

## TABLE OF CONTENTS

	<b>Page</b>
Company Information .....	2
Vision and Mission Statements .....	3
Notice of Meeting .....	4
<b>FINANCIAL STATEMENTS</b>	
Directors' Report .....	6
Key Operating & Financial Data .....	10
Statement of Compliance With Code of Corporate Governance .....	12
Auditors' Review Report .....	14
Auditors' Report .....	15
Balance Sheet .....	16
Profit and Loss Account .....	17
Statement of Comprehensive Income .....	18
Cash Flow Statement .....	19
Statement of Changes in Equity .....	20
Notes to the Financial Statements .....	21
Pattern of Shareholdings .....	43

## COMPANY INFORMATION

### Board of Directors :

Dr. Donald Jenkin	<i>Chairman</i>
Mr. Shabbir Abbas	<i>Chief Executive Officer</i>
Mr. Per Haga	
Mr. Altaf Nazim	
Mr. Sajid Hassan	
Mr. M. Tahsin Khan Iqbal	
Mr. Aqeel Loon	

### Audit Committee :

Mr. Altaf Nazim	<i>Chairman</i>
Dr. Donald Jenkin	<i>Member</i>
Mr. M. Tahsin Khan Iqbal	<i>Member</i>
Mr. Aqeel Loon	<i>Member</i>

### Human Resource Committee :

Dr. Donald Jenkin	<i>Chairman</i>
Mr. Shabbir Abbas	<i>Member</i>
Mr. Sajid Hassan	<i>Member</i>

### Chief Financial Officer & Company Secretary :

Mr. Muhammad Shakeel Uddin

### Head of Internal Audit :

Mr. Adnan Hussein

### Bankers :

M/s. Habib Bank Limited  
M/s. Habib Metropolitan Bank Ltd.  
M/s. NIB Bank Limited  
M/s. Standard Chartered Bank (Pakistan) Limited  
M/s. United Bank Limited  
M/s. Dubai Islamic Bank Pakistan Ltd.

### Auditors :

M/s. Ernst & Young Ford Rhodes Sidat Hyder  
*Chartered Accountants*

### Legal Advisors :

M/s. Sayeed & Sayeed, Advocates & Legal Consultants  
M/s. Zahid & Tariq Advocates

### Share Registrar :

Noble Computer Services (Pvt) Limited,  
1<sup>st</sup> Floor, House of Habib (Siddiqsons Tower)  
3-Jinnah Co-operative Housing Society,  
Block 7/8, Shahrah-e-Faisal, Karachi-75350.  
Ph: (92-21) 34325482 - 84 Fax: (92-21) 34325442

### Registered Office :

1<sup>st</sup> Floor, House of Habib (Siddiqsons Tower)  
3-Jinnah Co-operative Housing Society,  
Block 7/8, Shahrah-e-Faisal, Karachi-75350.  
Ph: (92-21) 34520132 - 35 Fax: (92-21) 34392182

### Factories :

- Hub Unit**  
A101 - A105, A132 - A136,  
Lasbella Industrial Estate Development Authority,  
Hub Chowki, Distt. Lasbella, Baluchistan.  
Ph: (92-853) 363706 - 09 Fax: (92-853) 363907
- Gadoon Unit**  
34-A, 34-B & 35, Road-3, Industrial Estate,  
Gadoon Amazai, District Swabi, Khyber Pakhtunkhwa.  
Ph: (92-938) 270150 - 52 Fax: (92-938) 270246

**VISION AND MISSION STATEMENTS***Vision*

Dynea Pakistan is Market Leader in its core and diversified business, delighting its customers by providing quality products at competitive price through development of market, product range, technology and human whilst ensuring sound return to stakeholders.

*Mission*

Maximize productivity and sales of Formaldehyde, Amino Resins and Aminoplast Moulding Compounds and provide satisfaction to customers.

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the Thirty Third Annual General Meeting of the Members of the Company will be held on Monday, October 5, 2015 at 2:00 PM at the Institute of Chartered Accountants of Pakistan (ICAP) Auditorium, Clifton, Karachi to transact the following business:

### ORDINARY BUSINESS:

1. To receive and adopt the Audited Accounts for the year ended June 30, 2015 together with the Reports of the Directors' and Auditors' thereon.
2. To approve a final cash dividend of 50% (i.e. Rs. 2.50 per share) for the year 2014-15 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2015-16 and to fix their remuneration. The present auditors M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible, offer themselves for reappointment.

By Order of the Board

**Muhammad Shakeel Uddin**  
Company Secretary

**Karachi: August 26, 2015**

### NOTES:

- (i) The Share Transfer Books of the Company will remain closed from Tuesday, September 29, 2015 to Monday, October 05, 2015 (both days inclusive) and the final dividend will be paid to the Members whose names will appear in the Register of Members on September 28, 2015. Members (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s. Noble Computer Services (private) Ltd., 1st Floor, House of Habib, 3 Jinnah C.H. Society, Shahrah-e-Faisal Karachi. All the Members holding the shares through the CDC are requested to please update their addresses and Zakat status with their Participants.
- (ii) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote for him / her. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the time of holding the meeting. A proxy must be a member of the Company.

**CDC Accounts Holders** will further have to follow the guidelines as laid down in Circular 1, dated the January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

### A. For Attending the Meeting

- i. In the case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations, shall authenticate their identity by showing their original Computerized National Identity Card ("**CNIC**") or original passport at the time of attending the meeting.
- ii. In the case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of the meeting (unless provided earlier).

### B. For Appointing Proxies

- i. In the case of individuals, the account holder or sub-account holder and /or the person whose securities are in group account and their registration details are uploaded as per the CDC Regulations shall submit the proxy form as per the above mentioned requirements.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and **CNIC** numbers shall be mentioned on the form.
- iii. Attested copies of the **CNIC** or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his/her original **CNIC** or original passport at the time of the meeting.
- v. In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless provided earlier) along with the proxy form to Company.

## NOTICE OF ANNUAL GENERAL MEETING

### **Submission of copies of CNIC and NTN Certificate (Mandatory)**

Pursuant to the directive of the Securities & Exchange Commission of Pakistan (**SECP**), Dividend Warrants shall mandatorily bear the **CNIC** numbers of Shareholders. Shareholders are therefore requested to fulfill the statutory requirements and submit a copy of their CNIC (if not already provided) to the Company's Share Registrar, M/s. Noble Computer Services (Private) Limited without any delay.

In case of non-availability of a valid copy of the Shareholders' CNIC in the records of the Company, the company shall be constrained to withhold the Dividend Warrants in terms of Section 251(2)(a) of the Companies Ordinance 1984, which will be released by the Share Registrar only upon submission of a valid copy of the **CNIC** in compliance with the aforesaid SECP directives.

### **Withholding Tax on Dividend**

The Government of Pakistan through Finance Act, 2015 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

(a) For filers of income tax returns	12.5%
(b) For non-filers of income tax returns:	17.5%

Shareholders, who are filers, are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the FBR website at the time of dividend payment, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 17.5% instead of 12.5%.

### **Withholding Tax on Dividend in case of Joint Account Holders**

In order to enable the Company to follow the directives of the regulators to determine shareholding ratio of the Joint Account Holder(s) (where shareholding has not been determined by the Principal Shareholder) for the deduction of withholding tax on dividends of the Company, Shareholders are requested to please furnish the shareholding ratio details of themselves as Principal Shareholder and their Joint Holders, to the Company's Share Registrar, in writing as per format given below enabling the Company to compute withholding tax of each Shareholder accordingly.

Company Name	Folio / CDS Account No.	Total Shares	Principal Shareholder		Joint Shareholder(s)	
			Name & CNIC No.	Shareholding proportion (No. of Shares)	Name & CNIC No.	Shareholding proportion (No. of Shares)

The required information must reach our Share Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by Principal Shareholder and Joint Holder(s).

### **Payment of Cash Dividend Electronically (Optional)**

The SECP has initiated e-dividend mechanism through its Notification 8(4) SM/CDC/2008 dated April 5, 2013. In order to avail benefits of e-dividend mechanism Shareholders are hereby advised to provide details of their bank mandate specifying: (i) title of account, (ii) account number, (iii) bank name, (iv) branch name, code and address to Company's Share Registrar M/s. Noble Computer Services (Private) Limited. Shareholders who hold shares with Participants / Central Depository Company of Pakistan (CDC) are advised to provide the mandate to the concerned Broker / CDC.

### **Distribution of Annual Report through Email**

We are pleased to inform Shareholders that the Securities and Exchange Commission of Pakistan has under and pursuant to SRO No. 787(1)/2014 dated 8 September 2014, permitted companies to circulate their annual balance sheet and profit and loss accounts, auditors' report and directors' report etc. ("Annual Report") along with the notice of annual general meeting ("Notice"), to its shareholders by email. Shareholders of the Company who wish to receive the Company's Annual Report and Notice of annual general meeting by email are requested to provide the completed Electronic Communication Consent Form already dispatched, to the Company's Share Registrar, M/s Noble Computer Services (Private) Limited.

## DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting the Annual Report together with the Company's Audited Financial Statements for the financial year ended June 30, 2015.

### Economic Environment

Pakistan's economy has maintained its steady growth rate. GDP increased slightly from 4.03% in 2013-14 to 4.24% in 2014-15. In contrast, the chemical sector experienced a decline in growth from 6.74% last financial year to 5.94% this year.

The preceding year witnessed some major successes including stable economic growth, a lower inflation rate and the launch of the China-Pakistan economic corridor. Nonetheless, there are still some factors hampering growth, such as the battle against terrorism, the energy shortage, political instability, floods and the ongoing depreciation of the Pakistan rupee.

### Company Operations

Sales revenue declined from Rs.2,703 million in 2013-14 to Rs.2,388 million in this financial year. However, the profit before tax increased slightly to Rs.156 million in 2014-15 from Rs.153 million in 2013-14. Sales revenue declined due to reductions in the cost of major raw materials which were largely passed on to customers as a consequence of intense competition in the marketplace. However, the Company was able to maintain its profitability due to production efficiencies at its new plant at Gadoon.

### Resin Division

Turnover of the Resin Division was Rs.1,101 million compared to Rs.1,368 million in the previous financial year, showing a decline of 19.5%. The segment result of the Resin Division was Rs.64.189 million compared to Rs.99.519 million for the previous financial year.

