

dynea

**DYNEA PAKISTAN LIMITED**

*32nd Annual Report  
For the year ended  
30th June, 2014*



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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. Altaf Nazim	
Mr. Sajid Hassan	
Mr. M. Tahsin Khan Iqbal	
Mr. Aqeel Loon	

### Audit Committee :

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

### Human Resource Committee :

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

### Chief Financial Officer & Company Secretary :

Mr. Muhammad Shakeel Uddin

### Head of Internal Audit :

Mr. Adnan Husseini

### Bankers :

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

### Auditors :

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

### Legal Advisors :

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

### Share Registrar :

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

### Registered Office :

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

### Factories :

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



**VISION AND MISSION STATEMENTS***Vision*

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

*Mission*

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

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the Thirty-Second Annual General Meeting of the Members of the Company will be held on Monday, September 29, 2014 at 12:00 PM at the Institute of Chartered Accountants of Pakistan (ICAP) Auditorium, Clifton, Karachi to transact the following business:

### ORDINARY BUSINESS:

1. To receive and adopt the Audited Accounts for the year ended June 30, 2014 together with the Reports of the Directors' and Auditors' thereon.
2. To approve a final cash dividend of 25% (i.e. Rs. 1.25 per share) for the year 2013-14 as recommended by the Board of Directors.
3. To appoint Auditors for the year 2014-15 and to fix their remuneration. The present auditors Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, being eligible offer themselves for reappointment.

By Order of the Board

**Muhammad Shakeel Uddin**  
Company Secretary

Karachi: August 29, 2014

### NOTES:

- (i) The Share Transfer Books of the Company will remain closed from Tuesday, September 23, 2014 to Monday, September 29, 2014 (both days inclusive) and the final dividend will be paid to the Shareholders whose names will appear in the Register of Members on September 22, 2014. 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 Nondeduction of Zakat Form CZ-50 with the Registrar of the Company M/S. Noble Computer Services (Pvt) Ltd., 1st Floor, House of Habib, 3 Jinnah C.H. Society, Shahrah-e-Faisal Karachi. 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.

### Submission of copies of CNIC:

It is hereby reiterated that the Securities and Exchange Commission of Pakistan (SECP) vide Notification S.R.O. 779(I)/2011 dated August 18, 2011 and Notification S.R.O. 831 (1)/2012 dated July 5, 2012 has directed all the listed companies to issue dividend warrant only crossed as "A/c Payee only" and ensure that the Dividend Warrant should bear the Computerized National Identity Card (CNIC) Numbers of the registered members except in the case of minor(s) and corporate shareholder(s). The Company has already requested for the same vide its letters dated August 20, 2014, October 14, 2013, October 01, 2012 and September 22, 2011 sent to its shareholders.

All those shareholders (**holding physical shares**) who have not submitted their valid CNICs are once again requested to send a photocopy of their valid CNIC/NTN along with the Folio number(s) to the Company's Share Registrar.

In case of non-availability of a valid copy of the CNIC in the records of the Company, the Company will be constrained to withhold the Dividend Warrant in terms of section 251(2)(a) of the Companies Ordinance 1984, which will be released by the Share Registrar only upon compliance with the aforesaid notifications.

## NOTICE OF ANNUAL GENERAL MEETING

### Deduction of Income Tax from Dividend under Section 150 of the Income Tax Ordinance, 2001

Pursuant to the provisions of the Finance Act 2014 effective July 1, 2014, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

(a) Rate of tax deduction for filer of income tax returns	10%
(b) Rate of tax deduction for non-filers of income tax returns	15%

All shareholders/members of the Company who hold shares in **physical form** are therefore requested to send a valid copy of their CNIC and NTN Certificate, to the Company's Shares Registrar, M/s. Noble Computer Services (Pvt.) Limited at the above mentioned address, to allow the Company to ascertain the status of the shareholder/member.

Shareholders/members of the Company who hold shares in **scrip-less form on Central Depository System (CDS) of Central Depository Company of Pakistan Limited (CDC)** are requested to send valid copies of their CNIC and NTN Certificate to their CDC Participants/CDC Investor Account Services.

Where the required documents are not submitted, the Company will be constrained to treat the non-complying shareholder/member as a non-filer thereby attracting a higher rate of withholding tax.

#### Dividend Mandate (Optional):

The Company wishes to inform 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 this 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 the bank. CDC account holders should submit their request directly to their broker (participant)/CDC.

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

#### A. For Attending the Meeting:

1. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the CDC Regulations shall authenticate their identity by showing their original Computerized National Identity Card ("**CNIC**") or original passport at the time of attending the meeting.
2. In case of corporate entities, 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.

#### B. For Appointing Proxies:

1. In case of individuals, the account holders or sub-account holders whose registration details are uploaded as per the CDC Regulations shall submit the proxy form as per the abovementioned requirements.
2. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
3. Attested copies of the CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
4. The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
5. In case of corporate entities, board of directors' resolution/power of attorney with specimen signature of the nominee shall be submitted (unless provided earlier) along with the proxy form to Company.

## DIRECTORS' REPORT

The directors have pleasure in presenting the Annual Audited Accounts of the company together with the Auditors' Report thereon for the financial year ended June 30, 2014.

The profit for the year declined as a consequence of new capacities leading to increased competition in the market. However, the management is striving hard to further consolidate the company's position.

Summary of Financial Performance:

	2014	2013
	(Rupees in thousands)	
Turnover	<u>2,703,246</u>	<u>2,390,922</u>
Gross Profit	<u>357,982</u>	<u>439,800</u>
Gross Profit as a % of Turnover	<u>13.24%</u>	<u>18.39%</u>
Profit before Tax	<u>152,742</u>	<u>242,168</u>
Profit after Tax	<u>124,821</u>	<u>156,326</u>
Basic earnings per share in rupees	<u>6.61</u>	<u>8.28</u>

### Resin Division

Turnover of the Resin Division was Rs.1,368.197 million compared to Rs.1,229.834 million in the previous financial year, showing an improvement of 11.25%. The segment result of the Resin Division was Rs.99.519 million compared to Rs.149.106 million for the previous financial year.

### Aminoplast Division

The Aminoplast Division generated turnover of Rs.1,335.049 million compared to Rs.1,161.088 million achieved during the previous financial year, showing an improvement of 14.98%. The segment result of the Aminoplast Division was Rs.156.618 million compared to Rs.191.646 million during the previous financial year.

### Future Outlook

#### a. Market Conditions:

The business environment in Pakistan continues to be difficult because of slow growth of the economy, the security situation and political instability. Wage escalation also presents a problem. The completed project at Gadoon has improved plant efficiencies to maintain the long term sustainability of the company.

#### b. Urea-formaldehyde and Aminoplast Moulding Compound Project:

The new formaldehyde and the aminoplast moulding compound plants at Gadoon commenced commercial production during the year.

