

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,
Mezzanine Floor, House of Habib (Siddiqsons Tower)
3-Jinnah Co-operative Housing Society,
Block 7/8, Sharea Faisal, Karachi-75350.
Ph: (92-21) 34325482 – 487 Fax: (92-21) 34325442

Registered Office :

1st Floor, House of Habib (Siddiqsons Tower)
3-Jinnah Co-operative Housing Society,
Block 7/8, Sharea Faisal, Karachi-75350.
Ph: (92-21) 34520132 – 135 Fax: (92-21) 34392182

Factories :

Hub Unit

- 1) A101 – A105, A132 – A136,
Lasbella Industrial Estate Development Authority,
Hub Chowki, Distt. Lasbella, Baluchistan.
Ph: (92-853) 363706 – 09 Fax: (92-853) 363907

Gadoon Unit

- 2) 34-A, R-3, Industrial Estate,
Gadoon Amazai, District Swabi, N.W.F.P.
Ph: (92-938) 270150 – 52 Fax: (92-938) 270246

DYNEA PAKISTAN LIMITED
Directors' Review
FOR THE PERIOD ENDED SEPTEMBER 30, 2010

The Directors are pleased to present the un-audited accounts for the quarter ended September 30, 2010.

The Company suffered a after tax loss of Rs 1.63 Million in this quarter as compared to after tax profit of Rs 11.21 Million that we had earned during the same period last year.

Primarily the reason for the loss was sluggish market conditions that prevailed after floods and as the demand for our products decreased.

Resin Division

Resin Division generated sales revenue amounting to Rs.167 million as against Rs.195 million registered during same period last year showing a decline in sales to the extent of 14.20%. Decline in revenue was attributed both to lower sales volumes to the extent of 25.20% and lower sale price achieved during the period..

Aminoplast Division

Aminoplast Division generated sales revenue amounting to Rs.137.03 million as against Rs.99.79 million achieved during same period last year showing a growth of 37.32%.

Nominal gross profit of Rs 0.038 Million was achieved as against a gross loss of Rs 11.85 Million during the same period last year.

Future Outlook

Sales of Resin are improving and are expected to reach our normal sales volume during the year. However prices are expected to remain under pressure because of higher capacities for manufacturing that have been installed recently by our competitors.

Commercial production at our New Amino Plast Moulding Compound will commence soon and we expect to achieve better sales volumes and prices in the current quarter.

Vend Fee and Permit Fee Case

As regards Vend and Permit Fee case, Sindh High Court has already pronounced very strong and favorable decisions in our favours. Presently the case is now pending for final decision with the honourable Supreme Court of Pakistan. In view of the merits of the case, the management is expecting a favorable decision from the apex court as well.

Memorandum of settlement

Bilateral negotiations on CBA Union Charter of Demand were successfully concluded and a memorandum of settlement was signed with the Union on September 8, 2010 for a period of two years.

The Management will continue to strive for achieving better performance and will render better services to its Customers.

Karachi:
Dated: October 27, 2010

On behalf of the Board
Shabbir Abbas
Chief Executive Officer

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2010

	Note	September 30, 2010 (Un-audited) (Rupees in thousands)	June 30, 2010 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	101,658	104,943
Capital work-in-progress		73,306	61,460
		174,964	166,403
Long-term loans		19	19
Deferred tax assets		1,710	1,804
Long-term deposits		1,832	1,254
		178,525	169,480
CURRENT ASSETS			
Stores and spares		7,778	6,737
Stock-in-trade		240,534	202,093
Trade debts		186,491	177,308
Loans, advances, deposits, prepayments and other receivables		16,246	9,882
Sales tax refundable		-	299
Taxation - net		24,857	17,594
Cash and bank balances		33,825	67,683
		509,731	481,596
TOTAL ASSETS		688,256	651,076
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 40,000,000 (June 30, 2010: 40,000,000) ordinary shares of Rs.5/- each		200,000	200,000
Issued, subscribed and paid-up capital		94,362	94,362
Reserves		333,046	334,681
		427,408	429,043
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		982	1,210
Long-term loan	5	62,000	-
		62,982	1,210
CURRENT LIABILITIES			
Trade and other payables		114,156	149,118
Accrued mark-up		4,394	2,112
Short-term borrowings - secured		76,747	66,323
Current maturity of liabilities against asset subject to finance lease		2,569	3,270
		197,866	220,823
CONTINGENCIES AND COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		688,256	651,076

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements .

