

dynea

DYNEA PAKISTAN LIMITED

*29th Annual Report
For the year ended
30th June, 2011*

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>

Chief Financial Officer & Company Secretary :

Mr. Muhammad Shakeel Uddin

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, N.W.F.P.
Ph : (92-938) 270150 - 52 Fax : (92-938) 270246

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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 twenty-ninth Annual General Meeting of the Members of the Company will be held on Monday, October 17, 2011 at 4:30 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, 2011 together with the Report of the Directors' and Auditors' thereon.
2. To approve a cash dividend of 20% (i.e. Rs.1.00 per share) as recommended by the Board of Directors.
3. To appoint Auditors for the year 2011-12 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 the Order of the Board

MUHAMMAD SHAKEEL UDDIN
Company Secretary

Karachi : September 16, 2011

Notes:

- i) The Share Transfer Books of the Company will remain closed from Tuesday, October 11, 2011 to Monday, October 17, 2011 (both days inclusive) and the final dividend will be paid to the shareholders whose names will appear in the Register of members on October 10, 2011. 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 Shareholder 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) along with proxy form to the Company.

DIRECTORS' REPORT

The Directors of your company are pleased to welcome you to the twenty ninth Annual General Meeting of your Company and place before you the Annual Report with the Audited Financial Statements of the Company for the year ended June 30, 2011.

The summarized results are as under:

	2011 Rs. '000	2010 Rs. '000
Turnover	1,727,550	1,355,658
Gross Profit	249,008	209,269
Profit before taxation	77,699	77,392
Provision for taxation	26,140	26,837
Profit/(loss) after taxation	51,559	50,555
Basic earnings per share	2.73	2.68

By the grace of Almighty Allah, during the first eight months of its operations, the Chinese Aminoplast Moulding Compound plant performed very well and our customer's response for its products was encouraging. The Plant & its products contributed significantly towards maintaining our profitability at last year's level and it absorbed a decrease in profits in the Resin Division as well as financial costs involved on its establishment.

Resin Division

Sales in Resin division amounted to a sum of Rs.838.038 million as compared to that of Rs.814.736 million in previous financial year. Sale volume however, declined to the extent of 11.16% to a level of 31,683 Metric Tons as compared to that of 35,664 Metric Tons that was achieved previous year. Gross Profit on sale of resin was recorded at Rs 165.233 million as compared to that of Rs. 198.114 million for the previous financial year, which was mainly due to higher prices of imported raw materials, which could not be fully passed over to our customers.

Aminoplast Division

Aminoplast Moulding division generated sales revenue amounting to Rs. 889.512 million as against Rs. 540.922 million that was achieved during the same period in the previous financial year, showing an improvement of 64.44%. This division earned a gross profit of Rs.83.776 million as compared to Rs. 11.155 million during the same period in the previous financial year. Improvement in profitability was due to increase in sales price and greater sales volumes achieved after commencement of production at our recently established Chinese Aminoplast Moulding Compound plant.

Future Outlook

Continuous energy load shedding coupled with higher tariff, tight monetary policy and higher interest rates are the factors that are affecting economic activities in the country. Prices of methanol, melamine, cellulose and urea that are our basic raw materials are showing significant upward trends. However your management plans to offset some of these elements through effective inventory management and process planning and its execution. We will also continue to improve production efficiencies and expand our customer base to ensure long term sustainability of the Company.

Corporate Social Responsibility

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 85 students out of whom 26 come from the local community. 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 330 million. (2010: Rs. 318 million)

DIRECTORS' REPORT

Corporate Governance

The Directors of your Company confirm compliance with the Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan's Code of Corporate Governance for the following:

- a) 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.
- b) Proper books of account of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and the accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statement and any departure therefrom has been adequately disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company ability to continue as a going concern unless final decision comes against us in respect of the Vend fee and Permit fee case mentioned below.
- g) There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- h) We have prepared and circulated a statement of ethics and business practices to every Director and employee.
- i) The Board of Directors has adopted Vision and Mission statement.
- j) Information about taxes and levies is given in the notes to the accounts.
- k) Value of investment in the Company's provident fund scheme based on un-audited accounts for the year ended June 30, 2011 stands at Rs.72.799 million.
- l) Statements are annexed in respect of the following:
 1. Key financial data for the last six years.
 2. Pattern of Shareholding.
- m) During the year under review, five meetings of the Board of Directors were attended as under:

<u>Directors</u>	<u>Attended</u>
Mr. Per Haga	3/5 (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	4/5

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. So far the Court has had two hearings in the case and next date for hearing will be notified. 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.

DIRECTORS' REPORT

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.1.00 per share (20%)

Acknowledgment

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.

Lastly, the Board wishes to acknowledge the contribution over many years of Mr. Farooq Hassan who retired as a director during the year.

On behalf of the Board of Directors

KEY OPERATING AND FINANCIAL DATA

2010-11 2009-10 2008-09 2007-08 2006-07 2005-06

Rupees in thousands

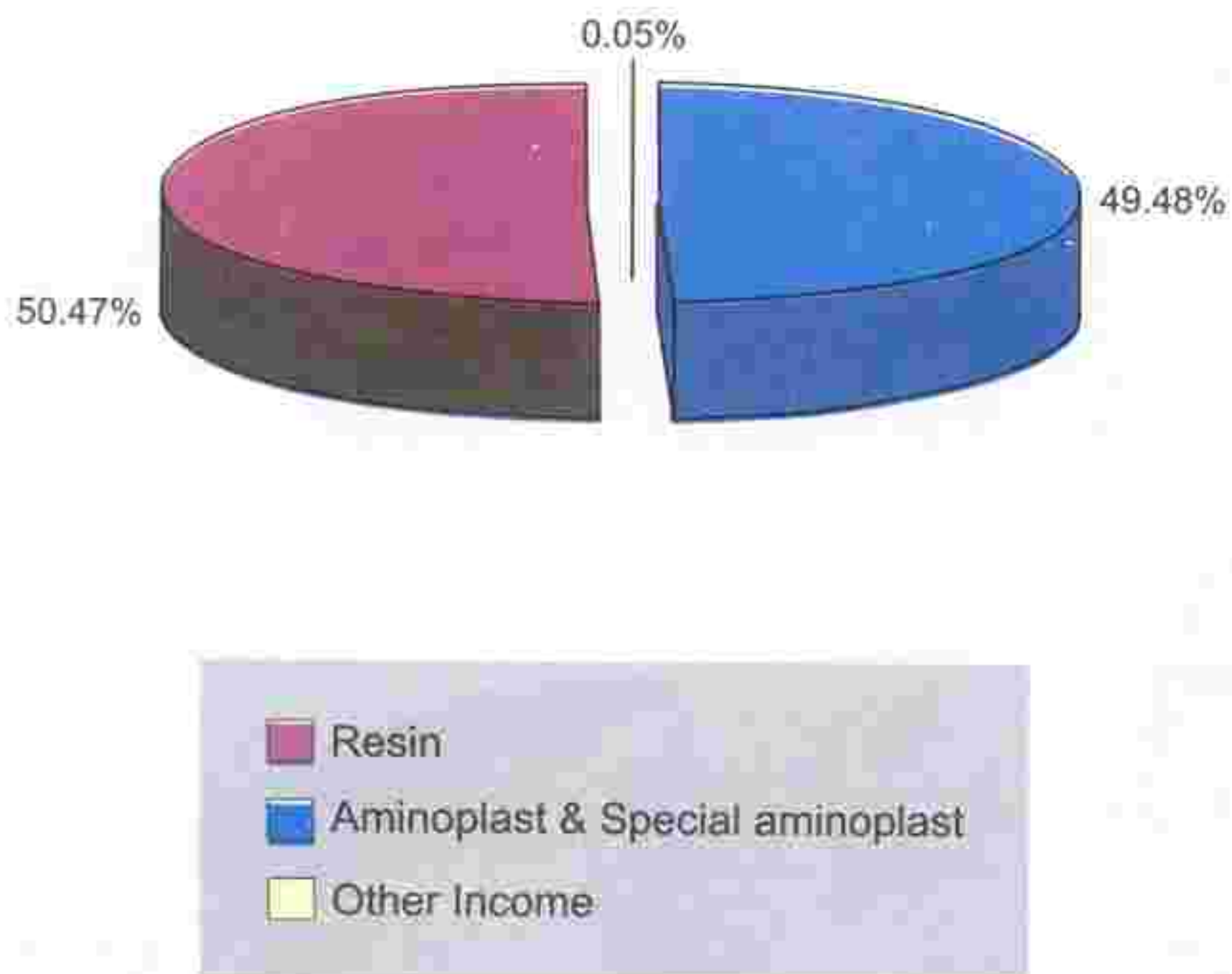
FINANCIAL POSITION:

SHAREHOLDERS EQUITY	466,448	429,043	392,642	336,368	296,523	292,967
TOTAL ASSETS	854,305	651,076	499,282	652,291	543,891	592,369

OPERATING RESULTS:

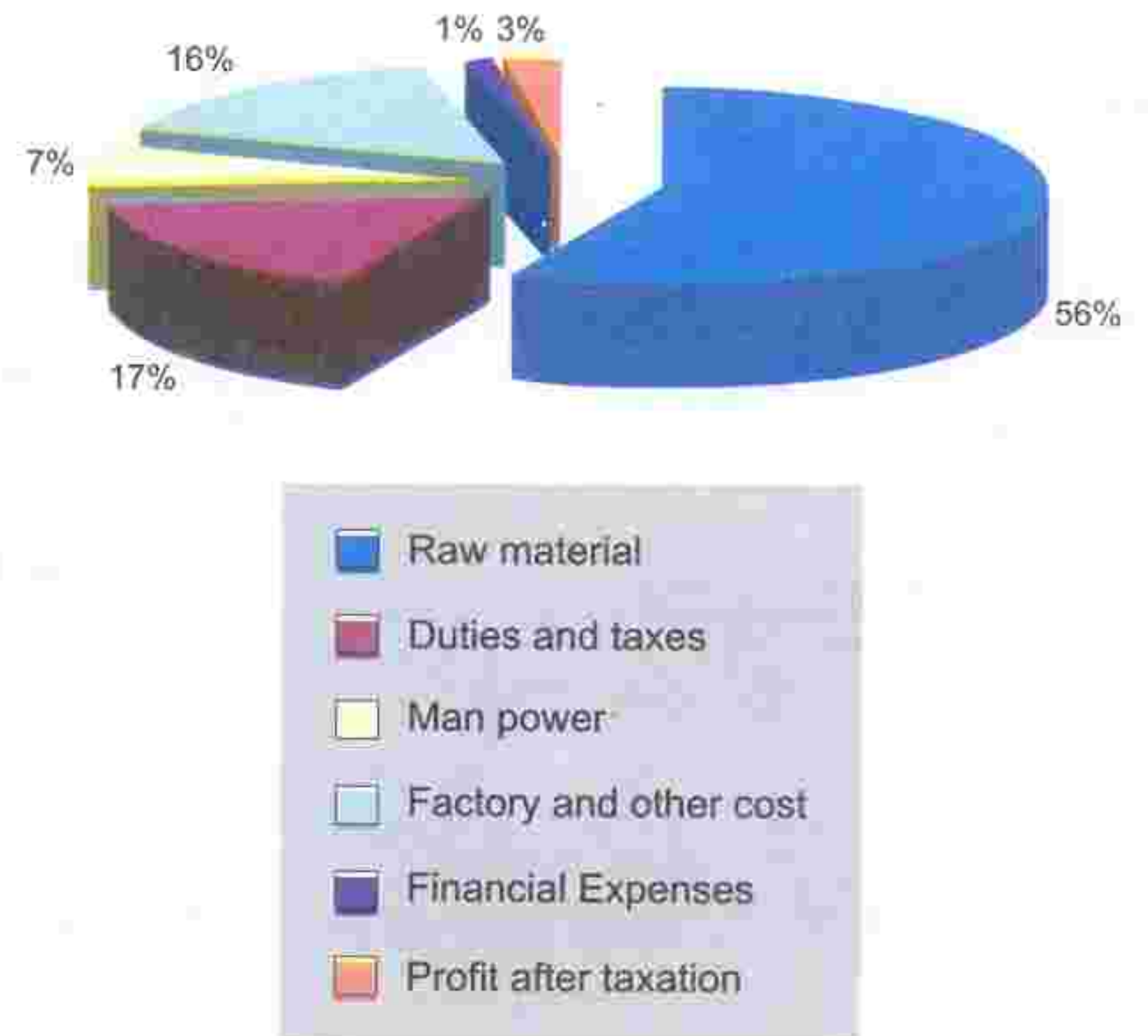
TURNOVER	1,727,550	1,355,658	1,296,974	1,261,973	1,174,891	1,114,079
PROFIT / (LOSS) BEFORE TAXATION	77,699	77,392	77,196	64,632	27,119	60,195
TAXATION	(26,140)	(26,836)	(20,922)	(24,787)	(9,409)	(23,671)
PROFIT / (LOSS) AFTER TAXATION	51,559	50,556	56,274	39,845	17,710	36,524
EARNING / (LOSS) PER SHARE Rs.	2.73	2.68	2.98	2.11	0.94	1.94
CASH DIVIDEND DECLARED %	20%	15%	15%	-	15%	-
	(proposed)					

