

dynea

DYNEA PAKISTAN LIMITED

*30th Annual Report
For the year ended
30th June, 2012*

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COMPANY INFORMATION

Board of Directors :

Mr. Per Haga	<i>Chairman</i>
Mr. Shabbir Abbas	<i>Chief Executive Officer</i>
Mr. Donald John Jenkin	
Mr. Alireza M. Alladin	
Mr. Chew Teck Liong	
Mr. Altaf Nazim	
Mr. Sajid Hassan	

Audit Committee :

Mr. Alireza M. Alladin	<i>Chairman</i>
Mr. Donald John Jenkin	<i>Member</i>
Mr. Altaf Nazim	<i>Member</i>

Human Resource Committee :

Mr. Donald John Jenkin	<i>Chairman</i>
Mr. Alireza M. Alladin	<i>Member</i>
Mr. Shabbir Abbas	<i>Member</i>

Chief Financial Officer & Company Secretary :

Mr. Muhammad Shakeel Uddin

Head of Internal Audit

Mr. Adnan Husseini

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

Auditors :

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

Legal Advisors :

M/s. Sayeed & Sayeed, Advocates & Legal Consultants
M/s. Shahid Anwar Bajwa Law Associates
M/s. Zahid & Tariq Advocates

Share Registrar :

Noble Computer Services (Pvt) Limited,
1st Floor, House of Habib (Siddiqsons Tower)
3-Jinnah Co-operative Housing Society,
Block 7/8, Sharea Faisal, Karachi-75350.
Ph: (92-21) 34325482 - 487 Fax: (92-21) 34325442

Registered Office :

1st Floor, House of Habib (Siddiqsons Tower)
3-Jinnah Co-operative Housing Society,
Block 7/8, Sharea Faisal, Karachi-75350.
Ph: (92-21) 34520132 - 136 Fax: (92-21) 34392182

Factories :

Hub Unit

1) 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

2) 34-A, R-3, Industrial Estate,
Gadoon Amazai, District Swabi, K.P.
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 capital 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 30th Annual General Meeting of the Members of the Company will be held on Thursday, October 25, 2012 at 12:00 p.m. at the Institute of Chartered Accountants of Pakistan, Chartered Accountants Avenue, Clifton, Karachi to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended June 30, 2012 together with the Report of the Directors' and Auditors' thereon.
2. To approve a cash dividend of 30% (i.e. Rs. 1.50 per share) as recommended by the Directors.
3. To appoint Auditors for the year 2012-13 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

Karachi : September 24, 2012

MUHAMMAD SHAKEEL UDDIN
Company Secretary

Notes:

- i) The Share Transfer Books of the Company will remain closed from Friday, October 19, 2012 to Thursday, October 25, 2012 (both days inclusive) and the final dividend will be paid to the shareholders whose names will appear in the Register of members on October 18, 2012. Shareholders (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 (Pvt) Ltd., 1st Floor, House of Habib (Siddiqsons Tower) 3-Jinnah Co-operative Housing Society, Block 7/8, Sharea Faisal, Karachi. Tel: (92-21)34325482-87 (6 lines) Fax : (92-21)34325442. All the Shareholders holding the shares through the CDC are requested to please update their addresses and zakat status with their participants. This will assist in the prompt receipt of dividend.
- 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.
- iii) Member who have not yet submitted photocopy of their computerized national identity card to the Company are requested to send at their earliest.

CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting:

- i. In 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 Regulations, shall authenticate identity by showing his/her original Computerized National Identity Card (CNIC), or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless provided earlier) at the time of the meeting.

NOTICE OF ANNUAL GENERAL MEETING

B. For Appointing Proxies:

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration detail is uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- 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 CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his original CNIC or original passport at the time of the meeting.
- v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.



DIRECTORS' REPORT

The Directors have pleasure in presenting the Annual Audited Accounts of the company together with Auditors' Report thereon for the financial year ended June 30, 2012.

By the grace of Almighty Allah, during the year both our Resin and Aminoplast Moulding Compound Divisions at Hub and Gadoon performed efficiently and our customers' response for our products was encouraging, resulting in significant improvement in our profitability.

Summary of Financial Performance:

	2012	2011
	(Rupees in thousand)	
Turnover	2,151,496	1,727,550
Gross Profit	354,784	249,008
Gross Profit as a % of Turnover	16.49%	14.41%
Profit before Tax	161,872	77,699
Profit after Tax	102,908	51,559
Basic earnings per share	5.45	2.73

Resin Division

Turnover in Resin Division amounted to a sum of Rs. 1,097.674 million as compared to that of Rs. 838.038 million in the previous financial year. Sales volume however, increased to the extent of 8.45% to a level of 34,361 Metric Tons as compared to that of 31,683 Metric Tons in previous year. Gross Profit on sale of Resin was recorded at Rs. 209.985 million as compared to that of Rs. 165.233 million for the previous financial year.

Aminoplast Division

Aminoplast Division generated turnover amounting to Rs. 1,053.822 million as against Rs. 889.512 million that was achieved during the previous financial year, showing an improvement of 18.47%. This division earned a gross profit of Rs. 144.799 million as compared to Rs. 83.776 million during the previous financial year.

Improvement in profitability was due to increase both in volumes and in average selling price of our products and reduction in cost of production owing to better plant efficiencies and effective implementation of our procurement policies.

Future Outlook

Competition for market share is likely to become very intense as market is expected to remain dull due to severe load shedding and additional capacities installed by our competitors both in Resin and Aminoplast Division. The operating environment in Pakistan continues to be challenging, because of slow progress in economy and security conditions. However, your management shall continue to make every effort to achieve its business objectives through effective and efficient planning and its execution. We will continue to improve production efficiencies and expand our customers' base to ensure long term sustainability of the Company.

Corporate Social Responsibility

Company fosters not only the culture of mutual respect among both officers and workers but also encourages them to share their valuable input towards improving the quality of work environment.

Company runs a well maintained primary school at the Jenson village. This school has been established primarily for company employees but children of the locality are allowed to study at that school. Presently there are 105 students out of whom 39 come from the local community. The company has provided computers at the school. Teachers were sent for Teacher Training Program at Al Murtaza Professional Development Center in Karachi in order to enhance their teaching skills.

DIRECTORS' REPORT

One percent of profit before taxation is donated to a Trust engaged in social welfare activities. Workers profit Participation Fund & Workers Welfare Fund are being regularly paid.

Contribution to the Exchequer

Our contribution to the national exchequer in the form of various taxes and levies for the year under review was Rs. 409 million (2011: Rs. 330 million).

Code of Corporate Governance

The management of the company is committed to good corporate governance and complying with best practices. 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 followed in preparation of the financial statement 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 final decision comes against us in respect of the Vend and Permit Fee case mentioned below.
7. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
8. We have prepared and circulated a Code of Conduct to every director and employee.
9. The Board of Directors has adopted Vision and Mission statement.
10. Information about taxes and levies is given in the notes to the accounts.
11. Value of investment in the Company's provident fund scheme based on un-audited accounts for the year ended June 30, 2012 stands at Rs.78.361 million.
12. Statements are annexed in respect of the following:
 - Key financial data for the last six years.
 - Pattern of Shareholding.
13. During the year under review, five meetings of the Board of Directors were attended as under:

Directors	Attended
Mr. Per Haga	5/5 (all by alternate director)
Mr. Donald John Jenkin	5/5
Mr. Shabbir Abbas	5/5
Mr. Alireza M. Alladin	5/5
Mr. Chew Teck Liong	5/5 (all by alternate director)
Mr. Sajid Hassan	5/5
Mr. Altaf Nazim	3/5

Mr. Shabbir Abbas, Mr. Alireza M. Alladin and Mr. Donald John Jenkin are Certified Directors of Corporate Governance from the Pakistan Institute of Corporate Governance (PICG).



