

DYNEA PAKISTAN LIMITED

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2008 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATION

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 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. 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, 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.0.108 million respectively and profit before taxation would have been higher by Rs.0.112 million.

5. PROPERTY, PLANT AND EQUIPMENT

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

	<u>Additions</u>	<u>Deletions</u>
	(Cost)	(Book value)
	(Rupees in '000')	
Plant and machinery	969	924
Office equipments	387	72
Computer and accessories	308	1
Motor vehicles	1,020	513
Furniture & fixture	-	470
Electric Installations	-	6
	<u>2,684</u>	<u>1,986</u>

6. TRADE DEBTS Unsecured, considered good

This includes Rs.17.09 million (June 30, 2007: Rs.11.65 million) due from a related party.

7. TRADE AND OTHER PAYABLES

This includes Rs.1.50 million (June 30, 2007: 0.475 million) due to a related party.

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, 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 and Taxation Department against liability on account of vend and permit fee and infrastructure cess.

8.2 The Honorable 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.714.61 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.

Commitments	March 31,	June 30,
	2008	2007
	(Rupees in '000')	
8.3 Outstanding letters of credit	126,242	76,021
8.4 Lease rentals under operating lease agreements		
Within one year	-	74
After one year	-	-
	<u>-</u>	<u>74</u>
8.5 Post dated cheques issued in favour of Collector of Customs against custom duties and other levies on methanol kept in bonded ware house	<u>21,664</u>	<u>13,409</u>

9. DISTRIBUTION COSTS

This includes provision for impairment against doubtful debts amounting to Rs.20 million (March 31, 2007: Nil).

10. Segment information

10.1 Business segments

	FOR NINE MONTHS ENDED					
	March 31, 2008			March 31, 2007		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	----- (Rupees in '000') -----					
Turnover - net	<u>483,816</u>	<u>436,762</u>	<u>920,578</u>	<u>432,037</u>	<u>466,293</u>	<u>898,330</u>
Segment results	78,838	39,246	118,084	40,798	33,532	74,330
Unallocated corporate expenses:						
Administrative expenses			(26,915)			(23,484)
Distribution costs			(29,503)			(3,640)
Finance Costs			(8,176)			(12,063)
Other charges			(9,558)			(3,732)
Other operating income			138			106
Taxation			<u>(16,438)</u>			<u>(10,752)</u>
			<u>27,632</u>			<u>20,765</u>
Capital Expenditure	2,224	460	2,684	2,801	10,163	12,964
Depreciation	10,882	7,096	17,978	13,740	9,684	23,424
Unallocated Depreciation			931			1,166
Total depreciation			<u>18,909</u>			<u>24,590</u>

FOR QUARTER ENDED

	March 31, 2008			March 31, 2007		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	----- (Rupees in '000') -----					
Turnover - net	<u>183,336</u>	<u>155,213</u>	<u>338,549</u>	<u>174,618</u>	<u>151,621</u>	<u>326,239</u>
Segment results	21,591	8,252	29,843	17,779	6,988	24,767
Unallocated corporate expenses:						
Administrative expenses			(7,663)			(7,209)
Distribution costs			(2,803)			1,455
Finance costs			(2,288)			(4,434)
Other charges			(2,671)			(368)
Other operating income			3			51
Taxation			(5,744)			(5,097)
			<u>8,677</u>			<u>9,165</u>
Capital expenditure	317	460	777	1,314	4,627	5,941
Depreciation	3,638	2,380	6,018	4,817	3,596	8,413
Unallocated Depreciation			303			412
Total depreciation			<u>6,321</u>			<u>8,825</u>

10.2 Segment Assets & Liabilities

	March 31, 2008			June 30, 2007		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	----- (Rupees in '000') -----					
Segment assets	297,845	199,842	497,687	325,148	191,444	516,592
Unallocated corporate assets			48,394			27,299
			<u>546,081</u>			<u>543,891</u>
Segment liabilities	38,276	5,096	43,372	19,471	5,273	24,744
Unallocated corporate liabilities			178,554			222,624
			<u>221,926</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:

	March 31, 2008	March 31, 2007
	(Rupees in '000')	
Sales	<u>60,611</u>	<u>56,136</u>
Purchases	<u>59</u>	<u>-</u>
Insurance premium	<u>3,714</u>	<u>4,592</u>
Remuneration of key management personnel	<u>1,187</u>	<u>3,333</u>
Provident fund contributions	<u>2,560</u>	<u>2,664</u>
Donations	<u>40</u>	<u>25</u>

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

12. DATE OF AUTHORIZATION FOR ISSUE

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

13. GENERAL

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

ALIREZA M. ALLADIN
CHIEF EXECUTIVE OFFICER

Karachi : April 29, 2008

FAROOQ HASSAN
DIRECTOR