Sources of Income



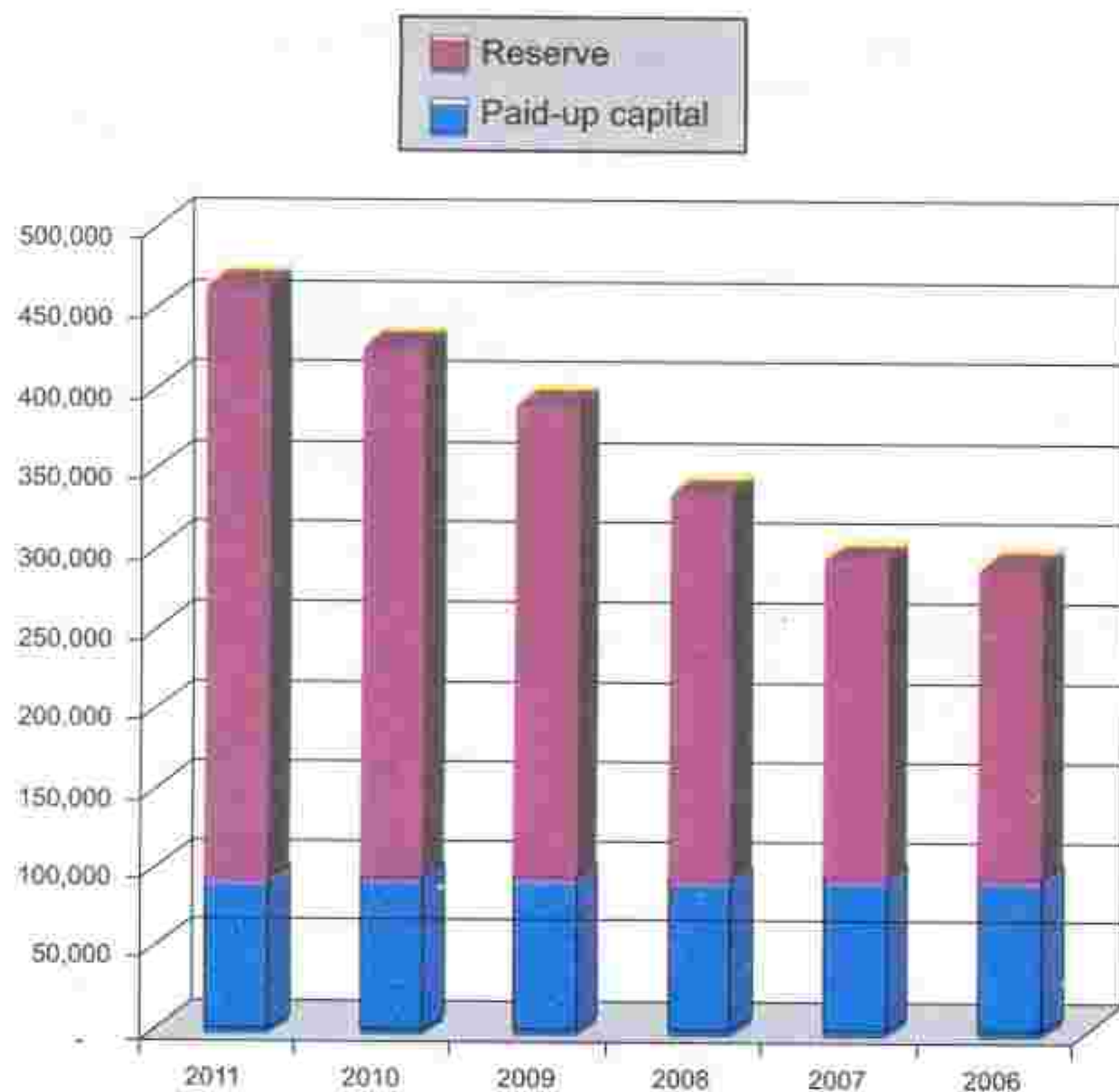
- Includes Sales Tax and Excise duty on Resin Rs.153 million and on Aminoplast Rs. 122 million.

Application of Funds

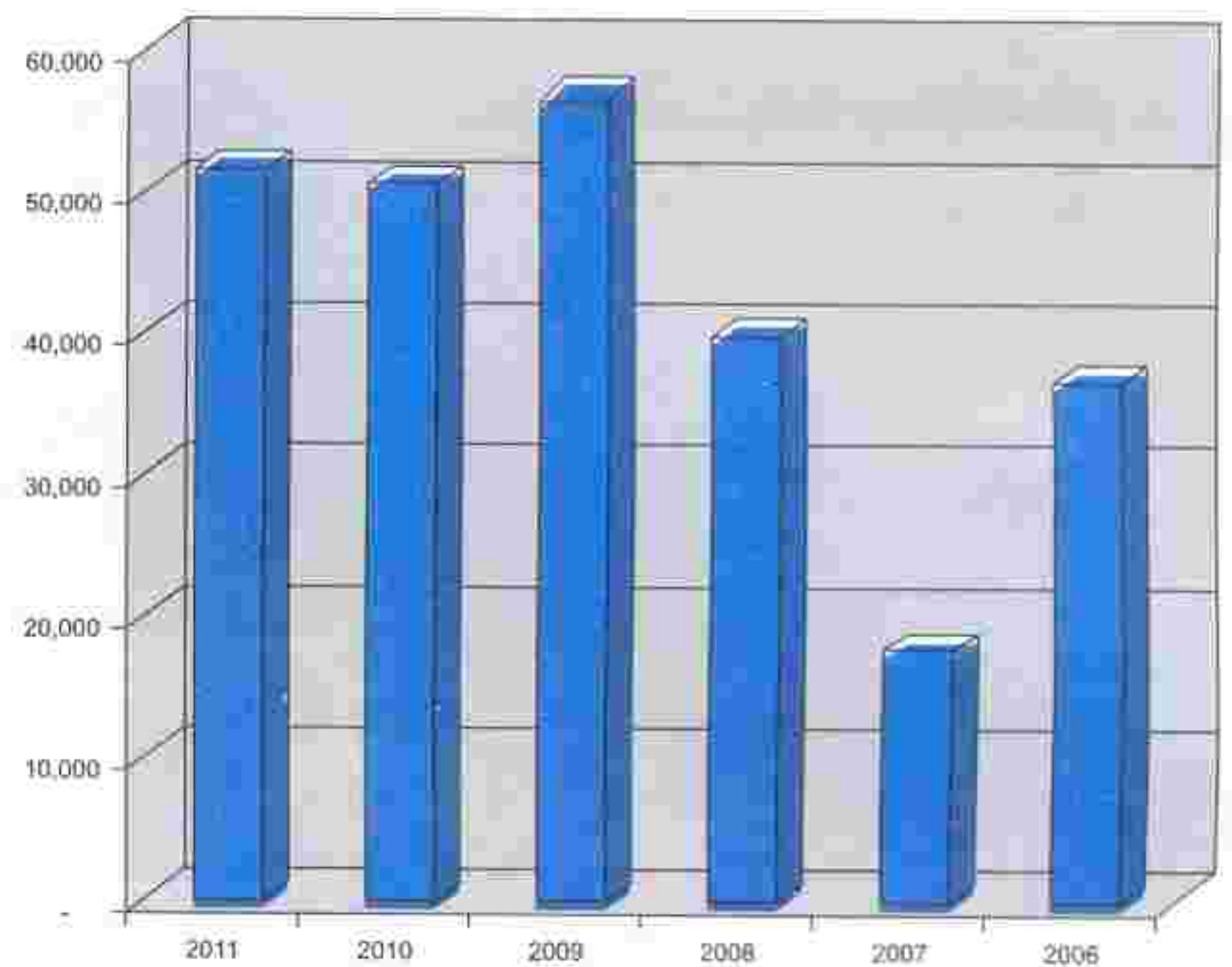


- Duties and taxes include Sales Tax and Excise duty amounting to Rs. 330 million paid on finished goods

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 (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 ten listed companies, including the Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, Mr. Sajid Hassan was appointed as Director on the Board in place of Mr. Farooq Hassan.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
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. The Company has maintained proper records in respect of related party transactions. All the related party transactions and the related pricing method have been reviewed and approved by the Board.
10. The Company has arranged an orientation course for its directors during the year to apprise them of the duties and responsibilities. Further, two directors of the Company have acquired certification under "Corporate Governance Leadership Skills - Director Education program" offered by the Pakistan Institute of Corporate Governance.
11. No new appointment of CFO and Company Secretary has been made during the year.
12. 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.
13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. 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

15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee which comprises of three non-executive directors.
17. 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.
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. 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 Officer

DONALD JOHN JENKIN
Director

Karachi : September 08, 2011

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 with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Dynea Pakistan Limited (the Company) to comply with the Listing Regulations 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's 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 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. 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. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, as applicable to the Company for the year ended 30 June 2011.

