

dynea

DYNEA PAKISTAN LIMITED

Condensed Interim Financial Statements
for the Half Year Ended December 31, 2012
(Un-Audited)

DYNEA PAKISTAN LIMITED

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DYNEA PAKISTAN LIMITED

COMPANY INFORMATION

Board of Directors :

Mr. Per Haga
Mr. Shabbir Abbas
Mr. Donald John Jenkin
Mr. Alireza M. Alladin
Mr. Chew Teck Liong
Mr. Altaf Nazim
Mr. Sajid Hassan

Chairman
Chief Executive Officer

Audit Committee :

Mr. Alireza M. Alladin
Mr. Donald John Jenkin
Mr. Altaf Nazim

Chairman
Member
Member

Human Resource Committee :

Mr. Donald John Jenkin
Mr. Alireza M. Alladin
Mr. Shabbir Abbas

Chairman
Member
Member

Chief Financial Officer & Company Secretary :

Mr. Muhammad Shakeel Uddin

Internal Audit Head:

Mr. Adnan Husseini

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. 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 :

1st 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, 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, K.P.
Ph: (92-938) 270150 - 52 Fax: (92-938) 270246

DYNEA PAKISTAN LIMITED

DIRECTORS' REVIEW FOR THE HALF YEAR ENDED DECEMBER 31, 2012

The Directors hereby present the unaudited accounts for the quarter and half year ended 31st December, 2012.

During the half year ended December 31, 2012, your company made pretax profit of Rs. 95.208 million and after tax profit of Rs. 64.469 million as against pretax profit of Rs. 62.473 million and after tax profit of 37.874 million respectively during the corresponding period last year.

Resin Division

Resin division generated sales revenue amounting to Rs. 559.124 million as against Rs. 497.050 million that was registered during the same period last year, showing an increase of 12.49%.

Aminoplast Moulding Compound Division

Aminoplast Moulding division generated sales revenue amounting to Rs. 558.662 million as against Rs. 513.627 million achieved during the same period last year showing an improvement of 8.77%.

Future Outlook

Depreciating rupee and resultant cost pressure therefrom along with energy and gas shortage will be the biggest challenge amidst the political uncertainty in the wake of elections during the financial year.

The Company remained focused on improving its operational efficiencies effectively managing cost pressure and we expect the business environment for the second half of the fiscal year to remain uncertain.

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 now pending for a 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 Management will continue to strive for achievement of better performance and will continue to render services to its Customers to their entire satisfaction.

On behalf of the Board

Karachi : February 20, 2013

Shabbir Abbas
Chief Executive

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Dynea Pakistan Limited (the Company) as at 31 December 2012 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity, and notes to the account for the six-months period then ended (hereinafter referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

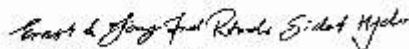
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 6.1.1 to the condensed interim financial information which describes that the Company is defendant in a lawsuit alleging non-payment of value added tax of Rs. 1,019.65 million on methanol to the Excise and Taxation Department, Government of Sindh. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has been made in the condensed interim financial information. In the event of an unsuccessful outcome, there is a substantial doubt that the Company will be able to continue as a going concern.

Our conclusion is not qualified in respect of the above matter.


Chartered Accountants

Audit Engagement Partner: Shariq Ali Zeidi

Dated: 20 February 2013

Karachi

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2012

ASSETS	Note	December 31,	June 30,
		2012	2012
		(Rupees in '000')	
		(Un-audited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	4	154,611	170,053
Long-term loans		117	75
Long-term deposits		1,772	1,717
		<u>156,500</u>	<u>171,845</u>
CURRENT ASSETS			
Stores and spares		8,602	9,772
Stock-in-trade		335,776	400,047
Trade debts		251,776	231,319
Loans, advances, deposits, prepayments and other receivables		42,625	13,811
Sales tax adjustable		1,272	17,125
Taxation - net		11,237	24,200
Cash and bank balances		97,546	62,576
		<u>748,834</u>	<u>758,850</u>
TOTAL ASSETS		<u>905,334</u>	<u>930,695</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
40,000,000 (June 30, 2012: 40,000,000) ordinary shares of Rs.5/- each		200,000	200,000
Issued, subscribed and paid-up capital		94,362	94,362
Reserves		492,282	456,121
		<u>586,644</u>	<u>550,483</u>
NON-CURRENT LIABILITIES			
Long-term financing	5	35,525	45,675
Liabilities against assets subject to finance lease		889	1,245
Deferred taxation		9,183	11,502
		<u>45,597</u>	<u>58,422</u>
CURRENT LIABILITIES			
Trade and other payables		244,980	220,780
Accrued mark-up		1,931	4,399
Short-term borrowings		4,821	74,641
Current portion of			
- long-term financing	5	20,300	20,300
- liabilities against assets subject to finance lease		1,061	1,670
		<u>273,093</u>	<u>321,790</u>
CONTINGENCIES AND COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		<u>905,334</u>	<u>930,695</u>