### Aminoplast Division

The Aminoplast Division generated turnover of Rs.1,286 million in 2014-15 compared to Rs.1,335 million achieved in the previous financial year, showing a decline of 3.65%. The segment result of the Aminoplast Division was Rs.223.468 million compared to Rs.156.618 million during the previous financial year.

### Financial Performance

Following are the summarized financial results of the Company for the year 2014-15:

	<b>2014-2015</b>	2013-2014
	(Rupees in thousands)	
Sales Revenue	<u>2,387,736</u>	<u>2,703,246</u>
Gross Profit	<u>352,029</u>	<u>357,982</u>
Profit Before Taxation	<u>156,199</u>	<u>152,742</u>
Profit After Taxation	<u>104,588</u>	<u>124,821</u>
Basic & Diluted Earnings per Share	<u>5.54</u>	<u>6.61</u>

### Contribution to the Exchequer

The Company's contribution to the national exchequer in the form of various taxes and levies for the year under review was Rs.565 million. (2013-2014: Rs.611 million).

### Future Outlook

Intense competition due to excess capacity, shrinking demand and increasing production cost are the main challenges faced by the industry. However, your management plans to offset some of these elements through better process planning and offering better quality product. The Company is striving to improve its customer base to ensure long term the sustainability of the Company.

## DIRECTORS' REPORT

### Health, Safety and Environment (HSE)

Your Company, being a major participant in the Pakistan formaldehyde, urea/melamine formaldehyde and aminoplast moulding compound industry, has continued to maintain a good performance in HSE. All safety incidents and unsafe acts are reviewed with reference to behavioural, equipment and system deficiencies and the actions required to address them are monitored at the executive level.

### Information Technology

The Company has two separate production facilities at Hub (Baluchistan) and Gadoon (Khyber Pakhtunkhwa) respectively. The IT department has empowered the teams at the two sites to integrate and monitor the Company's activities through the introduction and implementation of an ERP system.

### Corporate Social Responsibility

The Company not only fosters a culture of mutual respect among all its employees but it also encourages people to share their input towards improving the quality of the work environment.

The Company runs a well maintained primary school at Jenson Village in Hub, Baluchistan. This school was established primarily for the children of the Company's employees but children of the locality are also permitted to study at the school. Presently there are 114 students of whom 80 come from the local community. The Company donates generously towards corporate social responsibilities. Contributions to the workers' profit participation fund and the workers' welfare fund are up-to-date.

### Code of Corporate Governance

The management of the Company is committed to good corporate governance. As required under the Code of Corporate Governance, the Directors are pleased to state as follows:

- 1) The financial statements prepared by the management of the Company present fairly the Company's state of affairs, the result of its operations, cash flow and changes in equity.
- 2) Proper books of account of the Company have been maintained.
- 3) Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.
- 4) International Financial Reporting Standards have been used as the basis for the preparation of the financial statements and any departure therefrom has been adequately disclosed and explained.
- 5) The system of internal control is sound in design and has been effectively implemented and monitored.
- 6) There are no significant doubts upon the Company's ability to continue as a going concern unless there is an adverse decision in the Vend and Permit Fee case currently before the Supreme Court of Pakistan. Information about the case is presented elsewhere in this report.
- 7) There has been no material departure from the best practices of corporate governance as detailed in the listing regulations. A Code of Conduct has been prepared and passed to every director and employee.
- 8) The Board of Directors has adopted Vision and Mission Statements.
- 9) Information about taxes and levies is given in the notes to the accounts.
- 10) The value of the investments in the Company's provident fund scheme, based on un-audited accounts for the year ended June 30, 2015, stands at Rs.80.311 million.
- 11) Statements are annexed in respect of the following:
  - Key financial data for the last six years.
  - Pattern of shareholding.

## DIRECTORS' REPORT

12) During the year under review:

- i) The Board of Directors convened 5 times and attendance of the respective directors was as under:

Sr.#	Names of Directors	Meeting Attended
1	Dr. Donald Jenkin (Chairman)	5/5
2	Mr. Shabbir Abbas	5/5
3	Mr. Sajid Hassan	4/5
4	Mr. Tahsin Khan Iqbal	5/5
5	Mr. Altaf Nazim	4/5
6	Mr. Per Haga	4/5 (all by alternate director)
7	Mr. Aqeel Loon	4/5

Dr. Donald Jenkin, Mr. Shabbir Abbas, Mr. Sajid Hassan, Mr. Tahsin Khan Iqbal and Mr. Aqeel Loon are certified directors. Mr. Per Haga is exempt from the requirement of Directors' training programme.

- ii) The Audit Committee convened 4 times and attendance of the respective directors was as under:

Sr.#	Names of Directors	Meeting Attended
1	Mr. Altaf Nazim (Chairman)	3/4
2	Dr. Donald Jenkin	4/4
3	Mr. Tahsin Khan Iqbal	4/4
4	Mr. Aqeel Loon	3/3*

\*Mr. Aqeel Loon was appointed after the first meeting.

- iii) The Human Resources Committee convened 2 times and attendance of the respective directors was as under:

Sr.#	Names of Directors	Meeting Attended
1	Dr. Donald Jenkin (Chairman)	2/2
2	Mr. Shabbir Abbas	2/2
3	Mr. Sajid Hassan	2/2

### Vend Fee and Permit Fee Case

Regarding the Vend and Permit Fee case, the Sindh High Court has already pronounced very strong and favourable decisions in support of the Company. Presently the case is pending before the Honourable Supreme Court of Pakistan. In view of the legal merits of the case and the previous two favourable decisions of the Sindh High Court, the management expects the Supreme Court to confirm the previous decisions, thereby not affecting the Company's ability to continue as a going concern.

### Dividend and Appropriations

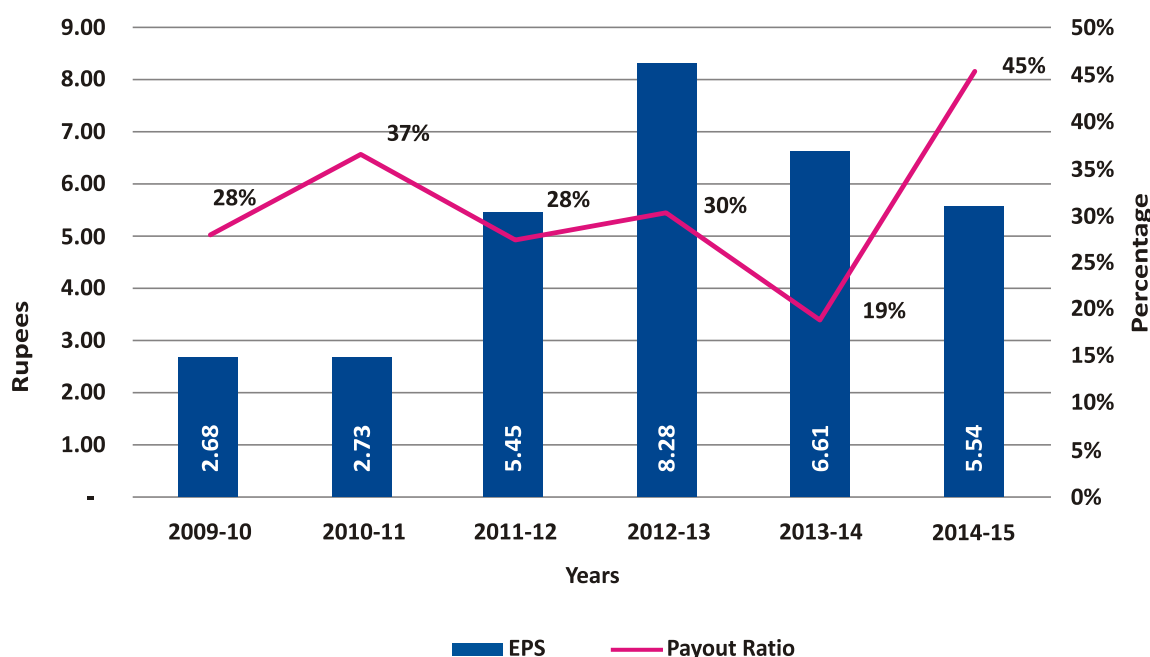
The Directors propose following appropriation out of the profit for the current year.

- Final cash dividend of Rs.2.5 per share i.e. 50%.
- Recommends an appropriation of Rs.190 million from un-appropriated profits to General Reserve.



**DIRECTORS' REPORT**

**EPS & DIVIDEND PAYOUT**



**Appointment of Auditors**

The retiring auditors, M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible, offer themselves for re-appointment for the ensuing year. They have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan.

**Acknowledgement**

The directors wish to acknowledge and extend their appreciation to the Company's employees for their dedication and effort in achieving a satisfactory result for the year. The support and cooperation received from the financial institutions, customers and other stakeholders associated with the Company are also gratefully acknowledge.

