

dynea

**DYNEA PAKISTAN LIMITED**

Condensed Interim Financial Statements  
For the 1st Quarter Ended, September 30, 2011  
(UN-AUDITED)

# DYNEA PAKISTAN LIMITED

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# DYNEA PAKISTAN LIMITED

## COMPANY INFORMATION

### Board of Directors :

|                        |                                |
|------------------------|--------------------------------|
| Mr. Per Haga           | <i>Chairman</i>                |
| Mr. Shabbir Abbas      | <i>Chief Executive Officer</i> |
| Mr. Donald John Jenkin |                                |
| Mr. Alireza M. Alladin |                                |
| Mr. Chew Teck Liong    |                                |
| Mr. Altaf Nazim        |                                |
| Mr. Sajid Hassan       |                                |

### Audit Committee :

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

### Chief Financial Officer & Company Secretary :

Mr. Muhammad Shakeel Uddin

### Bankers :

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

### Auditors :

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

### Legal Advisors :

- M/s. Sayeed & Sayeed, Advocates & Legal Consultants
- M/s. Shahid Anwar Bajwa Law Associates
- M/s. Zahid & Tariq Advocates

### Share Registrar :

Noble Computer Services (Pvt) Limited,  
1st Floor, House of Habib (Siddiqsons Tower)  
3-Jinnah Co-operative Housing Society,  
Block 7/8, Sharea Faisal, Karachi-75350.  
Ph: (92-21) 34325482-487 Fax: (92-21) 34325442

### Registered Office :

1<sup>st</sup> Floor, House of Habib (Siddiqsons Tower)  
3-Jinnah Co-operative Housing Society,  
Block 7/8, Sharea Faisal, Karachi-75350.  
Ph: (92-21) 34520132-136 Fax: (92-21) 34392182

### Factories :

- Hub Unit**
  - 1) A101-A105, A132-A136,  
Lasbella Industrial Estate Development Authority,  
Hub Chowki, Dist. Lasbella, Baluchistan.  
Ph: (92-853) 363706-09 Fax: (92-853) 363907
- Gadoon Unit**
  - 2) 34-A, R-3, Industrial Estate,  
Gadoon Amazai, District Swabi, N.W.F.P.  
Ph: (92-938) 270150-52 Fax: (92-938) 270246

# DYNEA PAKISTAN LIMITED

## Directors' Review FOR THE QUARTER ENDED SEPTEMBER 30, 2011

The Directors hereby present the unaudited accounts for the quarter ended September 30, 2011.

We are pleased to inform you that during this period ended September 30, 2011 your company made pretax profit of Rs.14.278 million and after tax profit of Rs. 8.517 million as against pretax profit of Rs. 1.503 million and after tax loss of Rs. 1.635 million respectively during the corresponding period last year.

### Resin Division

Resin division generated sales amounting to Rs.222 million as against Rs.167 million that was registered during the same period last year showing an improvement of 32.93%. Improvement in sales revenue was due to enhancement of sales price and increase in volume of sales to the extent of 16.04% and 14.12% respectively.

### Aminoplast Moulding Compound Division

Aminoplast Moulding division generated sales revenue amounting to Rs.225 million as against Rs.137 million achieved during the same period last year showing an improvement of 64.23%. This division earned a gross profit of Rs.25.57 million as compared to Rs.2.036 million during the same period last year. The improvement in profitability is on account of increase in production and sales volume of Aminoplast Moulding Compound attributed to the new process technology introduced in October 2010.

### Future Outlook

Despite the continuing rise in inflation, the worsening energy crisis and upward trend in raw material costs, the company has implemented a strategy to maintain its current operational performance.

### Vend Fee and Permit Fee Case

As regards Vend and Permit Fee case, Sindh High Court has already pronounced favorable decisions in our favour; the case is pending for final decision with the honorable Supreme Court of Pakistan. In view of the merits of the case, the management is expecting a favorable decision from the apex court.

### Acknowledgement

The Management of the Company would like to convey its appreciation to all its Customers, financial institutions and other stakeholders for their continued support and confidence that they have shown in the Company.

