

DYNEA PAKISTAN LIMITED

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2008 (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 limited by shares under Companies Act, 1913 (now the Companies Ordinance, 1984) here-in-after referred to as 'the Ordinance' 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, 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, 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 (cost)</u>	<u>Deletions (book value)</u>
	(Rupees in thousands)	
Plant & machinery	875	
Motor vehicles		940
	<u>875</u>	<u>940</u>

5. TRADE DEBTS Unsecured, considered good

This includes Rs.22.97 million (June 30, 2008: Rs.20.46 million) due from a related party.

6. TRADE AND OTHER PAYABLES

This includes Rs.3.18 million (June 30, 2008: Rs.0.125 million) due to related parties.

7. 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, 2008, except the following;

- 7.1 The Company was in litigation with the Excise Department, Government of Sindh on the levy infrastructure cess on imported goods and had filed a suit in the High Court of Sindh against that levy. Under the interim order of the learned High Court goods were being cleared from the ports on provision of bank guarantees. The honourable High

Court has now decided the case on September 17, 2008 whereby infrastructure cess levied before 28.12.2006 has been declared invalid and ultravires the Constitution while infrastructure cess levied after 28.12.2006 has been declared as valid and in accordance with the Constitution. The judgement being partially favourable, the Company intends to file appeal before the apex court against that decision. Until the decision of the apex court, a status quo will be maintained (subject to the interim order of the learned Supreme Court) and imported goods would continue to be cleared on furnishing bank guarantees. The utilized portion of guarantees amounting to Rs.17.060 million (June 30, 2008: Rs.16.620 million) has been accounted for as liability in these accounts while bank guarantees amounting to Rs. 1.690 million (June30, 2008: Rs.2.130 million) remains un-utilized as on September 30, 2008.

7.2 The Honorable Sindh High Court 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 Sindh high Court 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.744.38 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.

Commitments

	<u>Sept. 30, 2008</u>	<u>June 30, 2008</u>
	(Rupees in thousands)	
7.3 Outstanding letters of credit	<u>51,495</u>	<u>119,447</u>
7.4 The Company has placed an order for purchase of a Waste Heat Recovery Exchanger at Rs.6 million and an amount of Rs. 3 million has been paid in advance.		
7.5 Post dated cheques issued in favour of Collector Customs against custom duty and other levies on methanol kept in bonded ware house	<u>18,405</u>	<u>10,959</u>

8. Segment information

8.1 Business segments

	Quarter Ended					
	September 30, 2008			September 30, 2007		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	----- (Rupees in thousands) -----					
Turnover - net	<u>193,712</u>	<u>127,394</u>	<u>321,106</u>	<u>140,917</u>	<u>125,074</u>	<u>265,991</u>
Segment results	27,839	(1,615)	26,224	23,586	11,250	34,836
Unallocated Corporate Expenses:						
Administrative expenses			(9,595)			(9,979)
Distribution Costs			(2,791)			(8,425)
Finance costs			(7,191)			(3,508)
Other charges			(578)			(2,836)
Other operating income			1,273			4
Taxation			(2,206)			(3,013)
			<u>5,136</u>			<u>7,079</u>
Capital expenditure	840	35	<u>875</u>	1,107	-	<u>1,107</u>
Depreciation	3,425	1,945	5,370	3,628	2,349	5,977

Unallocated depreciation	<u>305</u>	<u>317</u>
Total depreciation	<u><u>5,675</u></u>	<u><u>6,294</u></u>

8.2 Segment Assets & Liabilities

	<u>September 30, 2008</u>			<u>September 30, 2007</u>		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	----- (Rupees in thousands) -----					
Segment assets	375,661	212,227	587,888	298,504	213,790	512,294
Unallocated corporate assets			<u>49,384</u>			<u>22,311</u>
			<u><u>637,272</u></u>			<u><u>534,605</u></u>
Segment liabilities	29,100	664	29,764	20,277	-	20,277
Unallocated corporate liabilities			<u>266,004</u>			<u>210,726</u>
			<u><u>295,768</u></u>			<u><u>231,003</u></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:

	<u>Sept. 30, 2008</u>	<u>Sept. 30, 2007</u>
	(Rupees in thousands)	
Sales	<u>24,466</u>	<u>18,068</u>
Purchases	<u>-</u>	<u>59</u>
Insurance premium	<u>3,504</u>	<u>2,344</u>
Remuneration of key management personnel	<u>1,205</u>	<u>542</u>
Provident fund contributions	<u>974</u>	<u>864</u>
Donations	<u>15</u>	<u>10</u>

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

10. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements are authorised for issue on October 29, 2008 by the Board of Directors of the Company.

11. GENERAL

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

ALIREZA M. ALLADIN
Chief Executive

SHABBIR ABBAS
Director

Karachi : October 29, 2008