

**DYNEA PAKISTAN LIMITED**  
**Directors' Review**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2008**

The directors have pleasure in presenting the un-audited accounts for the quarter and half year ended December 31, 2008.

During the half year ended December 31, 2008, sales amounting to Rs.645.22 million were achieved as against sales of Rs.582.03 million generated during the corresponding period last year. The improvement in sales is mainly attributed to improvement in selling rates while sales volume during the period were lower than those achieved in corresponding period last year.

During the last six months period, PKR devaluation against US Dollar continued unabated making imported material more costlier. Due to market constraints, increase in cost of production could not be passed on to the customers and thus lesser Gross Profit and Profit before taxation was achieved when compared to the corresponding period last year.

**Resin division**

Resin Division generated sales amounting to Rs.370.32 million as against Rs.300.48 million registered during same period last year showing an improvement of 23%. Improvement in sales was attributed to increase in selling prices.

**Aminoplast Division**

Aminoplast Division generated sales amounting to Rs.274.90 million as against Rs.281.50 million achieved during same period last year showing a marginal decrease of 2%.

Moulding operations remained under pressure due to excess/over capacities in the indigenous market. Cut throat competition and price war amongst manufacturers have adversely affected our sales volumes and have shrunk gross margins of the Division.

**Future Outlook**

Looming recession, continued electric load shedding coupled with higher tariff, tight monetary policy and higher interest rates are the factors effecting economic activities in the country. This situation is to continue in near future. The operations, therefore, would remain under pressure during the remaining half of the year.

**Vend Fee and permit Fee Case**

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

**Acknowledgement**

The Management is committed to provide better services to its customers, to improve the working conditions for all employees and to give reasonable return to shareholders on their investment.

On behalf of the Board

Alireza M. Alladin  
Chief Executive Officer

Karachi,  
Dated: February 25, 2009

**DYNEA PAKISTAN LIMITED**  
**INTERIM CONDENSED BALANCE SHEET**  
**AS AT DECEMBER 31, 2008**  
**(UN-AUDITED)**

	Note	December 31, <b>2008</b> <u>(Un-audited)</u> <small>(Rupees in thousands)</small>	June 30, <b>2008</b> <u>(Audited)</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	129,026	132,307
Long-term loans and advances		31	53
Long term deposits		<u>1,309</u>	<u>1,334</u>
		<b>130,366</b>	<b>133,694</b>
<b>CURRENT ASSETS</b>			
Stores and spares		8,326	7,102
Stock-in-trade		156,781	233,112
Trade debts - unsecured	5	212,691	207,221
Loans, advances, deposits, prepayments and other receivables		16,521	53,469
Taxation - net		8,588	-
Cash and bank balances		<u>20,986</u>	<u>17,693</u>
		<b>423,893</b>	<b>518,597</b>
<b>TOTAL ASSETS</b>		<b><u>554,259</u></b>	<b><u>652,291</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
40,000,000 (June 30, 2008: 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>255,887</u>	<u>242,006</u>
		<b>350,249</b>	<b>336,368</b>
<b>NON-CURRENT LIABILITIES</b>			
Liabilities against assets subject to finance lease		4,275	4,862
Deferred taxation		761	3,358
		<b>5,036</b>	<b>8,220</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	82,606	132,744
Accrued mark-up		5,111	1,508
Short term borrowings - secured		105,371	160,180
Current maturity of liabilities against assets subject to finance lease		2,713	2,307
Taxation - net		-	7,066
Sales tax payable		<u>3,173</u>	<u>3,898</u>
		<b>198,974</b>	<b>307,703</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	7		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>554,259</u></b>	<b><u>652,291</u></b>

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

ALIREZA M. ALLADIN  
CHIEF EXECUTIVE OFFICER

SHABBIR ABBAS  
DIRECTOR

Karachi : February 25, 2009

**DYNEA PAKISTAN LIMITED**  
**INTERIM CONDENSED CASH FLOW STATEMENT**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2008**  
**(UN-AUDITED)**