### Corporate Social Responsibility

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

## DIRECTORS' REPORT

The company runs a well maintained primary school at Jenson Village in Hub, Baluchistan. This school was established primarily for company employees but children of the locality are also permitted to study at the school. Presently there are 112 students of whom 36 come from the local community. The company has provided two sets of uniforms to each student.

The company donates one percent of its profit before taxation to a Trust engaged in social welfare activities. Contributions to the workers' profit participation fund and the workers' welfare fund are up-to-date.

### 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.611 million (2013: Rs. 479 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 used as the basis for the preparation of the financial statements and any departure therefrom has been adequately disclosed and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the company's ability to continue as a going concern unless the Supreme Court decision goes against it in respect of the Vend and Permit Fee case mentioned below.
7. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
8. A Code of Conduct has been prepared and passed to every director and employee.
9. The Board of Directors has adopted Vision and Mission Statements.
10. Information about taxes and levies is given in the notes to the accounts.
11. The value of the investments in the company's provident fund scheme, based on un-audited accounts for the year ended June 30, 2014, stands at Rs.86.280 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, six meetings of the Board of Directors were attended as under:

<b>Directors</b>	<b>Attended</b>
Mr. Per Haga	4/6 (all by alternate director)
Mr. Donald John Jenkin	6/6
Mr. Shabbir Abbas	6/6
Mr. Alireza M. Alladin	6/6
Mr. Altaf Nazim	4/6
Mr. M. Tahsin Khan Iqbal	6/6
Mr. Sajid Hassan	6/6

Mr. Alireza M. Alladin resigned as a director in July 2014. He has been replaced by Mr. Aqeel Loon.

Mr. Shabbir Abbas, Mr. Sajid Hassan and Mr. Donald John Jenkin are Certified Directors of Corporate Governance accredited by the Pakistan Institute of Corporate Governance (PICG). Mr. Per Haga is exempt from the requirement of directors' training programme.

### Vend Fee and Permit Fee

Regarding the Vend and Permit Fee case, the Sindh High Court has already pronounced very strong and favorable decisions in support of the company. Presently the case is pending with the Honorable Supreme Court of Pakistan. In view of the legal merits of the case and the previous two favorable decisions of the Sindh High Court, the management expects the Supreme Court to confirm the previous decisions, thereby enabling the company to continue as a going concern.

### Appointment of Auditors

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

### Dividend and Appropriations

Given the uncertainties in the market being faced by the company, as outlined earlier in this report, and the increased borrowing to finance the Gadoon expansion, the Board of Directors feels it is prudent to propose the following appropriation out of profit for the current year:

- Final cash dividend of Rs 1.25 per share, i.e. 25%.
- Recommends an appropriation of Rs 100 million from un-appropriated profits to General Reserve.

### Acknowledgment

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



SHABBIR ABBAS  
Chief Executive

On behalf of the Board of Directors

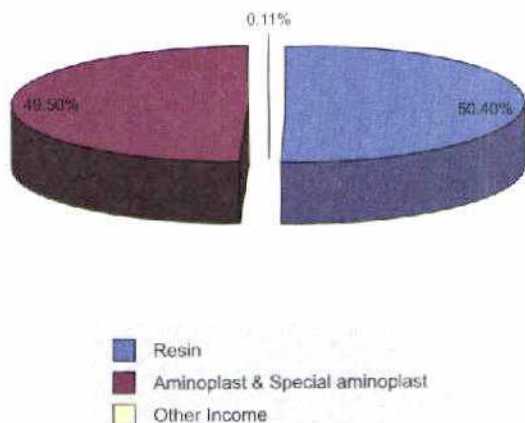


DONALD JOHN JENKIN  
Chairman

## KEY OPERATING AND FINANCIAL DATA

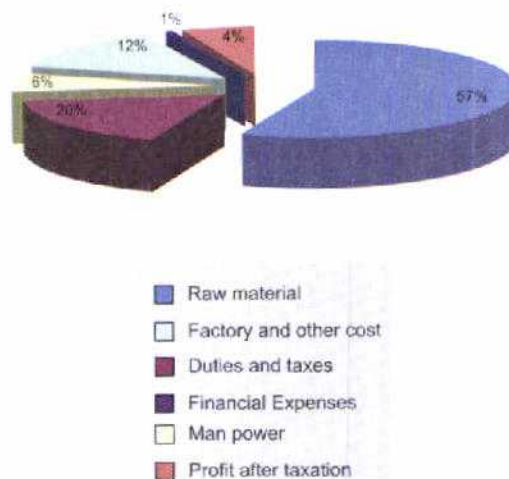
	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
	----- Rupees in thousands -----					
<b><u>FINANCIAL POSITION:</u></b>						
SHAREHOLDERS EQUITY	756,140	678,500	550,483	466,448	429,043	392,642
TOTAL ASSETS	1,411,894	980,464	930,695	854,305	651,076	499,282
<b><u>OPERATING RESULTS:</u></b>						
TURNOVER	2,703,246	2,390,922	2,151,496	1,727,550	1,355,658	1,296,974
PROFIT / (LOSS) BEFORE TAXATION	152,742	242,168	161,872	77,699	77,392	77,196
TAXATION	(27,921)	(85,843)	(58,965)	(26,140)	(26,836)	(20,922)
PROFIT / (LOSS) AFTER TAXATION	124,821	156,326	102,908	51,559	50,556	56,274
EARNING / (LOSS) PER SHARE Rs.	6.61	8.28	5.45	2.73	2.68	2.98
CASH DIVIDEND DECLARED %	25.00 (Proposed)	50.00	30.00	20.00	15.00	15.00

## Sources of Income



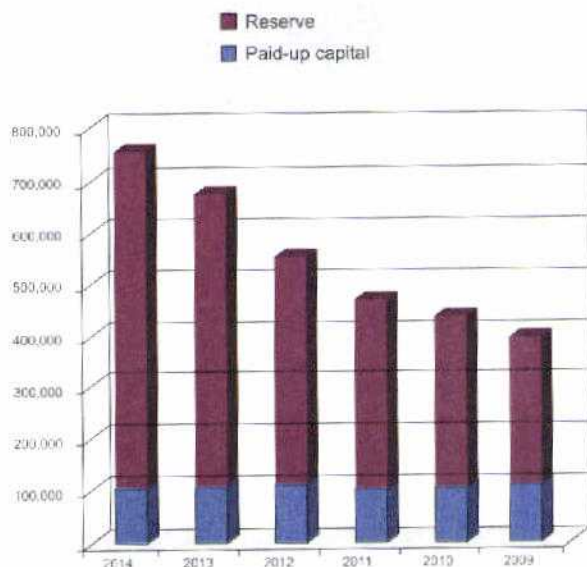
\* Includes Sales Tax on Resin Rs.235.550 million and on Aminoplast Rs. 240.007 million.

