

## 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	

#### Chief Financial Officer & Company Secretary :

Mr. Muhammad Shakeel Uddin

#### Audit Committee :

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

#### 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 :

1<sup>st</sup> 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 SEPTEMBER 30, 2009**

The Directors are pleased to present the un-audited accounts for the quarter ended September 30, 2009.

During this period your Company made a pretax profit of Rs 19.6 million and after tax profit Rs.11.19 million as against pretax profit of Rs.7.34 and after tax profit of Rs.5.14 million respectively during the corresponding period last year. This improvement in profitability is attributed mainly to prudent procurement of raw material, efficient plant running and better marketing strategies.

**Resin Division**

Resin Division generated sales revenue amounting to Rs.196 million as against Rs.194 million registered during same period last year showing a marginal growth of 1%. Improvement in revenue was mainly attributed to improvement in sales volumes to the extent of 20.75%.

**Aminoplast Division**

Aminoplast Division generated sales revenue amounting to Rs.99.79 million as against Rs.127.4 million achieved during same period last year showing a decline of 21.67%.

Moulding Compound division has incurred a gross loss of Rs.11.85 Million because of intense cut throat competition both in the matter of sales as well in price by our competitors who have flooded the market with supplies more than the demand.

**Future Outlook**

Resin division is showing reasonable growth in sales, while sales of moulding compound operation is under pressure due to higher level of supplies available in the market owing to over capacities. The management is however fully aware of the situation is taking necessary steps to safeguard the Company business interest.

**Vend Fee and Permit Fee Case**

After two favourable decisions of the Sindh High Court, the case is now pending for hearing and final decision with the honourable Supreme Court of Pakistan. In view of the merits of the case, the management is also expecting a favourable decision from the apex court.

**Acknowledgement**

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

Karachi:  
Dated: October 27, 2009

On behalf of the Board  
Shabbir Abbas  
Chief Executive Officer

**DYNEA PAKISTAN LIMITED**  
**INTERIM CONDENSED BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2009**  
**(UN-AUDITED)**

	Note	September 30, <b>2009</b> <b>(Un-audited)</b>	June 30, 2009 <b>(Audited)</b>
<b>(Rupees in thousands)</b>			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment		118,006	123,265
Long-term loans and advances		57	57
Long-term deposits		<u>1,254</u>	<u>1,254</u>
		<b>119,317</b>	<b>124,576</b>
<b>CURRENT ASSETS</b>			
Stores and spares		8,475	6,077
Stock-in-trade		212,362	155,161
Trade debts - unsecured	4	187,190	162,547
Loans, advances, deposits, prepayments and other receivables		29,864	23,386
Taxation - net		4,022	2,634
Cash and bank balances		10,790	24,901
		<b>452,703</b>	<b>374,706</b>
<b>TOTAL ASSETS</b>		<b>572,020</b>	<b>499,282</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 40,000,000 (June 30, 2009: 40,000,000) ordinary shares of Rs.5/- each		<b>200,000</b>	200,000
Issued, subscribed and paid-up capital		<b>94,362</b>	94,362
Reserves		<b>309,479</b>	298,280
		<b>403,841</b>	<b>392,642</b>
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		<b>1,967</b>	2,756
Deferred taxation		<b>2,168</b>	1,423
		<b>4,135</b>	4,179
<b>CURRENT LIABILITIES</b>			
Trade and other payables	5	<b>130,925</b>	84,100
Accrued Mark-up		<b>705</b>	862
Short term borrowings - secured		<b>25,946</b>	11,144
Current maturity of liabilities against assets subject to finance lease		<b>3,016</b>	2,918
Sales tax payable		<b>3,452</b>	3,437
		<b>164,044</b>	102,461
<b>CONTINGENCIES AND COMMITMENTS</b>	6		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>572,020</b>	<b>499,282</b>

