

dynea

DYNEA PAKISTAN LIMITED

31st Annual Reports

For the year ended

30th June, 2013

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COMPANY INFORMATION

Board of Directors :

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

Audit Committee :

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

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,
1st Floor, House of Habib (Siddiqsons Tower)
3-Jinnah Co-operative Housing Society,
Block 7/8, Shahrah-e-Faisal, Karachi-75350.
Ph: (92-21) 34325482-484 Fax: (92-21) 3432544

Registered Office :

1st Floor, House of Habib (Siddiqsons Tower)
3-Jinnah Co-operative Housing Society,
Block 7/8, Shahrah-e-Faisal, Karachi-75350.
Ph: (92-21) 34520132-135 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 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 first Annual General Meeting of the Company will be held at the Pearl Continental Hotel, Karachi on Tuesday, October 29, 2013 at 9:00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Accounts for the year ended June 30, 2013 together with the Report of the Directors' and Auditors' thereon.
2. To approve the payment of cash dividend @ 50% (i.e. Rs.2.50 per share) as recommended by the Board of Directors for the year ended June 30, 2013.
3. To appoint Auditors for the year 2013-14 and to fix their remuneration, the present auditors - M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants being eligible offer themselves for re-appointment.

By Order of the Board

MUHAMMAD SHAKEEL UDDIN
Company Secretary

Karachi: September 18, 2013

NOTES :

- i) The Share Transfer Books of the Company will remain closed from Wednesday, October 23, 2013 to Tuesday, October 29, 2013 (both days inclusive) and the final dividend will be paid to the shareholders whose names will appear in the Register of members at the close of the business on October 22, 2013. 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, Shahrah-e- Faisal, Karachi. Tel: (92-21)34325482-84 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.

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) along with proxy form to the Company.

Submission of copies of CNIC:

In accordance with the notification of the Securities and Exchange Commission of Pakistan, SRO 831(I) 2012 dated July 05, 2012, dividend warrants should bear CNIC number of the registered member or the authorized person, except in case of minor(s) and corporate members.

Accordingly, members who have not yet submitted photocopy of their computerized national identity card to the Company are requested to send the same at the earliest.

Payment of Cash Dividend Electronically (Optional):

The Company wishes to inform to its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders wishing to exercise the option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of bank. CDC account holders should submit their requests directly to their broker (participant)/CDC.

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, 2013.

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:

	2013	2012
	(Rupees in thousand)	
Turnover	<u>2,390,922</u>	<u>2,151,496</u>
Gross Profit	<u>439,800</u>	<u>354,784</u>
Gross Profit as a % of Turnover	<u>18.39%</u>	<u>16.49%</u>
Profit before Tax	<u>242,168</u>	<u>161,872</u>
Profit after Tax	<u>156,326</u>	<u>102,908</u>
Basic earnings per share in rupees	<u>8.28</u>	<u>5.45</u>

Resin Division

Turnover in Resin Division amounted to a sum of Rs. 1,229.834 million as compared to that of Rs. 1,097.674 million in the previous financial year, showing an improvement of 12.04%. Segment Result of Resin was recorded at Rs. 149.106 million as compared to that of Rs. 116.313 million for the previous financial year.

Aminoplast Division

Aminoplast Division generated turnover amounting to Rs. 1,161.088 million as against Rs. 1,053.822 million that was achieved during the previous financial year, showing an improvement of 10.18%. Segment Result of Aminoplast division was recorded at Rs. 191.646 million as compared to Rs. 133.751 million during the previous financial year.

Improvement in profitability was due to increase in volumes and reductions in cost of production owing to better plant efficiencies and effective implementation of our procurement policies.

Future Outlook

a. Market Conditions:

Business environment in Pakistan continues to be challenging, because of slow progress in economy and security conditions. Competition for sales is likely to become very intense due to additional capacities installed by our competitors both in Resin and Aminoplast Segments. 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 customer base to ensure long term sustainability of the company.

b. Urea Formaldehyde and Aminoplast Moulding Compound Project:

Civil works are in progress for setting up of a Urea Formaldehyde and Chinese Aminoplast Moulding Compound plant at our Gadoon factory. Commercial production is expected to commence by last quarter of this financial year.

DIRECTORS' REPORT

Election of Directors

After expiry of the term of the members of the Board of Directors, the following members were elected as Directors for a term of three years with effect from June 29, 2013.

- | | |
|-----------------------------|---------------------------|
| a) Mr. Per Haga | b) Mr. Shabbir Abbas |
| c) Mr. Alireza M. Alladin | d) Mr. Donald John Jenkin |
| e) Mr. Sajid Hassan | f) Mr. Altaf Nazim |
| g) Mr. M. Tahsin Khan Iqbal | |

Mr. Shabbir Abbas was reappointed as Chief Executive Officer of the Company for a term of three year with effect from June 29, 2013.

Mr. Per Haga and Mr. Donald John Jenkin are nominee directors of AICA Asia Pacific Holding Pte Ltd, Similarly Mr. Sajid Hassan is a nominee director of National Investment Trust Ltd.

Corporate Social Responsibility

The 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.

The 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 encouraged to study at that school. Presently there are 112 students out of whom 36 come from the local community. Company has provided uniforms and other facilities to students.

The company donates one percent of profit before taxation to a Trust engaged in social welfare activities. Contributions to Workers Profit Participation Fund & Workers Welfare Fund are being regularly paid.

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.479 million (2012: Rs. 409 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.

DIRECTORS' REPORT

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 Audited accounts for the year ended June 30, 2013 stands at Rs. 85.267 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, four meetings of the Board of Directors were attended as under:

Directors	Attended
Mr. Per Haga	4/4 (all by alternate director)
Mr. Donald John Jenkin	4/4
Mr. Shabbir Abbas	4/4
Mr. Alireza M. Alladin	4/4
Mr. Chew Teck Liong	4/4 (all by alternate director)
Mr. Sajid Hassan	3/4
Mr. Altaf Nazim	4/4

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

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 favorable decisions of the Sindh High Court, the management is expecting a favorable 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

The Board of Directors is pleased to propose a dividend of Rs.2.50 per share i.e. 50%.

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 customers, financial institutions, and other institutions associated with the Company is also gratefully acknowledged.