## Application of Funds

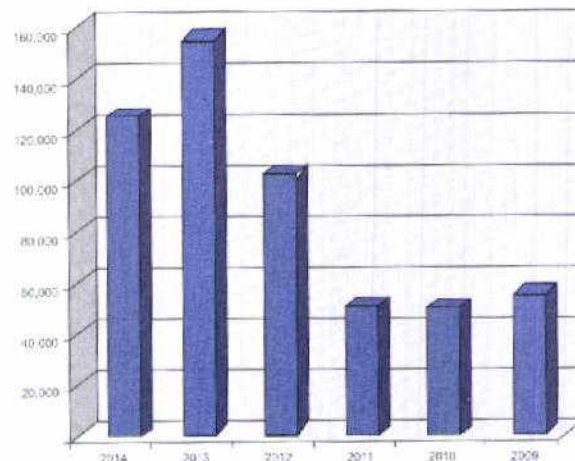


\*\* Duties and taxes, including Sales Tax, amounting to Rs. 610.729 million.

## Shareholders' Equity



## Profit after tax Rs. in '000



## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

### For the year ended June 30, 2014

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	1. Mr. Altaf Nazim 2. Mr. M.Tahsin Khan Iqbal
Executive Director	1. Mr. Shabbir Abbas
Non-Executive Directors	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 NBFII or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board during the year.
5. The Company has prepared a 'Code of Conduct', and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause (xi) of the Code, four Directors of Company are duly certified, whereas one is exempt from the requirement of Directors' Training Program and the rest of the Directors will be trained within prescribed time period during 30 June 2012 to 30 June 2016. All the Directors are fully conversant with their duties and responsibilities as Directors of Corporate bodies. The Board had arranged an orientation course of the Code of Corporate Governance for its Directors in the previous years to apprise them of their roles and responsibilities.

## STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

10. No new appointment of Chief Financial Officer (CFO), Company Secretary and the Head of Internal Audit has been made during the year while a change in the remuneration was approved by the Board.
11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an audit committee which comprises of four non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the CCG. The term of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR and remuneration committee. It comprises of four members, of whom three 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



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

Tel: +9221 3565 0007-11  
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## Review report to the members on statement of compliance with the code of corporate governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Dynea Pakistan Limited** (the Company) for the year ended **30 June 2014** to comply with the requirements of Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited and Listing Regulation No. 35 Chapter XI of Lahore Stock Exchange Limited, where the Company is listed.

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

As 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 of Directors' 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended **30 June 2014**.

  
Chartered Accountants

**Date:** 29 August 2014

**Place:** Karachi



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

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Fax: +9221 3568 1965  
ryfrsh.khi@pk.ey.com  
ey.com/pk

## Auditors' report to the members

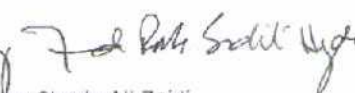
We have audited the annexed balance sheet of **Dynea Pakistan Limited** (the Company) as at **30 June 2014** and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account, together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change as stated in note 4.1 to the accompanying financial statements, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2014 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:** 29 August 2014  
**Karachi**

## BALANCE SHEET AS AT JUNE 30, 2014

<u>ASSETS</u>	Note	2014 Rupees	2013 Rupees
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	389,029,858	170,237,883
Long-term loans	7	64,920	74,152
Long-term deposits	8	6,097,526	1,772,526
		395,192,304	172,084,561
<b>CURRENT ASSETS</b>			
Stores and spares	9	13,559,773	8,889,301
Stock-in-trade	10	469,840,248	458,103,973
Trade debts	11	305,165,424	241,139,803
Loans, advances, deposits, prepayments and other receivables	12	14,677,342	19,540,134
Sales tax adjustable		-	7,574,084
Taxation – net		121,738,148	6,000,538
Cash and bank balances	13	91,721,105	67,131,352
		1,016,702,040	808,379,185
<b>TOTAL ASSETS</b>		1,411,894,344	980,463,746
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital 40,000,000 (2013: 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		661,778,058	584,138,223
		756,140,123	678,500,288
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	15	203,125,000	-
Liabilities against assets subject to finance lease	16	-	686,323
Deferred taxation	17	27,065,901	7,395,771
		230,190,901	8,082,094
<b>CURRENT LIABILITIES</b>			
Trade and other payables	18	178,922,365	255,212,915
Accrued mark-up		6,101,989	554,433
Short-term borrowings	19	192,451,846	37,562,720
Sales tax payable		1,212,120	-
Current portion of:			
- long-term financing	15	46,875,000	-
- liabilities against assets subject to finance lease	16	-	551,296
		425,563,320	293,881,364
<b>CONTINGENCIES AND COMMITMENTS</b>	20		
<b>TOTAL EQUITY AND LIABILITIES</b>		1,411,894,344	980,463,746

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, 2014

	Note	2014 Rupees	2013 Rupees
Turnover – net	21	2,703,246,183	2,390,922,099
Cost of sales	22	(2,345,263,688)	(1,951,121,784)
<b>Gross profit</b>		<b>357,982,495</b>	<b>439,800,315</b>
Distribution costs	23	(121,833,721)	(118,216,799)
Administrative expenses	24	(53,556,269)	(49,168,713)
		(175,389,990)	(167,385,512)
Other income	25	3,451,004	1,204,093
<b>Operating profit</b>		<b>186,043,509</b>	<b>273,618,896</b>
Finance costs	26	(21,981,307)	(12,988,908)
Other charges	27	(11,320,292)	(18,461,722)
		(33,301,599)	(31,450,630)
<b>Profit before taxation</b>		<b>152,741,910</b>	<b>242,168,266</b>
Taxation	28	(27,921,042)	(85,842,723)
<b>Profit after taxation</b>		<b>124,820,868</b>	<b>156,325,543</b>
<b>Basic and diluted earnings per share</b>	29	<b>6.61</b>	<b>8.28</b>

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, 2014

	2014 Rupees	2013 Rupees
Net profit for the year	124,820,868	156,325,543
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>124,820,868</u>	<u>156,325,543</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, 2014

