



Directors' Report

Dear Members – Assalam-o-Alekum

On behalf of my colleagues on the Board, I welcome you to the Twenty-Seventh Annual General Meeting of the Company and present before you the annual report, alongwith the audited financial statements of the Company, for the year ended June 30, 2007.

The manufacturing operations of the Company continued to remain closed on account of the prevailing adverse conditions. However, the Company continues to earn rental and storage income by letting out part of its premises to third parties. Company earned rental income of Rs. 2.012 million during the year under review. The profit after tax for the year amounted to Rs. 0.484 million as shown in the accompanying financial statements.

As regards to the progress of pending litigations, the Judgment of Honourable Supreme Court of Pakistan which had been reserved is still awaited and the position in this regard has been explained in Note No. 13 of the Notes to the financial statements.

The Board of Directors considered the prevailing adverse conditions of Urea Formaldehyde industry and concluded that future course of action will be decided upon the finality of the pending cases as referred to above.

Auditors' Reservation on Going Concern

The auditors in their report to the members have expressed reservation about the Company's ability to continue as a going concern. The Company maintains that since there has not been any material change from previous year, the financial statements for the year under review have been prepared on "going concern basis" and the reasons thereof have been more fully explained in Note No. 23.1 of the Notes to the financial statements.

Audit Committee

The Company has established an Audit Committee comprising of the following members:

Mr. Murtaza H. Habib	Chairman
Mr. Imran A. Habib	Member
Mr. Ali A. Rahim	Member

Auditors

Present auditors Messrs. Gardezi & Company, Chartered Accountants, retire and did not offer themselves for re-appointment.

The Audit Committee has recommended to consider the appointment of Messrs. Hyder Bhimji & Company, Chartered Accountants, as auditors of the Company for the ensuing year.

Statements on Corporate and Financial Reporting Framework

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows 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, changes if any have been adequately disclosed and accounting estimates are based on reasonable and prudent judgement.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure therefrom if any, has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. The statement in respect of Company's ability to continue as a going concern has been fully explained in Note No. 23.1 of the Notes to the financial statements.
7. There has been no material departure from the best practices of the corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for last six years in summarized form is given on page No. 9.
9. In view of the accumulated losses, the Company has not declared any dividend or bonus shares.
10. During the year four board meetings were held and the attendance of each Director was as follows:

Name of Director	Number of meetings attended
Mr. Muslim R. Habib	3
" Murtaza H. Habib	3
" Imran A. Habib	3
" Muhammad Shafi	4
" Raza Abbas Jaffery	1
" Ali A. Rahim	3
" Ghulam Abbas Karjatwala	2
" Ali Niaz Akhtar	3

11. The pattern of shareholding and additional information regarding pattern of shareholding is given on page No. 25 and 26
12. The Directors, CEO, CFO, Company Secretary and their spouses and minor children did not carry out any trade in the shares of the Company.

On behalf of the Board of Directors

Muslim R. Habib
Chairman & Chief Executive

Karachi: September 29, 2007