DIRECTORS' REPORT

Vend Fee and Permit Fee

As regards Vend and Permit Fee case, Sindh High Court has already pronounced very strong and favorable decisions. Presently the case is pending with the learned Supreme Court of Pakistan. In view of the merits of the case and previous two favourable decisions of the Sindh High Court, the management is expecting a favourable decision from the apex Court and is making necessary efforts to continue as a going concern.

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 satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan.

Dividend and Appropriations:

The Director's propose the following appropriations out of the profit for the current year:

- Cash dividend of Rs 1.50 per share i.e. 30%.
- Recommends an appropriation of Rs 300 million from unappropriated profit to General Reserve.

Acknowledgement

The Directors wish to acknowledge and appreciate the dedication and efforts of all its employees for achieving satisfactory results for the year. The support and cooperation received from the financial institutions, customers and other institutions associated with the Company is also gratefully acknowledged.

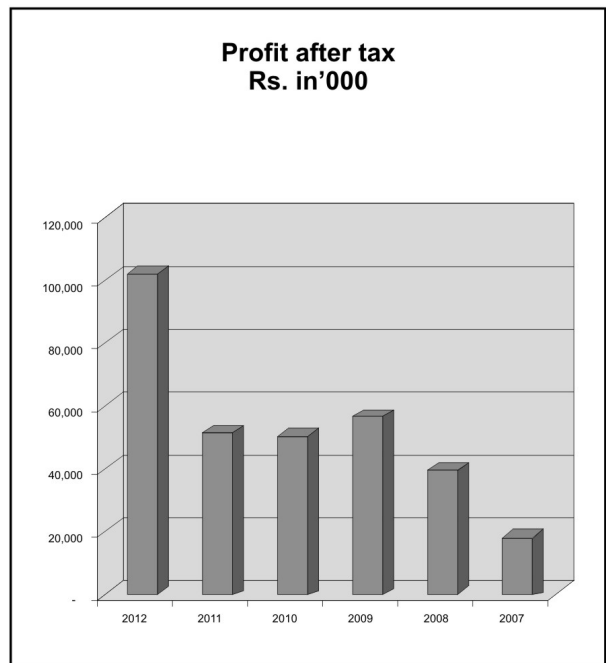
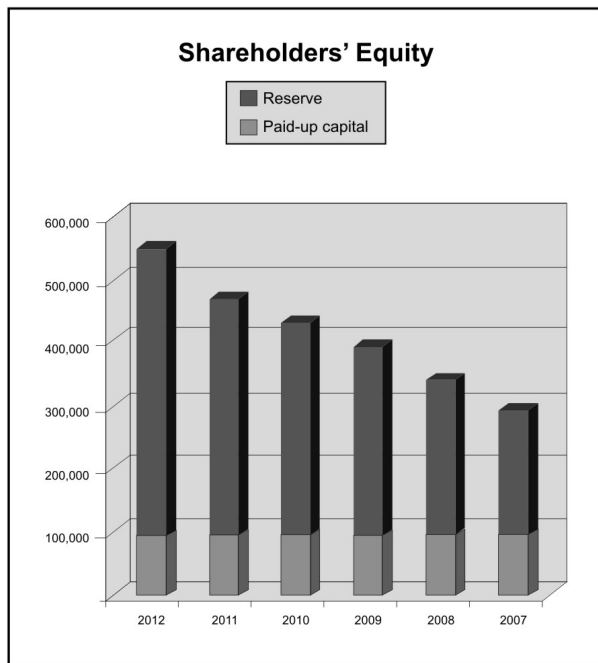
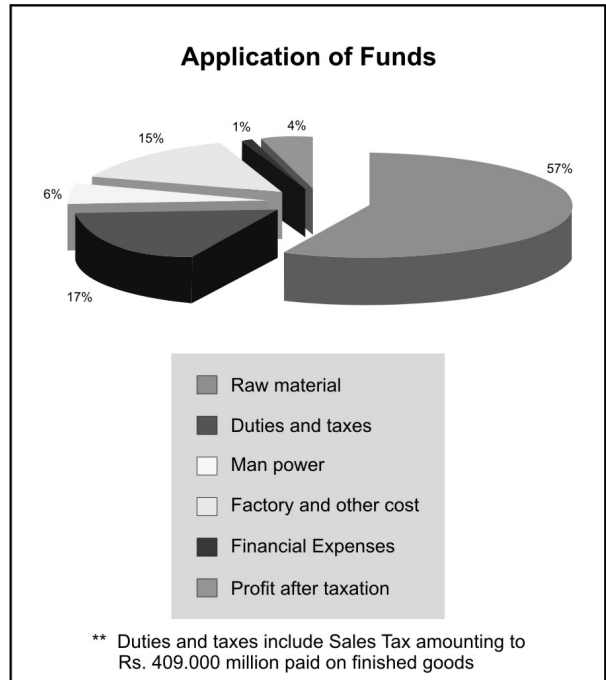
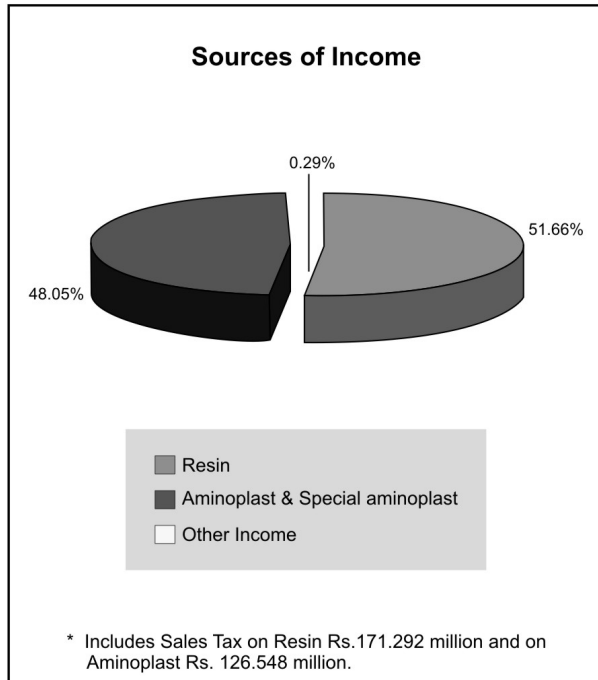
On behalf of the Board of Directors

Karachi: September 11, 2012

SHABBIR ABBAS
Chief Executive

KEY OPERATING AND FINANCIAL DATA

	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07
	----- Rupees in thousands -----					
FINANCIAL POSITION:						
SHAREHOLDERS EQUITY	550,483	466,448	429,043	392,642	336,368	296,523
TOTAL ASSETS	930,695	854,305	651,076	499,282	652,291	543,891
OPERATING RESULTS:						
TURNOVER	2,151,496	1,727,550	1,355,658	1,296,974	1,261,973	1,174,891
PROFIT / (LOSS) BEFORE TAXATION	161,872	77,699	77,392	77,196	64,632	27,119
TAXATION	(58,965)	(26,140)	(26,836)	(20,922)	(24,787)	(9,409)
PROFIT / (LOSS) AFTER TAXATION	102,908	51,559	50,556	56,274	39,845	17,710
EARNING / (LOSS) PER SHARE Rs.	5.45	2.73	2.68	2.98	2.11	0.94
CASH DIVIDEND DECLARED %	30%	20%	15%	15%	-	15%
	(proposed)					



STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Listing Regulations of Karachi and Lahore Stock Exchanges. The purpose of the Code is to establish a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Dynea Pakistan Limited (the Company) has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors (the Board). At present, the Board comprises of seven directors which includes six non-executive directors.
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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
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 other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the director elected by the directors present in the meeting due to the absence of 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. Three directors of the Company are duly certified directors. In future arrangements will also be made for other directors for acquiring certification under the Directors Training Program where applicable.
10. The Board has approved the appointment of Head of Internal Audit and subsequent to the balance sheet date the Head of Internal Audit has been appointed. No new appointment of CFO and Company Secretary 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 Code 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.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee which comprises of three non-executive directors.
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 Code. 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 two non-executive directors and one executive director. 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, Executive and Stock Exchanges.
22. Material price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles contained in the Code have been complied with except that the position of the Company Secretary and CFO is held by the same person. The said decision has been taken by the Board keeping in view the size of the Company.