	Note	2014 Rupees	2013 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		152,741,910	242,168,266
Adjustments for :			
Depreciation	6.3	42,773,092	33,856,907
Provision for doubtful debts	11.1	13,194,715	2,771,175
Finance costs	26	21,981,307	12,988,908
Gain on disposal of fixed assets	25	(1,635,873)	(24,100)
		<u>76,313,241</u>	<u>49,592,890</u>
		229,055,151	291,761,156
(Increase) / decrease in current assets			
Stores and spares		(4,670,472)	882,574
Stock-in-trade		(11,736,275)	(58,057,133)
Trade debts		(77,220,336)	(12,591,890)
Sales tax adjustable		-	9,550,376
Loans, advances, deposits, prepayments and other receivables		<u>4,862,792</u>	<u>(5,728,829)</u>
		(88,764,291)	(65,944,902)
(Decrease) / increase in current liabilities			
Trade and others payables		(76,697,461)	34,202,086
Sales tax payable		8,786,204	-
		<u>72,379,603</u>	<u>260,018,340</u>
Finance costs paid		(16,433,751)	(16,833,657)
Income tax paid		(123,988,523)	(71,749,729)
Long-term loans and deposits		(4,315,768)	(54,048)
<b>Net cash (used in) / generated from operating activities</b>		<u>(72,358,439)</u>	<u>171,380,906</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(263,313,903)	(35,145,682)
Proceeds from disposal of fixed assets		3,384,709	1,127,544
<b>Net cash used in investing activities</b>		<u>(259,929,194)</u>	<u>(34,018,138)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds / repayment of long-term loan		250,000,000	(65,975,000)
Lease rentals paid		(1,237,619)	(1,676,653)
Dividend paid		(46,774,121)	(28,077,426)
<b>Net cash generated from / (used in) financing activities</b>		<u>201,988,260</u>	<u>(95,729,079)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(130,299,373)</u>	<u>41,633,689</u>
<b>Cash and cash equivalents at the beginning of year</b>		<u>29,568,632</u>	<u>(12,065,057)</u>
<b>Cash and cash equivalents at the end of year</b>		<u>(100,730,741)</u>	<u>29,568,632</u>
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>			
Cash and bank balances	13	91,721,105	67,131,352
Short-term borrowings	19	(192,451,846)	(37,562,720)
		<u>(100,730,741)</u>	<u>29,568,632</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, 2014**

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Unappropriated Profit	Total	
-----Rupees-----					
Balance as at June 30, 2012	94,362,065	101,000,000	355,121,299	456,121,299	550,483,364
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)	-	-
<b>Balance as at June 30, 2013</b>	<b>94,362,065</b>	<b>401,000,000</b>	<b>183,138,223</b>	<b>584,138,223</b>	<b>678,500,288</b>
Final dividend for the year ended June 30, 2013 @ Rs.2.5 per share	-	-	(47,181,033)	(47,181,033)	(47,181,033)
Net profit for the year – 2014	-	-	124,820,868	124,820,868	124,820,868
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	124,820,868	124,820,868	124,820,868
<b>Balance as at June 30, 2014</b>	<b>94,362,065</b>	<b>401,000,000</b>	<b>260,778,058</b>	<b>661,778,058</b>	<b>756,140,123</b>

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



SHABBIR ABBAS  
Chief Executive



DONALD JOHN JENKIN  
Chairman

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	01 January 2015
IFRS 11 – Joint Arrangements	01 January 2015
IFRS 12 – Disclosure of Interests in Other Entities	01 January 2015
IFRS 13 – Fair Value Measurement	01 January 2015
IAS 16 & 38 – Clarification of Acceptable Method of Depreciation and Amortisation	01 January 2016
IAS 19 - Employee Contributions	01 July 2014
IAS 32 – Offsetting Financial Assets and Financial liabilities – (Amendment)	01 January 2014
IAS 36 – Recoverable Amount for Non-Financial Assets – (Amendment)	01 January 2014
IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – (Amendment)	01 January 2014

The Company is currently evaluating the impact of the above standards and interpretation on the Company's financial statements in the period of initial application.

In addition to the above standards and interpretations, amendments to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

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

## NOTES TO THE FINANCIAL STATEMENTS

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

### 3. BASIS OF MEASUREMENT

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

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

IAS 19 - Employee Benefits (Revised)

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

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

IAS 1 - Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 - Property, Plant and Equipment - Clarification of Servicing Equipment

IAS 32 - Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 - Interim Financial Reporting Interim Financial Reporting and Segment Information for Total Assets and Liabilities

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

## NOTES TO THE FINANCIAL STATEMENTS

### 4.2 Property, plant and equipment

#### 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 amortised in equal installments over the lease period.

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

#### Leased

Assets held under finance leases are capitalised 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 recognised in the profit and loss account.

### 4.4 Stores and spares

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

### 4.5 Stock-in-trade

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

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

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

### 4.6 Trade debts and other receivables

Trade debts originated by the Company are recognised and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision

## NOTES TO THE FINANCIAL STATEMENTS

### 4.7 Ijarah rentals

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

### 4.8 Cash and cash equivalents

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

### 4.9 Long and short-term borrowings

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

### 4.10 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### 4.11 Provisions

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

### 4.12 Financial instruments

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

### 4.13 Offsetting of financial assets and financial liabilities

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

### 4.14 Staff benefits

#### Provident fund

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

#### Compensated absences

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

**NOTES TO THE FINANCIAL STATEMENTS****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 recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of un used tax assets and un used tax losses can be utilised.

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

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

**4.16 Borrowing costs**

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

**4.17 Revenue recognition**

Sales are recorded when goods are dispatched to customers.

Profit on bank deposits is recognised on accrual basis.

**4.18 Foreign currency transactions**

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

**4.19 Dividends and appropriation to reserves**

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

## NOTES TO THE FINANCIAL STATEMENTS

### 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 recognised in the period in which the estimate is revised and in any future periods affected.

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

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

### 6. PROPERTY, PLANT AND EQUIPMENT

	<b>Note</b>	<b>2014 Rupees</b>	<b>2013 Rupees</b>
Operating fixed assets	6.1	<b>381,874,723</b>	138,252,421
Capital work-in-progress	6.4	<b>7,155,135</b>	31,985,462
		<u><b>389,029,858</b></u>	<u>170,237,883</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 6.1 Operating fixed assets

	COST				Rate	DEPRECIATION / AMORTISATION			BOOK VALUE	
	As at July 01, 2013	Additions / *transfers	Disposals	As at June 30, 2014		As at July 01, 2013	Charge for the year / *transfers	As at June 30, 2014	As at June 30, 2014	
	Rupees					Rupees			Rupees	
<b>Owned</b>										
Freehold land	659,961	-	-	659,961	-	-	-	-	659,961	
Leasehold land	4,164,884	6,017,250	-	10,182,134	99 years	682,392	95,416	777,808	9,404,326	
Buildings on freehold land	20,307,457	-	-	20,307,457	10%	16,622,761	526,352	17,149,113	3,158,344	
Buildings on leasehold land	63,328,781	43,339,226	-	106,668,007	10%	34,632,786	4,010,584	39,243,370	67,424,637	
Plant and machinery	401,596,901	230,116,124	-	631,713,025	16.67%	309,101,481	34,264,699	343,366,180	288,346,845	
Electrical installations	16,338,433	6,791,072	(2,080,825)	21,048,880	16.67%	15,195,203	568,271	(1,997,831)	13,755,643	7,293,237
Furniture and fittings	1,084,994	51,700	-	1,136,694	20%	374,369	218,328	-	592,697	543,997
Office equipments	3,106,995	493,716	-	3,600,711	20%	1,940,818	525,258	-	2,466,076	1,134,635
Computers and accessories	4,212,923	1,126,642	(79,560)	5,260,005	33%	3,288,015	760,081	(17,679)	4,030,417	1,229,588
Vehicles	8,824,743	206,500 *4,107,000	(4,816,520)	8,323,723	20%	6,175,955	1,039,517 *1,739,807	(3,212,359)	5,742,920	2,580,803
Storage tanks	2,507,035	-	-	2,507,035	20%	2,310,194	98,491	-	2,408,585	98,350
	526,133,107	288,144,230 *4,107,000	(6,976,705)	811,407,632		390,323,974	42,696,967 *1,739,807	(5,227,869)	429,532,909	381,874,723
<b>Leased</b>										
Vehicles	4,107,000	*(4,107,000)	-	-	20%	1,663,712	76,095 *(1,739,807)	-	-	-
	4,107,000	*(4,107,000)	-	-		1,663,712	76,095 *(1,739,807)	-	-	-
<b>2014</b>	<b>530,240,107</b>	<b>288,144,230</b>	<b>(6,976,705)</b>	<b>811,407,632</b>		<b>391,987,686</b>	<b>42,773,092</b>	<b>(5,227,869)</b>	<b>429,532,909</b>	<b>381,874,723</b>