Karachi : September 08, 2011

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 2011 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 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 2011 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

We draw attention to note 20.1 to the financial statements which describes that the Company is defendant in a lawsuit alleging non-payment of vend and permit fee of Rs. 930.390 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 that 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 08, 2011

BALANCE SHEET AS AT JUNE 30,

	Note	2011 Rupees	2010 Rupees
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	163,917,702	166,402,907
Long-term loans	7	53,938	19,438
Long-term deposits	8	1,711,526	1,253,526
Deferred taxation	9	-	1,804,065
		<u>165,683,166</u>	<u>169,479,936</u>
CURRENT ASSETS			
Stores and spares	10	8,257,175	6,737,192
Stock-in-trade	11	339,106,271	202,092,667
Trade debts	12	207,661,230	177,307,839
Loans, advances, deposits, prepayments and other receivables	13	16,981,051	9,882,161
Sales tax adjustable		11,608,092	298,329
Taxation – net		41,307,107	17,594,257
Cash and bank balances	14	63,701,230	67,683,304
		<u>688,622,156</u>	<u>481,595,749</u>
TOTAL ASSETS		<u>854,305,322</u>	<u>651,075,685</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital 40,000,000 (2010: 40,000,000) ordinary shares of Rs.5/- each		<u>200,000,000</u>	<u>200,000,000</u>
Issued, subscribed and paid-up capital	15	94,362,065	94,362,065
Reserves		372,086,073	334,681,054
		<u>466,448,138</u>	<u>429,043,119</u>
NON-CURRENT LIABILITIES			
Long-term financing	16	50,375,000	-
Liabilities against assets subject to finance lease	17	2,926,824	1,210,333
Deferred taxation	9	6,197,323	-
		<u>59,499,147</u>	<u>1,210,333</u>
CURRENT LIABILITIES			
Trade and other payables	18	214,548,044	149,117,494
Accrued mark-up		4,715,434	2,112,256
Short-term borrowings	19	95,706,104	66,323,042
Current maturity of		-	-
- long-term financing	16	11,625,000	-
- liabilities against assets subject to finance lease	17	1,763,455	3,269,441
		<u>328,358,037</u>	<u>220,822,233</u>
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		<u>854,305,322</u>	<u>651,075,685</u>

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30,

	Note	2011 Rupees	2010 Rupees
Turnover – net	21	1,727,550,342	1,355,658,203
Cost of sales	22	(1,478,541,997)	(1,146,389,604)
Gross profit		<u>249,008,345</u>	<u>209,268,599</u>
Distribution costs	23	(113,627,910)	(88,698,328)
Administrative expenses	24	(33,032,662)	(29,459,534)
		(146,660,572)	(118,157,862)
Other operating income	25	941,011	333,417
Operating profit		<u>103,288,784</u>	<u>91,444,154</u>
Finance costs	26	(19,830,727)	(8,126,436)
Other charges	27	(5,758,606)	(5,925,386)
		(25,589,333)	(14,051,822)
Profit before taxation		<u>77,699,451</u>	<u>77,392,332</u>
Taxation	28	(26,140,122)	(26,836,720)
Profit after taxation		<u>51,559,329</u>	<u>50,555,612</u>
Basic and diluted earnings per share	29	<u>2.73</u>	<u>2.68</u>

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

SHABBIR ABBAS
Chief Executive Officer

DONALD JOHN JENKIN
Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30,
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	2011 Rupees	2010 Rupees
Net profit for the year	51,559,329	50,555,612
Other comprehensive income	-	-
Total comprehensive income for the year	<u><u>51,559,329</u></u>	<u><u>50,555,612</u></u>

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

SHABBIR ABBAS
Chief Executive Officer

DONALD JOHN JENKIN
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30,

	Note	2011 Rupees	2010 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		77,699,451	77,392,332
Adjustments for :			
Depreciation		23,755,689	21,182,340
Finance costs		19,830,727	8,126,434
Gain on sale of fixed assets		(116,762)	(445,627)
		43,469,654	28,863,147
		121,169,105	106,255,479
 (Increase) / decrease in current assets			
Stores and spares		(1,519,982)	(659,821)
Stock-in-trade		(137,013,604)	(47,202,183)
Trade debts		(30,353,391)	(14,761,178)
Sales tax refundable		(11,309,764)	-
Loans, advances, deposits, prepayments and other receivables		(7,098,890)	13,773,731
		(187,295,631)	(48,849,451)
 Increase / (decrease) in current liabilities			
Trade and others payables		69,324,476	64,850,617
Sales tax payable		-	(3,735,556)
		69,324,476	61,115,061
		3,197,950	118,521,089
 Finance costs paid		(17,227,549)	(6,875,869)
Income tax paid		(41,752,760)	(45,023,006)
Long-term loans and deposits		(492,500)	37,466
Net cash (used in) / inflow from operating activities		(56,274,859)	66,659,680
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(22,439,042)	(62,721,229)
Proceeds from sale of fixed assets		1,285,320	814,000
Net cash used in investing activities		(21,153,722)	(61,907,229)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of long-term loan		62,000,000	-
Lease rentals paid		(3,896,495)	(3,161,559)
Dividend paid		(14,040,060)	(13,987,654)
Net cash inflow from / (used in) financing activities		44,063,445	(17,149,213)
 Net decrease in cash and cash equivalents		(33,365,136)	(12,396,762)
 Cash and cash equivalents at the beginning of year		1,360,262	13,757,024
 Cash and cash equivalents at the end of year		(32,004,874)	1,360,262
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	14	63,701,230	67,683,304
Short-term borrowings	19	(95,706,104)	(66,323,042)
		(32,004,874)	1,360,262

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, 2011

	Issued, subscribed and paid-up capital	Revenue reserves		Total	Total
		General reserve	Unappropriated profit		
----- Rupees -----					
Balance as at June 30, 2009	94,362,065	101,000,000	197,279,752	298,279,752	392,641,817
Final dividend for the year ended June 30, 2009 @ Re. 0.75/- per share	-	-	(14,154,310)	(14,154,310)	(14,154,310)
Net profit for the year	-	-	50,555,612	50,555,612	50,555,612
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	50,555,612	50,555,612	50,555,612
Balance as at June 30, 2010	<u>94,362,065</u>	<u>101,000,000</u>	<u>233,681,054</u>	<u>334,681,054</u>	<u>429,043,119</u>
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	<u>94,362,065</u>	<u>101,000,000</u>	<u>271,086,073</u>	<u>372,086,073</u>	<u>466,448,138</u>

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

SHABBIR ABBAS
Chief Executive Officer

DONALD JOHN JENKIN
Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR

ENDED JUNE 30, 2011

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, Sharea 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, interpretations and amendments to approved accounting standards that are not yet effective

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

Standards or interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IFRS 7 - Financial Instruments : Disclosures - Amendments enhancing disclosures about transfers of financial assets	July 01, 2011
IAS 12 - Income Taxes (Amendment) Deferred Taxes : Recovery of Underlying Assets	January 01, 2012
IAS 19 - Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 01, 2013
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IFRIC 14 - Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not have any material effect on the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The Company expects that such improvements to the standards will not have any material effect on the Company's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

Further, 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.

Standard	IASB effective date (accounting periods beginning on or after)
IFRS 9 - Financial Instruments	January 01, 2013
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 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 IFRSs and IFRIC interpretations which became effective during the year:

IFRS 2 - Group Cash-settled Share-based Payment Arrangements

IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues
(Amendment)

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

Improvements to various standards issued by IASB

Issued in 2009

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements

IAS 7 - Statement of Cash flows Presentation of Financial Statements

IAS 17 - Leases

IAS 36 - Impairment of Assets

IAS 39 - Financial Instruments : Recognition and Measurement

Issued in May 2010

IFRS 3 - Business Combinations

IAS 27 - Consolidated and Separate Financial Statements

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

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 values of assets are 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

4.7 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.

