

DYNEA PAKISTAN LIMITED

COMPANY INFORMATION

Board of Directors :

Mr. Per Haga	<i>Chairman</i>
Mr. Rafiq M. Habib	
Mr. Shabbir Abbas	<i>Chief Executive Officer</i>
Mr. Alireza M. Alladin	
Mr. Chew Teck Liong	
Mr. Donald John Jenkin	
Mr. Farooq Hassan	

Audit Committee :

Mr. Donald John Jenkin	<i>Chairman</i>
Mr. Alireza M. Alladin	<i>Member</i>
Mr. Farooq Hassan	<i>Member</i>

Chief Financial Officer & Company Secretary :

Mr. Muhammad Shakeel Uddin

Bankers :

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

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 & Company
M/s. Zahid & Tariq Associates
M/s. Consultancy & Advisory Service

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.

Registered Office :

1st Floor, House of Habib (Siddiqsons Tower)
3-Jinnah Co-operative Housing Society,
Block 7/8, Sharea Faisal, Karachi-75350.

Factories :

Hub Unit

- 1) A101 – A105, A132 – A136,
Lasbella Industrial Estate Development Authority,
Hub Chowki, Distt. Lasbella, Baluchistan.

Gadoon Unit

- 2) 34-A, R-3, Industrial Estate,
Gadoon Amazai, District Swabi, N.W.F.P.

DYNEA PAKISTAN LIMITED
Directors' Review
FOR THE PERIOD ENDED MARCH 31, 2010.

The directors are pleased to present the un-audited accounts for the quarter and nine months ended March 31, 2010.

During nine months ended March 31, 2010, sales amounting to Rs.1,009.66 million were achieved as against sales of Rs.996.37 million generated for the corresponding period last year. The Company posted Rs.64.17 million being profit before taxation as against Rs.44.75 million posted for the same period last year.

Resin division

Sales amounting to Rs.604.99 million and Rs.214.36 million during the nine months and quarter ended March 31, 2010 were registered respectively as against Rs.552.96 million and Rs. 182.63 million achieved for the corresponding periods of the preceding year. Our overall sales in terms of quantity increased by 25% for the nine months period, however revenue on this account increased by 9.41%. In spite of increase in sales volume profitability for the quarter however dropped mainly due to sharp increase in price of methanol which we were not able to pass on to the consumers because of market conditions.

Aminoplast Division

Sales for the nine months period were registered at Rs.404.67 million as against that of Rs.443.42 million for the same period of the preceding year. Sales for the quarter were of the value of Rs.162.15 million as against that of Rs.168.52 million achieved for the corresponding period last year. This division however earned a gross profit of Rs. 11.470 million for this quarter ended 31st March, 2010 which helped in achieving a gross profit of Rs. 3.769 million for the nine months ended 31st March, 2010.

Future Outlook

After reaching a peak, price of methanol is showing a downward trend. Existing production cost is being adversely affected due to higher cost of procurement in the past. The Management being vigilant, is taking necessary steps to further improve Company's profitability.

The Company is in the process of implementing a project at Hub for production of Aminoplast Molding Compound based on Chinese technology. According to our plan the project will be completed and commercial production of the new product will commence by the end of this year.

Vend Fee and permit Fee Case

After two favorable decisions by the Sindh High Court, the case is now 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. The Supreme Court of Pakistan has now taken up the case and it is expected that it will be heard soon.

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

23th April 2010.

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2010

	Note	March 31, 2010 <small>(Un-audited)</small>	June 30, 2009 <small>(Audited)</small>
(Rupees in thousands)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	108,336	123,265
Capital work-in progress		10,103	-
		118,439	123,265
Long-term loans		36	57
Deferred tax assets		710	-
Long term deposits		1,254	1,254
		120,439	124,576
CURRENT ASSETS			
Stores and spares		5,778	6,077
Stock-in-trade		226,645	155,161
Trade debts	5	185,730	162,547
Loans, advances, deposits, prepayments and other receivables		8,154	23,386
Taxation - net		10,778	2,634
Cash and bank balances		16,456	24,901
		453,541	374,706
TOTAL ASSETS		573,980	499,282
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
40,000,000 (June 30, 2009: 40,000,000) ordinary shares of Rs.5/- each		200,000	200,000
Issued, subscribed and paid-up capital		94,362	94,362
Reserves		325,845	298,280
		420,207	392,642
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		573	2,756
Deferred taxation		-	1,423
		573	4,179
CURRENT LIABILITIES			
Trade and other payables	6	126,228	84,100
Accrued mark-up		1,232	862
Short term borrowings - secured		20,834	11,144
Current maturity of liabilities against asset subject to finance lease		2,949	2,918
Sales tax payable		1,809	3,437
Dividend payable		148	-
		153,200	102,461
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		573,980	499,282

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Karachi : April 23, 2010

DYNEA PAKISTAN LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED MARCH 31, 2010
(UN-AUDITED)