	COST				Rate	DEPRECIATION / AMORTISATION			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	As at June 30, 2013	As at June 30, 2013	
	Rupees					Rupees			Rupees	
<b>Owned</b>										
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	526,367	-	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%	1,636,764	302,054	-	1,940,818	1,166,177
Computers and accessories	3,518,423	694,500	-	4,212,923	33%	2,808,949	479,056	-	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
	527,521,693	3,160,220 *1,967,000	(6,515,806)	526,133,107		361,539,368	33,146,522 *1,050,446	(6,412,362)	390,323,974	135,809,133
<b>Leased</b>										
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
<b>2013</b>	<b>533,595,693</b>	<b>3,160,220</b>	<b>(6,515,806)</b>	<b>530,240,107</b>		<b>363,543,141</b>	<b>33,856,907</b>	<b>(6,412,362)</b>	<b>391,987,686</b>	<b>138,252,421</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of Disposal	Particulars of buyers
Rupees							
<b>Vehicles</b>							
Toyota GLI	1,569,500	722,975	846,525	1,400,000	553,475	As per Company's Policy	Mr. Tahir Mukhtar (ex-employee)
Toyota Altis	1,309,000	1,151,123	157,877	182,340	24,463	As per Company's Policy	Mr. Alireza M. Alladin (director)
Coure CX	469,000	314,230	154,770	154,770	-	As per Company's Policy	Mr. Farhan A. Khaliq (employee)
Coure CX	709,000	376,558	332,442	431,183	98,741	As per Company's Policy	Mr. Iftikhar (employee)
Cultus	585,020	551,753	33,267	350,000	316,733	Negotiation	Mr. Abdul Raheem (employee)
Honda CG 125 cc	78,500	74,812	3,688	4,250	562	As per Company's Policy	Mr. Abdul Raheem (employee)
Honda CG 100 cc	96,500	20,908	75,592	85,000	9,408	Insurance Claim	Habib Insurance Company.
<b>Plant &amp; Machinery</b>							
Transformer	2,080,625	1,997,831	82,794	726,496	643,702	Tender	Hi-Tech
<b>Computer &amp; Accessories</b>							
Laptop:	79,560	17,679	61,881	50,670	(11,211)	Insurance Claim	Habib Insurance Company.
2014	<b>6,976,705</b>	<b>5,227,869</b>	<b>1,748,836</b>	<b>3,384,709</b>	<b>1,635,873</b>		
2013	<b>6,515,806</b>	<b>5,412,362</b>	<b>1,103,444</b>	<b>1,127,544</b>	<b>24,100</b>		

	Note	2014 Rupees	2013 Rupees
<b>6.3 Depreciation / amortisation charge for the year has been allocated as follows:</b>			
Cost of sales – manufacturing expenses	22	<b>41,268,778</b>	32,543,065
Distribution costs	23	<b>305,176</b>	387,835
Administrative expenses	24	<b>1,199,138</b>	926,007
		<b>42,773,092</b>	<b>33,856,907</b>
<b>6.4 Capital work-in-progress</b>			
Plant and machinery		<b>2,471,135</b>	16,412,226
Civil works		-	13,673,236
Intangibles - computer software		<b>4,684,000</b>	1,900,000
		<b>7,155,135</b>	<b>31,985,462</b>
<b>7. LONG-TERM LOANS – secured, considered good</b>			
Due from employees	7.1	<b>196,623</b>	170,373
Less: Current portion	12.1	<b>131,703</b>	96,221
		<b>64,920</b>	<b>74,152</b>

## NOTES TO THE FINANCIAL STATEMENTS

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.

	Note	2014 Rupees	2013 Rupees
<b>8. LONG-TERM DEPOSITS</b>			
Water and Power Development Authority		823,200	823,200
Lasbela Industrial Estate Development Authority		4,915,870	662,870
Others		358,456	286,456
		<u>6,097,526</u>	<u>1,772,526</u>
<b>9. STORES AND SPARES</b>			
Stores		8,550,359	4,543,927
Spares		5,009,414	4,345,374
		<u>13,559,773</u>	<u>8,889,301</u>
<b>10. STOCK-IN-TRADE</b>			
Raw material:			
In hand		265,700,279	269,882,496
In bonded warehouse		76,743,658	63,935,443
In transit		44,685,796	69,071,574
		<u>387,129,733</u>	<u>402,889,513</u>
Packing material		5,549,371	4,219,591
Finished goods		77,161,144	50,994,869
		<u>469,840,248</u>	<u>458,103,973</u>
<b>11. TRADE DEBTS – unsecured</b>			
Considered good		305,165,424	241,139,803
Considered doubtful		46,691,717	37,828,760
		<u>351,857,141</u>	<u>278,968,563</u>
Less: Provision for impairment	11.1	46,691,717	37,828,760
		<u>305,165,424</u>	<u>241,139,803</u>
<b>11.1 Reconciliation of provision for impairment of trade debts</b>			
Balance at the beginning of the year		37,828,760	35,057,585
Charge during the year		13,194,715	2,771,175
Write off during the year		(4,331,758)	-
Balance at the end of the year		<u>46,691,717</u>	<u>37,828,760</u>

## NOTES TO THE FINANCIAL STATEMENTS

12. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2014 Rupees	2013 Rupees
<b>Loans - unsecured, considered good</b>			
- Executives		386,484	344,410
- Other staff	12.1	2,274,937	2,197,651
		2,661,421	2,542,061
<b>Advances - unsecured, considered good</b>			
- Suppliers and contractors		10,770,932	13,012,111
- Employees		-	196,539
		10,770,932	13,208,650
Deposits		535,000	3,130,000
Prepayments		639,974	655,234
Other receivables		70,015	4,189
		14,677,342	19,540,134