On behalf of the Board of Directors

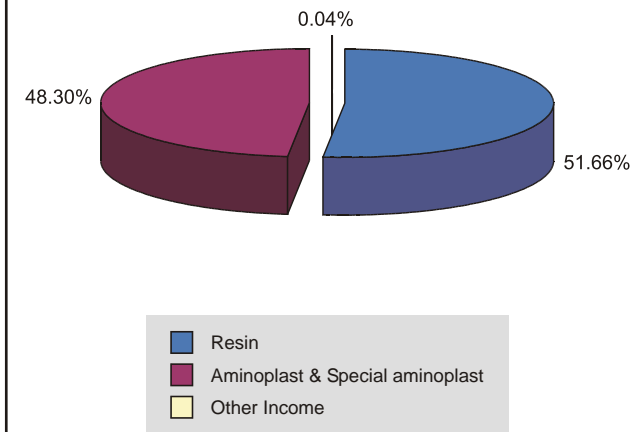


SHABBIR ABBAS
Chief Executive

KEY OPERATING AND FINANCIAL DATA

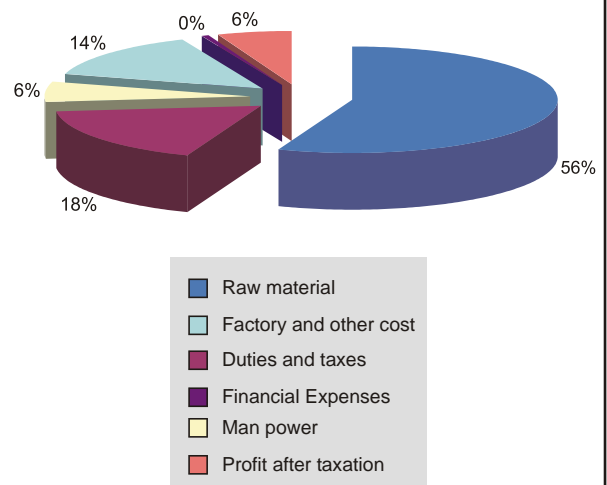
	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08
	----- Rupees in thousands -----					
<u>FINANCIAL POSITION:</u>						
SHAREHOLDERS EQUITY	678,500	550,483	466,448	429,043	392,642	336,368
TOTAL ASSETS	980,464	930,695	854,305	651,076	499,282	652,291
<u>OPERATING RESULTS:</u>						
TURNOVER	2,390,922	2,151,496	1,727,550	1,355,658	1,296,974	1,261,973
PROFIT / (LOSS) BEFORE TAXATION	242,168	161,872	77,699	77,392	77,196	64,632
TAXATION	(85,843)	(58,965)	(26,140)	(26,836)	(20,922)	(24,787)
PROFIT / (LOSS) AFTER TAXATION	156,326	102,908	51,559	50,556	56,274	39,845
EARNING / (LOSS) PER SHARE Rs.	8.28	5.45	2.73	2.68	2.98	2.11
CASH DIVIDEND DECLARED %	50.00	30.00	20.00	15.00	15.00	-
	(Proposed)					

Sources of Income



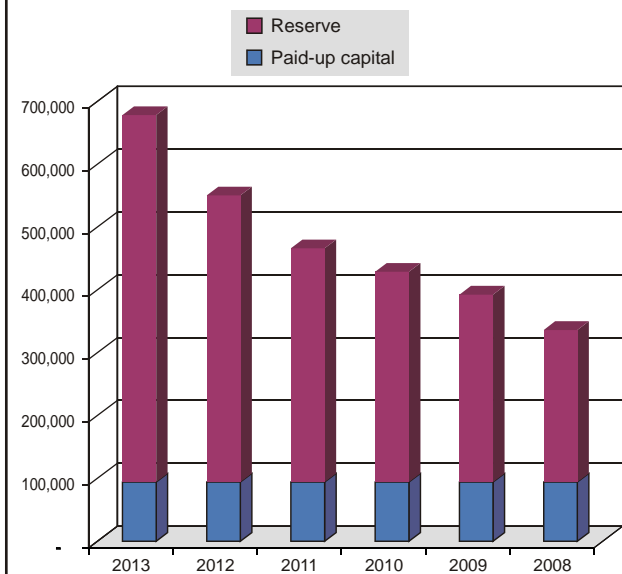
* Includes Sales Tax on Resin Rs.165.071 million and on Aminoplast Rs. 143.066 million.

Application of Funds

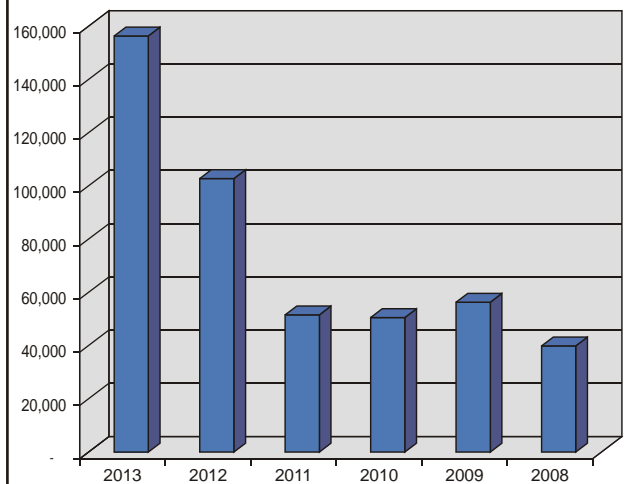


** Duties and taxes include Sales Tax amounting to Rs. 479.457 million paid on finished goods

Shareholders' Equity



Profit after tax Rs. in '000



STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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
Independent Directors	<ol style="list-style-type: none"> 1. Mr. Altaf Nazim 2. Mr. M. Tahsin Khan Iqbal
Executive Director	<ol style="list-style-type: none"> 1. Mr. Shabbir Abbas
Non-Executive Directors	<ol style="list-style-type: none"> 1. Mr. Per Haga 2. Mr. Donald John Jenkin 3. Mr. Alireza M. Alladin 4. Mr. Sajid Hassan

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 NBF1 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 non-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. Four directors of the Company are duly certified directors. In future arrangements will also be made for other directors for acquiring certification under the Director Training Program where applicable.
10. The Board has appointed a Chartered Accountant as Head of Internal Audit having working experience of 7 years including 6.5 years pre-qualification experience with an Audit firm and commercial organizations. 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.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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 three 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 JOHN JENKIN
Chairman

Karachi: September 18, 2013



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

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REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

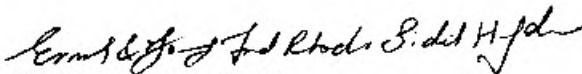
We have reviewed the Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 30 June 2013 prepared by the Board of Directors of Dynea Pakistan Limited (the Company) to comply with the Listing Regulations No. 35 (chapter 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.


