized for issue on February 26, 2005 by the Board of Directors of the Company.

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**AZHAR NAWAZ KHAN**  
**DIRECTOR**



**SYED KAUKAB MOHYUDDIN**  
**CHIEF EXECUTIVE**

WAH CANTT DATED 26.02.2005.