

DYNEA PAKISTAN LIMITED

COMPANY INFORMATION

Board of Directors :

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

Chief Financial Officer & Company Secretary :

Mr. Muhammad Bashir Khan

Audit Committee :

Mr. Syed Ali	<i>Chairman</i>
Mr. Donald John Jenkin	<i>Member</i>
Mr. Farooq Hassan	<i>Member</i>

Bankers :

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

Auditors :

M/s. Ford Rhodes Sidat Hyder & Company
Chartered Accountants

Legal Advisors :

M/s. Sayeed & Sayeed
Advocates & Legal Consultants
M/s. Shahid Anwar Bajwa & Company
M/s. S.M. Law Associates

Share Registrar :

Noble Computer Services (Pvt) Limited,
2nd Floor, Sohni Center, BS 5 & 6,
Main Karimabad, Block-4, F.B. Area,
Karachi-75950, Pakistan.

Registered Office :

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

Factories :

HUB UNIT

A-101, 102, 103, 134, 135 & 136,
Lasbella Industrial Estate Development Authority,
Hub Chowki, Distt. Lasbella, Baluchistan.

GADOON UNIT

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, 2007

The Directors are pleased to place before you the un-audited accounts for the quarter and nine months ended March 31, 2007.

During the nine months period of this year, the Company generated sales amounting to Rs. 898.33 million as against sales turnover of Rs. 815.195 million generated during the same period last year showing an improvement of 10%. Despite this increase in sales revenue, due to unprecedented increase in methanol prices, the operating results of the Company remained under pressure and the Company could earn Rs. 106.526 million as Gross Profit and Rs. 31.517 as Net Profit before taxation during the period under review as compared to the Gross Profit of Rs. 142.115 and Net Profit before taxation of Rs. 44.940 million posted during the corresponding period last year. By the grace of Almighty Allah, a part of the adverse impact of methanol price increase was offset by successfully controlling operating costs during the period under review.

Unethical practices, under invoicing and smuggling of urea formaldehyde moulding compound continued unabated during the period under review. The Company has approached relevant Authorities to effectively check all such malpractices which not only are harming indigenous industry but also causing huge losses to the national exchequer.

The Management is vigilant of the prevalent difficult situation and is taking every step to further improve Company's profitability. Hopefully, the Company will be able to post better results in the remaining period of the year.

Decision of Vend Fee and Permit Fee case still awaited.

In the end, the Management of the Company would like to convey its appreciation to all of its customers, financial institutions and other stake holders for their continued support and confidence in the Company. We would also like to recognize the efforts of staff and workers of the Company who despite all difficulties have worked together to achieve the results.

On behalf the Board

Alireza M. Alladin
Chief Executive Officer

Karachi.
Dated: April 27, 2007

DYNEA PAKISTAN LIMITED
INTERIM CONDENSED BALANCE SHEET
AS AT MARCH 31, 2007
(UN-AUDITED)

	Note	March 31, 2007 (Un-audited) (Rupees in '000')	June 30, 2006 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	158,239	171,034
Long term loans – unsecured, considered good		24	161
Long term deposits		2,175	2,213
		<u>160,438</u>	<u>173,408</u>
CURRENT ASSETS			
Stores and spares		11,213	9,184
Stock-in-trade		193,469	147,568
Trade debts – unsecured	6	244,450	229,641
Loans, advances, deposits, prepayments and other receivables		10,961	19,683
Taxation-net		-	3,953
Cash and bank balances		11,819	8,932
		<u>471,913</u>	<u>418,961</u>
TOTAL ASSETS		<u>632,350</u>	<u>592,369</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized 40,000,000 (June 30, 2006: 40,000,000) Ordinary shares of Rs.5/- each		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up capital		94,362	94,362
Reserves		<u>205,217</u>	<u>198,605</u>
		299,579	292,967
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		1,533	1,894
Deferred tax liabilities		<u>12,570</u>	<u>15,118</u>
		14,103	17,012
CURRENT LIABILITIES			
Trade and other payables	7	65,611	75,751
Accrued mark-up		3,111	3,197
Short term borrowings		243,020	197,845
Current maturity of liabilities against assets subject to Finance lease		474	450
Taxation – net		5,316	-
Dividend Payable		97	-
Sales tax payable		1,039	5,147
		<u>318,668</u>	<u>282,390</u>
CONTINGENCIES AND COMMITMENTS	8	-	-
TOTAL EQUITY AND LIABILITIES		<u>632,350</u>	<u>592,369</u>

The annexed notes from 1 to 13 form an integral part of these interim condensed financial statements.