SHABBIR ABBAS
Chief Executive

DONALD JOHN JENKIN
Director

Karachi : September 11, 2012

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE

WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2012 prepared by the Board of Directors of Dynea Pakistan Limited (the Company) to comply with the Listing Regulations No. 35 (chapter XI) of Karachi and Lahore Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquire of the Company personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, the Listing Regulations of Karachi and Lahore Stock Exchanges require the Company to place before the Board of Directors for their consideration and approval of related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee of the Company. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee of the Company. 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code.

Karachi : September 11, 2012

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Dynea Pakistan Limited** (the Company) as at **30 June 2012** 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 ;
 - 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 2012 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 20.1.1 to the financial statements which describes that the Company is defendant in a lawsuit alleging non-payment of vend and permit fee of Rs. 994.099 million on methanol to the Excise and Taxation Department, Government of Sindh. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in these financial statements. In the event of an unsuccessful outcome, there is a substantial doubt as to whether the Company will be able to continue as a going concern. Our report is not qualified in respect of above matter.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner :
Shariq Ali Zaidi

Karachi : September 11, 2012

BALANCE SHEET AS AT JUNE 30, 2012

<u>ASSETS</u>	Note	2012 Rupees	2011 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	6	170,052,552	163,917,702
Long-term loans	7	75,104	53,938
Long-term deposits	8	1,717,526	1,711,526
		171,845,182	165,683,166
CURRENT ASSETS			
Stores and spares	9	9,771,875	8,257,175
Stock-in-trade	10	400,046,840	339,106,271
Trade debts	11	231,319,088	207,661,230
Loans, advances, deposits, prepayments and other receivables	12	13,811,305	16,981,051
Sales tax adjustable		17,124,460	11,608,092
Taxation – net		24,200,206	41,307,107
Cash and bank balances	13	62,576,362	63,701,230
		758,850,136	688,622,156
TOTAL ASSETS		930,695,318	854,305,322
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVES			
Authorised capital 40,000,000 (2011: 40,000,000) ordinary shares of Rs.5/- each		200,000,000	200,000,000
Issued, subscribed and paid-up capital	14	94,362,065	94,362,065
Reserves		456,121,299	372,086,073
		550,483,364	466,448,138
NON-CURRENT LIABILITIES			
Long-term financing	15	45,675,000	50,375,000
Liabilities against assets subject to finance lease	16	1,244,639	2,926,824
Deferred taxation	17	11,502,445	6,197,323
		58,422,084	59,499,147
CURRENT LIABILITIES			
Trade and other payables	18	220,779,635	214,548,044
Accrued mark-up		4,399,183	4,715,434
Short-term borrowings	19	74,641,419	95,706,104
Current portion of			
- long-term financing	15	20,300,000	11,625,000
- liabilities against assets subject to finance lease	16	1,669,633	1,763,455
		321,789,870	328,358,037
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		930,695,318	854,305,322

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

SHABBIR ABBAS
Chief Executive

DONALD JOHN JENKIN
Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Turnover – net	21	2,151,496,044	1,727,550,342
Cost of sales	22	(1,796,711,989)	(1,478,541,997)
Gross profit		354,784,055	249,008,345
Distribution costs	23	(126,411,697)	(113,627,910)
Administrative expenses	24	(39,503,913)	(33,032,662)
		(165,915,610)	(146,660,572)
Other operating income	25	7,188,941	941,011
Operating profit		196,057,386	103,288,784
Finance costs	26	(22,379,912)	(19,830,727)
Other charges	27	(11,805,086)	(5,758,606)
		(34,184,998)	(25,589,333)
Profit before taxation		161,872,388	77,699,451
Taxation	28	(58,964,749)	(26,140,122)
Profit after taxation		102,907,639	51,559,329
Basic and diluted earnings per share	29	5.45	2.73

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

SHABBIR ABBAS
Chief Executive

DONALD JOHN JENKIN
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
Net profit for the year	102,907,639	51,559,329
Other comprehensive income	-	-
Total comprehensive income for the year	<u>102,907,639</u>	<u>51,559,329</u>

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

SHABBIR ABBAS
Chief Executive

DONALD JOHN JENKIN
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		161,872,388	77,699,451
Adjustments for :			
Depreciation	6.3	29,627,716	23,755,689
Provision for doubtful debts – reversed	11.1	(4,942,415)	-
Finance costs	26	22,379,912	19,830,727
Gain on disposal of fixed assets	25	(83,532)	(116,762)
		46,981,681	43,469,654
		208,854,069	121,169,105
(Increase) / decrease in current assets			
Stores and spares		(1,514,700)	(1,519,982)
Stock-in-trade		(60,940,569)	(137,013,604)
Trade debts		(18,715,443)	(30,353,391)
Sales tax adjustable		(5,516,368)	(11,309,764)
Loans, advances, deposits, prepayments and other receivables		3,169,746	(7,098,890)
		(83,517,334)	(187,295,631)
Increase in current liabilities			
Trade and others payables		8,033,504	69,324,476
		133,370,239	3,197,950
Finance costs paid		(22,696,163)	(17,227,549)
Income tax paid		(38,502,230)	(41,752,760)
Long-term loans and deposits		(27,166)	(492,500)
Net cash generated from / (used in) operating activities		72,144,680	(56,274,859)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(36,127,786)	(22,439,042)
Proceeds from disposal of fixed assets		448,752	1,285,320
Net cash used in investing activities		(35,679,034)	(21,153,722)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of long-term loan		3,975,000	62,000,000
Lease rentals paid		(1,776,007)	(3,896,495)
Dividend paid		(18,724,822)	(14,040,060)
Net cash (used in) / generated from financing activities		(16,525,829)	44,063,445
Net increase / (decrease) in cash and cash equivalents		19,939,817	(33,365,136)
Cash and cash equivalents at the beginning of year		(32,004,874)	1,360,262
Cash and cash equivalents at the end of year		(12,065,057)	(32,004,874)
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	13	62,576,362	63,701,230
Short-term borrowings	19	(74,641,419)	(95,706,104)
		(12,065,057)	(32,004,874)

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2012

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Unappropriated Profit	Total	
-----Rupees-----					
Balance as at June 30, 2010	94,362,065	101,000,000	233,681,054	334,681,054	429,043,119
Final dividend for the year ended June 30, 2010 @ Re. 0.75 per share	-	-	(14,154,310)	(14,154,310)	(14,154,310)
Net profit for the year	-	-	51,559,329	51,559,329	51,559,329
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	51,559,329	51,559,329	51,559,329
Balance as at June 30, 2011	94,362,065	101,000,000	271,086,073	372,086,073	466,448,138
Final dividend for the year ended June 30, 2011 @ Re. 1 per share	-	-	(18,872,413)	(18,872,413)	(18,872,413)
Net profit for the year	-	-	102,907,639	102,907,639	102,907,639
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	102,907,639	102,907,639	102,907,639
Balance as at June 30, 2012	94,362,065	101,000,000	355,121,299	456,121,299	550,483,364

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

SHABBIR ABBAS
Chief Executive

DONALD JOHN JENKIN
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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) 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 and amendments to approved accounting standards that are not yet effective

The following revised standards and amendments 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:

Standards	Effective date (accounting periods beginning on or after)
IFRS 7 - Financial Instruments: Disclosures - (Amendments) - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities	01 January 2013
IAS 1 - Presentation of Financial Statements - Presentation of Items of comprehensive income	01 July 2012
IAS 12 - Income Taxes (Amendment) - Recovery of Underlying Assets	01 January 2012
IAS 19 - Employee Benefits - (Amendment)	01 January 2013
IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment)	01 January 2014

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

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

NOTES TO THE FINANCIAL STATEMENTS

Standards	IASB effective date (accounting periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

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 New and amended standards and interpretations

The Company has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective during the year:

IFRS 7	-	Financial Instruments: Disclosures (Amendment)
IAS 24	-	Related Party Disclosures (Revised)
IFRIC 14	-	Prepayments of a Minimum Funding Requirement (Amendment)

In May 2010, International Accounting Standards Board (IASB) issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below;

IFRS 7	-	Financial Instruments: Disclosures
	-	Clarification of disclosures
IAS 1	-	Presentation of Financial Statements
	-	Clarification of statement of changes in equity
IAS 34	-	Interim Financial Reporting
	-	Significant events and transactions
IFRIC 13	-	Customer Loyalty Programmes
	-	Fair value of award credits

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

NOTES TO THE FINANCIAL STATEMENTS

4.2 Property, plant and equipment

Owned

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 amortized 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 capitalized and the assets so replaced, if any, are retired. Gains and losses on disposal of fixed assets are taken to profit and loss account currently.

Leased

Assets held under finance leases are capitalized at the lower of present value of the minimum lease payments at the inception of the lease term and the fair value of leased assets. The related obligations under finance lease less finance charges allocated to future periods are shown as liabilities. Finance cost is calculated at the rate implicit in the lease and is charged to profit and loss account. Depreciation is charged to income on the same basis as for owned assets.

4.3 Impairment of assets

The carrying value of assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or related cash-generating units are written down to their recoverable amounts. Impairment losses are recognized in the profit and loss account.

4.4 Stores and spares

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

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.

NOTES TO THE FINANCIAL STATEMENTS

4.6 Trade debts and other receivables

Trade debts originated by the Company are recognized 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 recognized 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 recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights that comprise the financial assets are realised, expired or surrendered. Financial liabilities are derecognized 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 financial liabilities is taken to the profit and loss account.

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 recognized amounts and intends either to settle on a net basis or to recognize the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

4.14 Staff benefits

Provident fund

The Company operates a recognized 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 recognized 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 taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

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 is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognized 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 utilized.

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 utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized 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 capitalized 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 recognized on 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 recognized 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 decision-maker. The decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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 recognized 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:

	Note
- determining the residual values and useful lives of property, plant and equipment	4.2, 4.3 & 6
- valuation of inventories	4.4, 4.5, 9 & 10
- provision for impairment of trade debts	4.6 & 11
- provision for deferred tax	4.15, 17 & 28
- contingencies	20

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2012 Rupees	2011 Rupees
Operating fixed assets	6.1	<u>170,052,552</u>	<u>163,917,702</u>

NOTES TO THE FINANCIAL STATEMENTS

6.1 Operating Fixed Assets

	COST				Rate	DEPRECIATION / AMORTIZATION				BOOK VALUE
	As at July 01, 2011	Additions / *transfers	Disposals	As at June 30, 2012		As at July 01, 2011	Charge for the year / *transfers	Disposals	As at June 30, 2012	As at June 30, 2012
	Rupees					Rupees				Rupees
Owned										
Freehold land	659,961	-	-	659,961	-	-	-	-	-	659,961
Leasehold land	4,164,884	-	-	4,164,884	99 years	598,268	42,062	-	640,330	3,524,554
Buildings on freehold land	20,307,457	-	-	20,307,457	10%	15,569,989	526,385	-	16,096,374	4,211,083
Buildings on leasehold land	56,749,664	6,579,117	-	63,328,781	10%	27,374,280	3,355,119	-	30,729,399	32,599,382
Plant and machinery	377,762,381	28,996,194	-	406,758,575	16.67%	265,009,251	22,457,776	-	287,467,027	119,291,548
Electrical installations	16,338,433	-	-	16,338,433	16.67%	14,433,039	381,078	-	14,814,117	1,524,316
Furniture and fittings	468,834	-	-	468,834	20%	119,503	87,333	-	206,836	261,998
Office equipments	2,318,095	72,000	-	2,390,095	20%	1,411,551	227,213	-	1,638,764	751,331
Computers and accessories	3,126,958	480,475	(89,010)	3,518,423	33%	2,534,602	342,753	(68,406)	2,808,949	709,474
Vehicles	7,591,364	*1,324,351	(1,836,500)	7,079,215	20%	4,924,250	881,912	(1,491,884)	4,925,798	2,153,417
							*611,520			
Storage tanks	2,507,035	-	-	2,507,035	20%	2,113,354	98,420	-	2,211,774	295,261
	491,995,066	36,127,786	(1,925,510)	527,521,693		334,088,087	28,400,051	(1,560,290)	361,539,368	165,982,325
		*1,324,351					*611,520			
Leased										
Plant and machinery	-	-	-	-	20%	-	-	-	-	-
Vehicles	7,398,351	*(1,324,351)	-	6,074,000	20%	1,387,628	1,227,665	-	2,003,773	4,070,227
							*(611,520)			
	7,398,351	*(1,324,351)	-	6,074,000		1,387,628	1,227,665	-	2,003,773	4,070,227
							*(611,520)			
2012	499,393,417	36,127,786	(1,925,510)	533,595,693		335,475,715	29,627,716	(1,560,290)	363,543,141	170,052,552

6.1.1 During the year, borrowing costs have been capitalized amounting to Rs.0.919 million (2011: Rs. 2.582 million) by using weighted average capitalization rate of 13.14% (2011: 13.68%).

	COST				Rate	DEPRECIATION / AMORTIZATION				BOOK VALUE
	As at July 01, 2010	Additions / *transfers	Disposals	As at June 30, 2011		As at July 01, 2010	Charge for the year / *transfers	Disposals	As at June 30, 2011	As at June 30, 2011
	Rupees					Rupees				Rupees
Owned										
Freehold land	659,961	-	-	659,961	-	-	-	-	-	659,961
Leasehold land	4,164,884	-	-	4,164,884	99 years	556,206	42,062	-	598,268	3,566,616
Buildings on freehold land	20,307,457	-	-	20,307,457	10%	15,043,603	526,386	-	15,569,989	4,737,468
Buildings on leasehold land	38,373,911	18,375,753	-	56,749,664	10%	24,843,199	2,531,081	-	27,374,280	29,375,384
Plant and machinery	311,123,433	60,088,948	-	377,762,381	16.67%	244,478,954	18,032,564	-	265,009,251	112,753,130
		*6,550,000					*2,497,733			
Electrical installations	16,338,433	-	-	16,338,433	16.67%	14,051,958	381,081	-	14,433,039	1,905,394
Furniture and fittings	178,134	290,700	-	468,834	20%	32,170	87,333	-	119,503	349,331
Office equipments	1,847,295	470,800	-	2,318,095	20%	1,185,348	226,203	-	1,411,551	906,544
Computers and accessories	2,704,558	422,400	-	3,126,958	33%	2,414,414	120,188	-	2,534,602	592,356
Vehicles	7,501,710	143,500	(2,600,846)	7,591,364	20%	3,925,024	789,151	(1,432,288)	4,924,250	2,667,114
		*2,547,000					*1,642,363			
Storage tanks	2,507,035	-	-	2,507,035	20%	2,014,934	98,420	-	2,113,354	393,681
	405,706,811	79,792,101	(2,600,846)	491,995,066		308,545,810	22,834,469	(1,432,288)	334,088,087	157,906,979
		*9,097,000					*4,140,096			
Leased										
Plant and machinery	6,550,000	*(6,550,000)	-	-	20%	2,497,733	*(2,497,733)	-	-	-
Vehicles	5,838,351	4,107,000	-	7,398,351	20%	2,108,771	921,220	-	1,387,628	6,010,723
		*(2,547,000)					*(1,642,363)			
	12,388,351	4,107,000	-	7,398,351		4,606,504	921,220	-	1,387,628	6,010,723
		*(9,097,000)					*(4,140,096)			
2011	418,095,162	83,899,101	(2,600,846)	499,393,417		313,152,314	23,755,689	(1,432,288)	335,475,715	163,917,702