On behalf of the Board of Directors

SHABBIR ABBAS  
Chief Executive

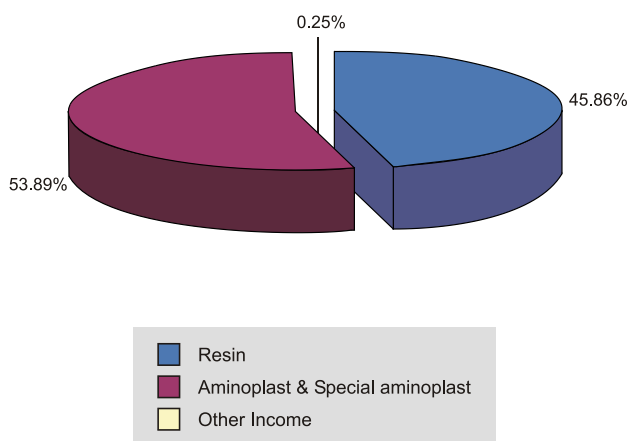
DONALD JENKIN  
Chairman

Karachi : August 26, 2015

## KEY OPERATING AND FINANCIAL DATA

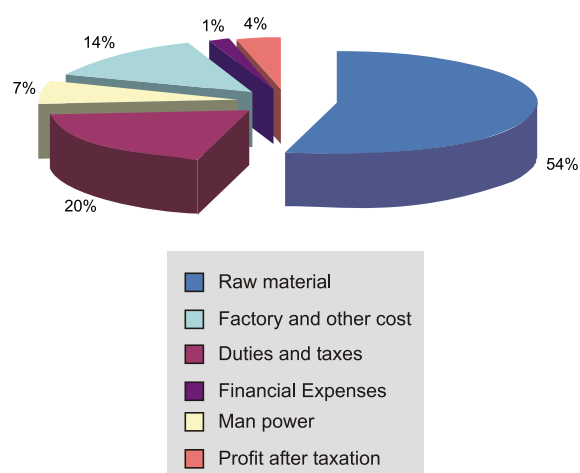
	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
	----- Rupees in thousands -----					
<b><u>FINANCIAL POSITION:</u></b>						
SHAREHOLDERS EQUITY	<b>837,138</b>	756,140	678,500	550,483	466,448	429,043
TOTAL ASSETS	<b>1,294,972</b>	1,411,894	980,464	930,695	854,305	651,076
<b><u>OPERATING RESULTS:</u></b>						
TURNOVER	<b>2,387,736</b>	2,703,246	2,390,922	2,151,496	1,727,550	1,355,658
PROFIT / (LOSS) BEFORE TAXATION	<b>156,199</b>	152,742	242,168	161,872	77,699	77,392
TAXATION	<b>(51,610)</b>	(27,921)	(85,843)	(58,965)	(26,140)	(26,836)
PROFIT / (LOSS) AFTER TAXATION	<b>104,588</b>	124,821	156,326	102,908	51,559	50,556
EARNING / (LOSS) PER SHARE Rs.	<b>5.54</b>	6.61	8.28	5.45	2.73	2.68
CASH DIVIDEND DECLARED %	<b>50.00</b>	25.00	50.00	30.00	20.00	15.00
	<b>(Proposed)</b>					

## Sources of Income



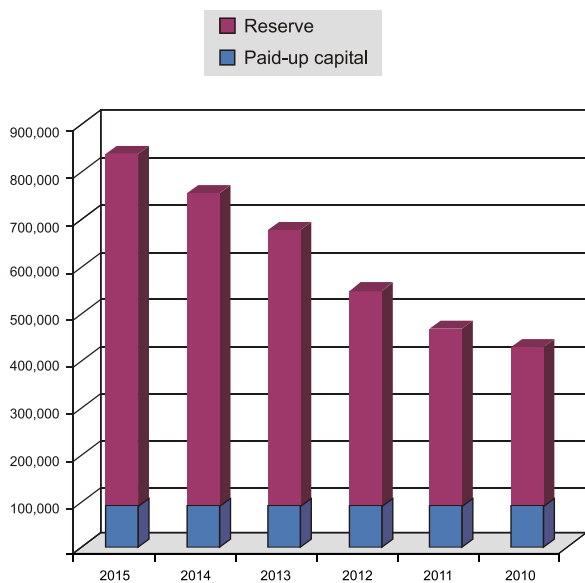
\* Includes Sales Tax on Resin Rs.189,837 million and on Aminoplast Rs. 231,011 million.

## Application of Funds

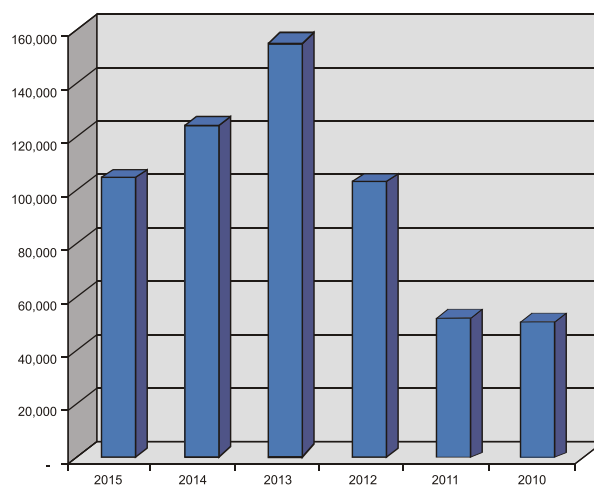


\*\* Duties and taxes, Including Sales Tax, amounting to Rs. 420,848 million

## Shareholders' Equity



## Profit after tax Rs. in '000



## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

### For the year ended June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of Chapter XI of listing regulations of Karachi and Lahore 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 CCG in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its board of directors. At present, the Board includes:

Category	Names
Non-Executive Directors	1. Dr. Donald Jenkin - Chairman 2. Mr. Per Haga - Director 3. Mr. Sajid Hassan - Director 4. Mr. Aqeel Loon - Director
Executive Director	1. Mr. Shabbir Abbas - CEO
Independent Directors	1. Mr. Altaf Nazim - Director 2. Mr. M.Tahsin Khan Iqbal - Director

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including the 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 an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, casual vacancy occurred on the Board on July 9, 2014 that was filled by the Director, namely Mr. Aqeel Loon on the same day.
5. The Company has prepared a 'Code of Conduct', and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates 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 remuneration and terms and conditions of employment of the CEO and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. 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. In accordance with the criteria specified in clause (xi) of the Code, five Directors of Company are duly certified, whereas one is exempt from the requirement of Directors' Training Program and one Director will be trained within prescribed time period during 30 June 2012 to 30 June 2016. All the Directors are fully conversant with their duties and responsibilities as Directors of Corporate bodies. The Board had arranged an orientation course of the Code of Corporate Governance for its Directors in the previous years to apprise them of their roles and responsibilities.

## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

10. No new appointment of Chief Financial Officer (CFO), Company Secretary and the Head of Internal Audit has been made during the year while a change in the remuneration was approved by the Board.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by 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 CCG.
15. The Board has formed an audit committee which comprises of four non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the CCG. The term of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and remuneration committee. It comprises of three members, of whom two are non-executive directors and the Chairman of the Committee is a non-executive director.
18. The Board has outsourced the internal audit function to Noble Computer Services (Private) Limited who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the 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 Institute of Chartered Accountants of Pakistan.
20. 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.
21. The close period, prior to the announcement of interim/final results, and business decisions which may materially affect the market price of company's securities, was determined and intimated to directors, employees and Stock Exchanges.
22. Material price sensitive information has been disseminated among all market participants at once through stock exchanges.
23. We confirm that all other material principles contained in the CCG have been complied with.



SHABBIR ABBAS  
Chief Executive



DONALD JENKIN  
Chairman



Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
eyfrsh.khi@pk.ey.com  
ey.com/pk

## Review report to the members on statement of compliance with the code of corporate governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Dynea Pakistan Limited (the Company) for the year ended **30 June 2015** to comply with the requirements of Listing Regulations No. 35 Chapter XI of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited, 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 and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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 of Directors' statement on internal controls 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors' for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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 as applicable to the Company for the year ended **30 June 2015**.

*Ernst & Young Ford Rhodes Sidat Hyder*  
Chartered Accountants  
Audit Engagement Partner: Riaz A. Rehman Chamdia  
Date: 26 August 2015  
Place: Karachi

## AUDITORS' REPORT TO THE MEMBERS


We have audited the annexed balance sheet of **Dynea Pakistan Limited (the Company)** as at **30 June 2015** and the related profit and loss account, statement of comprehensive income, 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 a 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 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 account 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 account and are further in accordance with accounting policies consistently applied except for the change as stated in note 4.1 to the accompanying financial statements, 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, statement of comprehensive income, 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 30 June 2015 and of the profit, its comprehensive income, 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.

We draw attention to note 20.1 to the financial statements which describes the uncertainty related to the outcome of law suit contingency. Our report is not qualified in respect of above matter.

  
Chartered Accountants  
Audit Engagement Partner: Riaz A. Rehman Chamdia  
Date: 26 August 2015  
Place: Karachi

## BALANCE SHEET AS AT JUNE 30, 2015

<u>ASSETS</u>	Note	30 June, 2015 ----- (Rupees) -----	30 June, 2014 -----
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	312,524,788	389,029,858
Intangible assets	7	3,506,320	-
Long-term loans	8	4,159	64,920
Long-term deposits	9	6,354,526	6,097,526
		<u>322,389,793</u>	<u>395,192,304</u>
<b>CURRENT ASSETS</b>			
Stores and spares	10	14,298,778	13,559,773
Stock-in-trade	11	373,206,577	469,840,248
Trade debts	12	315,761,625	305,165,424
Loans, advances, deposits, prepayments and other receivables	13	39,383,411	14,677,342
Taxation – net		142,960,728	121,738,148
Cash and bank balances	14	86,971,118	91,721,105
		<u>972,582,237</u>	<u>1,016,702,040</u>
<b>TOTAL ASSETS</b>		<u><u>1,294,972,030</u></u>	<u><u>1,411,894,344</u></u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital 40,000,000 (2014: 40,000,000) ordinary shares of Rs. 5/- each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid-up capital	15	94,362,065	94,362,065
Reserves		<u>742,775,934</u>	<u>661,778,058</u>
		<u>837,137,999</u>	<u>756,140,123</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	16	140,625,000	203,125,000
Deferred taxation	17	14,938,587	27,065,901
		<u>155,563,587</u>	<u>230,190,901</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	210,624,708	178,922,365
Accrued mark-up		1,045,779	6,101,989
Short-term borrowings	19	20,038,756	192,451,846
Sales tax payable		8,061,201	1,212,120
Current portion of long term financing	16	62,500,000	46,875,000
		<u>302,270,444</u>	<u>425,563,320</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	20		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,294,972,030</u></u>	<u><u>1,411,894,344</u></u>

The annexed notes from 1 to 39 form an integral part of these financial statements.



SHABBIR ABBAS  
Chief Executive



DONALD JENKIN  
Chairman



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2015**

	Note	30 June, 2015 ----- (Rupees) -----	30 June, 2014 -----
Turnover – net	21	2,387,735,723	2,703,246,183
Cost of sales	22	(2,035,706,732)	(2,345,263,688)
<b>Gross profit</b>		<b>352,028,991</b>	<b>357,982,495</b>
Distribution costs	23	(89,118,899)	(121,833,721)
Administrative expenses	24	(60,684,018)	(53,556,269)
		(149,802,917)	(175,389,990)
Other income	25	6,939,174	3,451,004
<b>Operating profit</b>		<b>209,165,248</b>	<b>186,043,509</b>
Finance costs	26	(40,565,892)	(21,981,307)
Other charges	27	(12,400,630)	(11,320,292)
		(52,966,522)	(33,301,599)
<b>Profit before taxation</b>		<b>156,198,726</b>	<b>152,741,910</b>
Taxation	28	(51,610,334)	(27,921,042)
<b>Profit after taxation</b>		<b>104,588,392</b>	<b>124,820,868</b>
<b>Basic and diluted earnings per share</b>	29	<b>5.54</b>	<b>6.61</b>

The annexed notes from 1 to 39 form an integral part of these financial statements.



