

WAH NOBEL CHEMICALS LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30TH JUNE, 2002

1 THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan on 31st May 1983 as a Public Limited Company. Its Shares are listed on the Karachi, Lahore & Islamabad Stock Exchanges.

The Company is principally engaged in the manufacture of Formaldehyde and Formaldehyde based Liquid Resins for use as bonding agent in the Chip Board, PlyWood and Flush Door manufacturing Industries. The manufacturing facilities of the Company are situated in Wah Cantt. The Company is also engaged in the erection of Plants and trading activities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance:

These financial statements have been prepared in accordance with the Accounting Standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by the Standing Interpretation Committee of the IASC, as adopted in Pakistan and the requirements of the Companies Ordinance, 1984.

2.2 Accounting Convention :

The Accounts are prepared under the Historical Cost Convention without any adjustment for the effects of Inflation and Current Values.

2.3 Taxation :

Current Taxation is provided on the basis of Taxable Income at the applicable rates.

Deferred Taxation is provided on all major Timing Differences using the Liability Method.

2.4 Staff Gratuity:

The Company provides Gratuity to its Employees through the Fund Established under an Irrevocable Trust, which has been approved by the Commissioner of Income Tax. The difference between the Total Obligation of the Company in respect of all the eligible Employees on the last day of each Financial Year and the Value of Net Assets of the Fund on that date, determined on the basis of the Actuarial Valuation, is contributed by the Company and is recognised as an Expense for the year.

2.5 Operating Fixed Assets :

These are stated at Cost less Accumulated Depreciation except Capital Work-in-Progress which is stated at Cost. Depreciation is charged to Income at rates given in Note 10 applying the reducing balance method . 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 capitalised and Assets so replaced , if any, are retired.

Profit or Loss on Disposal of Fixed Assets is taken to Profit & Loss Account in the year of Disposal.

2.6 Long Term Investments :

These are stated at Cost less provision for any accumulated impairment losses.

2.7 Stores ,Spares & Loose Tools:

These are valued at Average Cost.

2.8 Stock in Trade:

This is valued at the Lower of Cost and Net Realizable Value. Cost is determined on moving average basis.

2.9 Revenue Recognition:

Revenue from Sales of Company's Product and Merchandise is recognised on Delivery of Goods to the Customers while Revenue from erection of Plant is recognised on Percentage of Completion Method. Revenue from Indenting is recognised when received.

2.10 Provisions:

Provisions are recognised when the Company has a present Legal or Constructive Obligation as a result of past events, when it is probable that an Out Flow of resources will be required to settle the Obligation and a reliable estimate of the amount can be made.

2.11 Financial Instruments:

Financial instruments carried in the Balance Sheet include Trade Debtors, Receivables, Advances, Deposits, Cash and Bank balances and Creditors. The particular recognition methods adopted are disclosed in the individual policy statement associated with each Financial Instrument.

	<u>2002</u> <u>RUPEES</u>	<u>2001</u> <u>RUPEES</u>
3 ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
3,000,000 (2001: 3,000,000) Ordinary Shares of Rs. 10 /- each fully paid in Cash	30,000,000	30,000,000
750,000 (2001: 750,000) Ordinary Shares of Rs. 10 /- issued as Fully Paid Bonus Shares	7,500,000	7,500,000
<u>3,750,000</u>	<u>37,500,000</u>	<u>37,500,000</u>

Wah Nobel (Private) Limited, the holding Company held 2,071,000 Ordinary Shares of Rs. 10 /- each at 30th June, 2002 (2001 : 2,071,000)

3.1 Subscription Towards Right Shares

Total Letters of Rights issued 3,750,000 shares of Rs. 10 each	37,500,000	-
Less: Subscription received to 30th June 2002	1,100,810	-
	<u>36,399,190</u>	<u>-</u>

Subsequent to 30th June 2002, the 110,081 unsubscribed shares were allotted at par to the Provident Fund of Wah Nobel Group of Companies against Cash payment.

4 CAPITAL RESERVE

This 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.