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 buyers
	Rupees						
Vehicle (Toyota Corolla)	879,000	662,978	216,022	290,100	74,078	As per Company's policy	Mr. Syed Minhajuddin (employee)
Vehicle (Toyota Corolla)	879,000	756,587	122,413	134,652	12,239	As per Company's policy	Mr. Muhammad Shakeel Uddin (CFO & Company Secretary)
Vehicle (Honda C G-125)	78,500	72,319	6,181	7,000	819	As per Company's policy	Mr. Muhammad Ali (employee)
Laptop	89,010	68,406	20,604	17,000	(3,604)	Negotiation	Icon Sourcing Services
2012	1,925,510	1,560,290	365,220	448,752	83,532		
2011	2,600,846	1,432,288	1,168,558	1,285,320	116,762		

	Note	2012 Rupees	2011 Rupees
6.3 Depreciation / amortization charge for the year has been allocated as follows:			
Cost of sales – manufacturing expenses	22	27,891,729	22,567,046
Distribution costs	23	700,108	487,776
Administrative expenses	24	1,035,879	700,867
		29,627,716	23,755,689

7. LONG-TERM LOANS – secured, considered good

Due from employees	7.1	177,539	138,044
Less: Current portion	12.1	102,435	84,106
		75,104	53,938

7.1 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.

	2012 Rupees	2011 Rupees
8. LONG-TERM DEPOSITS		
Water and Power Development Authority	823,200	823,200
Lasbela Industrial Estate Development Authority	662,870	662,870
Others	231,456	225,456
	1,717,526	1,711,526

9. STORES AND SPARES

Stores	5,863,197	3,993,157
Spares	3,908,678	4,264,018
	9,771,875	8,257,175

NOTES TO THE FINANCIAL STATEMENTS

	Note	2012 Rupees	2011 Rupees
10. STOCK-IN-TRADE			
Raw material:			
In hand		246,834,659	200,129,358
In bonded warehouse		60,433,893	53,321,827
In transit		46,851,382	52,994,737
		354,119,934	306,445,922
Packing material		4,517,982	3,423,389
Finished goods		41,408,924	29,236,960
		400,046,840	339,106,271
11. TRADE DEBTS – unsecured			
Considered good		231,319,088	207,661,230
Considered doubtful		35,057,585	40,000,000
		266,376,673	247,661,230
Less: Provision for impairment	11.1	35,057,585	40,000,000
		231,319,088	207,661,230
11.1 Reconciliation of provision for impairment of trade debts			
Balance at the beginning of the year		40,000,000	40,000,000
Reversal during the year		(4,942,415)	-
Balance at the end of the year		35,057,585	40,000,000
12. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Loans -unsecured, considered good			
- Executives		60,000	286,772
- Other staff	12.1	2,058,773	1,789,444
		2,118,773	2,076,216
Advances - unsecured, considered good			
- Suppliers and contractors		9,916,525	12,660,297
- Employees		106,195	228,748
		10,022,720	12,889,045
Deposits		964,503	1,365,000
Prepayments		567,422	557,040
Other receivables		137,887	93,750
		13,811,305	16,981,051
12.1	Includes current portion of long-term loan to employees amounting to Rs. 0.102 million (2011: Rs. 0.084 million).		

NOTES TO THE FINANCIAL STATEMENTS

	Note	2012 Rupees	2011 Rupees
13. CASH AND BANK BALANCES			
Cash in hand		149,691	131,648
With banks			
- current accounts		60,992,907	49,222,697
- PLS saving account	13.1	1,433,764	14,346,885
		62,426,671	63,569,582
		62,576,362	63,701,230
13.1	This carries profit at the rate of 10% (2011: 10.25%) per annum.		
14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
		Number of ordinary shares of Rs. 5/- each	
		2012	2011
		8,316,000	8,316,000 Fully paid in cash
		41,580,000	41,580,000
		10,556,413	10,556,413 Issued as fully paid bonus shares
		18,872,413	52,782,065
			94,362,065
14.1	A related party held 6,264,931 (2011: 6,264,931) ordinary shares of Rs. 5/- each in the Company at year end.		
15. LONG-TERM FINANCING – secured		2012 Rupees	2011 Rupees
Long-term loan	15.1	65,975,000	62,000,000
Less: Current portion		20,300,000	11,625,000
		45,675,000	50,375,000
15.1	Represents utilized portion of loan facility obtained from a commercial bank amounting to Rs. 80 million carrying mark-up at the rate of three months' KIBOR plus 1.35% per annum. The loan is repayable in sixteen equal quarterly installments commencing from October 2011 and is secured against equitable mortgage and hypothecation of Company's fixed assets.		
16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
		Minimum Lease Payments (MLP)	Minimum Lease Payments (MLP)
		Present value of MLP	Present value of MLP
		2012	2011
		----- Rupees -----	
Not later than one year		1,974,785	1,669,633
Later than one year but not later than five years		2,404,373	1,763,455
Total minimum lease payments		1,481,794	1,244,639
Less: Financial charges allocated to future periods		3,456,579	2,914,272
Present value of minimum lease payments		542,307	1,257,268
Less: Current portion		2,914,272	2,914,272
		1,669,633	1,763,455
		1,244,639	2,926,824

NOTES TO THE FINANCIAL STATEMENTS

Represent finance leases entered into with a modaraba and a banking company for vehicles and plant and machinery respectively. The balance of the liability is payable by April 2016 in equal monthly installments. The above lease contracts contain a bargain purchase option. Monthly lease payments include finance charges at the rate of six months KIBOR+2.75% (2011: three months' KIBOR+1% to six months' KIBOR+3%) per annum, which is used as a discounting factor.

	Note	2012 Rupees	2011 Rupees
17. DEFERRED TAXATION			
Taxable temporary differences arising due to:			
- Accelerated tax depreciation		25,265,097	21,632,249
- Assets subject to finance lease		404,583	462,155
		<u>25,669,680</u>	<u>22,094,404</u>
Deductible temporary differences arising due to:			
- Provisions		(12,270,154)	(14,000,000)
- Difference between turnover tax and taxable income		(1,897,081)	(1,897,081)
		<u>(14,167,235)</u>	<u>(15,897,081)</u>
		<u>11,502,445</u>	<u>6,197,323</u>

18. TRADE AND OTHER PAYABLES

Creditors		5,780,168	5,426,624
Bills payable		105,525,107	109,406,051
Accrued liabilities	18.1	65,702,250	54,478,987
Infrastructure cess payable	18.2	24,921,865	31,040,373
Workers' Welfare Fund		3,121,212	3,320,648
Workers' Profits Participation Fund	18.3	8,683,874	4,172,903
Vend / permit fee	18.4	4,552,438	4,552,438
Tax deducted at source		1,336,150	1,141,040
Unclaimed and unpaid dividend		964,217	893,802
Dividend payable		192,354	115,178
		<u>220,779,635</u>	<u>214,548,044</u>

18.1 Include accrual for leave encashment of Rs. 6.751 million (2011: Rs. 8.523 million) and bonus to employees of Rs. 15.843 million (2011: Rs. 10.363 million).