SHABBIR ABBAS  
Chief Executive



DONALD JENKIN  
Chairman

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2015

	30 June, 2015 ----- (Rupees)	30 June, 2014 -----
<b>Net profit for the year</b>	<b>104,588,392</b>	124,820,868
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b><u>104,588,392</u></b>	<b><u>124,820,868</u></b>

The annexed notes from 1 to 39 form an integral part of these financial statements.



SHABBIR ABBAS  
Chief Executive



DONALD JENKIN  
Chairman

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	30 June, 2015	30 June, 2014
		----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		156,198,726	152,741,910
Adjustments for			
Depreciation and Amortisation	6.3 & 7	78,501,321	42,773,092
Provision for doubtful debts – (Reversed)	12.1	(4,966,411)	13,194,715
Finance costs	26	40,565,892	21,981,307
Gain on disposal of fixed assets	25	(288,672)	(1,635,873)
		113,812,130	76,313,241
		270,010,856	229,055,151
(Increase) / decrease in current assets			
Stores and spares		(739,005)	(4,670,472)
Stock-in-trade		96,633,671	(11,736,275)
Trade debts		(5,629,790)	(77,220,336)
Loans, advances, deposits, prepayments and other receivables		(24,706,069)	4,862,792
		65,558,807	(88,764,291)
(Decrease) / increase in current liabilities			
Trade and others payables		31,702,343	(76,697,461)
Sales tax payable		6,849,081	8,786,204
		374,121,087	72,379,603
Finance costs paid		(45,622,102)	(16,433,751)
Income tax paid		(84,960,228)	(123,988,523)
Long - term loans and deposits		(196,239)	(4,315,768)
<b>Net cash generated from / (used in) operating activities</b>		243,342,518	(72,358,439)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(5,905,249)	(263,313,903)
Proceeds from disposal of fixed assets		691,350	3,384,709
<b>Net cash used in investing activities</b>		(5,213,899)	(259,929,194)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
(Repayment) / proceeds of long-term loan		(46,875,000)	250,000,000
Lease rentals paid		-	(1,237,619)
Dividend paid		(23,590,516)	(46,774,121)
<b>Net cash (used in) / generated from financing activities</b>		(70,465,516)	201,988,260
<b>Net Increase / (decrease) in cash and cash equivalents</b>		167,663,103	(130,299,373)
<b>Cash and cash equivalents at the beginning of year</b>		(100,730,741)	29,568,632
<b>Cash and cash equivalents at the end of year</b>		66,932,362	(100,730,741)
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>			
Cash and bank balances	14	86,971,118	91,721,105
Short term borrowings	19	(20,038,756)	(192,451,846)
		66,932,362	(100,730,741)

The annexed notes from 1 to 39 form an integral part of these financial statements.



SHABBIR ABBAS  
Chief Executive



DONALD JENKIN  
Chairman

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General Reserve	Unappropriated Profit	Total	
-----Rupees-----					
<b>Balance as at June 30, 2013</b>	<b>94,362,065</b>	<b>401,000,000</b>	<b>183,138,223</b>	<b>584,138,223</b>	<b>678,500,288</b>
Final dividend for the year ended June 30, 2013 @ Rs.2.5 per share	-	-	(47,181,033)	(47,181,033)	(47,181,033)
Net profit for the year – 2014	-	-	124,820,868	124,820,868	124,820,868
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	124,820,868	124,820,868	124,820,868
<b>Balance as at June 30, 2014</b>	<b>94,362,065</b>	<b>401,000,000</b>	<b>260,778,058</b>	<b>661,778,058</b>	<b>756,140,123</b>
Final dividend for the year ended June 30, 2014 @ Rs.1.25 per share	-	-	(23,590,516)	(23,590,516)	(23,590,516)
Net profit for the year – 2015	-	-	104,588,392	104,588,392	104,588,392
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	104,588,392	104,588,392	104,588,392
Transferred to general reserve	-	100,000,000	(100,000,000)	-	-
<b>Balance as at June 30, 2015</b>	<b>94,362,065</b>	<b>501,000,000</b>	<b>241,775,934</b>	<b>742,775,934</b>	<b>837,137,999</b>

The annexed notes from 1 to 39 form an integral part of these financial statements.



SHABBIR ABBAS  
Chief Executive



DONALD JENKIN  
Chairman

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 1. THE COMPANY AND ITS OPERATIONS

Dynea Pakistan Limited (the Company) was incorporated on June 20, 1982, in Pakistan as a public limited company under the Companies Act, 1913 (now the Companies Ordinance, 1984) and is listed on the Karachi and Lahore stock exchanges in Pakistan. It is engaged in the manufacture and sale of formaldehyde, urea/melamine formaldehyde and aminoplast compound. The registered office of the Company is situated at 1st Floor, House of Habib (Siddiqsons Tower), 3-Jinnah Co-operative Housing Society, Block-7/8, Shahrah-e-Faisal, Karachi, Pakistan.

### 2. STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with 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 (IASB) and Islamic Financing Auditing Standard issued by Institute of Chartered Accountant of Pakistan (ICAP) as are as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

#### 2.2 **Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

<b>Standard or Interpretation</b>	<b>Effective date (annual periods Beginning on or after)</b>
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortisation	01 January 2016
IAS 19 - Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions	01 July 2015
IAS 32 – Financial Instruments : Presentation – (Amendment) -Offsetting Financial Assets and Financial Liabilities	01 July 2015
IAS 36 – Impairment of Assets – (Amendment) -Recoverable Amount Disclosures for Non-Financial Assets	01 July 2015
IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment) (note 3 below)- Novation of Derivatives and Continuation of Hedge Accounting	01 July 2015
IFRIC 21 – Levies	01 July 2015

The Company expects that the adoption of the above standards will not affect Company's financial statements in the period of initial application.

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2015. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

## NOTES TO THE FINANCIAL STATEMENTS

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2017

### 3. BASIS OF MEASUREMENT

- 3.1 These financial statements have been prepared under the historical cost convention.
- 3.2 These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 4.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

#### **New / Revised Standards, Interpretations and Amendments**

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year:

IAS 19 - Employee Benefits - (Revised)

IFRS 7 - Financial Instruments: Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

#### **Improvements to Accounting Standards Issued by the IASB**

IFRS 8 Operating Segments - Aggregation of operating segments

IFRS 8 Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets

IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method - proportionate restatement of accumulated depreciation / amortization

IAS 24 Related Party Disclosures - Key management personnel

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.2 Property, plant and equipment

#### (i) Owned

##### Operating assets

These are stated at cost less accumulated depreciation and impairment in value, if any, except for freehold land and capital work-in-progress which are stated at cost. Depreciation is charged to profit and loss account using the straight line method, other than freehold land which is determined to have an indefinite life, at the rates specified in note 6.1 to the financial statements. Depreciation on additions is charged from the month of addition and in case of deletions upto the month of disposal. Leasehold land is amortised in equal installments over the lease period.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of fixed assets are taken to profit and loss account.

##### Capital work in process

Capital work in process is stated at cost less impairment, if any, and represents expenditures incurred and advances made in respect of specific assets during the construction / erection period. These are transferred to specific assets as and when assets are available for use.

##### Impairment

The carrying values of property, plant and equipment are reviewed at each balance sheet date for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts.

#### (ii) Leased

Finance lease, which transfers to the Company substantially all the risks and benefits incidental to ownership of leased items are capitalized at the inception of lease. Assets subject to finance lease are stated at the lower of the present value of the minimum lease payments under the lease agreements and their fair value. Depreciation is charged using the same basis and rates used for similar owned assets whereby the cost of assets less residual value is written off over their estimated useful lives. Lease payments are apportioned between the financial charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financial charges are charged directly to profit and loss account.

### 4.3 Intangible assets

These are stated at cost less accumulated amortisation and impairment in value. If any except for capital work-in-progress which are stated at cost. Amortisation is charged to profit and loss account using the straight line method at the rates specified in note 7 to the financial statements.

### 4.4 Stores and spares

These are valued at the lower of weighted average cost and Net Realisable Value (NRV). Provision is made for slow moving items when considered necessary.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.5 Stock-in-trade

These are stated at the lower of NRV and cost determined as follows:

Raw and packing materials	- Weighted average cost
Finished goods	- Cost of direct materials and Labour plus attributable overheads
Goods in transit and stock in bonded warehouse	- Invoice price plus other charges paid thereon

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### 4.6 Trade debts and other receivables

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on management's assessment of customers outstanding and credit worthiness. Bad debts are written off as and when identified.

### 4.7 Ijarah rentals

Ijarah payments for assets under Ijarah agreements are recognised as an expense in the profit and loss account on a straight line basis over the Ijarah term.

### 4.8 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand and bank balances net off short-term borrowings.

### 4.9 Long and short-term borrowings

These are recorded at the proceeds received. Installments due within one year are shown as a current liability and mark-up on borrowings is charged as an expense on an accrual basis.

### 4.10 Trade and other payables

Liabilities for trade and other payables 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.

### 4.11 Provisions

Provisions are recognised in the balance sheet where the Company has a legal or constructive obligation as a result of past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

### 4.12 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights that comprise the financial assets are realised, expired or surrendered. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and a financial liability is taken to the profit and loss account.



## NOTES TO THE FINANCIAL STATEMENTS

### 4.13 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the recognised amounts and intends either to settle on a net basis or to recognise the asset and settle the liability simultaneously.

### 4.14 Employee retirement benefits

#### Defined contribution plan

The Company operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund by the Company and the employees in accordance with the rules of the scheme. The Company has no further obligation once the contributions have been paid. The contributions made by the Company are recognised as employee benefit expense when they are due.

#### Compensated absences

The company accounts for these benefits in the accounting period in which the absences are earned.