Chartered Accountants

Date: 18 September 2013

Karachi

AUDITORS' REPORT TO THE MEMBERS

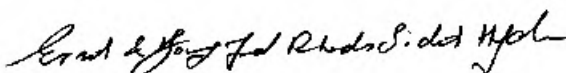
We have audited the annexed balance sheet of **Dynea Pakistan Limited** (the Company) as at **30 June 2013** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then 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 2013 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 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: Shariq Ali Zaidi
Date: 18 September 2013
Karachi

BALANCE SHEET AS AT JUNE 30, 2013

<u>ASSETS</u>	Note	2013 Rupees	2012 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	6	170,237,883	170,052,552
Long-term loans	7	74,152	75,104
Long-term deposits	8	1,772,526	1,717,526
		172,084,561	171,845,182
CURRENT ASSETS			
Stores and spares	9	8,889,301	9,771,875
Stock-in-trade	10	458,103,973	400,046,840
Trade debts	11	241,139,803	231,319,088
Loans, advances, deposits, prepayments and other receivables	12	19,540,134	13,811,305
Sales tax adjustable		7,574,084	17,124,460
Taxation – net		6,000,538	24,200,206
Cash and bank balances	13	67,131,352	62,576,362
		808,379,185	758,850,136
TOTAL ASSETS		980,463,746	930,695,318
<u>EQUITY AND LIABILITIES</u>			
SHARE CAPITAL AND RESERVES			
Authorised capital 40,000,000 (2012: 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		584,138,223	456,121,299
		678,500,288	550,483,364
NON-CURRENT LIABILITIES			
Long-term financing	15	-	45,675,000
Liabilities against assets subject to finance lease	16	686,323	1,244,639
Deferred taxation	17	7,395,771	11,502,445
		8,082,094	58,422,084
CURRENT LIABILITIES			
Trade and other payables	18	255,212,915	220,779,635
Accrued mark-up		554,433	4,339,183
Short-term borrowings	19	37,562,720	74,641,419
Current portion of:			
- long-term financing	15	-	20,300,000
- liabilities against assets subject to finance lease	16	551,296	1,669,633
		293,881,364	321,789,870
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		980,463,746	930,695,318

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



SHABBIR ABBAS
Chief Executive



DONALD JOHN JENKIN
Chairman

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
Turnover – net	21	2,390,922,099	2,151,496,044
Cost of sales	22	(1,951,121,784)	(1,796,711,989)
Gross profit		439,800,315	354,784,055
Distribution costs	23	(118,216,799)	(126,411,697)
Administrative expenses	24	(49,168,713)	(39,503,913)
		(167,385,512)	(165,915,610)
Other income	25	1,204,093	7,188,941
Operating profit		273,618,896	196,057,386
Finance costs	26	(12,988,908)	(22,379,912)
Other charges	27	(18,461,722)	(11,805,086)
		(31,450,630)	(34,184,998)
Profit before taxation		242,168,266	161,872,388
Taxation	28	(85,842,723)	(58,964,749)
Profit after taxation		156,325,543	102,907,639
Basic and diluted earnings per share	29	8.28	5.45

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



SHABBIR ABBAS
Chief Executive



DONALD JOHN JENKIN
Chairman

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2013

	2013 Rupees	2012 Rupees
Net profit for the year	156,325,543	102,907,639
Other comprehensive income	-	-
Total comprehensive income for the year	<u>156,325,543</u>	<u>102,907,639</u>

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



SHABBIR ABBAS
Chief Executive



DONALD JOHN JENKIN
Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		242,168,266	161,872,388
Adjustments for :			
Depreciation	6.3	33,856,907	29,627,716
Provision for doubtful debts	11.1	2,771,175	(4,942,415)
Finance costs	26	12,988,908	22,379,912
Gain on disposal of fixed assets	25	(24,100)	(83,532)
		<u>49,592,890</u>	<u>46,981,681</u>
		291,761,156	208,854,069
(Increase) / decrease in current assets			
Stores and spares		882,574	(1,514,700)
Stock-in-trade		(58,057,133)	(60,940,569)
Trade debts		(12,591,890)	(18,715,443)
Sales tax adjustable		9,550,376	(5,516,368)
Loans, advances, deposits, prepayments and other receivables		(5,728,829)	3,169,746
		<u>(65,944,902)</u>	<u>(83,517,334)</u>
Increase in current liabilities			
Trade and others payables		34,202,086	8,033,504
		<u>260,018,340</u>	<u>133,370,239</u>
Finance costs paid		(16,833,657)	(22,696,163)
Income tax paid		(71,749,729)	(38,502,230)
Long-term loans and deposits		(54,048)	(27,166)
		<u>171,380,906</u>	<u>72,144,680</u>
Net cash generated from operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(35,145,682)	(36,127,786)
Proceeds from disposal of fixed assets		1,127,544	448,752
		<u>(34,018,138)</u>	<u>(35,679,034)</u>
Net cash used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term loan		(65,975,000)	3,975,000
Lease rentals paid		(1,676,653)	(1,776,007)
Dividend paid		(28,077,426)	(18,724,822)
		<u>(95,729,079)</u>	<u>(16,525,829)</u>
Net cash used in financing activities			
Net increase in cash and cash equivalents			
		41,633,689	19,939,817
Cash and cash equivalents at the beginning of year			
		(12,065,057)	(32,004,874)
Cash and cash equivalents at the end of year			
		<u>29,568,632</u>	<u>(12,065,057)</u>
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	13	67,131,352	62,576,362
Short-term borrowings	19	(37,562,720)	(74,641,419)
		<u>29,568,632</u>	<u>(12,065,057)</u>