On behalf of the Board

Shabbir Abbas  
Chief Executive Officer

Karachi : October 15, 2011

# DYNEA PAKISTAN LIMITED

## CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2011

|   | Note | September 30,<br>2011<br>(Un-audited)<br>(Rupees in thousands) | June 30,<br>2011<br>(Audited) |
|---|------|--|-------------------------------|
| <b>ASSETS</b>   |      |  |                               |
| <b>NON-CURRENT ASSETS</b>   |      |  |                               |
| Property, plant and equipment   | 4    | 157,021  | 163,918                       |
| Long-term loans   |      | 69   | 54                            |
| Long-term deposits  |      | 1,717  | 1,711                         |
|   |      | <b>158,807</b>   | <b>165,683</b>                |
| <b>CURRENT ASSETS</b>   |      |  |                               |
| Stores and spares   |      | 9,019  | 8,257                         |
| Stock-in-trade  |      | 270,960  | 339,107                       |
| Trade debts   |      | 234,723  | 207,661                       |
| Loans, advances, deposits, prepayments and other receivables          |      | 37,900   | 16,961                        |
| Sales tax adjustable  |      | 2,533  | 11,608                        |
| Taxation - net  |      | 39,798   | 41,307                        |
| Cash and bank balances  |      | 42,470   | 63,701                        |
|   |      | <b>637,403</b>   | <b>686,622</b>                |
| <b>TOTAL ASSETS</b>   |      | <b>796,210</b>   | <b>854,305</b>                |
| <b>EQUITY AND LIABILITIES</b>   |      |  |                               |
| <b>SHARE CAPITAL AND RESERVES</b>                                     |      |  |                               |
| Authorized capital  |      |  |                               |
| 40,000,000 (June 30, 2011: 40,000,000) ordinary shares of Rs.5/- each |      | 200,000  | 200,000                       |
| Issued, subscribed and paid-up capital                                |      | 94,362   | 94,362                        |
| Reserves  |      | 380,603  | 372,086                       |
|   |      | <b>474,965</b>   | <b>466,448</b>                |
| <b>NON-CURRENT LIABILITIES</b>  |      |  |                               |
| Long-term financing   | 5    | 46,500   | 50,375                        |
| Liabilities against assets subject to finance lease                   |      | 2,458  | 2,927                         |
| Deferred taxation   |      | 5,093  | 6,197                         |
|   |      | <b>54,051</b>  | <b>59,499</b>                 |
| <b>CURRENT LIABILITIES</b>  |      |  |                               |
| Trade and other payables  | 6    | 151,924  | 214,548                       |
| Accrued mark-up   |      | 6,268  | 4,715                         |
| Short-term borrowings   |      | 91,737   | 95,706                        |
| Current maturity of   |      |  |                               |
| - long-term financing   |      | 15,500   | 11,625                        |
| - liabilities against assets subject to finance lease                 |      | 1,765  | 1,764                         |
|   |      | <b>267,194</b>   | <b>328,358</b>                |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                  | 7    |  |                               |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                   |      | <b>796,210</b>   | <b>854,305</b>                |

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

Karachi : October 15, 2011

# DYNEA PAKISTAN LIMITED

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UN-AUDITED)

|   | September 30,<br>2011     | September 30,<br>2010 |
|---|---------------------------|-----------------------|
|   | --(Rupees in thousands)-- |                       |
| Turnover - net                              | 446,792                   | 304,347               |
| Cost of sales                               | <u>383,272</u>            | <u>267,427</u>        |
| <b>Gross Profit</b>                         | <b>63,520</b>             | <b>36,920</b>         |
| Distribution costs                          | <u>30,647</u>             | <u>22,896</u>         |
| Administrative expenses                     | <u>9,253</u>              | <u>8,388</u>          |
|   | <u>39,900</u>             | <u>31,284</u>         |
| Other operating income                      | <u>190</u>                | <u>94</u>             |
| <b>Operating Profit</b>                     | <b>23,810</b>             | <b>5,730</b>          |
| Finance costs                               | <u>7,492</u>              | <u>3,894</u>          |
| Other charges                               | <u>2,040</u>              | <u>333</u>            |
|   | <u>9,532</u>              | <u>4,227</u>          |
| <b>Profit before taxation</b>               | <b>14,278</b>             | <b>1,503</b>          |
| <b>Taxation</b>                             |                           |                       |
| - Current                                   | <u>6,167</u>              | <u>3,044</u>          |
| - Prior year                                | <u>698</u>                | <u>-</u>              |
| - Deferred                                  | <u>(1,104)</u>            | <u>94</u>             |
|   | <u>5,761</u>              | <u>3,138</u>          |
| <b>Profit / (loss) after taxation</b>       | <b><u>8,517</u></b>       | <b><u>(1,635)</u></b> |
|   | ----- (Rupees) -----      |                       |
| <b>Basic and diluted earnings per share</b> | <b><u>0.45</u></b>        | <b><u>(0.09)</u></b>  |