### 4.15 Taxation

#### Current

“Provision for current taxation is based on taxable income at the current rate of taxation after taking into account tax credits and tax rebates available, if any. The tax charge as calculated above is compared with turnover tax. Higher of normal tax or turnover tax is compared with Alternate Corporate Tax and whichever is higher is provided in the financial statements. Turnover tax is calculated on turnover. Alternate Corporate Tax is calculated in accordance with the provisions of Section 113C of Income Tax Ordinance 2001.”

#### Deferred

Deferred tax is provided on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of un used tax assets and un used tax losses can be utilised.

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

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

### 4.16 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur.

### 4.17 Revenue recognition

Sales are recorded when goods are dispatched to customers.

Profit on bank deposits is recognised on an accrual basis.

## NOTES TO THE FINANCIAL STATEMENTS

### 4.18 Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date. Exchange differences are taken to the profit and loss account.

### 4.19 Dividends and appropriation to reserves

Dividend and appropriation to the reserves are recognised in the period in which these are approved.

### 4.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management. Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment.

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	<b>Note</b>
- determining the residual values, method of depreciation and useful lives of property, plant and equipment	4.2 & 6
- determining the method of amortisation and useful lives of intangible assets	4.3 & 7
- impairment of inventories	4.4, 4.5, 10 & 11
- provision for impairment of trade debts	4.6 & 12
- recognition of current deferred tax	4.15, 17 & 28
- contingencies	20

	<b>Note</b>	<b>30 June, 2015</b>	<b>30 June, 2014</b>
		----- <b>(Rupees)</b> -----	
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	<b>311,369,788</b>	381,874,723
Capital work-in-progress	6.4	<b>1,155,000</b>	7,155,135
		<b><u>312,524,788</u></b>	<b><u>389,029,858</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

### 6.1 Operating fixed assets

	COST					DEPRECIATION / AMORTIZATION				BOOK VALUE
	As at July 01, 2014	Additions / *transfers	Disposals	As at June 30, 2015	Rate	As at July 01, 2014	Charge for the year / *transfers	Disposals	As at June 30, 2015	As at June 30, 2015
	----- Rupees -----					----- Rupees -----				Rupees
<b>Owned</b>										
Freehold land	659,961	-	-	659,961	-	-	-	-	-	659,961
Leasehold land	10,182,134	1,738,025	-	11,920,159	99 years	777,808	165,981	-	943,789	10,976,370
Buildings on freehold land	20,307,457	-	-	20,307,457	10%	17,149,113	526,333	-	17,675,446	2,632,011
Buildings on leasehold land	106,668,007	-	-	106,668,007	10%	39,243,370	8,236,536	-	47,479,906	59,188,101
Plant and machinery	631,713,025	4,488,031	(1,274,551)	634,926,505	16.67%	343,366,180	64,804,835	(1,233,291)	406,937,724	227,988,781
Electrical installations	21,048,880	-	-	21,048,880	16.67%	13,755,643	1,478,135	-	15,233,778	5,815,102
Furniture and fittings	1,136,694	140,400	-	1,277,094	20%	592,697	232,474	-	825,171	451,923
Office equipments	3,600,711	54,500	-	3,655,211	20%	2,466,076	549,920	-	3,015,996	639,215
Computers and accessories	5,260,005	1,244,878	(2,323,916)	4,180,967	33%	4,030,417	838,298	(2,323,890)	2,544,825	1,636,142
Vehicles	8,323,723	32,050	(1,153,972)	7,201,801	20%	5,742,920	869,279	(792,580)	5,819,619	1,382,182
Storage tanks	2,507,035	-	-	2,507,035	20%	2,408,685	98,350	-	2,507,035	-
<b>2015</b>	<b>811,407,632</b>	<b>7,697,884</b>	<b>(4,752,439)</b>	<b>814,353,077</b>		<b>429,532,909</b>	<b>77,800,141</b>	<b>(4,349,761)</b>	<b>502,983,289</b>	<b>311,369,788</b>

	COST					DEPRECIATION / AMORTIZATION				BOOK VALUE
	As at July 01, 2013	Additions / *transfers	Disposals	As at June 30, 2014	Rate	As at July 01, 2013	Charge for the year / *transfers	Disposals	As at June 30, 2014	As at June 30, 2014
	----- Rupees -----					----- Rupees -----				Rupees
<b>Owned</b>										
Freehold land	659,961	-	-	659,961	-	-	-	-	-	659,961
Leasehold land	4,164,884	6,017,250	-	10,182,134	99 years	682,392	95,416	-	777,808	9,404,326
Buildings on freehold land	20,307,457	-	-	20,307,457	10%	16,622,761	526,352	-	17,149,113	3,158,344
Buildings on leasehold land	63,328,781	43,339,226	-	106,668,007	10%	34,632,786	4,610,584	-	39,243,370	67,424,637
Plant and machinery	401,596,901	230,116,124	-	631,713,025	16.67%	309,101,481	34,264,699	-	343,366,180	288,346,845
Electrical installations	16,338,433	6,791,072	(2,080,625)	21,048,880	16.67%	15,195,203	558,271	(1,997,831)	13,755,643	7,293,237
Furniture and fittings	1,084,994	51,700	-	1,136,694	20%	374,369	218,328	-	592,697	543,997
Office equipments	3,106,995	493,716	-	3,600,711	20%	1,940,818	525,258	-	2,466,076	1,134,635
Computers and accessories	4,212,923	1,126,642	(79,560)	5,260,005	33%	3,288,015	760,081	(17,679)	4,030,417	1,229,588
Vehicles	8,824,743	208,500 *4,107,000	(4,816,520)	8,323,723	20%	6,175,955	1,039,517 *1,739,807	(3,212,359)	5,742,920	2,580,803
Storage tanks	2,507,035	-	-	2,507,035	20%	2,310,194	98,491	-	2,408,685	98,350
	<u>526,133,107</u>	<u>288,144,230</u> *4,107,000	<u>(6,976,705)</u>	<u>811,407,632</u>		<u>390,323,974</u>	<u>42,696,997</u> *1,739,807	<u>(5,227,869)</u>	<u>429,532,909</u>	<u>381,874,723</u>
<b>Leased</b>										
Vehicles	4,107,000	*(4,107,000)	-	-	20%	1,663,712	76,095 (1,739,807)	-	-	-
	4,107,000	*(4,107,000)	-	-		1,663,712	76,095 *(1,739,807)	-	-	-
<b>2014</b>	<b>530,240,107</b>	<b>288,144,230</b>	<b>(6,976,705)</b>	<b>811,407,632</b>		<b>391,987,686</b>	<b>42,773,092</b>	<b>(5,227,869)</b>	<b>429,532,909</b>	<b>381,874,723</b>

## NOTES TO THE FINANCIAL STATEMENTS

6.2 The following fixed assets were disposed off during the year:

	Cost	Accumulated Depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of Disposal	Particulars of Purchases
-----Rupees-----							
<b>Vehicles</b>							
Cuore CX	709,000	445,501	263,499	289,849	26,350	As per Company's Policy	Mr. Hamid-ul-Hafeez (ex-employee)
Cuore CX	444,972	347,079	97,893	97,893	-	As per Company's Policy	Mr. Kashif Azizi (employee)
<b>Plant &amp; Machinery</b>							
Methanol Tank	1,274,551	1,233,291	41,260	269,254	227,994	Tender	Mr. Hamal Khan
<b>Computer &amp; Accessories</b>							
Laptop	46,500	46,500	-	14,100	14,100	Insurance Claim	Habib Insurance Co.
Laptop	82,000	82,000	-	5,000	5,000	Negotiation	Icon Sourcing Co.
Accessories	2,195,416	2,195,390	26	15,254	15,228	Tender	Icon Sourcing & Abdul Rasheed
2015	<u>4,752,439</u>	<u>4,349,761</u>	<u>402,678</u>	<u>691,350</u>	<u>288,672</u>		
2014	<u>6,976,705</u>	<u>5,227,869</u>	<u>1,748,836</u>	<u>3,384,709</u>	<u>1,635,873</u>		

	Note	30 June, 2015	30 June, 2014
------(Rupees)-----			
6.3 Depreciation / amortisation charge for the year has been allocated as follows			
Cost of sales – manufacturing expenses	22	76,492,329	41,268,778
Distribution costs	23	134,279	305,176
Administrative expenses	24	1,173,533	1,199,138
		<u>77,800,141</u>	<u>42,773,092</u>

### 6.4 Capital work-in-progress

Plant and machinery	-	2,471,135
Civil works	-	-
Intangibles - software	1,155,000	4,684,000
	<u>1,155,000</u>	<u>7,155,135</u>

## 7. INTANGIBLE ASSETS

	COST		ACCUMULATED AMORTIZATION			NET BOOK VALUE	Amortization rate %	
	As at July 1, 2014	Additions/ transfers	As at June 30, 2015	As at July 1, 2014	Charge for the year	As at June 30, 2015		As at June 30, 2015
------(Rupees)-----								
Software								
2015	-	4,207,500	4,207,500	-	701,180	701,180	3,506,320	33
2014	-	-	-	-	-	-	-	

## NOTES TO THE FINANCIAL STATEMENTS

7.1 The amortization charge for the year has been charged to administrative expenses (note 24).

	Note	30 June, 2015	30 June, 2014
		------(Rupees)-----	
<b>8. LONG-TERM LOANS - secured, considered good</b>			
Due from employees	8.1	73,882	196,623
Current portion	13.1	<u>(69,723)</u>	<u>(131,703)</u>
		<u>4,159</u>	<u>64,920</u>

8.1 Interest free loans are granted for purchase of property, motor vehicles and for miscellaneous purposes to the employees which are repayable within a maximum period of three years as per the Company's policy. These loans are secured against the retirement benefits of the employees.