4.8 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.

4.9 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.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

NOTES TO THE FINANCIAL STATEMENTS**4.14 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.

4.15 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.

4.16 Revenue recognition

Sales are recorded when goods are dispatched to customers.

Profit on bank deposits is recognized on accrual basis.

4.17 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.

NOTES TO THE FINANCIAL STATEMENTS

4.18 Dividends and appropriation to reserves

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

4.19 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, 10 & 11
- provision for impairment of trade debts	4.6 & 12
- provision for deferred tax	4.14, 9 & 28
- contingencies	20

	Note	2011 Rupees	2010 Rupees
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	163,917,702	104,942,848
Capital work-in-progress		-	61,460,059
		<u>163,917,702</u>	<u>166,402,907</u>

NOTES TO THE FINANCIAL STATEMENTS

6.1 Operating Fixed Assets

	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 6,550,000*	-	377,762,381	16.67%	244,478,954	18,032,564 2,497,733*	-	265,009,251	112,753,130
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 2,547,000*	(2,600,846)	7,591,364	20%	3,925,024	789,151 1,642,363*	(1,432,288)	4,924,250	2,667,114
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 9,097,000*	(2,600,846)	491,995,066		308,545,810	22,834,469 4,140,096*	(1,432,288)	334,088,087	157,906,979
Leased										
Plant and machinery	6,550,000	(6,550,000)*	-	-	20%	2,497,733	(2,497,733)*	-	-	-
Vehicles	5,838,351	4,107,000 (2,547,000)*	-	7,398,351	20%	2,108,771	921,220 (1,642,363)*	-	1,387,628	6,010,723
	12,388,351	4,107,000 (9,097,000)*	-	7,398,351		4,606,504	921,220 (4,140,096)*	-	1,387,628	6,010,723
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

6.1.1 During the year, borrowing costs have been capitalized amounting to Rs.2.582 million (2010: Nil) by using weighted average capitalization rate of 13.68% (2010: Nil).

6.1.2 During the year, the Company, in view of recent technological developments, revised the accounting estimate relating to the useful lives of assets as follows:

- the assets are now depreciated on straight line basis, whereas, previously these were depreciated on the basis of reducing balance method.

- plant and machinery and electrical installation are now depreciated at the rate of 16.67 % per annum, whereas, previously they were depreciated at the rate of 20 % per annum.

Had the estimate not been revised, the depreciation charge for the year would have been higher and carrying value of fixed assets would have been lower by Rs. 3,741,793 and profit before tax would have been lower by Rs. 3,671,967.

NOTES TO THE FINANCIAL STATEMENTS

	COST					DEPRECIATION / AMORTIZATION				BOOK VALUE
	As at July 01, 2009	Additions	Disposals	As at June 30, 2010	Rate	As at July 01, 2009	Charge for the year	Disposals	As at June 30, 2010	As at June 30, 2010
	Rupees						Rupees			Rupees
Owned										
Freehold land	659,961	-	-	659,961	-	-	-	-	-	659,961
Leasehold land	4,164,884	-	-	4,164,884	99 years	514,144	42,062	-	556,206	3,608,678
Buildings on freehold land	20,307,457	-	-	20,307,457	10%	14,458,731	584,872	-	15,043,603	5,263,854
Buildings on leasehold land	38,373,911	-	-	38,373,911	10%	23,339,788	1,503,411	-	24,843,199	13,530,712
Plant and machinery	311,562,643	865,700	(1,304,910)	311,123,433	20%	230,173,821	15,531,724	(1,226,591)	244,478,954	66,644,479
Electrical installations	16,338,433	-	-	16,338,433	20%	13,480,340	571,618	-	14,051,958	2,286,475
Furniture and fittings	139,054	39,080	-	178,134	20%	4,635	27,535	-	32,170	145,964
Office equipments	2,181,666	-	(334,371)	1,847,295	20%	1,263,245	183,687	(261,584)	1,185,348	661,947
Computers and accessories	2,641,868	167,690	(105,000)	2,704,558	50%	2,312,410	197,160	(95,156)	2,414,414	290,144
Vehicles	7,813,335	188,700	(500,325)	7,501,710	20%	3,336,349	881,577	(292,902)	3,925,024	3,576,686
Storage tanks	2,507,035	-	-	2,507,035	20%	1,891,909	123,025	-	2,014,934	492,101
	<u>406,690,247</u>	<u>1,261,170</u>	<u>(2,244,606)</u>	<u>405,706,811</u>		<u>290,775,372</u>	<u>19,646,671</u>	<u>(1,876,233)</u>	<u>308,545,810</u>	<u>97,161,001</u>
Leased assets										
Vehicles	3,871,351	1,967,000	-	5,838,351	20%	1,586,169	522,602	-	2,108,771	3,729,580
Plant and machinery	6,550,000	-	-	6,550,000	20%	1,484,666	1,013,067	-	2,497,733	4,052,267
	<u>10,421,351</u>	<u>1,967,000</u>	<u>-</u>	<u>12,388,351</u>		<u>3,070,835</u>	<u>1,535,669</u>	<u>-</u>	<u>4,606,504</u>	<u>7,781,847</u>
2010	<u>417,111,598</u>	<u>3,228,170</u>	<u>(2,244,606)</u>	<u>418,095,162</u>		<u>293,846,207</u>	<u>21,182,340</u>	<u>(1,876,233)</u>	<u>313,152,314</u>	<u>104,942,848</u>

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

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain	Mode of disposal	Particulars of buyers
	Rupees						
Vehicle (Toyota Corolla)	1,209,946	511,297	698,649	774,325	75,676	As per Company's policy	Mr. Shabbir Abbas (Chief Executive)
Vehicle (Toyota Corolla)	969,000	667,354	301,646	319,770	18,124	As per Company's policy	Mr. Tahir Mukhtar (employee)
Vehicle (Coure CL)	359,000	246,509	112,491	128,325	15,834	As per Company's policy	Mr. Tabasum Pervaiz (employee)
Vehicle (Honda CD-70)	62,900	7,128	55,772	62,900	7,128	Insurance claim	Habib Insurance Company Ltd.
2011	<u>2,600,846</u>	<u>1,432,288</u>	<u>1,168,558</u>	<u>1,285,320</u>	<u>116,762</u>		
2010	<u>2,244,606</u>	<u>1,876,233</u>	<u>368,373</u>	<u>814,000</u>	<u>445,627</u>		

6.3 Depreciation / amortization charge for the year has been allocated as follows:

	Note	2011 Rupees	2010 Rupees
Cost of sales	22	22,567,046	20,199,009
Distribution costs	23	487,776	271,980
Administrative expenses	24	700,867	711,351
		<u>23,755,689</u>	<u>21,182,340</u>