5 GENERAL RESERVE

Balance as at 1st July, 2001	82,500,000	65,000,000
Transferred during the year	5,000,000	17,500,000
	<u>87,500,000</u>	<u>82,500,000</u>

6 CREDITORS, PROVISIONS & ACCRUED CHARGES

Trade Creditors	10,929,170	9,989,972
Accrued Liabilities	6,551,056	5,377,725
Advances from Customers	545,385	890,831
	<u>18,025,611</u>	<u>16,258,528</u>

2002

2001

	<u>RUPEES</u>	<u>RUPEES</u>
7 OTHER PAYABLES		
Sales Tax Payable	1,278,818	831,638
Workers' Welfare Fund	3,615,749	2,772,140
Workers' Profit Participation Fund	2,109,024	1,912,788
Due to Wah Nobel (Pvt) Ltd.	1,903,183	1,458,576
Unclaimed Dividend	601,487	686,460
Gratuity Payable	74,859	296,736
Miscellaneous	1,461,692	1,190,234
	<u>11,044,812</u>	<u>9,148,572</u>

7.1 Workers' Profit Participation Fund

Balance as at 1st July, 2001	1,912,788	2,086,430
Interest for the period on Fund utilised by the Company	257,440	193,038
	<u>2,170,228</u>	<u>2,279,468</u>
Less: Payments during the year	2,170,228	2,279,468
	-	-
Allocation for the year	2,109,024	1,912,788
Balance as at 30th June, 2002	<u>2,109,024</u>	<u>1,912,788</u>

8 PROVISION FOR TAXATION - Net of Advance Tax

Balance as at 1st July, 2001	338,095	(1,359,107)
Income Tax Refundable	-	(489,612)
Provision for the Year	13,840,000	11,700,000
	<u>14,178,095</u>	<u>9,851,281</u>
Payments / Adjustments	12,396,545	9,513,186
	<u>1,781,550</u>	<u>338,095</u>

9 CONTINGENCIES & COMMITMENTS

9.1 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 - 1213/91 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. 9,058,521 (2001: Rs. 9,058,521) for transport of 7200 tons of Methanol outside Sindh.

In an identical petition filed by Crescent Board Ltd. the Sindh High Court has decided the case in favour of the petitioners in September 1993. The decision of the Court on the Company's writ petition is expected to be the same.

9.2 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 has filed Constitutional Petition No. D-1412 of 1996 dated 20th August, 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 favour of the Company on 12th June, 2001 by the High Court, but Sind Government has moved an appeal in the Supreme Court against the Decision of the High Court.

After appearing the appeal of Excise Department Sindh against the Company and other Formaldehyde manufacturers, the Supreme Court has recommended the case of levy of Vend Fee and Permit Fee to the High Court Sindh for adjudication on all points of law and facts. Now the Case is pending with the learned Court for regular hearing.

Had the case been decided against the Company, the liability on account of Vend Fee and Permit Fee would have been Rs. 214.000 M (2001 : 172.000 M) on account of further import of Manthol.

9.3 The Capital Commitments of the Company as at 30th June 2002 is Rs. 69.000 M (2001 : Nil) in respect of Plant Expansion.

	<u>2002</u> <u>RUPEES</u>	<u>2001</u> <u>RUPEES</u>
11 <u>LONG TERM INVESTMENT</u>		
Wah Nobel Acetate Limited - Associated Undertaking	25,000,000	25,000,000
2,500,000/- Fully Paid Ordinary Shares of Rs. 10/- each. Equity held : 13 % (2001 : 13 %) Chief Executive : Syed Kaukab Mohyuddin		
12 <u>STORES, SPARES & LOOSE TOOLS</u>		
Stores & Spares	13,255,257	9,990,828
Tools & Equipment	67,144	59,614
Laboratory Supplies	147,256	91,643
Factory Supplies	1,658,364	2,495,155
Packing Material	62,569	137,254
	<u>15,190,590</u>	<u>12,774,494</u>
13 <u>STOCK IN TRADE</u>		
Raw Materials	11,485,891	16,308,390
Work in Process	473,564	462,024
Finished Goods	2,951,297	1,787,141
Goods in Transit	3,193,020	-
Trading Division & Others	3,688	12,906
	<u>18,107,460</u>	<u>18,570,461</u>
14 <u>TRADE DEBTORS -Unsecured</u>		
Considered Good :		
Against Chemical Products	46,616,225	39,834,570
Against Other Products	11,874,013	23,928
	<u>58,490,238</u>	<u>39,858,498</u>
Less: Provision for Doubtful Debts against Chemical Products	51,200	51,200
	<u>58,439,038</u>	<u>39,807,298</u>
15 <u>ADVANCES, DEPOSITS & PREPAYMENTS</u>		
Advances to Employees for Expenses - Unsecured but considered good	450,691	308,081
Advances to Suppliers - Unsecured but considered good	761,422	2,822,133
Deposits	40,070	40,070
Prepayments	12,384	1,924,437
	<u>1,264,567</u>	<u>5,094,721</u>
16 <u>OTHER RECEIVABLES - Unsecured but considered good</u>		
Interest Receivable	509,671	1,407,650
Due from Associated Undertakings	1,140,905	2,249,070
Others	1,253,707	3,090,539
	<u>2,904,283</u>	<u>6,747,259</u>
16.1 Due from Associated Undertakings		
Wah Nobel Detonators (Pvt.) Ltd.	959,579	245,838
Wah Nobel Acetates Limited	181,326	2,003,232
	<u>1,140,905</u>	<u>2,249,070</u>
17 <u>CASH & BANK BALANCES</u>		
Cash in Hand	39,407	32,245
Cash with Banks		
On Current Accounts	21,585,365	19,130,167
On Deposit Account	12,582,666	12,582,666
On PLS. Account	35,794,363	289,290
	<u>69,962,394</u>	<u>32,002,123</u>
	<u>70,001,801</u>	<u>32,034,368</u>