	Note	Nine months ended		Quarter ended	
		March 31,	March 31,	March 31,	March 31,
		2010	2009	2010	2009
		--(Rupees in thousands)--		--(Rupees in thousands)--	
Turnover - net	8	1,009,661	996,376	376,515	351,155
Cost of sales		847,298	849,136	313,135	283,996
Gross Profit		162,363	147,240	63,380	67,159
Distribution costs		66,202	54,734	23,625	18,505
Administrative expenses		21,463	27,023	7,188	8,351
		87,665	81,757	30,813	26,856
Other operating income		393	1,315	55	42
Operating Profit		75,091	66,798	32,622	40,345
Finance costs		5,144	18,492	1,823	3,437
Other charges		5,764	3,526	2,488	2,694
		10,908	22,018	4,311	6,131
Profit before taxation		64,183	44,780	28,311	34,214
Taxation					
- Current		24,805	16,635	10,814	11,642
- Prior year		(209)	(5,711)	(209)	-
- Deferred		(2,133)	(2,294)	(432)	303
		22,463	8,630	10,173	11,945
Profit after taxation		41,720	36,150	18,138	22,269
Basic and diluted earnings per share		Rs2.21	Rs1.92	Rs0.96	Rs1.18

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Karachi : April 23, 2010

DYNEA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED MARCH 31, 2010
(UN-AUDITED)

	Nine months ended		Quarter ended	
	March 31, 2010	March 31, 2009	March 31, 2010	March 31, 2009
	(Rupees in thousands)		(Rupees in thousands)	
PROFIT FOR THE PERIOD	41,720	36,150	18,138	22,269
Other comprehensive income	-	-	-	-
Total	<u>41,720</u>	<u>36,150</u>	<u>18,138</u>	<u>22,269</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Karachi : April 23, 2010

DYNEA PAKISTAN LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED MARCH 31, 2010
(UN-AUDITED)

	March 31, 2010	March 31, 2009
	(Rupees in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	64,183	44,780
Adjustments for :		
Depreciation	15,763	17,299
Finance costs	5,144	18,492
Gain on disposal of property, plant & equipment	(224)	(1,298)
	20,683	34,493
Operating profit before working capital changes	84,866	79,273
(Increase)/decrease in current assets	(79,136)	156,889
Increase/(decrease) in current liabilities	40,479	(23,815)
Cash generated from operations	46,209	212,347
Finance costs paid	(4,774)	(17,527)
Income tax paid	(32,740)	(21,237)
Long term loans and advances	21	(6)
Net cash generated from operating activities	8,716	173,577
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(11,160)	(8,665)
Proceeds from sale of property, plant & equipment	447	2,250
Decrease in long-term deposits	-	55
Net cash used in investing activities	(10,713)	(6,360)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short term borrowings - net	-	(15,025)
Dividends paid	(13,986)	(25)
Lease rentals paid	(2,152)	(2,148)
Net cash used in financing activities	(16,138)	(17,198)
Net (decrease)/increase in cash and cash equivalents	(18,135)	150,019
Cash and cash equivalents at the beginning of the period	13,757	(127,462)
Cash and cash equivalents at the end of the period	(4,378)	22,557
Cash and cash equivalents comprises:		
Cash and bank balances	16,456	27,241
Running finances under mark-up arrangements	(20,834)	(4,684)
	(4,378)	22,557

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Karachi : April 23, 2010

DYNEA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2010.
(UN-AUDITED)

	Share Capital	Revenue Reserve			Total
		General Reserve	Un- appropriated profit	Total reserves	
----- (Rupees in thousands) -----					
Balance as at July 01, 2008	94,362	101,000	141,006	242,006	336,368
Profit for the period	-	-	36,150	36,150	36,150
Balance as at March 31, 2009	<u>94,362</u>	<u>101,000</u>	<u>177,156</u>	<u>278,156</u>	<u>372,518</u>
Balance as at July 01, 2009	94,362	101,000	197,279	298,279	392,641
Less: Final dividend for the year ended June 30, 2009 @ Re.0.75 per share			(14,154)	(14,154)	(14,154)
Profit for the period	-	-	41,720	41,720	41,720
Balance as at March 31, 2010	<u>94,362</u>	<u>101,000</u>	<u>224,845</u>	<u>325,845</u>	<u>420,207</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

Karachi : April 23, 2010

DYNEA PAKISTAN LIMITED

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 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 company limited by shares under Companies Act, 1913 (now the Companies Ordinance, 1984) here-in-after referred to as 'the Ordinance' and is listed on 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, 3-Jinnah Co-operative Housing Society, Sharea Faisal, Karachi.

2. BASIS OF PREPARATION

These interim condensed 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, 2009.

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, 2009, except adoption of following new standards.

3.1 During the year, the Company has adopted (revised) IAS-1 "Presentation of Financial Statements" which became effective from accounting period beginning on or after January 01, 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owners changes in equity presented as a single line in the statement of changes in equity. In addition, the Standard introduces the statement of comprehensive income which represents all items of recognized income and expenses, either in one single statement, or in two linked statements. According the Company has elected to present two statements; a condensed interim profit and loss account and condensed statement of comprehensive income.