18.2 During the financial year 2009, the Honourable High Court of Sindh declared the levy of the Infrastructure cess / fee by the Excise and Taxation Department, Government of Sindh upto December 27, 2006 as ultra vires of the Constitution. However, the levy subsequent to December 27, 2006 was declared valid. The Company filed an appeal before the Honourable Supreme Court of Pakistan against the above order of the High Court and as per the directions of the Supreme Court, approached the High Court by filing a fresh Constitution petition. The High Court granted stay on the said petition on the following terms:

- Any bank guarantee/security furnished for consignment released upto December 27, 2006 shall be discharged and returned; and
- Any bank guarantee/security furnished for consignment released after December 27, 2006 shall be encashed to the extent of 50% of the guaranteed/secured amount only and the bank guarantee/security for the balance amount will be kept alive till the disposal of the petitions.

In view of the interim nature of arrangement as provided in the above referred order of the High Court, the Company has retained full provision against the infrastructure cess fee payable for the period from December 27, 2006 till June 30, 2012.

NOTES TO THE FINANCIAL STATEMENTS

The Company has provided a bank guarantee in favour of Excise and Taxation Department amounting to Rs. 15.45 million (2011: Rs. 34 million), out of which Rs. 0.40 million (2011: Rs. 2.96 million) remained unutilized as of the year end.

18.3 Workers' Profits Participation Fund	Note	2012 Rupees	2011 Rupees
Balance at the beginning of the year		4,172,903	4,172,263
Interest on funds utilized in the Company's business	26	327,645	118,354
		4,500,548	4,290,617
Allocation for the year		8,683,874	4,172,903
		13,184,422	8,463,520
Less: Payments made during the year		4,500,548	4,290,617
Balance at the end of the year		8,683,874	4,172,903

18.4 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

Represents utilized portion of running finance facilities obtained from various banks amounting to Rs. 400 million (2011: Rs. 400 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+0.75% to three months' KIBOR+1% (2011: one months' KIBOR+0.75% 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 (2011: Rs. 100 million) remained unutilized at the balance sheet date.

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 The Excise and Taxation Department, Government of Sindh imposed vend 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 in August 1996. In June 2001, the High Court decided the case in the favour of the Company. However, the Department filed an appeal in the Supreme Court against the above judgement. The Supreme Court suspended the decision of the High Court and reverted the case back to the High Court for fresh hearing. High Court decided the case in favour 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 30 June 2012 works out at Rs. 994.099 million (2011: Rs. 930.390 million). Based on the legal advice, the Company is confident to get a favourable decision from the Supreme Court and, accordingly no provision for any liability has been made in these financial statements. Furthermore, the management is making necessary efforts to resolve this matter and is confident that the Company will be able to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS

20.1.2 In 2007, the Taxation Officer issued an order for the recovery of Income Tax Credit amounting to Rs. 3.1 million pertaining to the assessment year 2002-03, allowed earlier u/s 107AA of the Ordinance, on the plea that such credit could not be allowed in such cases where minimum tax u/s 80D of the Ordinance, is leviable. Since in the said year the Company was subjected to minimum tax, the Taxation Officer passed orders for the recovery of previously refunded amount.

An appeal was filed with the Commissioner of Income Tax (Appeals) against that order which has been vacated by the Commissioner of Income Tax (Appeals). The Tax Department has filed an appeal with the Income Tax Appellate Tribunal (ITAT), Karachi against the said order. The committee of ITAT has referred the case to Chairman ITAT for constitution of full bench. Appeal is kept pending till then.

As the Commissioner of Income Tax (Appeals) has already decided the case in favour of the Company, the management is confident that the ultimate decision would be in its favour and therefore no provision has been made for the above demand in these financial statements.

20.1.3 The Company exports Silver Catalyst for renovation / repair / maintenance purposes. On its re-import the Customs authorities refused to extend the benefit of zero rating of Customs Duty under PCT heading 9918 due to a change in the said heading. Earlier the term 'goods' provided exemption to all goods, however, through this amendment the scope of exemption has been restricted to 'machinery and equipment'.

Silver Catalyst broadly fall within the definition of plant and machinery as held by the Supreme Court of Pakistan in its decision (PTCL 2005 CL 622). This case has been referred to FBR for favourable decision against duties / taxes levied amounting to Rs. 2.257 million. In view of said judgment and based on the advice of the consultant, the Company is confident to get a favourable decision, hence no provision thereagainst has been made in the financial statements.

	2012 Rupees	2011 Rupees
20.2 Commitments		
20.2.1 Outstanding letters of credit	133,218,672	148,364,263
20.2.2 Outstanding bank guarantees	7,485,147	7,485,147
20.2.3 Post dated cheques issued in favour of Collector of Customs	55,077,546	49,982,364
20.2.4 Commitments for rental under Ijarah finance agreement		
Within one year	2,007,840	-
After one year but not more than five years	3,228,450	-
	5,236,290	-

Represent Ijarah finance facility entered into with First Habib Modaraba in respect of vehicles. Total Ijarah payments due under the agreement is Rs. 5,236,290/- and are payable in monthly installments latest by January 2015. These liabilities are secured by on demand promissory note for the entire amount of the lease rentals.

NOTES TO THE FINANCIAL STATEMENTS

	Note	2012 Rupees	2011 Rupees
21. TURNOVER – net			
Sales		2,463,685,929	2,019,227,731
Less: Sales tax		297,839,585	251,248,318
Excise duty		-	23,554,500
Sales return		7,429,969	6,940,927
Trade discount		6,920,331	9,933,644
		312,189,885	291,677,389
		2,151,496,044	1,727,550,342
 22. COST OF SALES			
Opening stock – raw and packing materials		203,552,747	131,796,799
Purchases		1,520,233,898	1,260,879,789
		1,723,786,645	1,392,676,588
Closing stock – raw and packing materials		(251,352,641)	(203,552,747)
Raw and packing materials consumed		1,472,434,004	1,189,123,841
Manufacturing expenses			
Indirect material consumed		4,600,483	5,228,145
Stores and spares consumed		16,385,978	21,933,540
Fuel and power		108,943,304	105,745,079
Salaries, wages and other benefits		115,082,102	110,218,401
Rent, rates and taxes		776,153	420,614
Insurance		3,149,907	3,159,198
Repairs and maintenance		34,403,398	18,840,053
Vehicle running and maintenance		3,677,683	2,607,557
Ijarah rentals		542,932	-
Postage, telephone and telex		567,723	561,004
Storage and handling charges		8,520,059	10,135,885
Traveling and conveyance		1,704,845	2,426,099
Printing and stationery		790,395	406,039
Depreciation / amortization	6.3	27,891,729	22,567,046
Others		8,648,567	4,435,083
		335,685,258	308,683,743
Inter division transfers - adjustment		1,808,119,262	1,497,807,584
		764,691	(4,170,712)
Cost of goods manufactured		1,808,883,953	1,493,636,872
Finished goods			
Opening stock		29,236,960	14,142,085
Closing stock		(41,408,924)	(29,236,960)
		(12,171,964)	(15,094,875)
		1,796,711,989	1,478,541,997

NOTES TO THE FINANCIAL STATEMENTS

	Note	2012 Rupees	2011 Rupees
23. DISTRIBUTION COSTS			
Salaries and other benefits		9,923,278	8,541,880
Cartage and freight		109,662,772	98,875,547
Rent, rates and taxes		748,014	675,271
Insurance		160,882	115,092
Repairs and maintenance		185,908	358,654
Vehicle running and maintenance		1,404,380	1,128,065
Postage, telephone and telex		472,080	496,819
Traveling and conveyance		2,332,025	2,052,023
Printing and stationery		19,817	14,647
Electricity		389,993	375,973
Depreciation	6.3	700,108	487,776
Sales promotion		303,577	236,517
Others		108,863	269,646
		<u>126,411,697</u>	<u>113,627,910</u>