NOTES TO THE FINANCIAL STATEMENTS

	Note	2011 Rupees	2010 Rupees
7. LONG-TERM LOANS – secured, considered good			
Due from employees	7.1	138,044	56,904
Less: Current portion	13	84,106	37,466
		<u>53,938</u>	<u>19,438</u>
7.1	Interest free loans were granted for purchase of property, motor vehicles and for miscellaneous purposes to the employees of the Company repayable in three years. These loans are secured against the retirement benefits of the employees.		
8. LONG-TERM DEPOSITS			
Water and Power Development Authority		823,200	823,200
Lasbela Industrial Estate Development Authority		662,870	212,870
Others		225,456	217,456
		<u>1,711,526</u>	<u>1,253,526</u>
9. DEFERRED TAXATION			
Deferred tax liability / (asset) comprises temporary differences relating to:			
- Accelerated tax depreciation		21,632,249	11,040,209
- Liabilities against assets subject to finance lease		462,155	1,155,726
- Provisions		(14,000,000)	(14,000,000)
- Difference between turnover tax and taxable income		(1,897,081)	-
		<u>6,197,323</u>	<u>(1,804,065)</u>
10. STORES AND SPARES			
Stores		3,993,157	4,488,016
Spares		4,264,018	2,249,176
		<u>8,257,175</u>	<u>6,737,192</u>
11. STOCK-IN-TRADE			
Raw material:			
In hand		200,129,358	129,601,127
In bonded warehouse		53,321,827	38,672,239
In transit		52,994,737	17,481,544
		<u>306,445,922</u>	<u>185,754,910</u>
Packing material		3,423,389	2,195,672
Finished goods		29,236,960	14,142,085
		<u>339,106,271</u>	<u>202,092,667</u>

NOTES TO THE FINANCIAL STATEMENTS

		2011 Rupees	2010 Rupees
12. TRADE DEBTS – unsecured	Note		
Considered good	12.1	207,661,230	177,307,839
Considered doubtful		40,000,000	40,000,000
		247,661,230	217,307,839
Less: Provision for impairment		40,000,000	40,000,000
		207,661,230	177,307,839

12.1 Includes Rs. Nil (2010: Rs. 15.62 million) due from Thal Limited (which was a related party till June 29, 2010).

13. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Loans - unsecured, considered good

Current portion of long term loans	7	2,076,216	1,785,888
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Advances - unsecured, considered good

- Suppliers and contractors		12,660,297	6,266,004
- Employees		228,748	45,897
		12,889,045	6,311,901

Deposits

		1,365,000	1,140,000
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Prepayments

		557,040	602,013
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Other receivables

		93,750	42,359
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		16,981,051	9,882,161
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13.1 Includes current portion of long-term loan to employees amounting to Rs. 84,106 (2010: Rs. 37,466).

14. CASH AND BANK BALANCES

Cash in hand		131,648	206,213
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With banks

- current accounts		49,222,697	40,045,502
- PLS saving account	14.1	14,346,885	27,431,589
		63,569,582	67,477,091
		63,701,230	67,683,304

14.1 This carries profit at the rate of 10.25% (2010: 10%) per annum.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs. 5/- each				
2011	2010			
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	52,782,065	52,782,065
18,872,413	18,872,413		94,362,065	94,362,065

15.1 Related parties held 6,264,931 (2010: 6,264,931) ordinary shares of Rs. 5/- each in the Company at year end.

NOTES TO THE FINANCIAL STATEMENTS

	Note	2011 Rupees	2010 Rupees
16. LONG-TERM FINANCING – secured			
Long-term loan	16.1	62,000,000	-
Less: Current maturity		(11,625,000)	-
		<u>50,375,000</u>	<u>-</u>

16.1 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.

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum lease payments	Present value of MLP	Minimum Lease payments	Present value of MLP
	2011		2010	
	----- Rupees -----			
Not later than one year	2,404,373	1,763,455	3,672,125	3,269,441
Later than one year but not later than five years	3,543,174	2,926,824	1,363,170	1,210,333
Total minimum lease payments	5,947,547	4,690,279	5,035,295	4,479,774
Less: Financial charges allocated to future periods	1,257,268	-	555,521	-
Present value of minimum lease payments	4,690,279	4,690,279	4,479,774	4,479,774
Less: Current maturity	1,763,455	1,763,455	3,269,441	3,269,441
	<u>2,926,824</u>	<u>2,926,824</u>	<u>1,210,333</u>	<u>1,210,333</u>

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 January 2013 in equal monthly installments. The above lease contracts contain a bargain purchase option. Monthly lease payments include finance charges ranging from three months' KIBOR+1% to six months' KIBOR+3% (2010: three months' KIBOR+1% to six months' KIBOR+3%) per annum, which is used as a discounting factor. The liability is partly secured by deposits of Rs. 0.132 million (2010: Rs. 0.386 million).

18. TRADE AND OTHER PAYABLES

Creditors		5,426,624	6,181,430
Creditors for capital expenditure		-	41,793,225
Bills payable		109,406,051	16,885,893
Accrued liabilities	18.1	54,478,987	48,277,251
Infrastructure cess payable	18.2	31,040,373	23,809,996
Workers' Welfare Fund		3,320,648	1,734,945
Workers' Profit Participation Fund	18.3	4,172,903	4,172,263
Vend / permit fee	18.4	4,552,438	4,552,438
Tax deducted at source		1,141,040	815,323
Unclaimed and unpaid dividend		893,802	894,730
Dividend payable		115,178	-
		<u>214,548,044</u>	<u>149,117,494</u>

NOTES TO THE FINANCIAL STATEMENTS

- 18.1 Include accrued for leave encashment of Rs. 8,523,322 (2010: Rs. 6,357,530) and bonus to employees of Rs. 10,362,786 (2010: Rs. 9,368,649).
- 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 had 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. During the current year, the High Court has granted stay on the said petition on the following terms:
- Any bank guarantee/security furnished for consignment released upto November 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 2006 till June 2011.

The Company has provided a bank guarantee in favour of Excise and Taxation Department amounting to Rs. 34 million (2010: Rs. 26 million), out of which Rs. 2.96 million (2010: 2.19 million) remain un-utilized as of the year end.

	Note	2011 Rupees	2010 Rupees
18.3 Workers' Profit Participation Fund			
Balance at the beginning of the year		4,172,263	4,148,244
Interest on funds utilized in the Company's business	26	118,354	127,534
		<u>4,290,617</u>	<u>4,275,778</u>
Allocation for the year	27	4,172,903	4,172,263
		<u>8,463,520</u>	<u>8,448,041</u>
Less: Payments made during the year		4,290,617	4,275,778
Balance at the end of the year		<u>4,172,903</u>	<u>4,172,263</u>

- 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

Represent utilized portion of running finance facilities obtained from various banks amounting to Rs. 400 million (2010: 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% (2010: one months' KIBOR+1.5% to three months' KIBOR+1.5%) per annum and payable quarterly.

NOTES TO THE FINANCIAL STATEMENTS

The facilities for foreign currency import financing obtained from banks amounting to Rs. 100 million (2010: Rs. 100 million) remained unutilized at the balance sheet date.

20. CONTINGENCIES AND COMMITMENTS

Contingencies

20.1 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 2011 works out at Rs. 930.390 million (2010: Rs. 863.713 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, management is making necessary efforts to resolve this matter and is confident that the Company will be able to continue as a going concern.

20.2 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.

