

## **DIRECTORS' REPORT**

The Directors of your company are pleased to welcome you to the twenty sixth 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, 2008.

By the grace of Almighty Allah during the year, sales amounting to Rs.1,262 million were generated as against sales of Rs.1,175 million registered during the corresponding year showing an increase of 7%. The Company posted net profit before taxation amounting to Rs.64.6 million as compared to Rs.27.1 million earned during the corresponding year. That increase in profitability was mainly attributed to judicious procurement of raw material, better marketing strategies and plant efficiency.

The summarized results are as under:

	<b>2008</b>	2007
	<b>Rs. '000</b>	Rs. '000
Profit before taxation	64,632	27,119
Provision for Taxation	<u>(24,787 )</u>	<u>(9,409)</u>
Profit after Taxation	39,845	17,710
Un-appropriated profit brought forward	101,161	97,605
Dividend @ Re.0.75 per share paid during the year	<u>-</u>	<u>(14,154)</u>
Un-appropriated Profit carried forward	<u>141,006</u>	<u>101,161</u>

### **Resin Division**

Sales of resin division amounted to Rs.688.219 million as compared to previous year's sales of Rs.582.611 million showing an improvement of 18%. This increase in sales revenue was attributed both by price increase and better sales volumes.

### **Aminoplast Division**

Total sales of aminoplast divisions during the year under review amounted to Rs.573.755 million as against Rs.592.281 million achieved during the previous year showing a decrease of 3%.

Moulding Compound Sales during the year remained under pressure mainly due to influx of Chinese moulding compound at cheaper rates, unethical practices followed by importers and commissioning of new moulding compound plants based on Chinese technology in Pakistan.

### **Future Outlook**

Resin sector which was showing a strong growth for the last couple of years is expected to remain under pressure due to decline in construction activities. Declining trend in Moulding sales will continue and further decrease in moulding sales volumes is anticipated. The Management being vigilant of the present difficult situation will take necessary steps to safeguard interest of all stakeholders.

### **Reconstitution of Board**

Mr. Syed Ali associated with the Company since its inception resigned due to personal reasons. In his place Mr. Shabbir Abbas was appointed as a director of the Company. Mr. Shabbir Abbas has 20 years of versatile experience of working with different organizations.

The directors acknowledge the efforts and contribution of Mr. Syed Ali and welcomes Mr. Shabbir Abbas on the Board.

### **Corporate Governance**

The Directors of your Company confirm compliance with the Corporate and Financial Reporting Frame work 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 there from 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 the final decision come against us for the Vend Fee and Permit fee case, hereinafter mentioned.
- g) There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- h) Information about taxes and levies is given in the notes to the accounts.
- i) Value of investment in the Company's provident fund scheme based of un-audited accounts for the year ended June 30, 2008 stands at Rs. 60.026 million.
- j) Key operating and financial data for six years is annexed to the report.
- k) The following transactions in shares of the Company were undertaken by its Directors, CEO, CFO and Company Secretary, their spouses and minor children:

Mr. Shabbir Abbas purchased = 1000 qualifying shares, Mrs. Zehra spouse of Mr. Syed Ali sold =107,000= shares.

- l) During the year under review, four meetings of the Board of Directors were attended as under:

<b>Directors</b>	<b>Attended</b>
Mr. Alireza M. Alladin	4
Mr. Chew Teck Liong	4 (all by alternate director)
Mr. Donald John Jenkin	3 (all by alternate director)
Mr. Farooq Hassan	4
Mr. Per Haga	3 (all by alternate director)
Mr. Rafiq M. Habib	4
Mr. Shabbir Abbas	2 appointed w.e.f. Feb. 15, 2008
Mr. Syed Ali	2 resigned w.e.f. Feb. 15, 2008

**Earning per share:**

Earning after taxation per share registered at Rs. 2.11 (2007 : Rs. 0.94)

### **Vend Fee and Permit Fee**

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

### **Appointment of Auditors**

The retiring auditors M/s Ford Rhodes Sidat Hyder & Company, 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 Accountant of Pakistan.

### **Dividend**

Due to liquidity crunch, the directors has not recommended any dividend payout for the year 2007-08.

### **Pattern of Shareholdings**

The pattern of shareholding as on June 30, 2008 is attached to this report.

### **Acknowledgement**

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

On behalf of the Board of Directors

Alireza M. Alladin  
Chief Executive Officer

Karachi: August 25, 2008