24. ADMINISTRATIVE EXPENSES			
Salaries and other benefits		23,333,660	19,797,247
Insurance		97,367	61,857
Repairs and maintenance		1,068,748	1,337,546
Vehicle running and maintenance		1,738,193	1,513,532
Ijarah rentals		293,488	-
Postage, telephone and telex		816,027	766,352
Traveling and conveyance		3,414,646	1,933,142
Printing and stationery		446,286	519,195
Utilities		840,000	664,100
Depreciation	6.3	1,035,879	700,867
Legal and professional charges		2,615,170	2,484,338
Advertisement and publicity		33,360	138,663
Charity and donations	24.1	1,621,000	784,000
Auditors' remuneration	24.2	757,585	685,540
ISO certification fees		214,903	409,055
Others		1,177,601	1,237,228
		<u>39,503,913</u>	<u>33,032,662</u>

24.1 Charity and donations

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

	Note	2012 Rupees	2011 Rupees
24.2 Auditors' remuneration			
Audit fee		605,000	550,000
Fee for review of half yearly financial statements		60,000	55,000
Other certifications		30,000	27,500
Out of pocket expenses		62,585	53,040
		<u>757,585</u>	<u>685,540</u>

NOTES TO THE FINANCIAL STATEMENTS

25. OTHER OPERATING INCOME – net	Note	2012 Rupees	2011 Rupees
Income from financial assets			
Profit on bank deposits		1,342,566	826,561
Income from non-financial assets			
Scrap sales		393,769	358,704
Gain on disposal of fixed assets		83,532	116,762
Insurance claims		1,314,884	423,214
Net exchange loss		(888,225)	(784,230)
Provision for doubtful debts – reversed	11.1	4,942,415	-
		<u>5,846,375</u>	<u>114,450</u>
		<u>7,188,941</u>	<u>941,011</u>
26. FINANCE COSTS			
Mark-up on:			
- long-term financing		8,337,740	6,029,967
- short-term borrowings		11,896,524	11,082,052
- finance lease		607,245	688,363
		<u>20,841,509</u>	<u>17,800,382</u>
Interest on Workers' Profits Participation Fund	18.3	327,645	118,354
Bank guarantees commission		265,581	656,705
Bank charges		945,177	1,255,286
		<u>22,379,912</u>	<u>19,830,727</u>
27. OTHER CHARGES			
Workers' Profits Participation Fund		8,683,874	4,172,903
Workers' Welfare Fund		3,121,212	1,585,703
		<u>11,805,086</u>	<u>5,758,606</u>
28. TAXATION			
Current		52,961,431	18,138,733
Prior		698,196	-
Deferred		5,305,122	8,001,389
		<u>58,964,749</u>	<u>26,140,122</u>
			2012 Rupees
28.1 Relationship between accounting profit and tax expense			
Profit before taxation			<u>161,872,388</u>
Tax @ 35%			56,655,336
Effect of previous year tax charge			698,196
Others			1,611,217
Tax expense			<u>58,964,749</u>
28.2 During the year ended 30 June 2011, provision for taxation was made on the basis of minimum tax on turnover under section 113 of Income Tax Ordinance, 2001. Accordingly, tax expense reconciliation is not presented for previous year.			

NOTES TO THE FINANCIAL STATEMENTS

	2012	2011
29. BASIC AND DILUTED EARNINGS PER SHARE		
There is no dilutive effect on the basic earnings per share which is based on :		
Profit after taxation (Rupees)	<u>102,907,639</u>	<u>51,559,329</u>
Weighted average number of ordinary shares	<u>18,872,413</u>	<u>18,872,413</u>
Earnings per share (Rupees)	<u>5.45</u>	<u>2.73</u>

30. OPERATING SEGMENT INFORMATION

For management purposes, the Company is organized 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.

Management monitors the operating results of its business units separately for the purpose of decisions making about resource allocation and performance assessment. Segment performance is evaluated based on certain key performance indicators, including business volume, gross profit and reduction in operating costs.

	2012			2011		
	Resin Division	Aminoplast Division	Total	Resin Division	Aminoplast Division	Total
	-----Rupees-----			-----Rupees-----		
Turnover – net	1,097,674,418	1,053,821,626	2,151,496,044	838,038,459	889,511,883	1,727,550,342
Cost of sales	<u>(887,688,999)</u>	<u>(909,022,990)</u>	<u>(1,796,711,989)</u>	<u>(672,805,634)</u>	<u>(805,736,363)</u>	<u>(1,478,541,997)</u>
Gross profit	209,985,419	144,798,636	354,784,055	165,232,825	83,775,520	249,008,345
Allocated distribution costs (Cartage and freight)	(100,225,437)	(9,437,335)	(109,662,772)	(86,974,944)	(11,900,603)	(98,875,547)
(Provision)/ reversal for doubtful debts	6,553,104	(1,610,689)	4,942,415	-	-	-
	<u>116,313,086</u>	<u>133,750,612</u>	<u>250,063,698</u>	<u>78,257,881</u>	<u>71,874,917</u>	<u>150,132,798</u>
Unallocated expenses:						
Administrative and distribution costs			(56,252,838)			(47,785,025)
Other operating income			2,246,526			941,011
Finance costs			(22,379,912)			(19,830,727)
Other charges			(11,805,086)			(5,758,606)
Taxation			(58,964,749)			(26,140,122)
Profit after taxation			<u>102,907,639</u>			<u>51,559,329</u>
Segment assets	412,507,080	387,121,739	799,628,819	313,972,260	354,104,036	668,076,296
Unallocated assets			131,066,499			186,229,026
Total assets			<u>930,695,318</u>			<u>854,305,322</u>
Segment liabilities	70,482,503	47,096,153	117,578,656	76,066,349	5,647,380	81,713,729
Unallocated liabilities			262,633,298			306,143,455
Total liabilities			<u>380,211,954</u>			<u>387,857,184</u>
Capital expenditure	35,256,036	871,750	36,127,786	4,805,690	16,063,852	20,869,542
Unallocated capital expenditure			-			1,569,500
Total capital expenditure			<u>36,127,786</u>			<u>22,439,042</u>
Depreciation	11,532,070	16,359,659	27,891,729	9,984,393	12,582,653	22,567,046
Unallocated depreciation			1,735,987			1,188,643
Total depreciation			<u>29,627,716</u>			<u>23,755,689</u>

NOTES TO THE FINANCIAL STATEMENTS

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.

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 long-term financing, short term borrowings and liabilities against assets subject to finance lease 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. 1,435,307/- 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. 42,648,012/-. 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. 2,132,401/- 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.

NOTES TO THE FINANCIAL STATEMENTS

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 and obtaining securities where applicable.

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.

	2012 Rupees	2011 Rupees
The analysis of trade debts is as follows		
Neither past due nor impaired	179,871,144	175,821,098
Past due but not impaired		
- 61 to 90 days	36,896,197	18,425,859
- 91 to 120 days	9,763,279	11,254,978
- 121 to 180 days	4,788,468	2,159,295
	<u>231,319,088</u>	<u>207,661,230</u>
Bank balances		
Ratings		
A1+	<u>62,426,671</u>	<u>63,569,582</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.