	<b>December 31, 2008</b>	<b>December 31, 2007</b>
	<b>(Rupees in thousands)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	10,566	29,649
Adjustments for :		
Depreciation	11,443	12,588
Provision for impairment of debts	-	20,000
Finance costs	15,055	5,888
(Gain)/Loss on sale of property, plant & equipment	(1,273)	1,193
	25,225	39,669
	<b>35,791</b>	<b>69,318</b>
Decrease/(increase) in current assets	106,585	(49,623)
(Decrease)/increase in current liabilities	(50,863)	29,599
<b>Cash generated from operations</b>	<b>91,513</b>	<b>49,294</b>
Finance costs paid	(11,452)	(6,450)
Income tax paid	(14,936)	(5,646)
Long term loans and advances	22	26
<b>Net cash generated from operating activities</b>	<b>65,147</b>	<b>37,224</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(7,777)	(1,907)
Proceeds from sale of property, plant & equipment	2,212	872
Decrease in long-term deposits	25	791
<b>Net cash used in investing activities</b>	<b>(5,540)</b>	<b>(244)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of short term borrowings - net	(15,025)	(54,542)
Dividends paid	-	(41)
Lease rentals paid	(1,505)	(234)
<b>Net cash used in financing activities</b>	<b>(16,530)</b>	<b>(54,817)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>43,077</b>	<b>(17,837)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(127,462)</b>	<b>(7,713)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>(84,385)</b>	<b>(25,550)</b>
<b>Cash and cash equivalents comprises:</b>		
Cash and bank balances	20,986	6,501
Running finances under mark-up arrangements	(105,371)	(32,051)
	<b>(84,385)</b>	<b>(25,550)</b>

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**ALIREZA M. ALLADIN**  
**CHIEF EXECUTIVE OFFICER**

**SHABBIR ABBAS**  
**DIRECTOR**

Karachi : February 25, 2009

**DYNEA PAKISTAN LIMITED**  
**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2008**  
**(UN-AUDITED)**

	Share Capital	General Reserve	Un- appropriated profit	Total reserves	Total equity
	----- (Rupees in thousands) -----				
<b>Balance as at July 01, 2007</b>	94,362	101,000	101,161	202,161	296,523
Profit for the period	-	-	18,955	18,955	18,955
Balance as at December 31, 2007	<u>94,362</u>	<u>101,000</u>	<u>120,116</u>	<u>221,116</u>	<u>315,478</u>
<b>Balance as at July 01, 2008</b>	94,362	101,000	141,006	242,006	336,368
Profit for the period	-	-	13,881	13,881	13,881
<b>Balance as at December 31, 2008</b>	<u><u>94,362</u></u>	<u><u>101,000</u></u>	<u><u>154,887</u></u>	<u><u>255,887</u></u>	<u><u>350,249</u></u>

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**ALIREZA M. ALLADIN**  
**CHIEF EXECUTIVE OFFICER**

**SHABBIR ABBAS**  
**DIRECTOR**

Karachi : February 25, 2009

# DYNEA PAKISTAN LIMITED

## **COMPANY INFORMATION**

### **Board of Directors:**

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

### **Audit Committee:**

Mr. Rafiq M. Habib	<i>Chairman</i>
Mr. Donald John Jenkin	<i>Member</i>
Mr. Farooq Hassan	<i>Member</i>
Mr. Shabbir Abbas	<i>Member</i>

### **Chief Financial Officer:**

Mr. Muhammad Shakeel uddin

### **Company Secretary:**

Mr. Shabbir Abbas

### **Bankers:**

M/s. Habib Metropolitan Bank Limited  
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

### **Auditors:**

M/s. Ford Rhodes Sidat Hyder & Co.  
*Chartered Accountants*

### **Legal Advisors:**

M/s. Sayeed & Sayeed, Advocates & Legal Consultants  
M/s. Shahid Anwar Bajwa & Company

**Share Registrar:**

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

**Registered Office:**

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

**Factories:**

- 1) A-101-A105, A132-A136  
Lasbella Industrial Estate Development Authority,  
Hub Chowki, Distt. Lasbella, Baluchistan.
- 2) 34-A, R-3, Industrial Estate,  
Gadoon Amazai, District Swabi, N.W.F.P.

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**Aminoplast Division**

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Moulding operations remained under pressure due to excess/over capacities in the indigenous market. Cut throat competition and price war amongst manufacturers have adversely affected our sales volumes and have shrunk gross margins of the Division.

**Future Outlook**

Looming recession, continued electric load shedding coupled with higher tariff, tight monetary policy and higher interest rates are the factors effecting economic activities in the country. This situation is to continue in near future. The operations, therefore, would remain under pressure during the remaining half of the year.