12.1 Includes current portion of long-term loan to employees amounting to Rs.0.132 million (2013: Rs.0.096 million).

13. CASH AND BANK BALANCES	Note	2014 Rupees	2013 Rupees
Cash in hand		63,400	69,900
With banks			
- current accounts		80,200,611	58,501,111
- PLS saving account	13.1	11,457,094	8,560,341
		91,657,705	67,061,452
		91,721,105	67,131,352

13.1 This carries profit at the rate of 7.5% (2013: 7.8%) per annum.

### 14. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.5/- each				
2014	2013			
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
18,872,413	18,872,413		94,362,065	94,362,065

14.1 A related party held 4,716,216 (2013: 4,716,216) ordinary shares of Rs.5/- each in the Company at year end.

## NOTES TO THE FINANCIAL STATEMENTS

	Note	2014 Rupees	2013 Rupees
<b>15. LONG-TERM FINANCING – secured</b>			
Long-term loan		250,000,000	-
Less: Current portion		46,875,000	-
		<u>203,125,000</u>	<u>-</u>

Represents utilised portion of loan facility of Rs.250 million (June 30, 2013: Rs.250 million) obtained from a commercial bank. The facility carries a mark-up at the rate of three months' KIBOR plus 0.95% per annum. The loan is repayable in sixteen equal quarterly installments commencing from December 2014 and is secured against equitable mortgage and hypothecation of Company's fixed assets.

### 16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

During the year, all the lease arrangements have been matured and the title of ownership has been transferred in the name of the Company.

	Note	2014 Rupees	2013 Rupees
<b>17. DEFERRED TAXATION</b>			
Taxable temporary differences arising due			
- Accelerated tax depreciation		42,474,167	19,535,994
- Assets subject to finance lease		-	721,555
		<u>42,474,167</u>	<u>20,257,549</u>
Deductible temporary differences arising due to:			
- Provisions		(15,408,266)	(12,861,778)
		<u>27,065,901</u>	<u>7,395,771</u>

### 18. TRADE AND OTHER PAYABLES

Creditors		3,949,244	5,164,786
Bills payable		49,164,632	118,511,517
Accrued liabilities	18.1	101,878,528	105,647,688
Workers' Welfare Fund		8,547,405	5,430,223
Workers' Profits Participation Fund	18.2	8,203,110	13,031,499
Vend / permit fee	18.3	4,552,438	4,552,438
Tax deducted at source		832,331	1,486,999
Unclaimed and unpaid dividend		1,794,677	1,387,765
		<u>178,922,365</u>	<u>255,212,915</u>

- 18.1 Include accrual for leave encashment of Rs.6.255 million (2013: Rs.6.014 million) and bonus to employees of Rs.13.929 million (2013: Rs.14.086 million).

## NOTES TO THE FINANCIAL STATEMENTS

	Note	2014 Rupees	2013 Rupees
<b>18.2 Workers' Profits Participation Fund</b>			
Balance at the beginning of the year		13,031,499	8,683,874
Interest on funds utilised in the Company's business	26	166,777	72,701
		13,198,276	8,756,575
Allocation for the year	27	8,203,110	13,031,499
		21,401,386	21,788,074
Less: Payments made during the year		13,198,276	8,756,575
Balance at the end of the year		8,203,110	13,031,499

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

### **19. SHORT-TERM BORROWINGS - secured**

Represents utilised portion of running finance facilities obtained from various banks amounting to Rs.500 million (2013: 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+0.5% to three months' KIBOR+1% (2013: 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 (2013: Rs.100 million) remained unutilised 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.

## NOTES TO THE FINANCIAL STATEMENTS

Total alleged liability against vend and permit fee, as on 30 June 2014 works out at Rs.1,128.92 million (2013: Rs.1,056.44 million) on submission of guarantees (Indemnity Bonds) issued against import of methanol. 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.

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 Appellate Tribunal Inland Revenue (ATIR), Karachi against the said order. Bench of ATIR seized with the appeal has referred the case to Chairman ATIR for constitution of full bench. Full bench heard the appeal on 21 January 2014 wherein the case has been argued.

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.

	2014 Rupees	2013 Rupees
<b>20.2 Commitments</b>		
<b>20.2.1</b> Outstanding letters of credit	<u>28,921,285</u>	<u>153,107,243</u>
<b>20.2.2</b> Outstanding bank guarantees	<u>10,583,947</u>	<u>9,138,947</u>
<b>20.2.3</b> Post dated cheques issued in favour of Collector of Customs	<u>10,984,673</u>	<u>23,109,345</u>
<b>20.2.4</b> Commitment for capital expenditure	<u>500,000</u>	<u>37,961,212</u>
<b>20.2.5</b> Commitments for rental under Ijarah finance agreement		
Within one year	4,606,174	3,090,180
After one year but not more than five years	<u>4,215,304</u>	<u>2,347,777</u>
	<u>8,821,478</u>	<u>5,437,957</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

	Note	2014 Rupees	2013 Rupees
<b>21. TURNOVER – net</b>			
Sales		3,201,953,574	2,712,192,668
Less: Sales tax		475,557,112	308,136,780
Sales return		17,979,333	7,816,363
Trade discount		5,170,946	5,317,426
		498,707,391	321,270,569
		<u>2,703,246,183</u>	<u>2,390,922,099</u>
<b>22. COST OF SALES</b>			
Opening stock – raw and packing materials		274,102,077	251,352,641
Purchases		1,952,759,984	1,622,530,188
		<u>2,226,862,061</u>	<u>1,873,882,829</u>
Closing stock – raw and packing materials		(271,249,653)	(274,102,077)
Raw and packing materials consumed		<u>1,955,612,408</u>	<u>1,599,780,752</u>
<b>Manufacturing expenses</b>			
Indirect material consumed		9,681,139	4,695,633
Stores and spares consumed		18,829,275	15,066,499
Fuel and power		135,174,678	128,612,673
Salaries, wages and other benefits		148,783,294	128,578,269
Rent, rates and taxes		683,387	1,778,480
Insurance		2,604,622	2,875,646
Repairs and maintenance		21,525,837	19,629,431
Vehicle running and maintenance		6,469,818	4,957,022
ljarah rentals		2,033,487	2,046,505
Postage, telephone and telex		896,672	618,258
Storage and handling charges		8,461,929	8,528,119
Traveling and conveyance		1,407,747	1,639,513
Printing and stationery		721,306	753,634
Depreciation / amortisation	6.3	41,268,778	32,543,065
Others		7,466,629	14,985,455
		<u>406,008,598</u>	<u>367,308,202</u>
		<u>2,361,621,006</u>	<u>1,967,088,954</u>
Inter division transfers - adjustment		9,808,957	(6,381,225)
<b>Cost of goods manufactured</b>		<u>2,371,429,963</u>	<u>1,960,707,729</u>
<b>Finished goods</b>			
Opening stock		50,994,869	41,408,924
Closing stock		(77,161,144)	(50,994,869)
		<u>(26,166,275)</u>	<u>(9,585,945)</u>
		<u>2,345,263,688</u>	<u>1,951,121,784</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 22.1 Inter-segment pricing