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

Chief Executive

Director

Karachi : February 20, 2013

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED DECEMBER 31, 2012 (UN-AUDITED)

Note	Half Year Ended		Quarter Ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	(Rupees in '000')		(Rupees in '000')	
Turnover – net	1,117,786	1,010,677	629,179	563,885
Cost of sales	(924,027)	(855,575)	(511,684)	(472,303)
Gross profit	193,759	155,102	117,495	91,582
Distribution costs	(58,592)	(62,992)	(22,668)	(32,345)
Administrative expenses	(23,116)	(18,632)	(12,013)	(9,379)
	(81,708)	(81,624)	(34,681)	(41,724)
Other operating income	689	6,609	421	6,419
Operating profit	112,740	80,087	83,235	56,277
Finance costs	(9,265)	(12,404)	(3,322)	(4,912)
Other charges	(8,267)	(5,210)	(6,076)	(3,170)
	(17,532)	(17,614)	(9,398)	(8,082)
Profit before taxation	95,208	62,473	73,837	48,195
Taxation				
- current	(37,484)	(22,511)	(22,750)	(16,344)
- prior	4,426	(698)	4,426	-
- deferred	2,319	(1,390)	(4,528)	(2,494)
	(30,739)	(24,599)	(22,852)	(18,838)
Profit after taxation	64,469	37,874	50,985	29,357
Basic and diluted earnings per share (Rupees)	3.42	2.01	2.70	1.56

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

Chief Executive
Karachi : February 20, 2013

Director

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED DECEMBER 31, 2012 (UN-AUDITED)

	Half Year Ended		Quarter Ended	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	----- (Rupees in '000') -----		----- (Rupees in '000') -----	
PROFIT FOR THE PERIOD	64,469	37,874	50,985	29,357
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>64,469</u>	<u>37,874</u>	<u>50,985</u>	<u>29,357</u>

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

Chief Executive

Director

Karachi : February 20, 2013

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2012 (UN-AUDITED)

	December 31, 2012	December 31, 2011
	(Rupees in '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	95,208	62,473
Adjustments for:		
Depreciation	16,936	14,069
Provision / (reversal) for impairment of trade debts	2,771	(4,850)
Finance costs	9,265	12,404
(Gain) / loss on disposal of fixed assets	(134)	3
	<u>28,838</u>	<u>21,626</u>
	124,046	84,099
Decrease / (increase) in current assets		
Stores and spares	1,170	(322)
Stock-in-trade	64,271	57,941
Trade debts	(23,228)	(42,020)
Loans, advances, deposits, prepayments and other receivables	(28,814)	(16,467)
Sales tax adjustable	15,853	8,262
	<u>29,252</u>	<u>7,394</u>
Increase in current liabilities		
Trade and other payables	24,186	43,383
	<u>177,484</u>	<u>134,876</u>
Finance costs paid	(11,733)	(13,220)
Income tax paid	(20,095)	(16,983)
Long-term loans and deposits	(97)	(19)
Net cash flows from operating activities	<u>145,559</u>	<u>104,654</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(1,992)	(20,731)
Proceeds from sale of fixed assets	632	24
Net cash flows used in investing activities	<u>(1,360)</u>	<u>(20,707)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term financing	(10,150)	14,125
Dividends paid	(28,294)	(18,570)
Lease rentals paid	(965)	(884)
Net cash flows (used in) financing activities	<u>(39,409)</u>	<u>(5,329)</u>
Net increase in cash and cash equivalents	<u>104,790</u>	<u>78,618</u>
Cash and cash equivalents at the beginning of the period	<u>(12,065)</u>	<u>(32,005)</u>
Cash and cash equivalents at the end of the period	<u>92,725</u>	<u>46,613</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	97,546	73,202
Short term borrowings – running finance	(4,821)	(26,589)
	<u>92,725</u>	<u>46,613</u>