3.2 During the year, the Company has changed its accounting policy in respect of borrowing costs to comply with the requirements of revised IAS-23 "Borrowing Costs," which became effective from accounting period beginning on as after January 01, 2009. In accordance with the revised policy, borrowing costs directly attributable to acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset. Previously, all borrowing costs were charged to the profit and loss account as incurred. The change in policy does not have any affect on these condensed interim financial statements for the reason that during the period the Company have not incurred any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

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		
Plant and machinery	700	-
Computer and accessories	186	12
Motor vehicles	189	211
	<u>1,075</u>	<u>223</u>
Capital work in progress	<u>10,103</u>	<u>-</u>

5. Trade Debts - Unsecured

This includes amount of Rs.17.69 million (June 30, 2009: Rs.17.75 million) due from a related party.

6. TRADE AND OTHER PAYABLES

This includes amount of Rs.1.54 million (June 30, 2009: Rs.0.68 million) due to related parties.

7. 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, 2009, except the following;

- 7.1 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 upto 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.1.865 million (June 30, 2009:Rs.1.426 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.

- 7.2 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. Appeal against the judgment of the High Court of Sindh was filed by the Advocate General of Sindh in the Honorable Supreme Court of Pakistan. 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.851.767 million (June 30, 2009:Rs.802.463 million). The Company is confident of a favourable decision, hence no provision has been made in this respect.

Commitments

	March 31 2010	June 30, 2009
	(Rupees in thousands)	
7.3 Outstanding letters of credit	<u>122,246</u>	<u>75,468</u>
7.4 Post dated cheques issued in favour of Collector of Customs against custom duties and other levies on methanol kept in bonded ware house	<u>21,325</u>	<u>18,482</u>

8. Segment information

8.1 Business segments

	Nine Months Ended					
	March 31, 2010			March 31, 2009		
	Resin division ----- (Rupees in thousands) -----	Aminoplast division	Total	Resin division ----- (Rupees in thousands) -----	Aminoplast division	Total
Turnover - net	<u>604,989</u>	<u>404,672</u>	<u>1,009,661</u>	<u>552,956</u>	<u>443,420</u>	<u>996,376</u>
Segment results	102,253	3,769	106,022	87,111	13,865	100,976
Unallocated corporate expenses:						
Administrative expenses			(21,463)			(27,023)
Distribution costs			(9,861)			(8,470)
Finance costs			(5,144)			(18,492)
Other charges			(5,764)			(3,526)
Other operating income			393			1,315
Taxation			(22,463)			(8,630)
			<u>41,720</u>			<u>36,150</u>
Capital expenditure	700	10,292	10,992	9,496	493	9,989
Unallocated capital expenditure			186			-
Total capital expenditure			<u>11,178</u>			<u>9,989</u>
Depreciation	10,290	4,800	15,090	10,504	5,874	16,378
Unallocated depreciation			673			921
Total depreciation			<u>15,763</u>			<u>17,299</u>

	Quarter Ended					
	March 31, 2010			March 31, 2009		
	Resin division ----- (Rupees in thousands) -----	Aminoplast division	Total	Resin division ----- (Rupees in thousands) -----	Aminoplast division	Total
Turnover - net	<u>214,365</u>	<u>162,150</u>	<u>376,515</u>	<u>182,633</u>	<u>168,522</u>	<u>351,155</u>
Segment results	31,988	11,471	43,459	35,514	16,140	51,654
Unallocated corporate expenses:						
Administrative expenses			(7,188)			(8,351)
Distribution costs			(3,704)			(2,999)
Finance costs			(1,823)			(3,438)
Other charges			(2,488)			(2,694)
Other operating income			55			42
Taxation			(10,173)			(11,945)
			<u>18,138</u>			<u>22,269</u>
Capital expenditure	700	10,292	10,992	888	-	888
			138			-
			<u>11,130</u>			<u>888</u>

Depreciation	3,430	1,600	5,030	3,578	1,968	5,546
Unallocated depreciation			222			310
Total depreciation			<u>5,252</u>			<u>5,856</u>

8.2 Segment Assets & Liabilities

	March 31, 2010			June 30, 2009		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	----- (Rupees in thousands) -----			----- (Rupees in thousands) -----		
Segment assets	327,153	192,548	519,702	270,852	170,179	441,031
Unallocated assets			54,278			58,251
Total assets			<u>573,980</u>			<u>499,282</u>
Segment liabilities	33,567	10,691	44,258	37,347	7,738	45,085
Unallocated liabilities			109,515			61,555
Total liabilities			<u>153,773</u>			<u>106,640</u>

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:

	March 31 2010	March 31 2009
	(Rupees in thousands)	
Sales	<u>61,828</u>	<u>70,518</u>
Purchases	<u>367</u>	<u>-</u>
Insurance premium	<u>4,340</u>	<u>4,174</u>
Remuneration of key management personnel	<u>2,968</u>	<u>3,170</u>
Provident fund contributions	<u>2,733</u>	<u>2,858</u>
Donations	<u>150</u>	<u>30</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 April 23, 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 : April 23, 2010