2012	Less than 3 months	3 to 12 months	1 to 5 Years	Total
	----- Rupees -----			
Long-term financing	5,075,000	15,225,000	45,675,000	65,975,000
Liabilities against assets subject to finance lease	471,392	1,198,241	1,244,639	2,914,272
Trade and other payables	175,403,895	4,552,438	-	179,956,333
Accrued markup	4,399,183	-	-	4,399,183
Short-term borrowings	-	74,641,419	-	74,641,419
	<u>185,349,470</u>	<u>95,617,098</u>	<u>46,919,639</u>	<u>327,886,207</u>
2011	Less than 3 Months	3 to 12 months	1 to 5 years	Total
	----- Rupees -----			
Long-term financing	-	11,625,000	50,375,000	62,000,000
Liabilities against assets subject to finance lease	1,296,499	466,956	2,926,824	4,690,279
Trade and other payables	167,560,891	4,552,438	-	172,113,329
Accrued markup	4,715,434	-	-	4,715,434
Short-term borrowings	-	95,706,104	-	95,706,104
	<u>173,572,824</u>	<u>112,350,498</u>	<u>53,301,824</u>	<u>339,225,146</u>

NOTES TO THE FINANCIAL STATEMENTS

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 36% (2011: 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. Detail of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2012 Rupees	2011 Rupees
Purchases	<u>97,229</u>	<u>44,863</u>
Contribution to provident fund	<u>4,377,366</u>	<u>4,025,285</u>

35. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2012		2011	
	Chief Executive	Executives	Chief Executive	Executives
	-----Rupees-----			
Managerial remuneration	3,297,630	5,031,378	2,446,714	4,633,271
Retirement and other benefits	2,575,560	2,550,907	1,279,554	2,033,969
House rent	1,360,800	2,084,928	975,017	1,845,888
	<u>7,233,990</u>	<u>9,667,213</u>	<u>4,701,285</u>	<u>8,513,128</u>
Number of person(s)	<u>1</u>	<u>5</u>	<u>1</u>	<u>5</u>

NOTES TO THE FINANCIAL STATEMENTS

- 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. 0.115 (2011: Rs. 0.090) million.
- 35.3** Further, a non-executive director is provided fee for technical advisory services amounting to Rs. 1.543 million as per contractual arrangement.

36. CAPACITY AND PRODUCTION

Note	2012		2011	
	Rated capacity	Actual production	Rated Capacity	Actual production
-----Metric Tons -----				
Resin division				
	47,000	35,918	34,000	33,537
	39,000	36,043	39,000	34,562
36.1	86,000	71,961	73,000	68,099
Aminoplast division				
36.1	12,000	11,598	12,000	10,896

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

37. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on 11 September 2012 has approved the following:

- (i) transfer of Rs.300 million from unappropriated profit to general reserve.
- (ii) payment of cash dividend of Rs. 1.50 per share for the year ended June 30, 2012 for approval of the members at the Annual General Meeting to be held on October 25, 2012.

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.

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 11 September 2012 by the Board of Directors of the Company.

COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDINGS

AS AT JUNE 30, 2012

CATEGORY NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARES HELD	CATEGORYWISE NO. OF SHARE HOLDERS	CATEGORYWISE SHARES HELD	PERCENTAGE %
1	INDIVIDUALS		1,234	5,059,573	26.81
2	INVESTMENT COMPANIES		2	2,840	0.01
3	JOINT STOCK COMPANIES		14	1,396,502	7.40
4	DIRECTORS, CHIEF EXECUTIVE OFFICER AND THEIR SPOUSE AND MINOR CHILDREN MR. PER HAGA MR. SHABBIR ABBAS MR. ALIREZA M. ALLADIN MR. CHEW TECK LIONG MR. DONALD JOHN JENKIN MR. ALTAF NAZIM MR. SAJID HASSAN	1,000 1,000 1,000	3	3,000	0.02
5	EXECUTIVES		-	-	-
6	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES DYNEA ASA	6,264,931	1	6,264,931	33.20
7	PUBLIC SETOR COMPANIES AND CORPORATIONS		-	-	-
8	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, TAKAFUL, MODARABAS & PENSION FUND		7	381,770	2.02
9	MUTUAL FUNDS NATIONAL BANK OF PAKISTAN - TRUSTEE DEPTT. NI(U)T FUND GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1,787,610 895,233	2	2,682,843	14.22
10	FOREIGN INVESTORS		13	3,040,215	16.11
11	CO-OPERATIVE SOCIETIES		-	-	-
12	CHARITABLE TRUSTS		1	38,038	0.20
13	OTHERS		1	2,701	0.01
	TOTAL		1,278	18,872,413	100.00

SHAREHOLDERS HOLDING FIVE PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY			
TOTAL PAID-UP CAPITAL OF THE COMPANY		18,872,413	SHARES
5% OF THE PAID-UP CAPITAL OF THE COMPANY		943,621	SHARES
NAME(S) OF SHARE-HOLDER(S)	DESCRIPTION	NO. OF SHARES HELD	PERCENTAGE %
DYNEA ASA	FALL IN CAT.# 6	6,264,931	33.20
NATIONAL BANK OF PAKISTAN - TRUSTEE DEPARTMENT NI(U)T FUND	FALL IN CAT.# 9	1,787,610	9.47
ROBERT FINANCE CORPORATION AG	FALL IN CAT.# 10	1,105,169	5.85
TOTAL		9,157,710	48.52

COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDINGS

AS AT JUNE 30, 2012

<i>NUMBER OF SHARE HOLDERS</i>	<i>SHAREHOLDINGS RS.5/- EACH</i>			<i>TOTAL SHARES HELD</i>
498	1	--	100	14,738
321	101	--	500	89,105
138	501	--	1,000	106,910
229	1,001	--	5,000	546,562
25	5,001	--	10,000	168,206
12	10,001	--	15,000	154,475
4	15,001	--	20,000	70,237
5	20,001	--	25,000	111,421
2	25,001	--	30,000	56,500
1	30,001	--	35,000	31,918
3	35,001	--	40,000	115,289
1	40,001	--	45,000	44,908
7	45,001	--	50,000	331,023
2	55,001	--	60,000	116,196
1	60,001	--	65,000	60,215
3	65,001	--	70,000	198,486
3	75,001	--	80,000	230,296
1	105,001	--	110,000	106,759
1	110,001	--	115,000	115,000
1	115,001	--	120,000	116,000
1	130,001	--	135,000	134,660
1	135,001	--	140,000	140,000
1	160,001	--	165,000	161,874
1	170,001	--	175,000	170,169
1	190,001	--	195,000	194,885
1	245,001	--	250,000	250,000
4	385,001	--	390,000	1,547,832
1	400,001	--	405,000	400,003
2	405,001	--	410,000	816,986
1	625,001	--	630,000	625,217
1	705,001	--	710,000	708,600
1	880,001	--	885,000	885,000
1	895,001	--	900,000	895,233
1	1,105,001	--	1,110,000	1,105,169
1	1,785,001	--	1,790,000	1,787,610
1	6,260,001	--	6,265,000	6,264,931
1,278				18,872,413

FORM OF PROXY

30th ANNUAL GENERAL MEETING

I/We _____

of _____

being member(s) of Dynea Pakistan Limited, holding _____

Ordinary Shares, hereby appoint _____

of _____ or failing him / her _____

of _____ who is/are also member(s) of Dynea Pakistan Limited

as my/our proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 30th Annual General Meeting of the Company to be held on October 25, 2012 and/or any adjournment thereof.

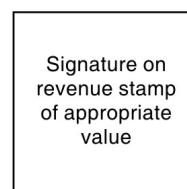
As witness my/our hand/seal this _____ day of _____ 2012

Signed by the said _____

in the presence of : 1. _____
 2. _____



Folio No. / CDC A/c. No.



The Signature should agree with the specimen registered with the Company.

IMPORTANT:

1. The proxy from duly completed and signed, must be received at the Registered Office of the Company, i.e. 1st Floor. House of Habib, Siddiqsons Tower, 3-Jinnah Cooperative Housing Society, Block 7/8, Sharea Faisal, Karachi-75350, not less than 48 hours before the time of holding 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 instrument of proxy are deposited by any 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:

- i) The proxy from shall be witnessed by two persons whose names, addresses and Computerized NIC numbers shall be mentioned on the form.
- ii) Attested copies of Computerized NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his original Computerized NIC or original passport at the time of the meeting.
- iv) 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).