Chief Executive Officer

Director

Karachi : October 27, 2010

DYNEA PAKISTAN LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED SEPTEMBER 30, 2010
(UN-AUDITED)

	Note	September 30, 2010	September 30, 2009
(Rupees in thousands)			
Turnover - net	7	304,347	294,796
Cost of sales		267,427	244,245
Gross Profit		36,920	50,551
Distribution costs		22,896	20,249
Administrative expenses		8,388	7,154
		31,284	27,403
Other operating income		94	161
Operating Profit		5,730	23,309
Finance costs		3,894	1,801
Other charges		333	1,886
		4,227	3,687
Profit before taxation		1,503	19,622
Taxation			
- Current	8	3,044	7,677
- Deferred		94	746
		3,138	8,423
(LOSS) / profit after taxation		(1,635)	11,199
Basic and diluted (loss) / earnings per share		Rs.(0.09)	Rs.0.59

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements .

Chief Executive Officer

Director

Karachi : October 27, 2010

DYNEA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2010
(UN-AUDITED)

	<u>September 30,</u> <u>2010</u>	<u>September 30,</u> <u>2009</u>
	(Rupees in thousands)	
(LOSS) / PROFIT FOR THE PERIOD	(1,635)	11,199
Other comprehensive income	-	-
Total	<u>(1,635)</u>	<u>11,199</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements .

Chief Executive Officer

Director

Karachi : October 27, 2010

DYNEA PAKISTAN LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2010
(UN-AUDITED)

	September 30, 2010	September 30, 2009
	(Rupees in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,503	19,622
Adjustments for :		
Depreciation	3,991	5,259
Finance costs	3,894	1,801
Loss on disposal of property, plant & equipment	(7)	-
	<u>7,878</u>	<u>7,060</u>
Operating profit before working capital changes	9,381	26,682
Increase in current assets	(54,730)	(90,721)
Increase/(decrease) in current liabilities	(34,961)	46,815
Cash used in operations	(80,310)	(17,224)
Finance costs paid	(1,613)	(1,958)
Income tax paid	(10,307)	(9,065)
Net cash used in operating activities	(92,230)	(28,247)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(12,607)	-
Proceeds from sale of property, plant & equipment	63	-
Decrease in long-term deposits	(578)	-
Net cash used in investing activities	(13,122)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term loan obtained	62,000	-
Dividends paid	(1)	25
Lease rentals paid	(929)	(691)
Net cash generated/(used in) from financing activities	61,070	(666)
Net decrease in cash and cash equivalents	(44,282)	(28,913)
Cash and cash equivalents at the beginning of the period	1,360	13,757
Cash and cash equivalents at the end of the period	(42,922)	(15,156)
Cash and cash equivalents comprises:		
Cash and bank balances	33,825	10,790
Running finances under mark-up arrangements	(76,747)	(25,946)
	<u>(42,922)</u>	<u>(15,156)</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements .

Chief Executive Officer

Director

Karachi : October 27, 2010

DYNEA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2010.
(UN-AUDITED)

	Share Capital	Revenue Reserve			Total
		General Reserve	Un-appropriated profit	Total reserves	
----- (Rupees in thousands) -----					
Balance as at July 01, 2009	94,362	101,000	197,280	298,280	392,642
Profit/(loss) for the period	-	-	11,199	11,199	11,199
Balance as at September 30, 2009	94,362	101,000	208,479	309,479	403,841
Balance as at July 01, 2010	94,362	101,000	233,681	334,681	429,043
Profit/(loss) for the period	-	-	(1,635)	(1,635)	(1,635)
Balance as at September 30, 2010	94,362	101,000	232,046	333,046	427,408

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements .

Chief Executive Officer

Director

Karachi : October 27, 2010

DYNEA PAKISTAN LIMITED

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2010 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Dynea Pakistan Limited (the company) was incorporated in Pakistan on June 20, 1982 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

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 condensed form in accordance with the requirements of the International Accounting Standard (IAS) -34 "Interim Financial Reporting" as applicable in Pakistan. 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, 2010.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2010.

4. PROPERTY, PLANT AND EQUIPMENT

The following additions and deletions were made in property, plant and equipment during the period:

	Additions	Deletions
	<u>(Cost)</u>	<u>(Book value)</u>
	(Rupees in thousands)	
Owned		
Office equipment	471	-
Furniture & Fixture	290	-
Motor vehicles	-	56
	<u>761</u>	<u>56</u>
Capital work in progress	<u>11,847</u>	<u>-</u>

- 4.1** During the year, the Company revised the depreciation method from reducing balance method to straight line method. This change has been accounted for as a change in accounting estimate. Had the estimate not been revised the depreciation charge for the period would have been higher and carrying value of fixed assets would have been lower by Rs.0.587 million respectively and profit before taxation would have been lower by Rs.0.501 million.

5. LONG-TERM LOAN

During the period, the Company obtained a loan from Habib Bank Limited of up to Rs.80 million to finance the expansion of aminoplast moulding compound plant. The loan carries markup rate of three months' KIBOR + 1.35% per annum, repayable in sixteen quarterly instalments after one year grace period. The first drawdown of the loan commenced on 30th July, 2010.