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



SHABBIR ABBAS
Chief Executive



DONALD JOHN JENKIN
Chairman

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Unappropriated Profit	Total	
-----Rupees-----					
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 - 2012	-	-	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	<u>94,362,065</u>	<u>101,000,000</u>	<u>355,121,299</u>	<u>456,121,299</u>	<u>550,483,364</u>
Final dividend for the year ended June 30, 2012 @ Rs.1.5 per share	-	-	(28,308,619)	(28,308,619)	(28,308,619)
Net profit for the year – 2013	-	-	156,325,543	156,325,543	156,325,543
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	156,325,543	156,325,543	156,325,543
Transferred to general reserve	-	300,000,000	(300,000,000)	-	-
Balance as at June 30, 2013	<u>94,362,065</u>	<u>401,000,000</u>	<u>183,138,223</u>	<u>584,138,223</u>	<u>678,500,288</u>

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



SHABBIR ABBAS
Chief Executive



DONALD JOHN JENKIN
Chairman

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 19 – Employee Benefits – (Revised)	01 January 2013
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	01 January 2013
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect 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.

Standards	IASB effective date (annual 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

NOTES TO THE FINANCIAL STATEMENTS

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 amendments to IFRSs which became effective for the current year:

IAS1-Presentation of Financial Statements-Presentation of items of other comprehensive income (Amendment)

IAS 12- Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any material effect on 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.

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.

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 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.

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

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, method of depreciation 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

	Note	2013 Rupees	2012 Rupees
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	138,252,421	170,052,552
Capital work-in-progress	6.4	31,985,462	-
		<u>170,237,883</u>	<u>170,052,552</u>

NOTES TO THE FINANCIAL STATEMENTS

6.1 Operating Fixed Assets

	COST				Rate	DEPRECIATION / AMORTIZATION				BOOK VALUE
	As at July 01, 2012	Additions / *transfers	Disposals	As at June 30, 2013		As at July 01, 2012	Charge for the year / *transfers	Disposals	As at June 30, 2013	As at June 30, 2013
	Rupees					Rupees				Rupees
Owned										
Freehold land	659,961	-	-	659,961	-	-	-	-	-	659,961
Leasehold land	4,164,884	-	-	4,164,884	99 years	640,330	42,062	-	682,392	3,482,492
Buildings on freehold land	20,307,457	-	-	20,307,457	10%	16,096,374	526,387	-	16,622,761	3,684,696
Buildings on leasehold land	63,328,781	-	-	63,328,781	10%	30,729,399	3,903,387	-	34,632,786	28,695,995
Plant and machinery	406,758,575	835,660	(5,997,334)	401,596,901	16.67%	287,467,027	26,669,345	(5,034,891)	309,101,481	92,495,420
Electrical installations	16,338,433	-	-	16,338,433	16.67%	14,814,117	381,086	-	15,195,203	1,143,230
Furniture and fittings	468,834	616,160	-	1,084,994	20%	206,836	167,533	-	374,369	710,625
Office equipments	2,390,095	716,900	-	3,106,995	20%	1,638,764	302,054	-	1,940,818	1,166,177
Computers and accessories	3,518,423	694,500	-	4,212,923	33%	2,808,949	479,066	-	3,288,015	924,908
Vehicles	7,079,215	297,000 *1,967,000	(518,472)	8,824,743	20%	4,925,798	577,182 *1,050,446	(377,471)	6,175,955	2,648,788
Storage tanks	2,507,035	-	-	2,507,035	20%	2,211,774	98,420	-	2,310,194	196,841
	<u>527,521,693</u>	<u>3,160,220</u> <u>*1,967,000</u>	<u>(6,515,806)</u>	<u>526,133,107</u>		<u>361,539,368</u>	<u>33,146,522</u> <u>*1,050,446</u>	<u>(5,412,362)</u>	<u>390,323,974</u>	<u>135,809,133</u>
Leased										
Vehicles	6,074,000	*(1,967,000)	-	4,107,000	20%	2,003,773	710,385 *(1,050,446)	-	1,663,712	2,443,288
	6,074,000	*(1,967,000)	-	4,107,000		2,003,773	710,385 *(1,050,446)	-	1,663,712	2,443,288
2013	<u>533,595,693</u>	<u>3,160,220</u>	<u>(6,515,806)</u>	<u>530,240,107</u>		<u>363,543,141</u>	<u>33,856,907</u>	<u>(5,412,362)</u>	<u>391,987,686</u>	<u>138,252,421</u>

	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 *611,520	(1,491,884)	4,925,798	2,153,417
Storage tanks	2,507,035	-	-	2,507,035	20%	2,113,354	98,420	-	2,211,774	295,261
	<u>491,995,066</u>	<u>36,127,786</u> <u>*1,324,351</u>	<u>(1,925,510)</u>	<u>527,521,693</u>		<u>334,088,087</u>	<u>28,400,051</u> <u>*611,520</u>	<u>(1,560,290)</u>	<u>361,539,368</u>	<u>165,982,325</u>
Leased										
Vehicles	7,398,351	*(1,324,351)	-	6,074,000	20%	1,387,628	1,227,665 *(611,520)	-	2,003,773	4,070,227
	7,398,351	*(1,324,351)	-	6,074,000		1,387,628	1,227,665 *(611,520)	-	2,003,773	4,070,227
2012	<u>499,393,417</u>	<u>36,127,786</u>	<u>(1,925,510)</u>	<u>533,595,693</u>		<u>335,475,715</u>	<u>29,627,716</u>	<u>(1,560,290)</u>	<u>363,543,141</u>	<u>170,052,552</u>

NOTES TO THE FINANCIAL STATEMENTS

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

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Book value</u>	<u>Sale proceeds</u>	<u>Gain / (loss)</u>	<u>Mode of Disposal</u>	<u>Particulars of buyers</u>
	-----Rupees-----						
Vehicles							
Coure CX	444,972	314,448	130,524	146,841	16,317	As per Company's policy	Mr. Mirza Hussain (employee)
Honda CG125 cc	73,500	63,023	10,477	12,805	2,328	As per Company's policy	Mr. Ashraf (employee)
Plant & Machinery							
Storage tanks	1,515,985	1,196,133	319,852	450,323	130,471	Tender	Mr. Hamal Khan
Compressors and chillers	3,784,627	3,189,019	595,608	482,759	(112,849)	Tender	Mr. Hamal Khan
Softener Duplex and Hydraulic Press	696,722	649,739	46,983	34,816	(12,167)	Tender	Mr. Waliullah Yousuf Zai
2013	<u>6,515,806</u>	<u>5,412,362</u>	<u>1,103,444</u>	<u>1,127,544</u>	<u>24,100</u>		
2012	<u>1,925,510</u>	<u>1,560,290</u>	<u>365,220</u>	<u>448,752</u>	<u>83,532</u>		

