

HALF YEARLY ACCOUNTS  
(Un-audited)



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

**WAH  
NOBEL  
CHEMICALS  
LTD**

REPORT AND UNAUDITED  
ACCOUNTS FOR THE HALF YEAR  
ENDED DECEMBER 31, 2006

**VISION STATEMENT**

The Company's vision is to be the market leader and serve the needs of customers with total dedication, cater for their current requirement and anticipate their future needs, create value for customers, stakeholders, employees and the community at large.

**CORPORATE MISSION**

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

**CORPORATE INFORMATION**

**BOARD OF DIRECTORS**

Lt. Gen. Syed Sabahat Husain, HI (M)	:	Chairman
Mr. Rolf Ekberg	:	Vice Chairman
Mr. Shabbir Ahmed	:	Director & Chief Executive
Mr. Feroze Khan Malik	:	Director
Mr. Shahid Ahmed	:	Director
Mr. Muhammad Nawaz Tishna	:	Director (N.I.T. Nominee)
Mr. Mohammad Alamgir	:	Director

**AUDIT COMMITTEE**

Mr. Shahid Ahmed	:	Chairman
Mr. Feroze Khan Malik	:	Member
Mr. Mohammad Alamgir	:	Member

<b>COMPANY SECRETARY</b>	:	Mr. Tauqir Sadiq
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<b>ACTING GENERAL MANAGER FINANCE &amp; ACCOUNTS</b>	:	Mr. Tanveer Elahi
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<b>AUDITORS</b>	:	Anjum Asim Shahid Rahman, Chartered Accountants
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<b>LEGAL ADVISORS</b>	:	The Law Firm of Basit Musheer
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<b>BANKERS</b>	:	Muslim Commercial Bank Limited Askari Commercial Bank Limited
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<b>REGISTERED OFFICE</b>	:	G.T. Road, Wah Cantt.
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<b>PHONES</b>	:	(051) 5568760, 4545243-6 (4 Lines) (051) 9314101-21 (21 Lines) Ext. 22236
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<b>CABLE</b>	:	DYNAMITE WAH CANTT.
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<b>FAX</b>	:	(051) 4545241, (051) 4535862
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<b>E.MAIL</b>	:	wahnobel@comsats.net.pk wahnobel@micro.net.pk
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<b>WEBSITE</b>	:	www.wahnobel.com
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<b>FACTORY</b>	:	Wah Cantt.
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## WAH NOBEL CHEMICALS

### WAH NOBEL CHEMICALS LIMITED

#### DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to present unaudited financial statements of your company, duly reviewed by the auditors, for the half year ended 31<sup>st</sup> December 2006.

The Company has been able to achieve net sales revenue of Rs.229.372 million during the half year under review vis-à-vis Rs.288.201 million and earned a pre-tax profit of Rs.8.263 million compared to Rs.27.572 million earned in the corresponding period of last year.

The company faced highly unfavourable market situation due to very steep rise in international price of the major raw material i.e. Methanol, during first half of the current financial year, which adversely affected the sale and profitability of all our products. Methanol prices have started showing downward trend from Feb 2007 and we are confident to increase the sale of our products as well as improve the overall profitability of the company in remaining months of the year.

The management of the Company looks forward to the future with confidence to improve the performance in the remaining period 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

WAH CANTT.

DATED: 27.02.2007.

**(SHABBIR AHMED)**  
**DIRECTOR & CHIEF EXECUTIVE**

## **REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed balance sheet of **Wah Nobel Chemicals Limited** as at **December 31, 2006** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (herein 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’s personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The investment in associated company is not accounted for on equity basis, if valued at that basis the impact on financial statements would be as mentioned in note 5 to the financial statements.

Based on our review, except for the financial effects of matter referred to in paragraph above, 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 the approved accounting standards as applicable in Pakistan.

Islamabad  
Dated: 27.02.2007

**ANJUM ASIM SHAHID RAHMAN**  
**Chartered Accountants**

**WAH NOBEL CHEMICALS LIMITED**  
**BALANCE SHEET (UN-AUDITED)**  
**AS AT DECEMBER 31, 2006**

		December 31, 2006	June 30, 2006
	Note	(Rupees in '000')	
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	4	119,185	122,532
Long Term Investment	5	25,000	25,000
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		20,557	20,194
Stock in trade		41,835	46,329
Trade debts		158,114	144,388
Advances, deposits and prepayments		4,329	7,313
Other receivables		4,654	25,475
Advance income tax - net		11,032	12,624
Cash and bank balances		3,723	8,854
		244,244	265,177
		388,429	412,709
<b>NON CURRENT LIABILITIES</b>			
Long term financing - secured		9,375	18,750
Deferred liabilities		23,330	23,330
Accumulated compensated absences		2,112	1,892
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	50,584	52,506
Accrued mark-up		3,368	3,195
Short term borrowings - secured		80,489	81,236
Current portion of long term financing - secured		18,750	18,750
		153,191	155,687
		188,008	199,659
<b>NET ASSETS</b>			
		200,421	213,050
<b>REPRESENTED BY</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital:			
20,000,000 ordinary shares of Rs.10/- each			
Issued, subscribed and paid up capital:			
9,000,000 (June 2006: 9,000,000) ordinary shares of			
Rs.10/- each, fully paid up in cash			
		90,000	90,000
Capital reserve		944	944
General reserve		98,000	98,000
Unappropriated profit		11,477	24,106
<b>Contingencies and Commitments</b>			
	7	200,421	213,050