	<u>2002</u>	<u>2001</u>
	<u>RUPEES</u>	<u>RUPEES</u>
18 SALES		
Gross revenue from Sale of Manufactured products	248,184,734	230,597,196
Less: Sales Tax	35,478,555	30,819,590
	<u>212,706,179</u>	<u>199,777,606</u>
Add: Sales Revenue from Other Services	3,917,926	9,572,446
	<u>216,624,105</u>	<u>209,350,052</u>
19 COST OF SALES		
Finished Goods as at 1st July, 2001	1,787,141	1,271,488
Cost of Goods Manufactured (Note 19.1)	162,085,502	159,704,875
Packing Material Consumed	199,621	234,297
	<u>164,072,264</u>	<u>161,210,660</u>
Finished Goods as at 30th June, 2002	2,951,297	1,787,141
	<u>161,120,967</u>	<u>159,423,519</u>
19.1 Cost of Goods Manufactured		
Work in Process as at 1st July, 2001	462,024	378,524
Raw Material Consumed (Note 19.2)	126,033,096	129,631,650
Salaries, Wages & Other Benefits	13,371,768	9,745,637
Stores & Spares Consumed	5,787,848	4,148,860
Fuel & Power	11,409,262	10,873,902
Rent, Rates & Taxes	264,698	259,424
Insurance	591,390	514,316
Repairs & Maintenance of Vehicles	174,502	110,766
Miscellaneous Expenses	1,302,901	977,772
Depreciation (Note 10.3)	3,161,577	3,526,048
	<u>162,559,066</u>	<u>160,166,899</u>
Work in Process as at 30th June, 2002	473,564	462,024
	<u>162,085,502</u>	<u>159,704,875</u>
19.2 Raw Material Consumed		
Stock as at 1st July, 2001	16,308,390	9,156,953
Add : Purchases	121,210,597	136,783,087
	<u>137,518,987</u>	<u>145,940,040</u>
Less : Stock as at 30th June, 2002	11,485,891	16,308,390
	<u>126,033,096</u>	<u>129,631,650</u>
20 ADMINISTRATIVE & GENERAL EXPENSES		
Salaries, Wages & Other Benefits	2,186,212	1,756,762
Management Fee	550,000	500,000
Professional Tax	20,000	100,000
Office Rent	67,404	67,404
Electricity & Water Charges	151,297	146,677
Postage, Telephone & Telex	73,116	48,903
Printing & Stationery	357,187	322,666
Travelling & Conveyance	214,635	151,964
Entertainment	226,122	168,555
Legal & Professional Charges	540,210	135,808
Fees & Subscription	557,746	30,799
Advertisement & Publicity	76,372	79,614
Vehicles Running Expenses	130,934	133,190
Repair & Maintenance	81,608	28,867
Donations	71,125	99,525
Miscellaneous Expenses	161,710	94,341
Depreciation (Note 10.3)	177,929	139,142
	<u>5,643,607</u>	<u>4,004,217</u>

