

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

Dynea 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:

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

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 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

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

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

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