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

Chief Executive

Director

Karachi : February 20, 2013

DYNEA PAKISTAN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED DECEMBER 31, 2012
(UN-AUDITED)

	Issued subscribed and paid- up capital	Revenue reserves			Total equity
		General reserve	Unappropriated Profit	Total	
----- (Rupees in '000') -----					
Balance as at July 01, 2011	94,362	101,000	271,086	372,086	466,448
Final dividend for the year ended June 30, 2011 @ Re. 1.00 per share	-	-	(18,873)	(18,873)	(18,873)
Net profit for the period	-	-	37,874	37,874	37,874
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	37,874	37,874	37,874
Balance as at December 31, 2011	<u>94,362</u>	<u>101,000</u>	<u>290,087</u>	<u>391,087</u>	<u>485,449</u>
Balance as at July 01, 2012	94,362	101,000	355,121	456,121	550,483
Final dividend for the year ended June 30, 2012 @ Rs. 1.50 per share	-	-	(28,308)	(28,308)	(28,308)
Unappropriated profit transfer to general reserve	-	300,000	(300,000)	-	-
Net profit for the period	-	-	64,469	64,469	64,469
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	64,469	64,469	64,469
Balance as at December 31, 2012	<u>94,362</u>	<u>401,000</u>	<u>91,282</u>	<u>492,282</u>	<u>586,644</u>

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

Chief Executive

Director

Karachi : February 20, 2013

DYNEA PAKISTAN LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2012 (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, 3-Jinnah Co-operative Housing Society, Block-7/8, Shara-e-Faisal, Karachi, Pakistan.

2. BASIS OF PREPARATION

2.1. These condensed interim financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

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, 2012.

2.3. These condensed interim financial statements are un-audited but subject to limited scope review by the auditors except for the figures of the condensed interim profit and loss account and condensed interim statements of comprehensive income for the quarters ended December 31, 2012 and December 31, 2011.

3. ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the Company's annual financial statements for the year ended June 30, 2012 except as follows:

Amended standards

The Company has adopted the following amendments to IFRSs which became effective for the current period:

IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)

IAS 12 - Income Taxes - Recovery of Underlying Assets (Amendment)

The adoption of the above amendments did not have any material effect on the financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

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

	Additions (Cost) (Rupees in '000')	Deletions (Book value) (Rupees in '000')
	(Un-audited)	
Operating assets		
Plant and machinery	836	367
Computers and accessories	192	-
Motor vehicles	297	130
Office equipment	193	-
Furniture and fixture	474	-
	<u>1,992</u>	<u>497</u>
	December 31, 2012	June 30, 2012
	(Rupees in '000')	
	(Un-audited)	(Audited)

5. LONG-TERM FINANCING – Secured

Long-term loan	55,825	65,975
Current maturity	<u>(20,300)</u>	<u>(20,300)</u>
	<u>35 525</u>	<u>45,675</u>

The terms and conditions of long term finance are the same as disclosed in the annual financial statements of the Company for the year ended 30 June 2012.

6. CONTINGENCIES AND COMMITMENTS

6.1. Contingencies

There were no major changes in the status of contingencies as reported in the annual financial statements of the Company for the year ended June 30, 2012, except for the following:

6.1.1. The Company is exposed to pay vend and permit fee amounting to Rs.1,019.65 million (June 30, 2012:Rs. 994.099 million) on methanol consumed since July 1990. The Company, based on the lawyer's advice, is expecting a favourable outcome from the Honourable Supreme Court of Pakistan. Accordingly, based on the management expectation, provision for any liability arising from unfavorable 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.

6.1.2. During the period ended December 31, 2012, full provision has been made against duties / taxes levied on import of catalyst amounting to Rs. 3.03 million (June 30, 2012: Rs. 2.257 million) in the books of account of the Company (refer note 20.1.3 of the financial statements for the year ended June 30, 2012).