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

**SHABBIR ABBAS**  
Chief Executive Officer

**DONALD JOHN JENKIN**  
Director

# DYNEA PAKISTAN LIMITED

## INTERIM CONDENSED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED SEPTEMBER 30, 2009 (UN-AUDITED)

		September 30, 2009	September 30, 2008
(Rupees in thousands)			
Turnover - net	7	294,796	321,106
Cost of sales		244,245	278,010
<b>Gross Profit</b>		<u>50,551</u>	<u>43,096</u>
Distribution costs		20,249	19,663
Administrative expenses		7,154	9,595
		27,403	29,258
Other operating income		161	1,273
<b>Operating profit</b>		<u>23,309</u>	<u>15,111</u>
Finance costs		1,801	7,191
Other charges		1,886	578
		3,687	7,769
<b>Profit before taxation</b>		<u>19,622</u>	<u>7,342</u>
Taxation			
- Current		7,677	3,415
- Deferred		746	(1,209)
<b>Taxation</b>		<u>8,423</u>	<u>2,206</u>
<b>Profit after taxation</b>		<u>11,199</u>	<u>5,136</u>
<b>Basic and diluted earnings per share (Rs.)</b>		<u>0.59</u>	<u>0.27</u>

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

**SHABBIR ABBAS**  
Chief Executive Officer

**DONALD JOHN JENKIN**  
Director

Karachi : October 27, 2009

**DYNEA PAKISTAN LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2009**  
**(UN-AUDITED)**

	<u>September 30,</u> <u>2009</u>	<u>September 30,</u> <u>2008</u>
	<b>(Rupees in thousands)</b>	
PROFIT AFTER TAXATION	11,199	5,136
Other comprehensive income	-	-
	<u>11,199</u>	<u>5,136</u>

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

**SHABBIR ABBAS**  
Chief Executive Officer

**DONALD JOHN JENKIN**  
Director

Karachi : October 27, 2009

**DYNEA PAKISTAN LIMITED**  
**INTERIM CONDENSED CASH FLOW STATEMENT**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2009**  
**(UN-AUDITED)**

	September 30, 2009	September 30, 2008
	<b>(Rupees in thousands)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	19,622	7,342
Adjustments for :		
Depreciation	5,259	5,675
Finance costs	1,801	7,191
Gain on disposal of property, plant & equipment	-	(1,273)
	7,060	11,593
<b>Operating profit before working capital changes</b>	<b>26,682</b>	<b>18,935</b>
(Increase) / decrease in current assets	(90,721)	7,546
Increase / (decrease) in current liabilities	46,815	(41,016)
	(43,906)	(33,470)
<b>Cash generated from operations</b>	<b>(17,224)</b>	<b>(14,535)</b>
Finance costs paid	(1,958)	(2,656)
Income tax paid	(9,065)	(10,481)
Increase in long term loans and deposits	-	(137)
	(11,023)	(13,274)
<b>Net cash used in operating activities</b>	<b>(28,247)</b>	<b>(27,809)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	-	(875)
Proceeds from disposal of property, plant & equipment	-	2,213
<b>Net cash generated from investing activities</b>	<b>-</b>	<b>1,338</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Lease rentals paid	(691)	(708)
Dividends paid	25	-
Net cash used in financing activities	(666)	(708)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(28,913)</b>	<b>(27,179)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>13,757</b>	<b>(142,487)</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>(15,156)</b>	<b>(169,666)</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Cash and bank balances	10,790	15,823
Running finances under mark-up arrangements	(25,946)	(185,489)
	<b>(15,156)</b>	<b>(169,666)</b>

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

**SHABBIR ABBAS**  
**Chief Executive Officer**

**DONALD JOHN JENKIN**  
**Director**

Karachi : October 27, 2009

**DYNEA PAKISTAN LIMITED**  
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2009**  
**(UN-AUDITED)**

	Issued, subscribed and paid-up Capital	Revenue Reserves			Total
		General Reserve	Un-appropriated Profit	Total	
----- Rupees in thousands -----					
Balance as at July 1, 2008	94,362	101,000	141,006	242,006	336,368
Profit for the period	-	-	5,136	5,136	5,136
Balance as at September 30, 2008	<u>94,362</u>	<u>101,000</u>	<u>146,142</u>	<u>247,142</u>	<u>341,504</u>
Balance as at July 1, 2009	94,362	101,000	197,280	298,280	392,642
Profit for the period	-	-	11,199	11,199	11,199
<b>Balance as at September 30, 2009</b>	<b><u>94,362</u></b>	<b><u>101,000</u></b>	<b><u>208,479</u></b>	<b><u>309,479</u></b>	<b><u>403,841</u></b>