	Note	2013 Rupees	2012 Rupees
6.3 Depreciation / amortization charge for the year has been allocated as follows:			
Cost of sales – manufacturing expenses	22	32,543,065	27,891,729
Distribution costs	23	387,835	700,108
Administrative expenses	24	926,007	1,035,879
		<u>33,856,907</u>	<u>29,627,716</u>
6.4 Capital work-in-progress			
Plant and machinery		16,412,226	-
Civil works		13,673,236	-
Intangibles - computer softwares		1,900,000	-
		<u>31,985,462</u>	<u>-</u>
7. LONG-TERM LOANS – secured, considered good			
Due from employees	7.1	170,373	177,539
Less: Current portion	12.1	96,221	102,435
		<u>74,152</u>	<u>75,104</u>
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.			

NOTES TO THE FINANCIAL STATEMENTS

8. LONG-TERM DEPOSITS	Note	2013 Rupees	2012 Rupees
Water and Power Development Authority		823,200	823,200
Lasbela Industrial Estate Development Authority		662,870	662,870
Others		286,456	231,456
		<u>1,772,526</u>	<u>1,717,526</u>
9. STORES AND SPARES			
Stores		4,543,927	5,863,197
Spares		4,345,374	3,908,678
		<u>8,889,301</u>	<u>9,771,875</u>
10. STOCK-IN-TRADE			
Raw material:			
In hand		269,882,496	246,834,659
In bonded warehouse		63,935,443	60,433,893
In transit		69,071,574	46,851,382
		<u>402,889,513</u>	<u>354,119,934</u>
Packing material		4,219,591	4,517,982
Finished goods		50,994,869	41,408,924
		<u>458,103,973</u>	<u>400,046,840</u>
11. TRADE DEBTS – unsecured			
Considered good		241,139,803	231,319,088
Considered doubtful		37,828,760	35,057,585
		<u>278,968,563</u>	<u>266,376,673</u>
Less: Provision for impairment	11.1	37,828,760	35,057,585
		<u>241,139,803</u>	<u>231,319,088</u>
11.1 Reconciliation of provision for impairment of trade debts			
Balance at the beginning of the year		35,057,585	40,000,000
Charge/(reversal) during the year		2,771,175	(4,942,415)
Balance at the end of the year		<u>37,828,760</u>	<u>35,057,585</u>
12. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Loans - unsecured, considered good			
- Executives		344,410	60,000
- Other staff	12.1	2,197,651	2,058,773
		<u>2,542,061</u>	<u>2,118,773</u>
Advances - unsecured, considered good			
- Suppliers and contractors		13,012,111	9,916,525
- Employees		196,539	106,195
		<u>13,208,650</u>	<u>10,022,720</u>
Deposits		3,130,000	964,503
Prepayments		655,234	567,422
Other receivables		4,189	137,887
		<u>19,540,134</u>	<u>13,811,305</u>

NOTES TO THE FINANCIAL STATEMENTS

12.1 Includes current portion of long-term loan to employees amounting to Rs.0.096 million (2012: Rs.0.102 million).

13. CASH AND BANK BALANCES	Note	2013 Rupees	2012 Rupees
Cash in hand		69,900	149,691
With banks			
- current accounts		58,501,111	60,992,907
- PLS saving account	13.1	8,560,341	1,433,764
		<u>67,061,452</u>	<u>62,426,671</u>
		<u>67,131,352</u>	<u>62,576,362</u>

13.1 - This carries profit at the rate of 7.8% (2012: 10%) per annum.

14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs. 5/- each				
2013	2012			
8,316,000	8,316,000	Fully paid in cash	41,580,000	41,580,000
		Issued as fully paid bonus		
10,556,413	10,556,413	shares	52,782,065	52,782,065
<u>18,872,413</u>	<u>18,872,413</u>		<u>94,362,065</u>	<u>94,362,065</u>

14.1 A related party held 4,716,216 (2012: 6,264,931) ordinary shares of Rs. 5/- each in the Company at year end.

15. LONG-TERM FINANCING – secured	2013 Rupees	2012 Rupees
Long-term loan	-	65,975,000
Less: Current portion	-	20,300,000
	<u>-</u>	<u>45,675,000</u>

16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2013		2012	
	Minimum Lease Payments (MLP)	Present value of MLP	Minimum Lease Payments (MLP)	Present value of MLP
Not later than one year	667,534	551,296	1,974,785	1,669,633
Later than one year but not later than five years	776,714	686,323	1,481,794	1,244,639
Total minimum lease payments	1,444,248	1,237,619	3,456,579	2,914,272
Less: Financial charges allocated to future periods	206,629	-	542,307	-
Present value of minimum lease payments	1,237,619	1,237,619	2,914,272	2,914,272
Less: Current portion	551,296	551,296	1,669,633	1,669,633
	<u>686,323</u>	<u>686,323</u>	<u>1,244,639</u>	<u>1,244,639</u>

NOTES TO THE FINANCIAL STATEMENTS

Represent finance leases entered into with a modaraba for vehicles. 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% (2012: six months' KIBOR+2.75%) per annum, which is used as a discounting factor.

17. DEFERRED TAXATION

	Note	2013 Rupees	2012 Rupees
Taxable temporary differences arising due to:			
- Accelerated tax depreciation		19,535,994	25,565,097
- Assets subject to finance lease		721,555	404,583
		<u>20,257,549</u>	<u>25,669,680</u>
Deductible temporary differences arising due to:			
- Provisions		(12,861,778)	(12,270,154)
- Difference between turnover tax and taxable income		-	(1,897,081)
		<u>(12,861,778)</u>	<u>(14,167,235)</u>
		<u>7,395,771</u>	<u>11,502,445</u>

18. TRADE AND OTHER PAYABLES

Creditors		5,164,786	5,780,168
Bills payable		118,511,517	105,525,107
Accrued liabilities	18.1	76,482,236	65,702,250
Infrastructure cess payable	18.2	29,165,452	24,921,865
Workers' Welfare Fund		5,430,223	3,121,212
Workers' Profits Participation Fund	18.3	13,031,499	8,683,874
Vend / permit fee	18.4	4,552,438	4,552,438
Tax deducted at source		1,486,999	1,336,150
Unclaimed and unpaid dividend		1,387,765	964,217
Dividend payable		-	192,354
		<u>255,212,915</u>	<u>220,779,635</u>

18.1 Include accrual for leave encashment of Rs. 6.014 million (2012: Rs. 6.751 million) and bonus to employees of Rs. 14.086 million (2012: Rs. 15.843 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 2013.