		30 June, 2015	30 June, 2014
		------(Rupees)-----	
<b>9. LONG-TERM DEPOSITS</b>			
Water and Power Development Authority		823,200	823,200
Lasbela Industrial Estate Development Authority		4,915,870	4,915,870
Others		<u>615,456</u>	<u>358,456</u>
		<u>6,354,526</u>	<u>6,097,526</u>
<b>10. STORES AND SPARES</b>			
Stores		8,006,720	8,550,359
Spares		<u>6,292,058</u>	<u>5,009,414</u>
		<u>14,298,778</u>	<u>13,559,773</u>
<b>11. STOCK-IN-TRADE</b>			
Raw material			
In hand		199,539,016	265,700,279
In bonded warehouse		30,037,126	76,743,658
In transit		<u>90,048,639</u>	<u>44,685,796</u>
		<u>319,624,781</u>	<u>387,129,733</u>
Packing material		5,564,619	5,549,371
Finished goods		<u>48,017,177</u>	<u>77,161,144</u>
		<u>373,206,577</u>	<u>469,840,248</u>
<b>12. TRADE DEBTS - unsecured</b>			
Considered good		315,761,625	305,165,424
Considered doubtful		<u>41,725,306</u>	<u>46,691,717</u>
		<u>357,486,931</u>	<u>351,857,141</u>
Provision for impairment	12.1	<u>(41,725,306)</u>	<u>(46,691,717)</u>
		<u>315,761,625</u>	<u>305,165,424</u>

## NOTES TO THE FINANCIAL STATEMENTS

		30 June, 2015	30 June, 2014
		------(Rupees)-----	
<b>12.1</b>	<b>Reconciliation of provision for impairment of trade debts</b>		
	Balance at the beginning of the year	<b>46,691,717</b>	37,828,760
	(Reversals) / charge during the year	<b>(4,966,411)</b>	13,194,715
	Write off during the year	-	(4,331,758)
	Balance at the end of the year	<b>41,725,306</b>	<b>46,691,717</b>
<b>13.</b>	<b>LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	<b>Loans – unsecured, considered good</b>		
	- Executives	<b>626,371</b>	386,484
	- Other staff	<b>2,104,669</b>	2,274,937
		<b>2,731,040</b>	2,661,421
	<b>Advances – unsecured, considered good</b>		
	- Suppliers and contractors	<b>34,457,615</b>	10,770,932
	- Employees	-	-
		<b>34,457,615</b>	10,770,932
	Deposits	<b>1,225,000</b>	535,000
	Prepayments	<b>781,449</b>	639,974
	Other receivables	<b>188,307</b>	70,015
		<b>39,383,411</b>	<b>14,677,342</b>
<b>13.1</b>	Includes current portion of long-term loan to employees amounting to Rs. 0.070 million (2014: Rs. 0.132 million).		
<b>14.</b>	<b>CASH AND BANK BALANCES</b>		
	Cash in hand	<b>60,600</b>	63,400
	With banks		
	- Current accounts	<b>70,211,980</b>	80,200,611
	- PLS saving account	<b>16,698,538</b>	11,457,094
		<b>86,910,518</b>	91,657,705
		<b>86,971,118</b>	<b>91,721,105</b>
<b>14.1</b>	This carries profit at the rate of 5.5% (2014:7.5%) per annum		
<b>15.</b>	<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
	<b>Number of ordinary shares of Rs. 5/- each</b>	<b>30 June, 2015</b>	<b>30 June, 2014</b>
		------(Rupees)-----	
	<b>2015</b>	<b>2014</b>	
	<b>8,316,000</b>	8,316,000	Fully paid in cash
			Issued as fully paid bonus shares
	<b>10,556,413</b>	10,556,413	
	<b>18,872,413</b>	18,872,413	
		<b>41,580,000</b>	41,580,000
		<b>52,782,065</b>	52,782,065
		<b>94,362,065</b>	<b>94,362,065</b>

## NOTES TO THE FINANCIAL STATEMENTS

- 15.1** A related party held 4,716,216 (2014: 4,716,216) ordinary shares of Rs. 5/- each in the Company at year end.

	30 June, 2015	30 June, 2014
<b>16. LONG-TERM FINANCING - secured</b>	------(Rupees)-----	
Long-term loan	<b>203,125,000</b>	250,000,000
Less: Current portion	<b>62,500,000</b>	46,875,000
	<b><u>140,625,000</u></b>	<b><u>203,125,000</u></b>

Represents utilised portion of loan facility of Rs. 203 million (June 30, 2014: Rs. 250 million) obtained from a commercial bank. The facility carries a mark-up at the rate of three months' KIBOR plus 0.95% per annum. The loan is repayable in sixteen equal quarterly installments commencing from December 2014 and is secured against equitable mortgage and hypothecation of Company's fixed assets.

	Note	30 June, 2015	30 June, 2014
<b>17. DEFERRED TAXATION</b>		------(Rupees)-----	
Taxable temporary differences arising due to:			
- Accelerated tax depreciation and amortization		<b>27,065,901</b>	42,474,167
		<b>27,065,901</b>	42,474,167
Deductible temporary differences arising due to:			
- Provisions		<b>(12,127,314)</b>	(15,408,266)
		<b><u>14,938,587</u></b>	<b><u>27,065,901</u></b>

**18. TRADE AND OTHER PAYABLES**

Creditors		<b>3,760,881</b>	3,949,244
Bills payable		<b>83,963,996</b>	49,164,632
Accrued liabilities	18.1	<b>103,334,535</b>	101,878,528
Workers' Welfare Fund		<b>3,970,662</b>	8,547,405
Workers' Profits Participation Fund	18.2	<b>8,429,968</b>	8,203,110
Vend / permit fee payable	18.3	<b>4,552,438</b>	4,552,438
Tax deducted at source		<b>588,833</b>	832,331
Unclaimed and unpaid dividend		<b>2,023,395</b>	1,794,677
		<b><u>210,624,708</u></b>	<b><u>178,922,365</u></b>

- 18.1** Included accrual for leave encashment of Rs. 7.475 million (2014: Rs. 6.255 million) and bonus to employees of Rs. 16.091 million (2014: Rs. 13.929 million).

	Note	30 June, 2015	30 June, 2014
<b>18.2 Workers' Profits Participation Fund</b>		------(Rupees)-----	
Balance at the beginning of the year		<b>8,203,110</b>	13,031,499
Interest on funds utilised in the Company's business	26	<b>130,301</b>	166,777
		<b>8,333,411</b>	13,198,276
Allocation for the year	27	<b>8,429,968</b>	8,203,110
		<b>16,763,379</b>	21,401,386
Less: Payments made during the year		<b>8,333,411</b>	13,198,276
Balance at the end of the year		<b><u>8,429,968</u></b>	<b><u>8,203,110</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

**18.3** Represents amount charged to certain customers in respect of vend and permit fee. Depending on the outcome of the law suit mentioned in note 20.1, the amount would either be paid to the Excise and Taxation Department, Government of Sindh or refunded to the customers. The Company has discontinued this practice of charging the fee from July 2002 in accordance with the industrial norms.

### 19. SHORT-TERM BORROWINGS - secured

Represent utilized portion of running finance facilities obtained from various banks amounting to Rs. 500 million (2014: Rs. 500 million). These are secured by hypothecation of stores and spares, stock in trade and trade debts of the Company. The rate of mark-up on these finances ranges from one months' KIBOR+0.50% to three months' KIBOR+1% ( 2014: one months' KIBOR+0.50% to three months' KIBOR+1% ) per annum and payable quarterly.

The facilities for foreign currency import financing obtained from banks amounting to Rs. 100 million (2014: Rs. 100 million) remained unutilised at the balance sheet date.

### 20. CONTINGENCIES AND COMMITMENTS

#### 20.1 Contingencies

The Excise and Taxation Department, Government of Sindh imposed vend fee and permit fee on methanol, a major raw material used by the Company in the production of formaldehyde. The Company filed a petition against the imposition of these levies in the High Court of Sindh in August 1996. In June 2001, the Honorable High Court of Sindh decided the case in the favor of the Company. However, the Department filed an appeal in the Supreme Court of Pakistan against the above judgment. The Supreme Court of Pakistan suspended the decision of the High Court and reverted the case back to the High Court for fresh hearing. High Court kept decided the case in favor of the Company.

The Department has filed an appeal before the Supreme Court which is pending final judgment / decision albeit having been heard at length on numerous dates.

Total alleged liability against Vend and Permit fee, as on June 30, 2015 works out at Rs.1,190.41 million (2014, Rs. 1,128.92 million). Based on the legal advice, the Company is confident to get a favorable decision from the Supreme Court and, accordingly no provision for any liability has been made in these financial statements. Furthermore, management is making necessary efforts to resolve this matter and is confident that the Company will be able to continue as a going concern.

	30 June, 2015	30 June, 2014
	------(Rupees)-----	
<b>20.2 Commitments</b>		
<b>20.2.1</b> Outstanding letters of credit	<u>50,556,026</u>	<u>28,921,285</u>
<b>20.2.2</b> Outstanding bank guarantees	<u>10,583,947</u>	<u>10,583,947</u>
<b>20.2.3</b> Postdated cheques issued in favor of collector of customs	<u>40,193,820</u>	<u>10,984,673</u>
<b>20.2.4</b> Commitment for capital expenditure	<u>360,000</u>	<u>500,000</u>
<b>20.2.5</b> Commitments for rental under Ijarah finance agreement		
Within one year	2,684,760	4,606,174
After one year but not more than five years	1,519,492	4,215,304
	<u>4,204,252</u>	<u>8,821,478</u>



## NOTES TO THE FINANCIAL STATEMENTS

Represent Ijarah finance facility entered into with First Habib Modaraba in respect of vehicles. Total Ijarah payment due under the agreement is Rs 4,204,252 (2014: Rs 8,821,478) and are payable in monthly installments latest by May 2017. These liabilities are secured by on demand promissory note for entire amount of the lease rentals.

	Note	30 June, 2015	30 June, 2014
		------(Rupees)-----	
<b>21. TURNOVER - net</b>			
Sales		2,832,087,423	3,201,953,574
Less: Sales tax		420,848,002	475,557,112
Sales return		16,634,466	17,979,333
Trade discount		6,869,232	5,170,946
		444,351,700	498,707,391
		<u>2,387,735,723</u>	<u>2,703,246,183</u>
<b>22. COST OF SALES</b>			
Opening stock – raw and packing materials		271,249,653	274,102,077
Purchases		1,506,893,581	1,952,759,984
		1,778,143,234	2,226,862,061
Closing stock – raw and packing materials		(205,103,619)	(271,249,653)
Raw and packing materials consumed		1,573,039,615	1,955,612,408
<b>Manufacturing expenses</b>			
Indirect material consumed		10,589,165	9,681,139
Stores and spares consumed		21,742,791	18,829,275
Fuel and power		123,624,506	135,174,678
Salaries, wages and other benefits		155,539,002	148,783,294
Rent, rates and taxes		794,375	683,387
Insurance		2,903,279	2,604,622
Repairs and maintenance		15,202,784	21,525,837
Vehicle running and maintenance		5,334,008	6,469,818
Ijarah rentals		1,392,854	2,033,487
Postage, telephone and telex		1,080,765	896,672
Storage and handling charges		9,221,609	8,461,929
Traveling and conveyance		884,859	1,407,747
Printing and stationery		747,155	721,306
Depreciation	6.3	76,492,329	41,268,778
Others		7,973,668	7,466,629
		433,523,149	406,008,598
		2,006,562,764	2,361,621,006
Inter division transfers - adjustment		-	9,808,957
<b>Cost of goods manufactured</b>		<u>2,006,562,764</u>	<u>2,371,429,963</u>
<b>Finished goods</b>			
Opening stock		77,161,144	50,994,869
Closing stock		(48,017,176)	(77,161,144)
		29,143,968	(26,166,275)
		<u>2,035,706,732</u>	<u>2,345,263,688</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 22.1 Inter-segment pricing

Transfers between business segments are recorded at cost which includes direct material, direct labour and applicable overheads.