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

**SHABBIR ABBAS**  
**Chief Executive Officer**

**DONALD JOHN JENKIN**  
**Director**

Karachi : October 27, 2009

**DYNEA PAKISTAN LIMITED**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2009**  
**(UN-AUDITED)**

**1. THE COMPANY AND ITS OPERATIONS**

Dynea Pakistan Limited (the company) was incorporated in Pakistan on June 20, 1982, in Pakistan as a public limited company under the Companies Act, 1913 (now the Companies Ordinance, 1984) 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, Siddiqsons Tower, 3-Jinnah Co-operative Housing Society, Block-7/8, Sharea Faisal, Karachi, Pakistan.

**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 interim condensed 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. SIGNIFICANT 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.

**4. TRADE DEBTS - Unsecured**

This includes amount of Rs.22.683 million (June 30, 2009: Rs.17.75 million) due from a related party.

**5. TRADE AND OTHER PAYABLES**

This includes amount of Rs.3.197 million (June 30, 2009: Rs.0.791 million) due to a related party.

**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, 2009, 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 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 liability 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.1.755 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.

- 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. 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.822.184 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**

	<b>Sept. 30 2009</b>	<b>June 30, 2009</b>
<b>(Rupees in thousands)</b>		
<b>6.3</b> Outstanding letters of credit	<b>93,443</b>	<b>75,468</b>
<b>6.4</b> Post dated cheques issued in favour of Collector of Customs against custom duty and other levies on methanol kept in bonded ware house	<b>21,079</b>	<b>18,482</b>



## 7. Segment information

### 7.1 Business segments

	Quarter Ended					
	September 30, 2009			September 30, 2008		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	----- ( Rupees in thousands) -----					
Turnover - net	<u>195,001</u>	<u>99,794</u>	<u>294,795</u>	<u>193,712</u>	<u>127,394</u>	<u>321,106</u>
Segment results	44,997	(11,850)	33,147	27,839	(1,615)	26,224
<b>Unallocated corporate expenses:</b>						
Administrative expenses			(7,154)			(9,595)
Distribution Costs			(2,845)			(2,791)
Finance costs			(1,801)			(7,191)
Other charges			(1,886)			(578)
Other operating income			161			1,273
Taxation			(8,423)			(2,206)
			<u>11,199</u>			<u>5,136</u>
Capital expenditure	-	-	-	840	35	875
Depreciation	3,430	1,600	5,030	3,425	1,945	5,370
Unallocated depreciation			229			305
Total depreciation			<u>5,259</u>			<u>5,675</u>

### 7.2 Segment Assets & Liabilities

	September 30, 2009			September 30, 2008		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
		----- ( Rupees in thousands) -----				
Segment assets	322,012	193,142	515,154	375,661	212,227	587,888
Unallocated corporate assets			56,866			49,384
Total assets			<u>572,020</u>			<u>637,272</u>
Segment liabilities	41,316	17,024	58,340	29,100	664	29,764
Unallocated corporate liabilities			109,839			266,004
Total liabilities			<u>168,179</u>			<u>295,768</u>

## 8. 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, other than those which have been disclosed elsewhere in these interim condensed financial statements, are as follows:

	Sept. 30, 2009	Sept. 30, 2008
	----- (Rupees in thousands) -----	
Sales	<u>22,481</u>	<u>24,466</u>
Insurance premium	<u>3,326</u>	<u>3,504</u>
Remuneration of key management personnel	<u>1,307</u>	<u>1,205</u>
Provident fund contributions	<u>925</u>	<u>974</u>
Donations	<u>-</u>	<u>15</u>

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

## 9. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements are authorised for issue on October 27, 2009 by the Board of Directors of the Company.

## 10. PROPOSED CASH DIVIDEND

The Board of Directors has recommended cash dividend of Rupee 0.75 per share for the year ended June 30, 2009. These financial statements do not reflect the proposed issued of bonus shares which has been approved by the shareholders in the Annual General meeting held on October 26, 2009.

## 11. GENERAL

11.1 Provisions wherever made are estimated and are subject to final adjustment in the annual audited financial statements.

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

**SHABBIR ABBAS**  
Chief Executive Officer

**DONALD JOHN JENKIN**  
Director

Karachi : October 27, 2009