6.2. Commitments

	Note	December 31, 2012	June 30, 2012
		(Rupees in '000')	
		(Un-audited)	(Audited)
Outstanding letters of credit		<u>91,062</u>	<u>133,219</u>
Outstanding bank guarantees		<u>7,485</u>	<u>7,485</u>
Post dated cheques issued in favor of collector of customs		<u>23,908</u>	<u>55,078</u>
Commitments for rentals under Ijarah agreements			
- Within one year		<u>3,099</u>	<u>2,008</u>
- After one year but not more than five years		<u>3,907</u>	<u>3,228</u>
	6.2.1	<u>7,006</u>	<u>5,236</u>

6.2.1. Represent Ijarah facility entered into with First Habib Modaraba in respect of vehicles. Total Ijarah payments due under the agreements are Rs. 7.006 million and are payable in monthly rentals latest by June 2015. These are secured by demand promissory note for the entire amount of the lease rentals.

7. SEGMENT INFORMATION

7.1. Operating segments

	Half Year Ended					
	December 31, 2012			December 31, 2011		
	Resin Division	Aminoplast Division	Total	Resin Division	Aminoplast Division	Total
	Rupees in '000'			Rupees in '000'		
(Un-audited)						
Turnover – net	559,124	558,662	1,117,786	497,050	513,627	1,010,677
Cost of sale	(456,680)	(467,347)	(924,027)	(408,914)	(446,661)	(855,575)
Gross profit	102,444	91,315	193,759	88,136	66,966	155,102
Allocated distribution costs (Cartage and freight)	(38,342)	(8,133)	(46,475)	(49,950)	(5,107)	(55,057)
Segment results	64,102	83,182	147,284	38,186	61,859	100,045
Unallocated corporate expenses:						
Administrative expenses			(23,116)			(18,632)
Distribution costs			(12,117)			(7,935)
Other operating income			689			6,609
Finance costs			(9,265)			(12,404)
Other charges			(8,267)			(5,210)
Taxation			(30,739)			(24,599)
Profit after taxation			64,469			37,874
Capital expenditure	154	1,079	1,233	800	19,496	20,296
Unallocated capital expenditure			759			435
Total Capital expenditure			1,992			20,731
Depreciation	8,661	7,638	16,299	5,091	8,157	13,248
Unallocated depreciation			637			821
Total depreciation			16,936			14,069

	Quarter Ended					
	December 31, 2012			December 31, 2011		
	Resin Division	Aminoplast Division	Total	Resin Division	Aminoplast Division	Total
	Rupees in '000'			Rupees in '000'		
(Un-audited)						
Turnover – net	317,598	311,581	629,179	276,002	287,883	563,885
Cost of sales	(255,654)	(256,030)	(511,684)	(225,323)	(246,980)	(472,303)
Gross profit	61,944	55,551	117,495	50,679	40,903	91,582
Allocated distribution costs (Cartage and freight)	(22,486)	(5,485)	(27,971)	(25,148)	(2,907)	(28,055)
Segment results	39,458	50,066	89,524	25,531	37,996	63,527
Unallocated corporate expenses:						
Administrative expenses			(12,013)			(9,379)
Distribution costs			5,303			(4,290)
Other operating income			421			6,419
Finance costs			(3,322)			(4,912)
Other charges			(6,076)			(3,170)
Taxation			(22,852)			(18,838)
Profit after taxation			50,985			29,357
Capital expenditure	50	206	256	800	19,496	20,296
Unallocated capital expenditure			359			326
Total Capital expenditure			615			20,622
Depreciation	5,275	2,843	8,118	2,557	4,090	6,647
Unallocated depreciation			201			592
Total depreciation			8,319			7,239

7.2. Segment assets and liabilities

	December 31, 2012			June 30, 2012		
	Resin division	Aminoplast Division	Total	Resin division	Aminoplast division	Total
	Rupees in '000'			Rupees in '000'		
(Un-audited)			(Audited)			
Segment assets	370,395	375,299	745,694	412,507	387,122	799,629
Unallocated assets			159,640			131,066
Total assets			905,334			930,695
Segment liabilities	176,015	25,119	201,133	70,483	47,096	117,579
Unallocated liabilities			117,557			262,633
Total liabilities			318,690			380,212

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, are as follows:

	December 31, 2012	December 31, 2011
	(Un-audited)	
	(Rupees in '000')	
Insurance	<u>4,344</u>	<u>4,176</u>
Purchases	<u>-</u>	<u>97</u>
Remuneration of key management personnel	<u>4,198</u>	<u>3,861</u>
Provident fund contribution	<u>2,419</u>	<u>2,202</u>

9. GENERAL

Figures have been rounded off to the nearest thousand rupees.

10. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 20, 2013 by the Board of Directors of the Company.

Chief Executive

Director

Karachi : February 20, 2013