	Note	30 June, 2015	30 June, 2014
		------(Rupees)-----	
<b>23. DISTRIBUTION COSTS</b>			
Salaries and other benefits		11,394,461	11,173,760
Cartage and freight		69,338,584	88,651,165
Rent, rates and taxes		689,156	787,637
Insurance		1,236,115	419,752
Repairs and maintenance		56,540	159,626
Vehicle running and maintenance		2,844,826	2,958,708
Postage, telephone and telex		449,261	490,423
Traveling and conveyance		2,196,491	2,475,458
Printing and stationery		27,246	47,492
Electricity		167,510	151,067
Depreciation	6.3	134,279	305,176
Sales promotion		324,052	486,860
Provision		-	13,194,715
Others		260,378	531,882
		<u>89,118,899</u>	<u>121,833,721</u>
<b>24. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits		33,424,773	30,856,102
Insurance		285,832	216,018
Repairs and maintenance		2,373,892	2,199,424
Vehicle running and maintenance		1,819,378	2,603,964
Ijarah rentals		1,736,288	1,388,449
Postage, telephone and telex		1,354,944	1,390,542
Traveling and conveyance		4,016,702	4,580,871
Printing and stationery		547,805	715,240
Utilities		894,349	899,087
Depreciation	6.3	1,173,533	1,199,138
Amortization	7	701,180	-
Legal and professional charges		5,422,352	2,224,814
Advertisement and publicity		228,289	300,199
Charity and donations	24.1	1,560,931	1,540,000
Auditors' remuneration	24.2	989,265	879,700
ISO certification fees		365,000	602,595
Others		3,789,505	1,960,126
		<u>60,684,018</u>	<u>53,556,269</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 24.1 Charity and donations

None of the directors or their spouses has any interest in any of the donees to whom donations were made during the year.

	Note	30 June, 2015	30 June, 2014
		------(Rupees)-----	
<b>24.2 Auditors' remuneration</b>			
Audit fee		745,500	710,000
Fee for review of half yearly financial statements		73,500	70,000
Other certifications		37,800	36,000
Out of pocket expenses		132,465	63,700
		<u>989,265</u>	<u>879,700</u>
<b>25. OTHER INCOME - net</b>			
<b>Income from financial assets</b>			
Profit on bank deposits		1,078,889	1,064,688
<b>Income from non-financial assets</b>			
Scrap sales		431,963	458,502
Gain on disposal of fixed assets		288,672	1,635,873
Insurance claims		755,440	617,329
Net exchange loss		(582,201)	(1,550,188)
Provision for doubtful debts		4,966,411	-
Others		-	1,224,800
		<u>5,860,285</u>	<u>2,386,316</u>
		<u>6,939,174</u>	<u>3,451,004</u>
<b>26. FINANCE COSTS</b>			
Mark-up on:			
- long-term financing		24,942,364	4,618,904
- short-term borrowings		14,168,900	15,477,727
- finance lease		-	91,674
		<u>39,111,264</u>	<u>20,188,305</u>
Interest on Workers' Profits Participation Fund	18.2	130,301	166,777
Bank guarantees commission		246,027	397,500
Bank charges		1,078,300	1,228,725
		<u>40,565,892</u>	<u>21,981,307</u>

## NOTES TO THE FINANCIAL STATEMENTS

	Note	30 June, 2015	30 June, 2014
		----- (Rupees) -----	
<b>27. OTHER CHARGES</b>			
Workers' Profits Participation Fund	18.2	8,429,968	8,203,110
Workers' Welfare Fund		<u>3,970,662</u>	<u>3,117,182</u>
		<u><b>12,400,630</b></u>	<u><b>11,320,292</b></u>
<b>28. TAXATION</b>			
Current		63,719,140	8,250,913
Prior		18,508	-
Deferred		<u>(12,127,314)</u>	<u>19,670,129</u>
		<u><b>51,610,334</b></u>	<u><b>27,921,042</b></u>
<b>28.1 Relationship between accounting profit and tax expense</b>			
Profit before taxation		<u>156,198,726</u>	<u>152,741,910</u>
Tax @ 33% (2014: 34%)		51,545,580	51,932,249
Effect of previous year tax charge		18,508	-
Effect of Tax credit under section 65B		-	(23,011,612)
Others		46,246	(999,595)
Tax expense		<u>51,610,334</u>	<u>27,921,042</u>
Effective tax rate		<u><b>33.04%</b></u>	<u><b>18.28%</b></u>
<b>29. BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit after taxation		<u>104,588,392</u>	<u>124,820,868</u>
		<b>No. of shares</b>	
Weighted average number of ordinary shares in issue		<u>18,872,413</u>	<u>18,872,413</u>
		----- (Rupees) -----	
Basic earnings per share		<u><b>5.54</b></u>	<u><b>6.61</b></u>
<b>29.1</b> Basic earnings per share have no dilution effect.			

## NOTES TO THE FINANCIAL STATEMENTS

### 30. OPERATING SEGMENT INFORMATION

For management purposes, the Company is organised into business units based on their products and has two reportable operating segments as follows:

- The resin division produces urea / melamine formaldehyde and formaldehyde; and
- The aminoplast division produces aminoplast compound.

	30 June 2015			30 June 2014		
	Resin Division	Aminoplast Division	Total	Resin Division	Aminoplast Division	Total
	-----Rupees-----			-----Rupees-----		
Turnover – net	<u>1,101,382,631</u>	<u>1,286,353,092</u>	<u>2,387,735,723</u>	<u>1,368,196,731</u>	<u>1,335,049,452</u>	<u>2,703,246,183</u>
Segment Result	64,189,099	223,467,719	287,656,818	99,518,579	156,618,033	256,136,612
<b>Unallocated expenses:</b>						
Administrative and distribution costs			(85,430,744)			(73,544,107)
Other income			6,939,174			3,451,004
Finance costs			(40,565,892)			(21,981,307)
Other charges			(12,400,630)			(11,320,292)
Taxation			(51,610,334)			(27,921,042)
Profit after taxation			<u>104,588,392</u>			<u>124,820,868</u>
Segment assets	487,024,961	511,217,815	998,242,776	615,664,685	541,107,065	1,156,771,750
Unallocated assets			296,729,254			255,122,594
<b>Total assets</b>			<u>1,294,972,030</u>			<u>1,411,894,344</u>
Segment liabilities	79,491,620	12,785,693	92,277,313	41,563,282	7,452,374	49,015,656
Unallocated liabilities			365,556,718			606,738,565
<b>Total liabilities</b>			<u>457,834,031</u>			<u>655,754,221</u>
Capital expenditure	2,206,058	2,196,612	4,402,670	129,407,784	129,629,214	259,036,998
Unallocated capital expenditure			1,502,579			4,276,905
<b>Total capital expenditure</b>			<u>5,905,249</u>			<u>263,313,903</u>
Depreciation and amortization	37,806,065	38,784,367	76,590,432	21,288,124	19,980,654	41,268,778
Unallocated depreciation			1,910,889			1,504,314
<b>Total depreciation and amortization</b>			<u>78,501,321</u>			<u>42,773,092</u>

#### 30.1 Segment assets and liabilities

Segment assets include all operating assets by a segment and consist principally of property, plant and equipment, stock-in-trade and trade debts. Segment liabilities include all operating liabilities and consist principally of trade and other payables.

30.2 Administrative costs, distribution costs (excluding cartage and freight), other operating income, finance costs, other charges and taxation is managed on Company basis and are not allocated to operating segments.

### 31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are market risks, credit risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

## NOTES TO THE FINANCIAL STATEMENTS

### 31.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

#### (i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk in respect of short-term borrowings and long term borrowings with floating interest rate. Management of the Company estimates that 1% increase in market interest rate, with all other factors remaining constant, would decrease the Company's profit before tax by Rs. 2,231,638/- and a 1% decrease would result in the increase in the Company's profit before tax by the same amount. However, in practice, the actual result may differ from the sensitivity analysis.

#### (ii) Foreign currency risk

Foreign currency risk is the risk that the value of a financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where payables exist due to transactions in foreign currency.

The Company is exposed to foreign currency risk amounting to Rs. 83,963,996/- in relation to foreign currency financial liabilities. Management of the Company estimates that 5% increase in exchange rate, with all other factors remaining constant, would decrease the Company's profit before tax by Rs. 4,198,200/- and a 5% decrease would result in the increase in the Company's profit before tax by the same amount. However, in practice, the actual result may differ from sensitivity analysis.

### 31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is mainly exposed to credit risk on trade debts and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy.

The table below provides the analysis of the credit quality of financial assets on the basis of external credit rating or the historical information about counter party default rates.