FAROOQ HASSAN
DIRECTOR

ALIREZA M. ALLADIN
CHIEF EXECUTIVE OFFICER

Karachi.
Dated : April 27, 2007

DYNEA PAKISTAN LIMITED
INTERIM CONDENSED PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED MARCH 31, 2007
(UN-AUDITED)

	Note	Nine Months Ended		Quarter Ended	
		March 31,	March 31,	March 31,	March 31,
		2007	2006	2007	2006
		(Rupees in '000')		(Rupees in '000')	
Turnover	9	898,330	815,195	326,239	286,458
Cost of sales	10	791,804	673,080	291,401	233,369
Gross profit		106,526	142,115	34,838	53,089
Distribution cost		35,836	53,450	8,616	19,129
Administrative expenses		23,484	25,225	7,209	8,804
		59,320	78,675	15,825	27,933
Other operating income		106	955	51	90
		47,312	64,395	19,064	25,246
Finance cost		12,063	17,089	4,434	6,096
Other charges		3,732	2,366	368	956
		15,795	19,455	4,802	7,052
Profit before taxation		31,517	44,940	14,262	18,194
Taxation					
- current		13,300	4,078	4,692	1,434
- deferred		(2,548)	16,182	405	6,670
		10,752	20,260	5,097	8,104
Profit after taxation		20,765	24,680	9,165	10,090
Basic and diluted earnings per share (Rs)		1.10	1.31	0.49	0.53

The annexed notes from 1 to 13 form an integral part of these interim condensed financial statements.

FAROOQ HASSAN
DIRECTOR

ALIREZA M. ALLADIN
CHIEF EXECUTIVE OFFICER

Karachi.
Dated : April 27, 2007

DYNEA PAKISTAN LIMITED
INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE NINE MONTHS ENDED MARCH 31, 2007
(UN-AUDITED)

	March 31, 2007	March 31, 2006
	(Rupees in '000')	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	31,517	44,940
Adjustments:		
Depreciation	24,590	12,951
Provision for doubtful debts	(3,312)	5,000
Finance cost	12,063	17,088
Gain on disposal of fixed assets	(77)	(88)
	33,263	34,951
	64,780	79,891
Working capital changes		
(Increase) in current assets	(50,705)	(53,385)
Increase/ (decrease) in current liabilities	51,682	58,809
Cash generated from operations	65,757	35,661
Gratuity paid	-	(3,248)
Finance cost paid	(12,149)	(10,227)
Income tax (paid)/ refund	(4,031)	5,779
Long term loans – net	137	173
Net cash generated from operating activities	49,714	28,138
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(12,964)	(13,120)
Sale proceeds of fixed assets	1,247	683
Decrease in long-term deposits	38	-
Net cash used in investing activities	(11,678)	(12,437)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital	-	(10,714)
Dividend paid	(14,057)	-
Lease rentals paid	(337)	-
Net cash used in financing activities	(14,394)	(10,714)
Net increase in cash and cash equivalents	23,642	54,641
Cash and cash equivalents at the beginning of the period	(15,766)	(118,194)
Cash and cash equivalents at the end of the period	7,876	(63,553)
Cash and cash equivalents comprises:		
Cash and bank balances	11,819	6,509
Short term running finances	(3,943)	(70,062)
	7,876	(63,553)

The annexed notes from 1 to 13 form an integral part of these interim condensed financial statements.