*The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.*

Chief Executive Officer

Director

Karachi : October 15, 2011

# DYNEA PAKISTAN LIMITED

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UN-AUDITED)

|   | <u>September 30,</u><br><u>2011</u> | <u>September 30,</u><br><u>2010</u> |
|---|-------------------------------------|-------------------------------------|
|   | --(Rupees in thousands)--           |                                     |
| Net profit for the period                 | 8,517                               | (1,635)                             |
| Other comprehensive income                | -                                   | -                                   |
| Total comprehensive income for the period | <u>8,517</u>                        | <u>(1,635)</u>                      |

*The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements .*

Chief Executive Officer

Director

Karachi : October 15, 2011

# DYNEA PAKISTAN LIMITED

## CONDENSED INTERIM CASH FLOW STATEMENT FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UN-AUDITED)

|   | September 30,<br>2011 | September 30,<br>2010 |
|---|-----------------------|-----------------------|
|   | (Rupees in thousands) |                       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                       |                       |
| Profit before taxation  | 14,278                | 1,503                 |
| Adjustments for :   |                       |                       |
| Depreciation  | 7,006                 | 3,991                 |
| Finance costs   | 7,492                 | 3,894                 |
| Loss on disposal of property, plant and equipment               | -                     | (7)                   |
|   | <u>14,498</u>         | <u>7,878</u>          |
|   | 28,776                | 9,381                 |
| (Increase)/decrease in current assets                           | 28,478                | (54,730)              |
| (Increase) in current liabilities                               | (62,623)              | (34,961)              |
| <b>Cash generated from operations</b>                           | (5,369)               | (80,310)              |
| Finance costs paid  | (5,939)               | (1,613)               |
| Income tax paid   | (5,356)               | (10,307)              |
| Long-term loans   | (15)                  | -                     |
| Long-term deposits  | (6)                   | (578)                 |
| <b>Net cash used in operating activities</b>                    | (16,685)              | (92,808)              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                       |                       |
| Fixed capital expenditure                                       | (109)                 | (12,607)              |
| Proceeds from disposal of property, plant and equipment         | -                     | 63                    |
| <b>Net cash used in investing activities</b>                    | (109)                 | (12,544)              |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |                       |                       |
| Acquisition of long-term loan                                   | -                     | 62,000                |
| Dividends paid  | (1)                   | (1)                   |
| Lease rentals paid  | (467)                 | (929)                 |
| <b>Net cash (used in) / generated from financing activities</b> | (468)                 | 61,070                |
| <b>Net increase in cash and cash equivalents</b>                | (17,262)              | (44,282)              |
| <b>Cash and cash equivalents at the beginning of the period</b> | (32,005)              | 1,360                 |
| <b>Cash and cash equivalents at the end of the period</b>       | <u>(49,267)</u>       | <u>(42,922)</u>       |
| <b>CASH AND CASH EQUIVALENTS:</b>                               |                       |                       |
| Cash and bank balances  | 42,470                | 33,825                |
| Short-term borrowings   | (91,737)              | (76,747)              |
|   | <u>(49,267)</u>       | <u>(42,922)</u>       |

The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Director

Karachi : October 15, 2011



# DYNEA PAKISTAN LIMITED

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UN-AUDITED)

|                                    | Issued<br>subscribed<br>and paid-up<br>capital | Revenue reserves   |                               |                | Total<br>Equity |
|------------------------------------|--|--------------------|-------------------------------|----------------|-----------------|
|                                    |  | General<br>reserve | Unapp-<br>ropriated<br>profit | Total          |                 |
| ----- (Rupees in thousands) -----  |  |                    |                               |                |                 |
| Balance as at July 01, 2010        | 94,362   | 101,000            | 233,681                       | 334,681        | 429,043         |
| Net profit / (loss) for the period | -  | -                  | (1,635)                       | (1,635)        | (1,635)         |
| Balance as at September 30, 2010   | <u>94,362</u>                                  | <u>101,000</u>     | <u>232,046</u>                | <u>333,046</u> | <u>427,408</u>  |
| Balance as at July 01, 2011        | 94,362   | 101,000            | 271,086                       | 372,086        | 466,448         |
| Net profit / (loss) for the period | -  | -                  | 8,517                         | 8,517          | 8,517           |
| Balance as at September 30, 2011   | <u>94,362</u>                                  | <u>101,000</u>     | <u>279,603</u>                | <u>380,603</u> | <u>474,965</u>  |