The Company has provided a bank guarantee in favour of Excise and Taxation Department amounting to Rs. 20.455 million (2012: Rs 15.45 million), out of which Rs. 1.159 million (2012: Rs. 0.40 million) remained un-utilized as of the year end.

NOTES TO THE FINANCIAL STATEMENTS

	Note	2013 Rupees	2012 Rupees
18.3 Workers' Profits Participation Fund			
Balance at the beginning of the year		8,683,874	4,172,903
Interest on funds utilized in the Company's business	26	72,701	327,645
		8,756,575	4,500,548
Allocation for the year	27	13,031,499	8,683,874
		21,788,074	13,184,422
Less: Payments made during the year		8,756,575	4,500,548
Balance at the end of the year		13,031,499	8,683,874

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 (2012: 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% (2012: 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 (2012: 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 2013 works out at Rs. 1,056.44 million (2012: Rs. 994.099 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

	2013 Rupees	2012 Rupees
20.2 Commitments		
20.2.1 Outstanding letters of credit	<u>153,107,243</u>	<u>133,218,672</u>
20.2.2 Outstanding bank guarantees	<u>9,138,947</u>	<u>7,485,147</u>
20.2.3 Post dated cheques issued in favour of Collector of Customs	<u>23,109,345</u>	<u>55,077,546</u>
20.2.4 Commitment for capital expenditure	<u>37,961,212</u>	<u>-</u>
20.2.5 Commitments for rental under Ijarah finance agreement		
Within one year	<u>3,090,180</u>	2,007,840
After one year but not more than five years	<u>2,347,777</u>	<u>3,228,450</u>
	<u>5,437,957</u>	<u>5,236,290</u>

Represent Ijarah finance facility entered into with First Habib Modaraba in respect of vehicles. Total Ijarah payments due under the agreement is Rs. 5,437,957/- and are payable in monthly installments latest by June 2015. These liabilities are secured by on demand promissory note for the entire amount of the lease rentals.

	2013 Rupees	2012 Rupees
21. TURNOVER – net		
Sales	2,712,192,668	2,463,685,929
Less: Sales tax	<u>308,136,780</u>	297,839,585
Sales return	<u>7,816,363</u>	7,429,969
Trade discount	<u>5,317,426</u>	6,920,331
	<u>321,270,569</u>	312,189,885
	<u>2,390,922,099</u>	<u>2,151,496,044</u>

NOTES TO THE FINANCIAL STATEMENTS

22. COST OF SALES	Note	2013 Rupees	2012 Rupees
Opening stock – raw and packing materials		251,352,641	203,552,747
Purchases		<u>1,622,530,188</u>	<u>1,520,233,898</u>
		1,873,882,829	1,723,786,645
Closing stock – raw and packing materials		<u>(274,102,077)</u>	<u>(251,352,641)</u>
Raw and packing materials consumed		1,599,780,752	1,472,434,004
Manufacturing expenses			
Indirect material consumed		4,695,633	4,600,483
Stores and spares consumed		15,066,499	16,385,978
Fuel and power		128,612,673	108,943,304
Salaries, wages and other benefits		128,578,269	115,082,102
Rent, rates and taxes		1,778,480	776,153
Insurance		2,875,646	3,149,907
Repairs and maintenance		19,629,431	34,403,398
Vehicle running and maintenance		4,957,022	3,677,683
Ijarah rentals		2,046,505	542,932
Postage, telephone and telex		618,258	567,723
Storage and handling charges		8,528,119	8,520,059
Traveling and conveyance		1,639,513	1,704,845
Printing and stationery		753,634	790,395
Depreciation / amortization	6.3	32,543,065	27,891,729
Others		14,985,455	8,648,567
		367,308,202	335,685,258
		1,967,088,954	1,808,119,262
Inter division transfers - adjustment		(6,381,225)	764,691
Cost of goods manufactured		1,960,707,729	1,808,883,953
Finished goods			
Opening stock		41,408,924	29,236,960
Closing stock		(50,994,869)	(41,408,924)
		(9,585,945)	(12,171,964)
		1,951,121,784	1,796,711,989

22.1 Inter-segment pricing

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

NOTES TO THE FINANCIAL STATEMENTS

	Note	2013 Rupees	2012 Rupees
23. DISTRIBUTION COSTS			
Salaries and other benefits		10,849,885	9,923,278
Cartage and freight		96,277,010	109,662,772
Rent, rates and taxes		945,589	748,014
Insurance		340,250	160,882
Repairs and maintenance		257,070	185,908
Vehicle running and maintenance		1,766,212	1,404,380
Postage, telephone and telex		394,815	472,080
Traveling and conveyance		3,116,606	2,332,025
Printing and stationery		44,450	19,817
Electricity		478,283	389,993
Depreciation	6.3	387,835	700,108
Sales promotion		353,046	303,577
Provision	11.1	2,771,175	-
Others		234,573	108,863
		<u>118,216,799</u>	<u>126,411,697</u>

24. ADMINISTRATIVE EXPENSES

Salaries and other benefits		26,339,865	23,333,660
Insurance		166,100	97,367
Repairs and maintenance		1,937,974	1,068,748
Vehicle running and maintenance		2,146,998	1,738,193
ljarah rentals		1,092,129	293,488
Postage, telephone and telex		676,066	816,027
Traveling and conveyance		3,707,596	3,414,646
Printing and stationery		610,518	446,286
Utilities		840,000	840,000
Depreciation	6.3	926,007	1,035,879
Legal and professional charges		3,355,705	2,615,170
Advertisement and publicity		333,323	33,360
Charity and donations	24.1	2,421,900	1,621,000
Auditors' remuneration	24.2	830,350	757,585
ISO certification fees		507,021	214,903
Others		3,277,161	1,177,601
		<u>49,168,713</u>	<u>39,503,913</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.

