

DYNEA PAKISTAN LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED DECEMBER 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 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 urea/melamine, formaldehyde (Resins) 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 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 a 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, 2006 and 2007 have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2006 and 2007. 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, 2007.

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, 2007.

4. CHANGE IN ACCOUNTING ESTIMATE

During the period effective July 01, 2007, the Company has changed its basis of charging depreciation. Previously, the Company had a practice of charging full year's depreciation on additions whereas no depreciation on assets disposed off during the year. From the current period, depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal.

The above revision would result in a more accurate allocation of depreciation expense to the accounting period in which the depreciable assets are utilized by the Company. This change has been accounted for as a change in accounting estimate. Had the estimate not been revised the depreciation charge for the period would have been lower and the carrying value of fixed assets would have been higher by Rs. 0.004 million respectively and profit before taxation would have been higher by Rs.0.002 million.

5. PROPERTY, PLANT AND EQUIPMENT

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

	Additions (Cost) (Rupees in 000's)	Deletions (Book value)
Plant and machinery	509	955
Office equipment	251	75
Computer and accessories	257	1
Motor vehicles	890	541
Furniture and fixtures	-	487
Electric installations	-	6
	<u>1,907</u>	<u>2,065</u>

6. TRADE DEBTS – Unsecured, considered good

This includes amount of Rs. 13.74 million (June 30, 2007: Rs. 11.65 million) due from a related party.

7. TRADE AND OTHER PAYABLES

This includes amount of Rs. 0.695 million (June 30, 2007: Rs. 0.475) due to a related party.

8. 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, 2007, except the following:

- 8.1** Bank guarantees amounting to Rs. 18.562 million (June 30, 2007: Rs. 16.721 million) have been issued to the Excise & Taxation Department against liability on account of vend and permit fee and infrastructure cess.
- 8.2** The Honourable Sindh High Court in its judgement 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 judgement 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. 708.44 million (June 30, 2007: Rs. 686.552 million). The Company is confident of a favourable decision, hence no provision has been made in this respect.

	December 31, 2007	June 30, 2007
	(Rupees in '000')	
Commitments		
8.3 Outstanding letters of credit	<u>148,185</u>	<u>76,021</u>
8.4 Lease rentals under operating lease agreements		
Within one year	-	74
After one year	-	-
	<u>-</u>	<u>74</u>

Dynea Pakistan Limited

December 31, 2007 **June 30, 2007**
(Rupees in '000')

8.5 Post dated cheques issued in favor of collector of customs against custom duties and other levies on methanol kept in bonded ware house

13,437 13,409

9. DISTRIBUTION COSTS

This includes provision for impairment against doubtful debts amounting to Rs. 20 million (December 31, 2006: Nil).

10. SEGMENT INFORMATION

10.1 Business segments

	Half Year Ended					
	December 31, 2007			December 31, 2006		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
----- Rupees in '000' -----						
Turnover - net	300,480	281,549	582,029	257,419	314,672	572,091
Segment results	57,246	30,995	88,241	23,019	26,544	49,563
Unallocated corporate expenses:						
Administrative expenses	-	-	(19,252)	-	-	(16,275)
Distribution costs	-	-	(26,700)	-	-	(5,095)
Finance costs	-	-	(5,888)	-	-	(7,629)
Other charges	-	-	(6,887)	-	-	(3,364)
Other operating income	-	-	135	-	-	55
Taxation	-	-	(10,694)	-	-	(5,655)
			<u>18,955</u>			<u>11,600</u>
Capital expenditure	1,907	-	1,907	1,487	5,536	7,023
Depreciation	7,244	4,716	11,960	8,923	6,088	15,011
Unallocated depreciation	-	-	628	-	-	754
Total depreciation	-	-	<u>12,588</u>	-	-	<u>15,765</u>

	Quarter Ended					
	December 31, 2007			December 31, 2006		
	Resin Division	Aminoplast division	Total	Resin Division	Aminoplast division	Total
----- Rupees in '000' -----						
Turnover – net	159,562	156,475	316,037	142,390	172,302	314,692
Segment results	33,660	19,745	53,405	15,086	17,774	32,860
Unallocated corporate expenses:						
Administrative expenses	-	-	(9,273)	-	-	(8,470)
Distribution costs	-	-	(18,275)	-	-	(2,497)
Finance costs	-	-	(2,380)	-	-	(3,977)
Other charges	-	-	(4,051)	-	-	(2,276)
Other operating income	-	-	131	-	-	9
Taxation	-	-	(7,681)	-	-	(5,141)
			<u>11,876</u>			<u>10,508</u>
Capital expenditure	800	-	800	1,177	1,089	2,266
Depreciation	3,616	2,367	5,983	4,105	3,508	7,613
Unallocated depreciation	-	-	311	-	-	181
Total depreciation	-	-	<u>6,294</u>	-	-	<u>7,794</u>

10.2 Segment assets and liabilities

	December 31, 2007			June 30, 2007		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	Rupees in '000'			Rupees in '000'		
Segment assets	298,990	221,195	520,185	325,148	191,444	516,592
Unallocated assets	-	-	40,214	-	-	27,299
Total assets	-	-	<u>560,399</u>	-	-	<u>543,891</u>
Segment liabilities	23,525	12,552	36,077	19,471	5,273	24,744
Unallocated liabilities	-	-	208,844	-	-	222,624
Total liabilities	-	-	<u>244,921</u>	-	-	<u>247,368</u>

11. 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, 2007	December 31, 2006
	(Rupees in '000')	
Sales	<u>36,046</u>	<u>35,800</u>
Purchases	<u>59</u>	<u>-</u>
Insurance premium	<u>2,913</u>	<u>3,818</u>
Remuneration of key management personnel	<u>794</u>	<u>2,183</u>
Provident fund contributions	<u>1,716</u>	<u>1,778</u>
Donations	<u>25</u>	<u>30</u>

The transactions with related parties are carried out at arm's length prices under normal commercial terms and conditions.

12. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements were authorised for issue on February 15, 2008. by the Board of Directors of the Company.

ALIREZA M. ALLADIN
CHIEF EXECUTIVE OFFICER

FAROOQ HASSAN
DIRECTOR

Karachi
Dated: February 15, 2008.