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

	Note	2014 Rupees	2013 Rupees
<b>23. DISTRIBUTION COSTS</b>			
Salaries and other benefits		11,173,760	10,849,885
Cartage and freight		88,651,165	96,277,010
Rent, rates and taxes		787,637	945,589
Insurance		419,752	340,250
Repairs and maintenance		159,626	257,070
Vehicle running and maintenance		2,958,708	1,766,212
Postage, telephone and telex		490,423	394,815
Traveling and conveyance		2,475,458	3,116,606
Printing and stationery		47,492	44,450
Electricity		151,067	478,283
Depreciation	6.3	305,176	387,835
Sales promotion		486,860	353,046
Provision	11.1	13,194,715	2,771,175
Others		531,882	234,573
		<u>121,833,721</u>	<u>118,216,799</u>
<b>24. ADMINISTRATIVE EXPENSES</b>			
Salaries and other benefits		30,856,102	26,339,865
Insurance		216,018	166,100
Repairs and maintenance		2,199,424	1,937,974
Vehicle running and maintenance		2,603,964	2,146,998
Ijarah rentals		1,388,449	1,092,129
Postage, telephone and telex		1,390,542	676,066
Traveling and conveyance		4,580,871	3,707,596
Printing and stationery		715,240	610,518
Utilities		899,087	840,000
Depreciation	6.3	1,199,138	926,007
Legal and professional charges		2,224,814	3,355,705
Advertisement and publicity		300,199	333,323
Charity and donations	24.1	1,540,000	2,421,900
Auditors' remuneration	24.2	879,700	830,350
ISO certification fees		602,595	507,021
Others		1,960,126	3,277,161
		<u>53,556,269</u>	<u>49,168,713</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.

## NOTES TO THE FINANCIAL STATEMENTS

	Note	2014 Rupees	2013 Rupees
<b>24.2 Auditors' remuneration</b>			
Audit fee		710,000	665,000
Fee for review of half yearly financial statements		70,000	66,000
Other certifications		36,000	34,000
Out of pocket expenses		63,700	65,350
		<u>879,700</u>	<u>830,350</u>
<b>25. OTHER INCOME – net</b>			
<b>Income from financial assets</b>			
Profit on bank deposits		1,064,688	2,040,101
<b>Income from non-financial assets</b>			
Scrap sales		458,502	347,369
Gain on disposal of fixed assets		1,635,873	24,100
Insurance claims		617,329	1,632,683
Net exchange loss		(1,550,188)	(2,840,160)
Others		1,224,800	-
		<u>2,386,316</u>	<u>(836,008)</u>
		<u>3,451,004</u>	<u>1,204,093</u>
<b>26. FINANCE COSTS</b>			
Mark-up on:			
- long-term financing		4,618,904	5,284,304
- short-term borrowings		15,477,727	5,484,802
- finance lease		91,674	280,368
		<u>20,188,305</u>	<u>11,049,474</u>
Interest on Workers' Profits Participation Fund	18.2	166,777	72,701
Bank guarantees commission		397,500	551,227
Bank charges		1,228,725	1,315,506
		<u>21,981,307</u>	<u>12,988,908</u>
<b>27. OTHER CHARGES</b>			
Workers' Profits Participation Fund	18.2	8,203,110	13,031,499
Workers' Welfare Fund		3,117,182	5,430,223
		<u>11,320,292</u>	<u>18,461,722</u>
<b>28. TAXATION</b>			
Current		8,250,913	92,327,311
Prior		-	(2,377,914)
Deferred		19,670,129	(4,106,674)
		<u>27,921,042</u>	<u>85,842,723</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 28.1 Relationship between accounting profit and tax expense

Profit before taxation	<u>152,741,910</u>	<u>242,168,266</u>
Tax @ 34 % (2013 : 35%)	<u>51,932,249</u>	84,758,893
Effect of previous year tax charge	-	(2,377,914)
Effect of Tax credit under section 65B	<u>(23,011,612)</u>	
Others	<u>(999,595)</u>	3,461,744
Tax expense	<u>27,921,042</u>	<u>85,842,723</u>
Effective tax rate	<u>18.28%</u>	<u>35.45%</u>

### 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>124,820,868</u>	<u>156,325,543</u>
Weighted average number of ordinary shares	<u>18,872,413</u>	<u>18,872,413</u>
Earnings per share (Rupees)	<u>6.61</u>	<u>8.28</u>

### 30. OPERATING SEGMENT INFORMATION

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

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

	2014			2013		
	Resin Division	Aminoplast Division	Total	Resin Division	Aminoplast Division	Total
	----- Rupees -----			----- Rupees -----		
Turnover – net	<u>1,368,196,731</u>	<u>1,335,049,452</u>	<u>2,703,246,183</u>	<u>1,229,834,113</u>	<u>1,161,087,986</u>	<u>2,390,922,099</u>
Segment Result	<u>99,518,579</u>	<u>156,618,033</u>	<u>256,136,612</u>	<u>149,105,867</u>	<u>191,646,263</u>	<u>340,752,130</u>
<b>Unallocated expenses:</b>						
Administrative and distribution costs			(73,544,107)			(68,337,327)
Other income			3,451,004			1,204,093
Finance costs			(21,981,307)			(12,988,908)
Other charges			(11,320,292)			(18,461,722)
Taxation			(27,921,042)			(85,842,723)
Profit after taxation			<u>124,820,868</u>			<u>156,325,543</u>
Segment assets	<u>615,664,685</u>	<u>541,107,065</u>	<u>1,156,771,750</u>	<u>429,203,373</u>	<u>426,296,625</u>	<u>855,499,998</u>
Unallocated assets			<u>255,122,594</u>			<u>124,963,748</u>
<b>Total assets</b>			<u>1,411,894,344</u>			<u>980,463,746</u>
Segment liabilities	<u>41,563,282</u>	<u>7,452,374</u>	<u>49,015,656</u>	<u>108,109,829</u>	<u>34,865,506</u>	<u>142,975,335</u>
Unallocated liabilities			<u>606,738,565</u>			<u>158,988,123</u>
<b>Total liabilities</b>			<u>655,754,221</u>			<u>301,963,458</u>
Capital expenditure	<u>129,407,784</u>	<u>129,629,214</u>	<u>259,036,998</u>	<u>17,939,973</u>	<u>3,425,609</u>	<u>21,365,582</u>
Unallocated capital expenditure			<u>4,276,905</u>			<u>13,780,100</u>
<b>Total capital expenditure</b>			<u>263,313,903</u>			<u>35,145,682</u>
Depreciation	<u>21,288,124</u>	<u>19,980,654</u>	<u>41,268,778</u>	<u>16,018,471</u>	<u>16,524,594</u>	<u>32,543,065</u>
Unallocated depreciation			<u>1,504,314</u>			<u>1,313,842</u>
<b>Total depreciation</b>			<u>42,773,092</u>			<u>33,856,907</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 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.2,353,685/- 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.49,161,213/- 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.2,548,113/- and a 5% decrease would result in the increase in the Company's profit before tax by the same amount. However, in practice, the actual result may differ from sensitivity analysis.