The annexed notes from 1 to 10 form an integral part of these financial statements.

\_\_\_\_\_  
**DIRECTOR**

\_\_\_\_\_  
**CHIEF EXECUTIVE**

WAH CANTT DATED 27.02.2007.

**WAH NOBEL CHEMICALS LIMITED**  
**PROFIT AND LOSS ACCOUNT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

	Half year ended December 31, 2006	Half year ended December 31, 2005	Quarter ended December 31, 2006	Quarter ended December 31, 2005
<b>(Rupees in '000')</b>				
Gross sales	263,574	331,059	130,722	157,844
Sales tax	34,202	42,858	17,250	20,460
Net sales	229,372	288,201	113,472	137,384
Cost of sales	193,882	239,667	91,085	110,303
Gross profit	35,490	48,534	22,387	27,081
Trading income	1,174	54	11	54
	36,664	48,588	22,398	27,135
<b>Operating expenses</b>				
Administrative and general expenses	8,106	4,311	5,839	2,503
Selling and distribution expenses	11,110	10,341	4,425	5,627
	19,216	14,652	10,264	8,130
Operating profit	17,448	33,936	12,134	19,005
Other Operating income	54	2,552	3	2,520
	17,502	36,488	12,137	21,525
<b>Financial and other charges:</b>				
Financial charges	8,804	7,465	5,221	4,659
Workers' profit participation fund	435	1,451	346	843
	9,239	8,916	5,567	5,502
<b>Profit before taxation</b>	8,263	27,572	6,570	16,023
Provision for taxation	2,892	6,568	2,300	2,526
<b>Profit after taxation</b>	5,371	21,004	4,270	13,497
Earning Per Share - basic and diluted	Rs. 0.60	RS. 2.33	Rs. 0.48	RS. 1.50

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

The annexed notes from 1 to 10 form an integral part of these financial statements.

\_\_\_\_\_  
**DIRECTOR**

\_\_\_\_\_  
**CHIEF EXECUTIVE**

WAH CANTT DATED 27.02.2007.

**WAH NOBEL CHEMICALS LIMITED**  
**CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

	December 31, 2006	December 31, 2005
	(Rupees in '000')	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	8,263	27,572
Adjustment for non cash charges and other items:		
Depreciation	3,392	3,419
Gain on insurance claim of fixed assets	(2)	-
Financial and other charges	8,804	7,295
Provision against doubtful debts	3,583	-
Allocation of Workers' Profit Participation Fund (WPPF)	435	1,451
Provision for accumulated compensated absences	250	746
Dividend income from associate	-	(2,500)
Interest on TDRs	(51)	(52)
	16,411	10,359
Changes in working capital		
(Increase)/decrease in current assets:		
Stores, spares and loose tools	(363)	(237)
Stock in trade	4,493	(28,008)
Trade debts	(17,308)	(24,207)
Advances, deposits and prepayments	2,984	(1,560)
Other receivables	20,820	-
Increase/(decrease) in current liabilities:		
Trade and other payables	(18,488)	26,783
	(7,862)	(27,229)
Cash generated from operations	16,812	10,702
Taxation	(1,300)	(792)
Financial and other charges paid	(8,631)	(6,510)
WPPF paid	(1,862)	(1,500)
Compensated absences paid	(30)	-
Interest received	51	-
	(11,772)	(8,802)
Net cash generated from/(used in) operating activities	5,040	1,901
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure	(49)	(198)
Receipt on insurance claim of fixed assets	7	-
Net cash used in investing activities	(42)	(198)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long term financing - repayment	(9,375)	(9,375)
Short term borrowings	(747)	9,265
Dividends paid	(7)	(3)
Net cash (used in)/generated from financing activities	(10,129)	(113)
<b>Net increase/(decrease) in cash and cash equivalents</b>	(5,131)	1,590
<b>Cash and cash equivalents at beginning of the period</b>	8,854	13,418
<b>Cash and cash equivalents at end of the period</b>	3,723	15,008

The annexed notes from 1 to 10 form an integral part of these financial statements.