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## **Acknowledgement**

The Management is committed to provide better services to its customers, to improve the working conditions for all employees and to give reasonable return to shareholders on their investment.

On behalf of the Board

Alireza M. Alladin  
Chief Executive Officer

Karachi,  
Dated: February 25, 2009



# DYNEA PAKISTAN LIMITED

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2008 (UN-AUDITED)

### 1. THE COMPANY AND ITS OPERATIONS

Dyne 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 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, Sharea Faisal, Karachi.

### 2. BASIS OF PREPARATION

These interim condensed financial statements are un-audited but subject to limited scope review by the auditors. 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. The figures of the interim condensed profit and loss account for the quarters ended December 31, 2007 and 2008 have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2007 and 2008. 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, 2008.

### 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, 2008.

### 4. PROPERTY, PLANT AND EQUIPMENT

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

	<u>Additions</u> (Cost)	<u>Deletions</u> (Book value)
	(Rupees in thousands)	
<b>Owned</b>		
Plant and machinery	2,409	-
Computer and accessories	48	-
Motor vehicles	-	939
	<u>2,457</u>	<u>939</u>
<b>Leased</b>		
Motor vehicles	1,324	-
<b>Capital work-in-progress</b>		
Advance to suppliers	5,320	-
	<u>9,101</u>	<u>939</u>

### 5. Trade Debts - Unsecured

This includes amount of Rs.26.747 million (June 30, 2008: Rs.20.46 million) due from a related party.

### 6. TRADE AND OTHER PAYABLES

This includes amount of Rs.0.125 million (June 30, 2008: Rs.0.125 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, 2008, except the following;

7.1 Bank guarantees amounting to Rs.3.314 million (June 30, 2008:Rs.3.447 million) have been issued to the Excise and Taxation Department against liability on account of vend and permit fee and Sui Southern Gas Company Limited against gas connection at Hub Plant.

7.2 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 and 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.17.72 million (June 30, 2008:Rs.16.62 million) is a utilized portion of the bank guarantee issued in favour of the Excise and Taxation Department, Government of Sindh against the aforesaid levy.

- 7.3** 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.769.41 million (June 30, 2008:Rs.731.97 million). The Company is confident of a favourable decision, hence no provision has been made in this respect.
- 7.4** The appeal of the Company, against levy of minimum tax amounting to Rs.5.4 million on its former subsidiary Visionite (Private) Limited under Section 80D of the repealed Income Tax Ordinance, 1979 was decided against the Company by the Commissioner of Income Tax (Appeals). The Company has filed an appeal against the above order with the Income Tax Appellate Tribunal which is pending hearing.

**Commitments**

	<b>Dec. 31 2008</b>	June 30, 2008
	<b>(Rupees in thousands)</b>	
<b>7.5</b> Outstanding letters of credit	<u><b>62,264</b></u>	<u>119,447</u>
<b>7.6</b> Post dated cheques issued in favour of Collector of Customs against custom duties and other levies on methanol kept in bonded ware house	<u><b>19,480</b></u>	<u>10,959</u>

**8. Segment information**

**8.1 Business segments**

	Half Year Ended					
	December 31, 2008			December 31, 2007		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
----- ( Rupees in thousands) -----						
Turnover - net	<u><b>370,323</b></u>	<u><b>274,898</b></u>	<u><b>645,221</b></u>	<u>300,480</u>	<u>281,549</u>	<u>582,029</u>
Segment results	<b>51,597</b>	<b>(2,275)</b>	<b>49,322</b>	57,246	30,995	88,241
Unallocated corporate expenses:						
Administrative expenses			<b>(18,672)</b>			(19,252)
Distribution costs			<b>(5,470)</b>			(26,700)
Finance costs			<b>(15,055)</b>			(5,888)
Other charges			<b>(832)</b>			(6,887)
Other operating income			<b>1,273</b>			135
Taxation			<b>3,315</b>			(10,694)
			<u><b>13,881</b></u>			<u>18,955</u>
Capital expenditure	<b>8,608</b>	<b>493</b>	<u><b>9,101</b></u>	1,907	-	<u>1,907</u>
Depreciation	<b>6,926</b>	<b>3,906</b>	<b>10,832</b>	7,244	4,716	11,960
Unallocated depreciation			<b>611</b>			628
Total depreciation			<u><b>11,443</b></u>			<u>12,588</u>
Non-cash expenses other than depreciation	-	-	<u>-</u>	20,000	-	<u>20,000</u>