24.2 Auditors' remuneration

Audit fee	665,000	605,000
Fee for review of half yearly financial statements	66,000	60,000
Other certifications	34,000	30,000
Out of pocket expenses	65,350	62,585
	<u>830,350</u>	<u>757,585</u>

NOTES TO THE FINANCIAL STATEMENTS

25. OTHER INCOME – net	Note	2013 Rupees	2012 Rupees
Income from financial assets			
Profit on bank deposits		2,040,101	1,342,566
Income from non-financial assets			
Scrap sales		347,369	393,769
Gain on disposal of fixed assets		24,100	83,532
Insurance claims		1,632,683	1,314,884
Net exchange loss		(2,840,160)	(888,225)
Provision for doubtful debts – reversed	11.1	-	4,942,415
		(836,008)	5,846,375
		1,204,093	7,188,941
26. FINANCE COSTS			
Mark-up on:			
- long-term financing		5,284,304	8,337,740
- short-term borrowings		5,484,802	11,896,524
- finance lease		280,368	607,245
		11,049,474	20,841,509
Interest on Workers' Profits Participation Fund	18.3	72,701	327,645
Bank guarantees commission		551,227	265,581
Bank charges		1,315,506	945,177
		12,988,908	22,379,912
27. OTHER CHARGES			
Workers' Profits Participation Fund	18.3	13,031,499	8,683,874
Workers' Welfare Fund		5,430,223	3,121,212
		18,461,722	11,805,086
28. TAXATION			
Current		92,327,311	52,961,431
Prior		(2,377,914)	698,196
Deferred		(4,106,674)	5,305,122
		85,842,723	58,964,749
28.1 Relationship between accounting profit and tax expense			
Profit before taxation		242,168,266	161,872,388
Tax @ 35%		84,758,893	56,655,336
Effect of previous year tax charge		(2,377,914)	698,196
Others		3,461,744	1,611,217
Tax expense		85,842,723	58,964,749

NOTES TO THE FINANCIAL STATEMENTS

29. BASIC AND DILUTED EARNINGS PER SHARE

	Note	2013 Rupees	2012 Rupees
There is no dilutive effect on the basic earnings per share which is based on :			
Profit after taxation (Rupees)		<u>156,325,543</u>	<u>102,907,639</u>
Weighted average number of ordinary shares		<u>18,872,413</u>	<u>18,872,413</u>
Earnings per share (Rupees)		<u>8.28</u>	<u>5.45</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

	2013			2012		
	Resin Division	Aminoplast Division	Total	Resin Division	Aminoplast Division	Total
	----- Rupees -----			----- Rupees -----		
Turnover – net	<u>1,229,834,113</u>	<u>1,161,087,986</u>	<u>2,390,922,099</u>	1,097,674,418	1,053,821,626	2,151,496,044
Segment Result	149,105,867	191,646,263	340,752,130	116,313,086	133,750,612	250,063,698
Unallocated expenses:						
Administrative and distribution costs			(68,337,327)			(56,252,838)
Other income			1,204,093			2,246,526
Finance costs			(12,988,908)			(22,379,912)
Other charges			(18,461,722)			(11,805,086)
Taxation			(85,842,723)			(58,964,749)
Profit after taxation			<u>156,325,543</u>			<u>102,907,639</u>
Segment assets	429,203,373	426,296,625	855,499,998	412,507,080	387,121,739	799,628,819
Unallocated assets			124,963,748			131,066,499
Total assets			<u>980,463,746</u>			<u>930,695,318</u>
Segment liabilities	108,109,829	34,865,506	142,975,335	70,482,503	47,096,153	117,578,656
Unallocated liabilities			158,988,123			262,633,298
Total liabilities			<u>301,963,458</u>			<u>380,211,954</u>
Capital expenditure	17,939,973	3,425,609	21,365,582	35,256,036	871,750	36,127,786
Unallocated capital expenditure			13,780,100			-
Total capital expenditure			<u>35,145,682</u>			<u>36,127,786</u>
Depreciation	16,018,471	16,524,594	32,543,065	11,532,070	16,359,659	27,891,729
Unallocated depreciation			1,313,842			1,735,987
Total depreciation			<u>33,856,907</u>			<u>29,627,716</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.

NOTES TO THE FINANCIAL STATEMENTS

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 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. 388,003/- 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. 62,711,900/- 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. 3,135,595/- 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

NOTES TO THE FINANCIAL STATEMENTS

	Note	2013 Rupees	2012 Rupees
The analysis of trade debts is as follows			
Neither past due nor impaired		209,558,500	179,871,144
Past due but not impaired			
- 61 to 90 days		23,593,511	36,896,197
- 91 to 120 days		7,574,772	9,763,279
- 121 to 180 days		413,020	4,788,468
		<u>241,139,803</u>	<u>231,319,088</u>
Bank balances			
Ratings			
A1+		<u>67,131,352</u>	<u>62,426,671</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.

2013	Less than 3 months	3 to 12 months	1 to 5 Years	Total
	----- Rupees -----			
Liabilities against assets subject to finance lease	235,764	315,532	686,323	1,237,619
Trade and other payables	198,786,103	4,552,438	-	203,338,541
Accrued markup	554,433	-	-	554,433
Short-term borrowings	-	37,562,720	-	37,562,720
	<u>199,576,300</u>	<u>42,430,690</u>	<u>686,323</u>	<u>242,693,313</u>
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>

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 34% (2012: 36%) as of the balance sheet date, which in view of the management is adequate considering the size of the operations.