FAROOQ HASSAN
DIRECTOR

ALIREZA M. ALLADIN
CHIEF EXECUTIVE OFFICER

Karachi.
Dated : April 27, 2007

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DYNEA PAKISTAN LIMITED
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2007
(UN-AUDITED)

	Share capital	General Reserve	Unapp- ropriated Profit	Total reserves	Total equity
(Rupees in '000')					
Balance as at July 01, 2005	94,362	101,000	61,081	162,081	256,443
Profit for the period after taxation	-	-	24,680	24,680	24,680
Balance as at March 31, 2006	94,362	101,000	85,761	186,761	281,123
Balance as at July 01, 2006	94,362	101,000	97,605	198,605	292,967
Final dividend for the year ended June 30, 2006 @ Re. 0.75/- per share	-	-	(14,154)	(14,154)	(14,154)
Profit for the period after taxation	-	-	20,766	20,766	20,766
Balance as at March 31, 2007	94,362	101,000	104,217	205,217	299,579

The annexed notes from 1 to 13 form an integral part of these interim condensed financial statements.

FAROOQ HASSAN
DIRECTOR

ALIREZA M. ALLADIN
CHIEF EXECUTIVE OFFICER

Karachi.
Dated : April 27, 2007

DYNEA PAKISTAN LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2007
(UN-AUDITED)

1. THE COMPANY AND ITS OPERATION

Dynea Pakistan Limited (the Company) was incorporated in Pakistan on June 20, 1982 as a public company limited by shares under the Companies Ordinance, 1984 (the Ordinance) and is listed on the Karachi and Lahore stock exchanges in Pakistan. It is engaged in the manufacture and sale of 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

These interim condensed financial statements are unaudited. These are required under Section 245 of the Companies Ordinance, 1984 (the Ordinance) and have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.

3. SUMMARY OF 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, 2006.

4. CHANGE IN ACCOUNTING ESTIMATE

During the period, effective July 01, 2006 the useful life of the following Property, plant and equipment were reviewed which resulted in revision of depreciation rates:

	Annual rate of depreciation	
	2007	2006
Building		
- on freehold land	10%	5%
- on lease hold land	10%	5%
Plant and machinery	20%	10%
Storage tank	20%	10%
Electrical installations	20%	10%
Computer and accessories	50%	33%

Further, depreciation on additions was previously charged from the month of addition and in case of deletion up to the month of disposal. From the current period, depreciation on additions is being charged for the full year, whereas in case of deletions no depreciation is charged in the year of disposal.

Had the above not been changed the depreciation for the period would have been lower by Rs.11.83 million and carrying amount of fixed assets would have been higher by the said amount.

5. PROPERTY, PLANT AND EQUIPMENT

The following additions and deletions were made in operating fixed assets during the period:

	Additions	Deletions
	(Rupees in 000's)	
Plant and machinery	11,669	-
Office equipment	75	-
Computer and accessories	368	-
Vehicles	852	1,170
	<u>12,964</u>	<u>1,170</u>

6. This includes amount of Rs. 21.19 million (June 30, 2006: Rs. 6.43 million) due from a related party.

7. This includes amount of Rs. 1.02 million (June 30, 2006: Rs. -Nil-) due to related parties.

8. CONTINGENCIES AND COMMITMENTS

Contingencies

There were no major changes in the contingencies as reported in the annual financial statements for the year ended June 30, 2006, except the following;

8.1 Bank guarantees amounting to Rs. 16.721 million (June 30, 2006: Rs. 13,589 million) have been issued to the Collector of Customs against import of machinery and to Excise & Taxation Department against liability on account of vend and permit fee and infrastructure cess.

8.2 The Honourable Sindh High Court in its judgment in favour of formaldehyde industry 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 Sindh High Court was filed by the Advocate General of Sindh in the honourable 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. 670 million (June 2006: 621 million). The Company is confident of a favourable decision, hence no provision has been made in this respect.

8.3 The learned taxation officer intends to recover income tax refunds amounting to Rs. 5 million allowed for the year 2002 and 2003 under section 107AA of the Repealed Income Tax Ordinance, 1979 on the plea that these were allowed wrongly. Since the Company is confident that the matter will ultimately be resolved in its favor, therefore no provision has been made in these interim condensed financial statements.