	30 June, 2015	30 June, 2014
	------(Rupees)-----	
<b>The analysis of trade debts is as follows</b>		
Neither past due nor impaired	<b>259,196,501</b>	247,726,442
Past due but not impaired		
- 61 to 90 days	<b>42,390,222</b>	34,163,990
- 91 to 120 days	<b>9,440,042</b>	12,228,522
- 121 to 180 days	<b>4,734,860</b>	11,046,470
	<b><u>315,761,625</u></b>	<u>305,165,424</u>

## NOTES TO THE FINANCIAL STATEMENTS

<b>Bank balances</b>	<b>30 June, 2015</b>	<b>30 June, 2014</b>
	------(Rupees)-----	
<b>Ratings</b>		
A1+	<b>86,910,518</b>	91,444,525
A1	-	213,180
	<u><b>86,910,518</b></u>	<u>91,657,705</u>

### 31.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity is maintained:

<b>30 June 2015</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 Years</b>	<b>Total</b>
	----- Rupees -----			
Long term financing	-	62,500,000	140,625,000	203,125,000
Trade and other payables	187,562,404	4,552,438	-	192,114,842
Accrued markup	1,045,779	-	-	1,045,779
Short-term borrowings	-	20,038,756	-	20,038,756
	<u>188,608,183</u>	<u>87,091,194</u>	<u>140,625,000</u>	<u>416,324,377</u>

<b>30 June 2014</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 Years</b>	<b>Total</b>
	----- Rupees -----			
Long term financing	-	46,875,000	203,125,000	250,000,000
Trade and other payables	121,186,430	4,552,438	-	125,738,868
Accrued markup	6,101,989	-	-	6,101,989
Short-term borrowings	-	192,451,846	-	192,451,846
	<u>127,288,419</u>	<u>243,879,284</u>	<u>203,125,000</u>	<u>574,292,703</u>

### 32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

### 33. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through long-term and short-term financing in addition to its equity. The Company has a gearing ratio of 32% (2014: 41%) as of the balance sheet date, which in view of the management is adequate considering the size of the operations.

### 34. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise companies with common directorship, retirement funds, directors and key management personnel. Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

## NOTES TO THE FINANCIAL STATEMENTS

	30 June, 2015	30 June, 2014
	------(Rupees)-----	
Purchases	-	246,279
Contribution to provident fund	<u>5,809,118</u>	<u>5,318,486</u>
Sale proceeds from disposal of fixed assets to Director	<u>-</u>	<u>182,340</u>

### 35. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	30 June, 2015			30 June, 2014		
	Chief Executive	Executives	Total	Chief Executive	Executives	Total
	----- Rupees -----			----- Rupees -----		
Managerial remuneration	5,012,868	13,770,249	18,783,117	4,452,761	9,849,558	14,302,319
Retirement and other benefits	2,876,499	5,462,420	8,338,919	1,991,009	5,561,191	7,552,200
House rent	2,049,252	5,595,384	7,644,636	1,864,436	4,131,867	5,996,303
	<u>9,938,619</u>	<u>24,828,053</u>	<u>34,766,672</u>	<u>8,308,206</u>	<u>19,542,616</u>	<u>27,850,822</u>
Number of person(s)	<u>1</u>	<u>16</u>	<u>17</u>	<u>1</u>	<u>11</u>	<u>12</u>

- 35.1** In addition, the Chief Executive and certain executives are provided with free use of Company maintained cars.
- 35.2** Fee paid to non-executive directors for attending the Board meetings amounts to Rs. 0.754 million (2014: Rs. 0.620 million).
- 35.3** Further, a non-executive director is provided fee for technical advisory services amounting to Rs 3.352 million (2014: Rs 3.390 million) as per contractual arrangement.
- 35.4** Further, a non-executive director is provided fee for legal advisory services amounting to Rs 0.025 million (2014: Rs 0.1 million) as per contractual arrangement.

### 36. CAPACITY AND PRODUCTION

	Note	30 June, 2015		30 June, 2014	
		Rated capacity	Actual production	Rated Capacity	Actual Production
		----- Metric Tons -----			
<b>Resin division</b>					
Urea / melamine formaldehyde		47,000	28,011	47,000	37,619
Formaldehyde		59,000	35,481	59,000	37,398
	37.1	<u>106,000</u>	<u>63,492</u>	<u>106,000</u>	<u>75,017</u>
<b>Aminoplast division</b>					
Aminoplast compound		16,200	12,550	16,200	13,305



## NOTES TO THE FINANCIAL STATEMENTS

**36.1** The reason for shortfall in actual production is low demand during the year.

### **37. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

**37.1** The Board of Directors in its meeting held on August 26, 2015 (i) approved the transfer of Rs.190 million from un-appropriated profit to general reserve; and (ii) proposed final cash dividend of Rs.2.50 per share for the year ended June 30, 2015 amounting to Rs.47.181 million for approval of the members at the Annual General Meeting to be held on October 05, 2015.

**37.2** The Finance Act, 2015 introduced a tax on every public company at the rate of 10% of such undistributed reserves which exceeds the amount of its paid up capital. However, this tax shall not applied in case of a public company which distribute cash dividend equal to at least either 40% of its after tax profits or 50% of its paid up capital, within the prescribed time after the end of the relevant tax year.

Based on the fact that the Board of Directors of the Company has proposed 50% dividend for the financial and tax year 2015 which exceeds the prescribed minimum dividend requirement as aforesaid. The Company believed that it would not eventually be liable to pay tax on its undistributed reserves as of 30 June 2015.

### **38. GENERAL**

**38.1** Figures have been rounded off to the nearest rupee.

**38.2** There were no material reclassifications that could affect the financial statements.

	<b>30 June, 2015</b>	<b>30 June, 2014</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
	----- (Rupees) -----	

### **38.3 PROVIDENT FUND**

Size of the trust	<u><b>83,782,222</b></u>	<u>90,184,758</u>
Cost of investments made	<u><b>76,604,022</b></u>	<u>82,604,022</u>
Percentage of investment made	<u><b>91.4%</b></u>	<u>91.6%</u>
Fair value of investments made	<u><b>80,311,183</b></u>	<u>86,078,873</u>

## NOTES TO THE FINANCIAL STATEMENTS

	30 June, 2015		30 June 2014	
	Investment Rupees	% of investment as size of the fund	Investment Rupees	% of investment as size of the fund
<b>Break-up of investments (as per section 227 of the Companies Ordinance, 1984)</b>				
Term Deposit Receipts	76,769,013	91.6%	82,769,009	91.8%
National Investment Trust Units	3,542,170	4.2%	3,309,864	3.7%
	<u>80,311,183</u>		<u>86,078,873</u>	

Investments out of provident fund have been made in accordance with the provision of the section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.

**38.4** The number of employees at the year-end was **228** (2014: 236) and average number of employees during the year was 232 (2014: 236).

### **39. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 26, 2015 by the Board of Directors of the Company.



SHABBIR ABBAS  
Chief Executive



DONALD JENKIN  
Chairman



## COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDINGS

AS AT JUNE 30, 2015

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS RS.5/- EACH			TOTAL SHARES HELD
537	1	-	100	13,751
305	101	-	500	85,621
139	501	-	1,000	110,819
202	1,001	-	5,000	499,116
43	5,001	-	10,000	317,689
14	10,001	-	15,000	177,168
7	15,001	-	20,000	127,365
6	20,001	-	25,000	137,696
5	25,001	-	30,000	138,885
2	30,001	-	35,000	70,000
3	35,001	-	40,000	113,751
4	40,001	-	45,000	165,500
4	45,001	-	50,000	186,486
1	50,001	-	55,000	55,000
1	55,001	-	60,000	58,643
2	60,001	-	65,000	121,538
3	65,001	-	70,000	203,166
1	70,001	-	75,000	73,000
4	75,001	-	80,000	309,296
2	95,001	-	100,000	199,137
1	100,001	-	105,000	103,500
1	135,001	-	140,000	140,000
2	160,001	-	165,000	325,304
1	195,001	-	200,000	200,000
1	245,001	-	250,000	250,000
1	315,001	-	320,000	317,000
1	360,001	-	365,000	361,733
4	385,001	-	390,000	1,547,832
1	400,001	-	405,000	400,500
2	405,001	-	410,000	816,986
1	445,001	-	450,000	449,500
1	785,001	-	790,000	788,721
1	845,001	-	850,000	850,000
1	1,105,001	-	1,110,000	1,105,169
1	1,545,001	-	1,550,000	1,548,715
1	1,785,001	-	1,790,000	1,787,610
1	4,715,001	-	4,720,000	4,716,216
<b>1,307</b>				<b>18,872,413</b>

**FORM OF PROXY**

**THIRTY THIRD ANNUAL GENERAL MEETING**

I/We \_\_\_\_\_ of \_\_\_\_\_

being a member(s) of **DYNEA PAKISTAN LIMITED** and a holder of \_\_\_\_\_

\_\_\_\_\_ ordinary shares as per Share Register Folio No. \_\_\_\_\_

or CDC Participant ID No. \_\_\_\_\_ Account No. \_\_\_\_\_

hereby appoint \_\_\_\_\_ of \_\_\_\_\_

Who is also member of **DYNEA PAKISTAN LIMITED** Vide Folio No. \_\_\_\_\_

or CDC Participant ID No. \_\_\_\_\_ Account No. \_\_\_\_\_

or failing him/her \_\_\_\_\_ of \_\_\_\_\_

who is also member of **DYNEA PAKISTAN LIMITED** Vide Folio No. \_\_\_\_\_

or CDC Participant ID No. \_\_\_\_\_ Account No. \_\_\_\_\_

as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the Thirty Third Annual General Meeting of the Company to be held on Monday, October 05, 2015 at 2:00 PM and at any adjournment thereof.

As witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_ 2015

Signed by the said

Witness \_\_\_\_\_ Witness \_\_\_\_\_

(Signature)

(Signature)

Name \_\_\_\_\_ Name \_\_\_\_\_

Address \_\_\_\_\_ Address \_\_\_\_\_

CNIC No. \_\_\_\_\_ CNIC number \_\_\_\_\_

**Please affix  
Rs. 5/-  
Revenue Stamp**

**SIGNATURE OF MEMBER(S)**

**NOTES :**

1. This proxy form duly completed and signed must be received at the Registered Office of the Company, 1st Floor, House of Habib, Siddiqsons Tower, 3-Jinnah Co-operative Housing Society, Block 7/8, Shahrah-e-Faisal, Karachi-75350, not less than 48 hours before the time of holding of the Meeting.
2. No person shall act as proxy unless he / she himself / herself is a member of the Company. Except that a corporation may appoint a person who is not a member.
3. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

**FOR CDC ACCOUNT HOLDERS / CORPORATE ENTITIES**

In addition to the above the following requirements have to be met:

- a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- b) Attested copy of CNIC or the passport of the beneficial owners shall be furnished with the proxy form.
- c) The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- d) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

***DYNEA PAKISTAN LIMITED***

1st Floor, House of Habib, Siddiqsons Tower  
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Block No. 7/8, Shahrah-e-Faisal  
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