6. CONTINGENCIES AND COMMITMENTS

Contingencies

There were no major changes in the status of contingencies as reported in the annual financial statements for the year ended June 30, 2010, except the following;

- 6.1** The Division bench of the Honourable High Court of Sindh through its order dated September 17, 2008 has declared the levy of Infrastructure Cess/Fee by the Excise and Taxation Department, Government of Sindh up to December 27, 2006 as ultra vires of the constitution. The levy subsequent to December 27, 2006 has been declared as valid and constitutional.

The Company has filed an appeal before the Supreme Court of Pakistan against the above order of the High Court of Sindh. The Honorable Supreme Court of Pakistan has accepted the petition and granted stay order against the payment of levy subject to the submission of bank guarantees.

The Company has decided not to reverse the provision pertaining to the period prior to December 27, 2006 as the Excise Department, Government of Sindh has also filed an appeal before the Honorable Supreme Court of Pakistan against the above order of the High Court of Sindh. Therefore, the Company continues to provide for additional liability of the charge for the period under review until the matter is finally decided by the Supreme court of Pakistan.

An amount of Rs.1.53 million (June 30, 2010:Rs.2.19 million) is an un-utilized portion of the bank guarantee issued in favour of the Excise and Taxation Department, Government of Sindh against the aforesaid levy.

- 6.2** The Honorable High Court of Sindh in its judgment on March 26, 2003 has set aside the demands of Sindh Excise and Taxation Department, Government of Sindh for vend and permit fee on methanol. The Government of Sindh has filed an appeal before the Honorable Supreme Court of Pakistan which is pending final judgment/decision albeit having been heard at length on numerous dates.

The management, in the past, has been making all necessary efforts to resolve this matter and is confident that the Company will be able to continue as a going concern. The Company is exposed to pay vend and permit fee on methanol consumed since July 1990 amounting to Rs.883.071 million (June 30, 2010:Rs.863.713 million). The Company is confident of a favourable decision, hence no provision has been made in this respect.

Commitments

	Sept.30 2010	June 30, 2009
	(Rupees in thousands)	
6.3 Outstanding letters of credit	<u>52,901</u>	<u>87,502</u>
6.4 Post dated cheques issued in favour of Collector of Customs against custom duties and other levies on methanol kept in bonded ware house	<u>25,703</u>	<u>21,295</u>

7. Segment information

7.1 Business segments

	<u>September 30, 2010</u>			<u>September 30, 2009</u>		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	----- (Rupees in thousands) -----			----- (Rupees in thousands) -----		
Turnover - net	<u>167,317</u>	<u>137,030</u>	<u>304,347</u>	<u>195,001</u>	<u>99,794</u>	<u>294,795</u>
Segment results	17,399	38	17,437	44,997	(11,850)	33,147
Unallocated corporate expenses:						
Administrative expenses			(8,388)			(7,154)
Distribution costs			(3,413)			(2,845)
Finance costs			(3,894)			(1,801)
Other charges			(333)			(1,886)
Other operating income			94			161
Taxation			(3,138)			(8,423)
			<u>(1,635)</u>			<u>11,199</u>
Capital expenditure	761	11,847	<u>12,608</u>	-	-	<u>-</u>

Depreciation	2,622	1,125	3,747	3,430	1,600	5,030
Unallocated depreciation			244			229
Total depreciation			<u>3,991</u>			<u>5,259</u>

7.2 Segment Assets & Liabilities

	September 30, 2010			June 30, 2010		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	----- (Rupees in thousands) -----			----- (Rupees in thousands) -----		
Segment assets	289,503	311,143	600,647	291,162	254,642	545,804
Unallocated assets			87,609			105,272
Total assets			<u>688,256</u>			<u>651,076</u>
Segment liabilities	12,217	19,531	31,748	30,483	90,522	121,005
Unallocated liabilities			229,100			101,027
Total liabilities			<u>260,848</u>			<u>222,032</u>

8. TAXATION

Minimum tax based on turnover being higher than the tax worked out under Normal Tax Regime, hence tax provision has been made on the basis of minimum tax.

9. TRANSACTIONS WITH RELATED PARTIES

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

	Sept.30 2010	Sept.30 2009
	(Rupees in thousands)	
Purchases	<u>19</u>	<u>-</u>
Remuneration of key management personnel	<u>1,163</u>	<u>1,307</u>
Provident fund contributions	<u>940</u>	<u>925</u>

The transactions with related parties are carried out at arm's length prices determined using the admissible valuation methods.

10. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 27, 2010 by the Board of Directors of the Company.

11. GENERAL

Level of precision in presentation are nearest to the thousand rupees.

Chief Executive Officer

Director

Karachi : October 27, 2010