March 31,	June 30,
2007	2006
(Rupees in '000')	

Commitments

8.4 Outstanding letters of credit	<u>46,433</u>	<u>86,179</u>
8.5 Lease rentals under operating lease agreements		
Within one year	119	384
After one year	-	85
	<u>119</u>	<u>469</u>

Dynea Pakistan Limited

	Resin division	Aminoplast Division	March 31, 2007	March 31, 2006
----- (Rupees in '000') -----				
9. TURNOVER				
For the nine months ended				
Sales	497,394	537,189	1,034,583	937,768
Sales tax	(65,357)	(70,896)	(136,253)	(122,573)
	<u>432,037</u>	<u>466,293</u>	<u>898,330</u>	<u>815,195</u>
For the quarter ended				
Sales	201,017	174,894	375,911	329,608
Sales tax	(26,399)	(23,273)	(49,672)	(43,150)
	<u>174,618</u>	<u>151,621</u>	<u>326,239</u>	<u>286,458</u>
10. COST OF SALES				
For the nine months ended				
Raw material consumed	434,082	344,554	778,636	643,964
Manufacturing expenses				
Salaries, wages and benefits	23,757	36,560	60,317	63,650
Fuel and power	10,976	24,750	35,726	36,289
Depreciation	13,740	9,684	23,424	12,438
Others	12,185	12,200	24,385	24,726
	<u>60,658</u>	<u>83,194</u>	<u>143,852</u>	<u>137,103</u>
	494,740	427,748	922,488	781,067
Inter division transfers of stock	(126,136)	-	(126,136)	(113,215)
Cost of goods manufactured	<u>368,604</u>	<u>427,748</u>	<u>796,352</u>	<u>667,852</u>
Opening stock of finished goods	3,614	6,315	9,929	17,258
Closing stock of finished goods	(8,236)	(6,241)	(14,477)	(12,030)
	<u>(4,622)</u>	<u>74</u>	<u>(4,548)</u>	<u>5,228</u>
	<u>363,982</u>	<u>427,822</u>	<u>791,804</u>	<u>673,080</u>
For the quarter ended				
Raw material consumed	176,458	118,043	294,501	225,138
Manufacturing expenses				
Salaries, wages and benefits	7,699	10,853	18,552	21,119
Fuel and power	3,177	7,670	10,847	12,062
Depreciation	4,817	3,596	8,413	4,356
Others	4,279	3,340	7,619	6,912
	<u>19,972</u>	<u>25,459</u>	<u>45,431</u>	<u>44,449</u>
	196,430	143,502	339,932	269,587
Inter division transfers of stock	(48,312)	-	(48,312)	(39,310)
Cost of goods manufactured	<u>148,118</u>	<u>143,502</u>	<u>291,620</u>	<u>230,277</u>
Opening stock of finished goods	8,513	5,745	14,258	15,122
Closing stock of finished goods	(8,236)	(6,241)	(14,477)	(12,030)
	<u>277</u>	<u>(496)</u>	<u>(219)</u>	<u>3,092</u>
	<u>148,395</u>	<u>143,006</u>	<u>291,401</u>	<u>233,369</u>

11. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise associated undertakings, directors and key management personnel. Transactions with related parties during the period are as follows:

	March 31, 2007	March 31, 2006
	(Rupees in '000')	
Sales	<u>56,136</u>	<u>50,658</u>
Purchases	<u>-</u>	<u>731</u>
Insurance premium	<u>4,592</u>	<u>4,666</u>
Remuneration of the Key Management Personnel	<u>3,333</u>	<u>1,749</u>
Contribution to the Provident fund	<u>2,664</u>	<u>2,625</u>
Donation	<u>45</u>	<u>45</u>

Transactions with associated undertakings and related parties are made under normal commercial terms and conditions.

The related party status of outstanding receivable and payable as at March 31, 2007 is disclosed in the respective notes to the interim condensed financial statements.

12. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorised for issue on April 27, 2007 by the Board of Directors of the Company.

13. GENERAL

Rupees have been rounded off to nearest thousands.

The annexed notes from 1 to 13 form an integral part of these interim condensed financial statements.

FAROOQ HASSAN
DIRECTOR

ALIREZA M. ALLADIN
CHIEF EXECUTIVE OFFICER

Karachi.
Dated : April 27, 2007