NOTES TO THE FINANCIAL STATEMENTS

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:

	Note	2013 Rupees	2012 Rupees
Purchases		-	97,229
Insurance Premium	34.1	<u>5,683,841</u>	<u>-</u>
Insurance claims	34.1	<u>1,632,683</u>	<u>-</u>
Contribution to provident fund		<u>4,884,656</u>	<u>4,377,366</u>

34.1 Represent transactions with related party in which the Company has a common director up to June 29, 2013.

35. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2013		2012	
	Chief Executive	Executives	Chief Executive	Executives
	----- Rupees -----			
Managerial remuneration	4,042,070	7,475,894	3,297,630	5,031,378
Retirement and other benefits	2,894,588	3,987,230	2,575,560	2,550,907
House rent	1,578,528	3,208,918	1,360,800	2,084,928
	<u>8,515,186</u>	<u>14,672,042</u>	<u>7,233,990</u>	<u>9,667,213</u>
Number of person(s)	<u>1</u>	<u>8</u>	<u>1</u>	<u>5</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. 0.145 (2012: Rs. 0.115) million.

35.3 Further, a non-executive director is provided fee for technical advisory services amounting to Rs. 3.212 million as per contractual arrangement.

36. CAPACITY AND PRODUCTION

	Note	2013		2012	
		Rated capacity	Actual production	Rated capacity	Actual production
		----- Metric Tons -----			
Resin division					
Urea/Melamine formaldehyde		47,000	37,080	47,000	35,918
Formaldehyde		39,000	36,142	39,000	36,043
	36.1	<u>86,000</u>	<u>73,222</u>	<u>86,000</u>	<u>71,961</u>
Aminoplast division					
Aminoplast compound		12,000	12,242	12,000	11,598

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

The Board of Directors in its meeting held on September 18, 2013 proposed cash dividend of Rs.2.50 per share for the year ended June 30, 2013 amounting to Rs.47.181 million for approval of the members at the Annual General Meeting to be held on October 29, 2013.

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.

38.3 PROVIDENT FUND

	2013 Rupees	2012 Rupees
Size of the trust	<u>87,924,063</u>	<u>81,361,126</u>
Cost of investments made	<u>85,266,866</u>	<u>79,163,443</u>
Percentage of investment made	<u>97%</u>	<u>97%</u>
Fair value of investments made	<u>85,266,866</u>	<u>79,163,443</u>

	2013		2012	
	Investment Rupees	% of investment as size of the fund	Investment Rupees	% of investment as size of the fund
Break-up of investments (as per section 227 of the Companies Ordinance, 1984)				
Term Deposit Receipts	<u>82,943,222</u>	94%	77,505,498	95%
National Investment Trust Units	<u>2,323,644</u>	3%	1,657,945	2%
	<u>85,266,866</u>		<u>79,163,443</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 248 (2012: 250) and average number of employees during the year was 248 (2012: 250).

39. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on September 18, 2013 by the Board of Directors of the Company.



SHABBIR ABBAS
Chief Executive



DONALD JOHN JENKIN
Chairman

COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDINGS

AS AT JUNE 30, 2013

CATEGORY NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARES HELD	CATEGORYWISE NO. OF SHARE HOLDERS	CATEGORYWISE SHARES HELD	PERCENTAGE%
1	INDIVIDUALS		1,316	4,915,509	26.05
2	INVESTMENT COMPANIES		2	2,840	0.02
3	JOINT STOCK COMPANIES		12	1,400,138	7.42
4	DIRECTORS, AND THEIR SPOUSE(S) AND MINOR CHILDREN MR. DONALD JOHN JENKIN MR. PER HAGA MR. ALIREZAM. ALLADIN MR. SHABBIR ABBAS MR. ALTAF NAZIM MR. SAJID HASSAN MR. M. TAHSIN KHAN IQBAL	1,000 1,000 1,000 1,000 1,000	5	5,000	0.03
5	EXECUTIVES		1	685	0.00
6	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES AICA ASIA PACIFIC HOLDING PTE LTD	4,716,216	1	4,716,216	24.99
7	PUBLIC SECTOR COMPANIES AND CORPORATIONS		-	-	-
8	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, TAKAFUL, MODARABAS & PENSION FUNDS		7	330,001	1.75
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		16	4,718,108	25.00
11	CO-OPERATIVE SOCIETIES		1	2,701	0.01
12	CHARITABLE TRUSTS		1	92,637	0.49
13	OTHERS		1	5,735	0.03
	TOTAL		1,365	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 %
AICA ASIA PACIFIC HOLDING PTE LTD	FALL IN CAT.# 6	4,716,216	24.99
NATIONAL BANK OF PAKISTAN - TRUSTEE DEPARTMENT NI(U)T FUND	FALL IN CAT.# 9	1,787,610	9.47
ALYSBURY INTERNATIONAL LTD.	FALL IN CAT.# 10	1,548,715	8.21
ROBERT FINANCE CORPORATION AG	FALL IN CAT.# 10	1,105,169	5.86
TOTAL		9,157,710	48.52

COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDINGS

AS AT JUNE 30, 2013

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS RS.5/- EACH			TOTAL SHARES HELD
506	1	--	100	13,826
327	101	--	500	92,771
145	501	--	1,000	115,283
263	1,001	--	5,000	675,638
46	5,001	--	10,000	327,142
13	10,001	--	15,000	159,003
10	15,001	--	20,000	187,333
7	20,001	--	25,000	165,919
6	25,001	--	30,000	164,385
1	35,001	--	40,000	38,751
2	40,001	--	45,000	85,167
3	45,001	--	50,000	138,168
1	55,001	--	60,000	58,643
2	60,001	--	65,000	121,538
4	65,001	--	70,000	269,631
3	75,001	--	80,000	230,296
1	80,001	--	85,000	85,000
1	90,001	--	95,000	92,637
2	95,001	--	100,000	200,000
1	105,001	--	110,000	106,000
1	135,001	--	140,000	140,000
3	160,001	--	165,000	489,804
1	195,001	--	200,000	200,000
1	230,001	--	235,000	232,500
1	245,001	--	250,000	250,000
4	385,001	--	390,000	1,547,832
1	395,001	--	400,000	400,000
2	405,001	--	410,000	816,986
1	625,001	--	630,000	625,217
1	785,001	--	790,000	790,000
1	895,001	--	900,000	895,233
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
1,365				18,872,413

FORM OF PROXY

THIRTY FIRST 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 First Annual General Meeting of the Company to be held on Tuesday, 29th day of October, 2013 and at any adjournment thereof.

As witness my / our hand / seal this _____ day of _____ 2013

Signed by the said

Witness _____ Witness _____

(Signature)

(Signature)

Name _____ Name _____

Address _____ Address _____

CNIC No. _____ CNIC No. _____

**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

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