\_\_\_\_\_  
**DIRECTOR**

\_\_\_\_\_  
**CHIEF EXECUTIVE**

**WAH NOBEL CHEMICALS LIMITED**  
**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

	Share Capital	Capital Reserve	Reserve for issue of bonus shares	General Reserve	Un-appropriated Profit	Total
	(Rupees in '000')					
Balance as at June 30, 2005	75,000	944	-	100,000	24,853	200,797
Final dividend @ Rs. 1.50 per share	-	-	-	-	(11,250)	(11,250)
Reserve for issue of bonus shares	-	-	15,000	(2,000)	(13,000)	-
Profit for the period ended December 31, 2005	-	-	-	-	21,004	21,004
Balance as at December 31, 2005	<u>75,000</u>	<u>944</u>	<u>15,000</u>	<u>98,000</u>	<u>21,607</u>	<u>210,551</u>
Balance as at June 30, 2006	90,000	944	-	98,000	24,106	213,050
Final dividend @ Rs. 2 per share	-	-	-	-	(18,000)	(18,000)
Profit for the period ended December 31, 2006	-	-	-	-	5,371	5,371
Balance as at December 31, 2006	<u>90,000</u>	<u>944</u>	<u>-</u>	<u>98,000</u>	<u>11,477</u>	<u>200,421</u>

The annexed notes from 1 to 10 form an integral part of these financial statements.

\_\_\_\_\_  
**DIRECTOR**

\_\_\_\_\_  
**CHIEF EXECUTIVE**

WAH CANTT DATED 27.02.2007.

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

**1. STATUS AND NATURE OF BUSINESS**

- 1.1** 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.
- 1.2** 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. BASIS OF PREPARATION**

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 circulated to the shareholders in compliance with section 245 of the Companies Ordinance, 1984. These financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting", as applicable in Pakistan.

**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. PROPERTY, PLANT AND EQUIPMENT - AT BOOK VALUE**

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

	<b>Additions</b>	<b>Deletions</b>
	<b>Rupees in '000'</b>	
Tools and workshop equipment	10	-
Office equipment	14	-
Computer installations	25	7
	<u>49</u>	<u>7</u>

- 5.** The investments in associates are valued at cost according to the accounting policy adopted by the company. Recently SECP through letter dated January 11, 2007 has inquired why company has not valued investments in associates at equity method. The company is in the process of responding to the letter however if the company accounts for investments in associates at equity method the unappropriated profits as at June 30, 2006 would increase by an amount of Rs. 4.5 million while profits for the six months period ended December 31, 2006 would reduce by Rs. 1.5 million consequently carrying amount of investment as at December 31, 2006 would increase by Rs. 3 million.

**6. TRADE AND OTHER PAYABLES**

This includes amounting to Rs.18 million dividend payable, @ Rs. 2 (2005: Rs. 1.5) per share for the year ended June 30, 2006 approved by the members in annual general meeting held on December 27, 2006.

**WAH NOBEL CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2006**

**7. CONTINGENCIES AND COMMITMENTS**

**7.1 Contingencies**

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

- 7.1.1** The contingent liability of the Company on account of vend fee and permit fee has increased from Rs. 430 million to Rs. 462 million on account of further import of Methanol from July 01, 2006 to December 31, 2006.

**7.2 Commitments in respect of:**

- 7.2.1** Letters of credit for purchase of stocks

- 7.2.2** Rentals payable under non-cancelable vehicle lease arrangements:

- not later than one year
- later than one year but not later than five years

	<b>December 31, 2006</b>	<b>June 30, 2006</b>
	<b>Rupees in '000'</b>	
	<u>64,021</u>	<u>61,383</u>
	<u>1,044</u>	<u>1,044</u>
	<u>1,698</u>	<u>2,220</u>
	<b>December 31, 2006</b>	<b>June 30, 2006</b>
	<b>Rupees in '000'</b>	

**8. RELATED PARTY TRANSACTIONS**

Significant transactions with related parties during the period were as follows:

Receipts of funds from the holding company	<u>-</u>	<u>67,635</u>
Repayment of funds to the holding company	<u>-</u>	<u>68,000</u>
Expenses incurred (on behalf of)/ by the group companies	<u>(363)</u>	<u>1,486</u>
Vehicles lease rentals paid by the holding company	<u>436</u>	<u>875</u>
Dividend paid to the holding company	<u>-</u>	<u>6,123</u>
Bonus Shares issued to the holding company	<u>-</u>	<u>8,284</u>

**9. CORRESPONDING FIGURES**

- 9.1** The figures of the profit and loss account for the quarters ended December 31, 2005 and December 31, 2006 have not been reviewed by the auditors of the Company as they have reviewed the commulative figures for the half years ended December 31, 2005 and December 31, 2006.

- 9.2** Figures have been rounded off to the nearest Rupees.

**10. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on February 27, 2007 by the Board of Directors of the Company.

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**DIRECTOR**

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**CHIEF EXECUTIVE**