Commitments	2011 Rupees	2010 Rupees
Outstanding letter of credits	<u>148,364,263</u>	<u>87,502,000</u>
Outstanding bank guarantees	<u>7,485,147</u>	<u>3,314,000</u>
Post dated cheques issued in favour of collector of customs	<u>49,982,364</u>	<u>21,294,897</u>

NOTES TO THE FINANCIAL STATEMENTS

	Note	2011 Rupees	2010 Rupees
21. TURNOVER – net			
Sales		2,019,227,731	1,604,300,182
Less: Sales tax		251,248,318	213,817,397
Excise duty		23,554,500	13,364,275
Sales return		6,940,927	15,663,458
Trade discount		9,933,644	5,796,849
		291,677,389	248,641,979
		1,727,550,342	1,355,658,203
 22. COST OF SALES			
Opening stock – raw and packing materials		131,796,799	108,049,907
Purchases		1,260,879,789	914,134,166
Inter division transfers-in		240,283,515	149,033,610
		1,632,960,103	1,171,217,683
Closing stock – raw and packing materials		(203,552,747)	(131,796,799)
Inter division transfers-out		(45,307,462)	(19,685,485)
Raw and packing materials consumed		1,384,099,894	1,019,735,399
Manufacturing expenses			
Indirect material consumed		5,228,145	8,749,654
Stores and spares consumed		21,933,540	20,145,640
Fuel and power		105,745,079	81,954,672
Salaries, wages and other benefits		110,218,401	89,063,960
Rent, rates and taxes		420,614	122,500
Insurance		3,159,198	2,733,715
Repairs and maintenance		18,840,053	17,022,552
Vehicles running and maintenance		2,607,557	2,090,481
Postage, telephone and telex		561,004	626,966
Storage and handling charges		10,135,885	10,432,034
Traveling and conveyance		2,426,099	563,593
Printing and stationery		406,039	288,889
Depreciation and amortization	6.3	22,567,046	20,199,009
Others		4,435,083	2,880,238
		308,683,743	256,873,903
Inter division transfers		1,692,783,637	1,276,609,302
		(199,146,765)	(128,527,827)
Cost of goods manufactured		1,493,636,872	1,148,081,475
Finished goods			
Opening stock		14,142,085	12,450,214
Closing stock		(29,236,960)	(14,142,085)
		(15,094,875)	(1,691,871)
		1,478,541,997	1,146,389,604

NOTES TO THE FINANCIAL STATEMENTS

	Note	2011 Rupees	2010 Rupees
23. DISTRIBUTION COSTS			
Salaries and other benefits		8,541,880	7,815,815
Cartage and freight		98,875,547	75,614,562
Rent, rates and taxes		675,271	622,305
Insurance		115,092	142,022
Repairs and maintenance		358,654	629,896
Vehicles running and maintenance		1,128,065	906,635
Postage, telephone and telex		496,819	466,946
Traveling and conveyance		2,052,023	1,722,288
Printing and stationery		14,647	19,028
Electricity		375,973	10,851
Depreciation	6.3	487,776	271,980
Sales promotion		236,517	169,280
Legal and professional charges		-	220,000
Others		269,646	86,720
		<u>113,627,910</u>	<u>88,698,328</u>
24. ADMINISTRATIVE EXPENSES			
Salaries and other benefits		19,797,247	17,549,732
Rent, rates and taxes		-	42,956
Insurance		61,857	59,957
Repairs and maintenance		1,337,546	1,222,786
Vehicles running and maintenance		1,513,532	1,101,727
Postage, telephone and telex		766,352	581,642
Traveling and conveyance		1,933,142	2,041,585
Printing and stationery		519,195	992,299
Utilities		664,100	-
Depreciation	6.3	700,867	711,351
Legal and professional charges		2,484,338	2,177,776
Advertisement and publicity		138,663	243,588
Charity and donations	24.1	784,000	778,000
Auditors' remuneration	24.2	685,540	619,125
ISO certification fees		409,055	417,626
Others		1,237,228	919,384
		<u>33,032,662</u>	<u>29,459,534</u>

24.1 Charity and donations

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

24.2 Auditors' remuneration

Audit fee	550,000	500,000
Fee for review of half yearly financial statements	55,000	50,000
Other certifications	27,500	25,000
Out of pocket expenses	53,040	44,125
	<u>685,540</u>	<u>619,125</u>

NOTES TO THE FINANCIAL STATEMENTS

	Note	2011 Rupees	2010 Rupees
25. OTHER OPERATING INCOME – net			
Income from financial assets			
Profit on bank deposits		826,561	349,593
Income from non-financial assets			
Scrap sales		358,704	377,444
Gain on sale of fixed assets		116,762	445,627
Insurance claim		423,214	763,936
Exchange loss		(784,230)	(1,603,183)
		114,450	(16,176)
		<u>941,011</u>	<u>333,417</u>
26. FINANCE COSTS			
Mark-up on:			
- Long-term financing		6,029,967	-
- Short-term borrowings		11,082,052	5,462,687
- Finance lease		688,363	665,258
		<u>17,800,382</u>	<u>6,127,945</u>
Interest on Workers' Profit Participation Fund	18.3	118,354	127,534
Bank guarantees commission		656,705	353,513
Bank charges		1,255,286	1,517,444
		<u>19,830,727</u>	<u>8,126,436</u>
27. OTHER CHARGES			
Workers' Profit Participation Fund	18.3	4,172,903	4,172,263
Workers' Welfare Fund		1,585,703	1,753,123
		<u>5,758,606</u>	<u>5,925,386</u>
28. TAXATION			
Current		18,138,733	29,754,306
Prior		-	308,916
Deferred		8,001,389	(3,226,502)
		<u>26,140,122</u>	<u>26,836,720</u>

28.1 Provision for current taxation has been made on the basis of minimum tax on turnover under section 113 of Income Tax Ordinance. Accordingly, tax expense reconciliation with the accounting profit is not presented.

NOTES TO THE FINANCIAL STATEMENTS

	2011 Rupees	2010 Rupees
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>51,559,329</u>	<u>50,555,612</u>
Weighted average number of ordinary shares	<u>18,872,413</u>	<u>18,872,413</u>
Earnings per share (Rupees)	<u>2.73</u>	<u>2.68</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.

	2011			2010		
	Resin Division	Aminoplast Division	Total	Resin Division	Aminoplast Division	Total
	Rupees			Rupees		
Turnover – net	838,038,459	889,511,883	1,727,550,342	814,736,489	540,921,714	1,355,658,203
Cost of sales	<u>(672,805,634)</u>	<u>(805,736,363)</u>	<u>(1,478,541,997)</u>	<u>(616,622,558)</u>	<u>(529,767,046)</u>	<u>(1,146,389,604)</u>
Gross profit	165,232,825	83,775,520	249,008,345	198,113,931	11,154,668	209,268,599
Allocated distribution costs (Cartage and freight)	<u>(86,974,944)</u>	<u>(11,900,603)</u>	<u>(98,875,547)</u>	<u>(68,756,641)</u>	<u>(6,857,921)</u>	<u>(75,614,562)</u>
	78,257,881	71,874,917	150,132,798	129,357,290	4,296,747	133,654,037
Unallocated expenses:						
Administrative and distribution costs			(47,785,025)			(42,543,300)
Other operating income			941,011			333,417
Finance costs			(19,830,727)			(8,126,436)
Other charges			(5,758,606)			(5,925,386)
Taxation			<u>(26,140,122)</u>			<u>(26,836,720)</u>
Profit after taxation			<u>51,559,329</u>			<u>50,555,612</u>

	2011			2010		
	Resin Division	Aminoplast Division	Total	Resin Division	Aminoplast Division	Total
	Rupees			Rupees		
Segment assets	313,972,260	354,104,036	668,076,296	291,161,725	254,641,688	545,803,413
Unallocated assets			186,229,026			105,272,272
Total assets			<u>854,305,322</u>			<u>651,075,685</u>
Segment liabilities	76,066,349	5,647,380	81,713,729	30,483,048	90,522,307	121,005,355
Unallocated liabilities			306,143,455			101,027,211
Total liabilities			<u>387,857,184</u>			<u>222,032,566</u>
Capital expenditure	4,805,690	16,063,852	20,869,542	865,700	61,460,059	62,325,759
Unallocated capital expenditure			1,569,500			2,362,470
Total capital expenditure			<u>22,439,042</u>			<u>64,688,229</u>
Depreciation	9,984,393	12,582,653	22,567,046	14,730,825	5,468,184	20,199,009
Unallocated depreciation			1,188,643			983,331
Total depreciation			<u>23,755,689</u>			<u>21,182,340</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. 856,546 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.109,406,051. Management of the Company estimates that 10% increase in exchange rate, with all other factors remaining constant, would decrease the Company's profit before tax by Rs.10,940,605 and a 10% 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 minimise 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.