#### 31.2 Credit risk

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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.

	2014 Rupees	2013 Rupees
<b>The analysis of trade debts is as follows</b>		
Neither past due nor impaired	247,726,442	209,558,500
Past due but not impaired		
- 61 to 90 days	34,163,990	23,593,511
- 91 to 120 days	12,228,522	7,574,772
- 121 to 180 days	11,046,470	413,020
	<u>305,165,424</u>	<u>241,139,803</u>
<b>Bank balances</b>		
<b>Ratings</b>		
A1+	91,444,525	67,061,452
A1	213,180	-
	<u>91,657,705</u>	<u>67,061,452</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.

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

## 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% (2013: 25%) as of the balance sheet date, which in view of the management is adequate considering the size of the operations.

### 34. TRANSACTIONS WITH RELATED PARTIES

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

	Note	2014 Rupees	2013 Rupees
Purchases		<u>246,279</u>	<u>-</u>
Insurance Premium	34.1	<u>-</u>	<u>5,683,841</u>
Insurance claims	34.1	<u>-</u>	<u>1,632,683</u>
Contribution to provident fund		<u>5,318,486</u>	<u>4,884,656</u>
Sale proceeds from disposal of fixed assets to Director		<u>182,340</u>	<u>-</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

	2014		2013	
	Chief Executive	Executives	Chief Executive	Executives
	----- Rupees -----			
Managerial remuneration	<u>4,452,761</u>	<u>9,849,558</u>	4,042,070	7,475,894
Retirement and other benefits	<u>1,991,009</u>	<u>5,561,191</u>	2,894,588	3,987,230
House rent	<u>1,864,436</u>	<u>4,131,867</u>	1,578,528	3,208,918
	<u>8,308,206</u>	<u>19,542,616</u>	<u>8,515,186</u>	<u>14,672,042</u>
Number of person(s)	<u>1</u>	<u>11</u>	<u>1</u>	<u>8</u>



## NOTES TO THE FINANCIAL STATEMENTS

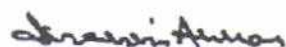
	2014		2013	
	Investment Rupees	% of investment as size of the fund	Investment Rupees	% of investment as size of the fund
<b>Break-up of investments (as per section 227 of the Companies Ordinance, 1984)</b>				
Term Deposit Receipts	<b>82,970,047</b>	<b>92%</b>	82,943,222	94%
National Investment Trust Units	<b>3,309,864</b>	<b>3.6%</b>	2,323,644	3%
	<b><u>86,279,911</u></b>		<b><u>85,266,866</u></b>	

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 236 (2013: 236) and average number of employees during the year was 236 (2013: 236).

**39. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 29, 2014 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, 2014

CATEGORY NO.	CATEGORIES OF SHAREHOLDERS	NUMBER OF SHARES HELD	CATEGORYWISE NO OF SHARE HOLDERS	CATEGORYWISE SHARES HELD	PERCENTAGE %
1	INDIVIDUALS		1,318	5,013,188	26.56
2	INVESTMENT COMPANIES		3	12,840	0.07
3	JOINT STOCK COMPANIES		14	1,236,949	6.55
4	DIRECTORS, AND THEIR SPOUSE(S) AND MINOR CHILDREN MR. DONALD JOHN JENKIN MR. PER HAGA MR. ALIREZA M. 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 HOLIDNG PTE LTD	4,716,216	1	4,716,216	24.99
7	PUBLIC SETOR COMPANIES AND CORPORATIONS		-	-	-
8	BANKS, DFIs, NBFIs, INSURANCE COMPANIES, TAKAFUL, MODARABAS & PENSION FUNDS		6	306,643	1.62
9	MUTUAL FUNDS CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST GOLDEN ARROW SELECTED STOCKS FUND LIMITED	1,787,610 895,233	2	2,682,843	14.22
10	FOREIGN INVESTORS		18	4,790,476	25.38
11	CO-OPERATIVE SOCIETIES		1	2,701	0.01
12	CHARITABLE TRUSTS		1	99,137	0.53
13	OTHERS		1	5,735	0.03
	<b>TOTAL</b>		<b>1,371</b>	<b>18,872,413</b>	<b>100.00</b>

### 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 HOLIDNG PTE LTD	FALL IN CAT.# 6	4,716,216	24.99
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	FALL IN CAT.# 9	1,787,610	9.47
AYLESBURY INTERNATIONAL LTD.	FALL IN CAT.# 10	1,548,715	8.21
ROBERT FINANCE CORPORATION AG	FALL IN CAT.# 10	1,105,169	5.86
<b>TOTAL</b>		<b>9,157,710</b>	<b>48.52</b>

**COMBINED PATTERN OF CDC & PHYSICAL SHAREHOLDINGS**

**AS AT JUNE 30, 2014**

NUMBER OF SHARE HOLDERS	SHARE HOLDINGS RS.5/- EACH			TOTAL SHARES HELD
530	1	-	100	14,203
330	101	-	500	95,889
154	501	-	1,000	123,645
222	1,001	-	5,000	563,051
50	5,001	-	10,000	366,448
14	10,001	-	15,000	178,563
11	15,001	-	20,000	207,365
8	20,001	-	25,000	189,561
6	25,001	-	30,000	169,385
3	30,001	-	35,000	103,000
4	35,001	-	40,000	158,751
4	45,001	-	50,000	188,486
1	55,001	-	60,000	58,643
2	60,001	-	65,000	121,538
4	65,001	-	70,000	272,166
3	75,001	-	80,000	230,296
3	95,001	-	100,000	298,637
1	125,001	-	130,000	130,000
1	135,001	-	140,000	140,000
1	155,001	-	160,000	156,000
2	160,001	-	165,000	325,304
1	170,001	-	175,000	175,000
1	195,001	-	200,000	200,000
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	485,001	-	490,000	488,721
1	845,001	-	850,000	850,000
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
<b>1,371</b>				<b>18,872,413</b>



## FORM OF PROXY

### THIRTY SECOND 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 Second Annual General Meeting of the Company to be held on Monday, 29<sup>th</sup> day of September, 2014 and at any adjournment thereof.

As witness my / our hand / seal this \_\_\_\_\_ day of \_\_\_\_\_ 2014

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***

1st Floor, House of Habib, Siddiqsons Tower  
3-Jinnah Co-Operative Housing Society  
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