

# DYNEA PAKISTAN LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2009 (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/melamineformaldehyde 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 condensed interim profit and loss account for the quarters ended December 31, 2008 and 2009 have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2008 and 2009. These condensed interim financial statements do not include all the information and disclosures as 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, 2009.

### 3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended June 30, 2009 except adoption of following new standards.

- 3.1 During the year, the Company has adopted (revised) IAS-1 "Presentation of Financial Statements" which became effective from accounting period beginning on or after January 01, 2009. The standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owners changes in equity presented as a single line in the statement of changes in equity. In addition, the Standard introduces the statement of comprehensive income which represents all items of recognized income and expenses, either in one single statement, or in two linked statements. According the Company has elected to present two statements; a condensed interim profit and loss account and condensed statement of comprehensive income.
- 3.2 During the year, the Company has changed its accounting policy in respect of borrowing costs to comply with the requirements of revised IAS-23 "Borrowing Costs," which became effective from accounting period beginning on or after January 01, 2009. In accordance with the revised policy, borrowing costs directly attributable to acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) are capitalized as part of the cost of that asset. Previously, all borrowing costs were charged to the profit and loss account as incurred. The change in policy does not have any affect on these condensed interim financial statements for the reason that during the period the Company have not incurred any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

#### 4. PROPERTY, PLANT AND EQUIPMENT

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

	<b>Additions</b>	<b>Deletions</b>
	<u>(Cost)</u>	<u>(Book value)</u>
	(Rupees in thousands)	
Computer and accessories	48	12
Motor vehicles	-	211
	<u>48</u>	<u>223</u>

#### 5. Trade Debts - Unsecured

This includes Rs.19.298 million (June 30, 2009: Rs.17.75 million) due from a related party.

#### 6. TRADE AND OTHER PAYABLES

This includes Rs.1.952 million (June 30, 2009: Rs.0.688 million) due to a related party.

#### 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, 2009, except the following;

- 7.1** 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 provision pertaining to the period prior to December 27, 2006 as the Excise Department, Government of Sindh has 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.0.779 million (June 30, 2009:Rs.1.426 million) is an un-utilized portion of the bank guarantee issued in favour of the Excise and Taxation Department, Government of Sindh against the aforesaid levy.

- 7.2** 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.830.585 million (June 30, 2009:Rs.802.463 million). The Company is confident of a favourable decision, hence no provision has been made in this respect.

**Commitments**

	<b>Dec. 31 2009</b>	June 30, 2009
	<b>(Rupees in thousands)</b>	
7.3 Outstanding letters of credit	<u>111,076</u>	<u>75,468</u>
7.4 Post dated cheques issued in favour of Collector of Customs against custom duties and other levies on methanol kept in bonded ware house	<u>7,975</u>	<u>18,482</u>

**8. Segment information**
**8.1 Business segments**

	Half Year Ended					
	December 31, 2009			December 31, 2008		
	Resin division ----- ( Rupees in thousands) -----	Aminoplast division ----- ( Rupees in thousands) -----	Total	Resin division ----- ( Rupees in thousands) -----	Aminoplast division ----- ( Rupees in thousands) -----	Total
Turnover - net	<u>390,624</u>	<u>242,522</u>	<u>633,146</u>	<u>370,323</u>	<u>274,898</u>	<u>645,221</u>
Segment results	<u>70,265</u>	<u>(7,702)</u>	<u>62,563</u>	51,597	(2,275)	49,322
Unallocated corporate expenses:						
Administrative expenses			(14,275)			(18,672)
Distribution costs			(6,157)			(5,470)
Finance costs			(3,321)			(15,055)
Other charges			(3,276)			(832)
Other operating income			338			1,273
Taxation			(12,290)			3,315
			<u>23,582</u>			<u>13,881</u>
Capital expenditure	-	-	<u>48</u>	8,608	493	<u>9,101</u>
Depreciation	<u>6,860</u>	<u>3,200</u>	<u>10,060</u>	6,926	3,906	10,832
Unallocated depreciation			<u>451</u>			<u>611</u>
Total depreciation			<u>10,511</u>			<u>11,443</u>

	Quarter Ended					
	December 31, 2009			December 31, 2008		
	Resin division ----- ( Rupees in thousands) -----	Aminoplast division ----- ( Rupees in thousands) -----	Total	Resin division ----- ( Rupees in thousands) -----	Aminoplast division ----- ( Rupees in thousands) -----	Total
Turnover - net	<u>195,623</u>	<u>142,728</u>	<u>338,351</u>	<u>176,611</u>	<u>147,504</u>	<u>324,115</u>
Segment results	<u>25,268</u>	<u>4,148</u>	<u>29,416</u>	23,758	(660)	23,098
Unallocated corporate expenses:						
Administrative expenses			(7,121)			(9,077)
Distribution costs			(3,312)			(2,679)
Finance costs			(1,520)			(7,864)
Other charges			(1,390)			(254)
Other operating income			177			-
Taxation			(3,867)			5,521
			<u>12,383</u>			<u>8,745</u>
Capital expenditure	-	-	<u>48</u>	4,768	458	<u>5,226</u>
Depreciation	<u>3,430</u>	<u>1,600</u>	<u>5,030</u>	3,501	1,961	5,462
Unallocated depreciation			<u>222</u>			<u>306</u>
Total depreciation			<u>5,252</u>			<u>5,768</u>

## 8.2 Segment Assets & Liabilities

	December 31, 2009			June 30, 2009		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	----- ( Rupees in thousands) -----					
Segment assets	256,896	182,007	438,903	270,852	170,179	441,031
Unallocated assets			72,265			58,251
Total assets			<u>511,168</u>			<u>499,282</u>
Segment liabilities	54,849	1,796	56,644	37,347	7,738	45,085
Unallocated liabilities			52,455			61,555
Total liabilities			<u>109,099</u>			<u>106,640</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, 2009	December 31, 2008
	(Rupees in thousands)	
Sales	<u>41,853</u>	<u>48,607</u>
Insurance premium	<u>3,645</u>	<u>3,935</u>
Remuneration of key management personnel	<u>2,218</u>	<u>2,236</u>
Provident fund contributions	<u>1,833</u>	<u>1,928</u>
Donations	<u>-</u>	<u>30</u>

These transactions with related parties are carried out at arm's length prices determined using the admissible valuation method.

## 10. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 08, 2010 by the Board of Directors of the Company.

## 11. GENERAL

Level of precision in presentation are nearest to the thousand rupees.

CHIEF EXECUTIVE OFFICER  
Karachi : February 08, 2010

DIRECTOR