	Quarter Ended					
	December 31, 2008			December 31, 2007		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
----- ( Rupees in thousands) -----						
Turnover - net	<u><b>176,611</b></u>	<u><b>147,504</b></u>	<u><b>324,115</b></u>	<u>159,562</u>	<u>156,475</u>	<u>316,037</u>
Segment results	<b>23,758</b>	<b>(660)</b>	<b>23,098</b>	33,660	19,745	53,405
Unallocated corporate expenses:						
Administrative expenses			<b>(9,077)</b>			(9,273)

Distribution costs			(2,680)			(18,275)
Finance costs			(7,864)			(2,380)
Other charges			(253)			(4,051)
Other operating income			-			131
Taxation			<u>5,521</u>			<u>(7,681)</u>
			<u>8,745</u>			<u>11,876</u>
Capital expenditure	4,768	458	<u>5,226</u>	800	-	<u>800</u>
Depreciation	3,501	1,961	<u>5,462</u>	3,616	2,367	5,983
Unallocated depreciation			<u>306</u>			<u>311</u>
Total depreciation			<u>5,768</u>			<u>6,294</u>
Non-cash expenses other than depreciation	-	-	<u>-</u>	15,000	-	<u>15,000</u>

## 8.2 Segment Assets & Liabilities

	December 31, 2008			June 30, 2008		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	----- ( Rupees in thousands) -----					
Segment assets	315,053	173,266	488,319	364,204	246,023	610,227
Unallocated assets			<u>65,940</u>			<u>42,064</u>
Total assets			<u>554,259</u>			<u>652,291</u>
Segment liabilities	27,192	3,487	30,679	30,746	53,122	83,868
Unallocated liabilities			<u>173,331</u>			<u>232,055</u>
Total liabilities			<u>204,010</u>			<u>315,923</u>

## 9. 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:

	December 31, 2008	December 31, 2007
	(Rupees in thousands)	
Sales	<u>48,607</u>	<u>36,046</u>
Purchases	<u>-</u>	<u>59</u>
Insurance premium	<u>3,935</u>	<u>2,913</u>
Remuneration of key management personnel	<u>2,236</u>	<u>794</u>
Provident fund contributions	<u>1,928</u>	<u>1,716</u>
Donations	<u>30</u>	<u>25</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 interim condensed financial statements were authorised for issue on February 25, 2009 by the Board of Directors of the Company.

## 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.

ALIREZA M. ALLADIN  
CHIEF EXECUTIVE OFFICER

SHABBIR ABBAS  
DIRECTOR

Karachi : February 25, 2009

**DYNEA PAKISTAN LIMITED**  
**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2008**  
**(UN-AUDITED)**

	Half year ended		Quarter ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	----- (Rupees in thousands) -----			
Turnover - net	645,221	582,029	324,115	316,038
Cost of sales	565,140	467,391	287,130	249,523
<b>Gross Profit</b>	<b>80,081</b>	114,638	<b>36,985</b>	66,515
Distribution costs	36,229	53,097	16,566	31,385
Administrative expenses	18,672	19,252	9,077	9,273
	54,901	72,349	25,643	40,658
Other operating income	1,273	135	-	131
<b>Operating Profit</b>	<b>26,453</b>	42,424	<b>11,342</b>	25,988
Finance costs	15,055	5,888	7,864	2,380
Other charges	832	6,887	254	4,051
	15,887	12,775	8,118	6,431
<b>Profit before taxation</b>	<b>10,566</b>	29,649	<b>3,224</b>	19,557
<b>Taxation</b>				
- Current	4,993	19,634	1,578	14,933
- Prior year	(5,711)	139	(5,711)	139
- Deferred	(2,597)	(9,079)	(1,388)	(7,391)
	(3,315)	10,694	(5,521)	7,681
<b>Profit after taxation</b>	<b>13,881</b>	18,955	<b>8,745</b>	11,876
<b>Basic and diluted earnings per share (Rs.)</b>	<b>0.74</b>	1.00	<b>0.46</b>	0.63

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