*The annexed notes from 1 to 10 form an integral part of these condensed interim financial statements.*

Chief Executive Officer

Director

Karachi : October 15, 2011

# DYNEA PAKISTAN LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2011 (UN-AUDITED)

### 1. THE COMPANY AND ITS OPERATIONS

Dynea Pakistan Limited (the Company) was incorporated in Pakistan on June 20, 1982 as a public company limited by shares under the Companies Act, 1913 (now the Companies Ordinance, 1984), and is listed on the Karachi and Lahore Stock Exchanges. 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, 3-Jinnah Co-operative Housing Society, Block-7/8, Sharea Faisal, Karachi, Pakistan.

### 2. BASIS OF PREPARATION

2.1 These condensed interim financial statements are un-audited. These are required to be presented to the shareholders under section 245 of the Ordinance and have been prepared in accordance with International Accounting Standard - 34 'Interim Financial Reporting' as applicable in Pakistan.

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2011.

### 3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2011.

### 4. PROPERTY, PLANT AND EQUIPMENT

The following additions and deletions (at cost) were made in operating fixed asset during the period:

| Owned                  | Additions                                     | Deletions                            |
|------------------------|---|--------------------------------------|
|                        | -----Un-audited-----<br>(Rupees in thousands) |                                      |
| Computer & Accessories | 109   | -                                    |
|                        | <u>September 30,</u><br>2011<br>(Un-audited)  | <u>June 30,</u><br>2011<br>(Audited) |
|                        | (Rupees in thousands)                         |                                      |
|                        | 62,000  | 62,000                               |
| Less: Current maturity | (15,500)                                      | (11,625)                             |
|                        | <u>46,500</u>                                 | <u>50,375</u>                        |

### 5. LONG-TERM FINANCING - secured

5.1 Represents utilized portion of loan facility obtained from a commercial bank amounting to Rs. 80 million carrying mark-up at the rate of three months' KIBOR plus 1.35% per annum. The loan is repayable in sixteen equal quarterly installments commencing from October 2011 and is secured against equitable mortgage and hypothecation of Company's fixed assets.

## 6. TRADE AND OTHER PAYABLES

This includes bank guarantees issued in favour of Excise and Taxation Department, Government of Sindh against the levy of infrastructure cess on the imported goods. The utilized portion of guarantee amounting to Rs.11.445 million (June 30, 2011: Rs.31.04 million) has been included in the above amount.

## 7. CONTINGENCIES AND COMMITMENTS

There is no material change in the status of contingencies and commitments as reported in the annual financial statements for the year ended June 30, 2011 other than described below:

### Contingencies

The Company is exposed to pay vend and permit fee on methanol consumed since July 1990 amounting to Rs. 939.020 million (June 30, 2011: Rs. 930.390 million). The Company, based on the lawyer's advice, is expected to have a favourable outcome from the Honourable Supreme Court of Pakistan. Accordingly, based on the management expectation of ultimate outcome, provision for any liability arising from unfavourable outcome has not been made in these condensed interim financial statements. Further, 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.

|  | September 30,<br>2011 | June 30,<br>2011 |
|--|-----------------------|------------------|
| <b>Commitments</b>   |                       |                  |
| Outstanding letter of credits                                  | <u>129,366</u>        | <u>148,364</u>   |
| Post dated cheques issued in favour of<br>Collector of Customs | <u>35,847</u>         | <u>49,982</u>    |