	2011 Rupees	2010 Rupees
The analysis of trade debts is as follows		
Neither past due nor impaired	175,821,098	148,451,274
Past due but not impaired		
- 61 to 90 days	18,425,859	20,863,751
- 91 to 180 days	13,414,273	7,992,814
	<u>207,661,230</u>	<u>177,307,839</u>
Bank balances		
Ratings		
A1+	63,569,582	67,476,594
A1	-	497
	<u>63,569,582</u>	<u>67,477,091</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.

	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	178,955,233	35,592,811	-	214,548,044
Accrued markup	4,715,434	-	-	4,715,434
Short term borrowings	-	95,706,104	-	95,706,104
	<u>184,967,166</u>	<u>143,390,871</u>	<u>53,301,824</u>	<u>381,659,861</u>
	2010			
	Less than 3 Months	3 to 12 months	1 to 5 years	Total
	----- Rupees -----			
Liabilities against assets subject to finance lease	929,384	2,340,057	1,210,333	4,479,774
Trade and other payables	147,382,549	1,734,945	-	149,117,494
Accrued markup	2,112,256	-	-	2,112,256
Short term borrowings	-	66,323,042	-	66,323,042
	<u>150,424,189</u>	<u>70,398,044</u>	<u>1,210,333</u>	<u>222,032,566</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 41% (2010: 26%) 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:

	2011 Rupees	2010 Rupees
Sales	-	80,416,203
Purchases	44,863	380,626
Insurance premium paid	-	4,929,547
Insurance claims received	-	1,411,669
Contribution to provident fund	4,025,285	3,627,471

35. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	2011		2010	
	Chief Executive	Executives	Chief Executive	Executives
	----- Rupees -----			
Managerial remuneration	2,633,381	4,753,891	2,166,497	3,045,365
Retirement and other benefits	979,554	1,937,195	1,038,888	1,378,155
House rent	975,017	1,845,888	753,541	1,241,940
	<u>4,587,952</u>	<u>8,536,974</u>	<u>3,958,926</u>	<u>5,665,460</u>
Number of persons	<u>1</u>	<u>5</u>	<u>1</u>	<u>3</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. 90,000 (2010: Rs. 8,000)

36. CAPACITY AND PRODUCTION

	Note	2011		2010	
		Rated capacity	Actual production	Rated capacity	Actual production
----- M. Tons -----					
Resin division					
Urea/Melamine formaldehyde		34,000	33,537	34,000	33,633
Formaldehyde		39,000	34,562	39,000	35,594
	36.1	73,000	68,099	73,000	69,227
Aminoplast division					
Aminoplast compound	36.1	12,000	10,896	10,000	8,031

- 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 08, 2011 (i) proposed cash dividend of Rs. 1.00 per share (2010: Rs. 0.75 per share) for the year ended June 30, 2011 amounting to Rs. 18.872 million for approval of the members at the Annual General Meeting to be held on October 17, 2011.

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 September 08, 2011 by the Board of Directors of the Company.

COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDINGS

AS AT JUNE 30, 2011

CATEGORY NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARES HELD	CATEGORY WISE NO. OF SHARE HOLDERS	CATEGORY WISE SHARES HELD	PERCENTAGE %
1	INDIVIDUALS		1,284	4,622,593	24.49
2	INVESTMENT COMPANIES		1	2,200	0.01
3	JOINT STOCK COMPANIES		13	1,590,009	8.43
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 (NOMINEE NIT)	1,000 1,000 1,000 8,000	5	11,000	0.06
5	EXECUTIVES		-	-	-
6	NIT / ICP NATIONAL INVESTMENT TRUST LIMITED INVESTMENT CORPORATION NATIONAL BANK OF PAKISTAN NATIONAL BANK OF PAKISTAN - TRUSTEE DEPTT. NI(U)T FUND	46,034 640 1,500 1,787,610	4	1,835,784	9.73
7	ASSOCIATED COMPANIES, UNDERTAKINGS AND RELATED PARTIES DYNEA ASA	6,264,931	1	6,264,931	33.20
8	PUBLIC SETOR COMPANIES AND CORPORATIONS		-	-	-
9	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, MODARABAS & MUTUAL FUNDS		7	1,579,469	8.37
10	FOREIGN INVESTORS		12	2,963,726	15.70
11	CO-OPERATIVE SOCIETIES		1	2,701	0.01
12	CHARITABLE TRUSTS		-	-	-
13	OTHERS		-	-	-
	TOTAL		1,328	18,872,413	100.00

SHAREHOLDERS HOLDING TEN PERCENT OR MORE VOTING INTEREST IN THE LISTED COMPANY

TOTAL PAID-UP CAPITAL OF THE COMPANY 18,872,413 SHARES
10% OF THE PAID-UP CAPITAL OF THE COMPANY 1,887,241 SHARES

NAME(S) OF SHARE-HOLDER(S)	DESCRIPTION	NO. OF SHARES HELD	PERCENTAGE %
DYNEA ASA	FALL IN CAT.# 7	6,264,931	33.20

COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDINGS

AS AT JUNE 30, 2011

NUMBER OF SHARE HOLDERS	SHAREHOLDINGS RS.5/- EACH			TOTAL SHARES HELD
480	1	--	100	14,480
348	101	--	500	96,414
156	501	--	1,000	122,803
239	1,001	--	5,000	586,671
34	5,001	--	10,000	242,642
10	10,001	--	15,000	124,662
3	15,001	--	20,000	53,333
5	20,001	--	25,000	115,354
4	25,001	--	30,000	114,000
5	30,001	--	35,000	162,950
2	35,001	--	40,000	77,251
2	40,001	--	45,000	88,909
5	45,001	--	50,000	233,210
2	55,001	--	60,000	116,196
1	60,001	--	65,000	60,215
3	65,001	--	70,000	198,486
1	70,001	--	75,000	74,344
2	75,001	--	80,000	153,807
1	100,001	--	105,000	101,285
1	110,001	--	115,000	113,000
1	135,001	--	140,000	140,000
1	145,001	--	150,000	149,690
1	150,001	--	155,000	151,198
1	160,001	--	165,000	161,874
1	170,001	--	175,000	170,169
1	195,001	--	200,000	195,018
1	200,001	--	205,000	201,761
1	210,001	--	215,000	211,000
1	245,001	--	250,000	250,000
1	255,001	--	260,000	257,583
1	345,001	--	350,000	350,000
1	365,001	--	370,000	368,500
1	370,001	--	375,000	372,634
4	385,001	--	390,000	1,547,832
2	405,001	--	410,000	816,986
1	625,001	--	630,000	625,213
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
1,328				18,872,413