	<u>2002</u> <u>RUPEES</u>	<u>2001</u> <u>RUPEES</u>
21 <u>SELLING & DISTRIBUTION EXPENSES</u>		
Salaries, Wages & Other Benefits	1,783,877	1,846,465
Postage, Telephone & Telex	190,158	210,856
Printing & Stationery	22,307	78,384
Sales Promotions	87,870	82,707
Travelling & Conveyance	169,436	150,338
Cartage & Octroi	5,127,499	4,507,108
Vehicle Running Expenses	707,053	641,684
Transit Insurance	155,871	100,609
Entertainment	11,095	12,341
Miscellaneous Expenses	5,469	14,934
	<u>8,260,635</u>	<u>7,645,426</u>
22 <u>OTHER INCOME</u>		
Sale of Scrap	283,998	432,196
Profit on Investment & Deposits	860,943	1,724,709
Miscellaneous Income	431,585	35,149
Trading Income	454,458	-
	<u>2,030,984</u>	<u>2,192,054</u>
23 <u>FINANCIAL EXPENSES</u>		
Interest on Workers' Profit Participation Fund	257,440	193,038
Mark up on Running Finance	263,210	1,419,673
Bank Guarantee Commission & Charges	674,769	559,583
	<u>1,195,419</u>	<u>2,172,294</u>
24 <u>OTHER EXPENSES</u>		
Workers' Profit Participation Fund	2,109,024	1,912,788
Workers Welfare Fund	843,609	726,000
Auditors' Remuneration	79,810	41,500
Tax & Advisory Services	174,180	195,415
	<u>3,206,623</u>	<u>2,875,703</u>
24.1 <u>Auditors' Remuneration</u>		
Audit Fee	75,000	35,000
Out of Pocket Expenses	4,810	6,500
	<u>79,810</u>	<u>41,500</u>
25 <u>EARNING PER SHARE</u>		
Profit after Taxation attributable to Ordinary Share Holders	25,662,838	36,433,222
No of Ordinary Shares Issued	3,750,000	3,750,000
	<u>6.84</u>	<u>9.72</u>
26 <u>TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS</u>		
26.1 The maximum aggregate amount Due to Wah Nobel (Pvt.) Limited, the Holding Company, at the end of any Month during the year was Rs. 2,409,515 (2001 : Rs. 1,658,576)		
The maximum aggregate amount Due from the Associated Undertakings, at the end of any Month during the year was Rs. 7,067,615 /- (2001 : Rs. 2,279,232)		
26.2 The aggregate amount charged to the Company by Wah Nobel (Pvt.) Limited, the Holding Company during the year was as follows:		
Service etc. including Facilities	663,824	1,682,123
Supply of Materials	-	2,456
	<u>663,824</u>	<u>1,684,579</u>
28 <u>PAYMENT TO DIRECTORS & OFFICERS</u>		

- 28.1** amount of Rs.550,000 charged by Wah Nobel (Pvt.) Limited, the Holding Company as Management Services (2001: Rs.500,000)
- 28.2** The maximum aggregate amount due from the Chief Executive, Directors and Executives at the end of any Month during the year was Nil. (2001:Nil)
- 28.3** The aggregate amount charged in the Accounts for the year for Remuneration, including Benefits and Perquisites, to Executives drawing above Rs. 100,000 per annum, were as follows:

Managerial Remuneration	4,293,792	4,089,171
Housing, Utilities & Other Benefits	2,164,818	2,009,280
Company's Contribution to Provident Fund	268,891	257,340
Leave Passage	145,087	107,445
	<u>6,872,588</u>	<u>6,463,236</u>

Number of Persons	<u>21</u>	<u>19</u>
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29 NUMBER OF EMPLOYEES

Number of Employees as on the Balance Sheet date were :

<u>101</u>	<u>103</u>
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30 PLANT CAPACITY & ACTUAL PRODUCTION

	Plant Capacity	Actual Production in M . Tons	
	M. Tons	2002	2001
Formaldehyde	15,000	13,960	13,151
Urea / Phenol Formaldehyde	9,500	11,495	11,337

Urea / Phenol Formaldehyde Plant was utilized in excess of Capacity which represents 1.5 shift per day.

31 DATE OF AUTHORISATION

These Financial Statements were authorised for issue on October 26, 2002 in accordance with the Resolution of the Board of Directors.

32 COMPARATIVE FIGURES

Corresponding Figures for the 2001 have been re-arranged, wherever necessary, for the purposes of comparison

DIRECTOR

CHIEF EXECUTIVE