## 8. SEGMENT INFORMATION

### 8.1 Segment results

|   | September 30, 2011      |                        |                  | September 30, 2010      |                        |                  |
|---|-------------------------|------------------------|------------------|-------------------------|------------------------|------------------|
|   | Resin<br>division       | Aminoplast<br>division | Total            | Resin<br>division       | Aminoplast<br>division | Total            |
|   | ( Rupees in thousands ) |                        |                  | ( Rupees in thousands ) |                        |                  |
| Turnover - net  | 221,048                 | 225,794                | 446,842          | 167,317                 | 137,030                | 304,347          |
| Cost of sales   | <u>(183,591)</u>        | <u>(199,681)</u>       | <u>(383,272)</u> | <u>(132,434)</u>        | <u>(134,994)</u>       | <u>(267,428)</u> |
| Gross profit  | 37,457                  | 26,113                 | 63,570           | 34,883                  | 2,036                  | 36,919           |
| Allocated distribution costs<br>(Cartage and freight) | <u>(24,802)</u>         | <u>(2,200)</u>         | <u>(27,002)</u>  | <u>(17,484)</u>         | <u>(1,998)</u>         | <u>(19,482)</u>  |
| Segment results                                       | 12,655                  | 23,913                 | 36,568           | 17,399                  | 38                     | 17,437           |
| <b>Unallocated corporate expenses:</b>                |                         |                        |                  |                         |                        |                  |
| Administrative expenses                               |                         |                        | (9,253)          |                         |                        | (8,388)          |
| Distribution costs                                    |                         |                        | (3,645)          |                         |                        | (3,413)          |
| Finance costs   |                         |                        | (7,492)          |                         |                        | (3,894)          |
| Other charges   |                         |                        | (2,040)          |                         |                        | (333)            |
| Other operating income                                |                         |                        | 190              |                         |                        | 94               |
| Taxation  |                         |                        | <u>(5,761)</u>   |                         |                        | <u>(3,138)</u>   |
|   |                         |                        | <u>8,567</u>     |                         |                        | <u>(1,835)</u>   |
| Capital expenditure                                   |                         |                        | -                | 761                     | 11,847                 | 12,608           |
| Unallocated capital expenditure                       |                         |                        | <u>109</u>       |                         |                        | <u>-</u>         |
| Total capital expenditure                             |                         |                        | <u>109</u>       |                         |                        | <u>12,608</u>    |
| Depreciation  | 2,534                   | 4,067                  | 6,601            | 2,622                   | 1,125                  | 3,747            |
| Unallocated depreciation                              |                         |                        | <u>229</u>       |                         |                        | <u>244</u>       |
| Total depreciation                                    |                         |                        | <u>6,830</u>     |                         |                        | <u>3,991</u>     |

## 8.2 Segment Assets & Liabilities

|                         | September 30, 2011<br>(Un-audited) |                        |                | June 30, 2011<br>(Audited)         |                        |                |
|-------------------------|------------------------------------|------------------------|----------------|------------------------------------|------------------------|----------------|
|                         | Resin<br>division                  | Aminoplast<br>division | Total          | Resin<br>division                  | Aminoplast<br>division | Total          |
|                         | ----- ( Rupees in thousands) ----- |                        |                | ----- ( Rupees in thousands) ----- |                        |                |
| Segment assets          | 273,351                            | 304,744                | 578,094        | 313,972                            | 354,104                | 668,076        |
| Unallocated assets      |                                    |                        | 218,116        |                                    |                        | 186,229        |
| Total assets            |                                    |                        | <u>796,210</u> |                                    |                        | <u>854,305</u> |
| Segment liabilities     | 117,393                            | 30,927                 | 148,320        | 76,066                             | 5,648                  | 81,714         |
| Unallocated liabilities |                                    |                        | 172,925        |                                    |                        | 306,143        |
| Total liabilities       |                                    |                        | <u>321,245</u> |                                    |                        | <u>387,857</u> |

## 9. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise companies with common directorship, retirement funds, directors and key management personnel. Detail of transactions with related parties during the period, are as follows:

|                                       | September 30,<br>2011<br>(Un-audited) | September 30,<br>2010<br>(Un-audited) |
|---------------------------------------|---------------------------------------|---------------------------------------|
|                                       | (Rupees in thousands)                 |                                       |
| Purchases                             | <u>36</u>                             | <u>19</u>                             |
| Key management personnel compensation | <u>2,015</u>                          | <u>1,163</u>                          |
| Contribution to provident fund        | <u>1,106</u>                          | <u>940</u>                            |

## 10. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 15, 2011 by the Board of Directors of the Company.

Chief Executive Officer

Director

Karachi : October 15, 2011