

DYNEA PAKISTAN LIMITED
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2009
(UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Dynea Pakistan Limited (the company) was incorporated in Pakistan on June 20, 1982, in Pakistan as a public limited company under the Companies Act, 1913 (now the Companies Ordinance, 1984) 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, Siddiqsons Tower, 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, 2009.

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, 2009.

4. TRADE DEBTS - Unsecured

This includes amount of Rs.22.683 million (June 30, 2009: Rs.17.75 million) due from a related party.

5. TRADE AND OTHER PAYABLES

This includes amount of Rs.3.197 million (June 30, 2009: Rs.0.791 million) due to a related party.

6. 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:

- 6.1** 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 liability 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.1.755 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.

- 6.2** 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.822.184 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

	Sept. 30 2009	June 30, 2009
(Rupees in thousands)		
6.3 Outstanding letters of credit	93,443	75,468
6.4 Post dated cheques issued in favour of Collector of Customs against custom duty and other levies on methanol kept in bonded ware house	21,079	18,482

7. Segment information

7.1 Business segments

	Quarter Ended					
	September 30, 2009			September 30, 2008		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
	----- (Rupees in thousands) -----					
Turnover - net	195,001	99,794	294,795	193,712	127,394	321,106
Segment results	44,997	(11,850)	33,147	27,839	(1,615)	26,224
Unallocated corporate expenses:						
Administrative expenses			(7,154)			(9,595)
Distribution Costs			(2,845)			(2,791)
Finance costs			(1,801)			(7,191)
Other charges			(1,886)			(578)
Other operating income			161			1,273
Taxation			(8,423)			(2,206)
			11,199			5,136
Capital expenditure	-	-	-	840	35	875
Depreciation	3,430	1,600	5,030	3,425	1,945	5,370
Unallocated depreciation			229			305
Total depreciation			5,259			5,675

7.2 Segment Assets & Liabilities

	September 30, 2009			September 30, 2008		
	Resin division	Aminoplast division	Total	Resin division	Aminoplast division	Total
		----- (Rupees in thousands) -----				
Segment assets	322,012	193,142	515,154	375,661	212,227	587,888
Unallocated corporate assets			56,866			49,384
Total assets			572,020			637,272
Segment liabilities	41,316	17,024	58,340	29,100	664	29,764
Unallocated corporate liabilities			109,839			266,004
Total liabilities			168,179			295,768

8. 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:

	Sept. 30, 2009	Sept. 30, 2008
	----- (Rupees in thousands) -----	
Sales	22,481	24,466
Insurance premium	3,326	3,504
Remuneration of key management personnel	1,307	1,205
Provident fund contributions	925	974
Donations	-	15

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

9. DATE OF AUTHORIZATION FOR ISSUE

These interim condensed financial statements are authorised for issue on October 27, 2009 by the Board of Directors of the Company.

10. PROPOSED CASH DIVIDEND

The Board of Directors has recommended cash dividend of Rupee 0.75 per share for the year ended June 30, 2009. These financial statements do not reflect the proposed issued of bonus shares which has been approved by the shareholders in the Annual General meeting held on October 26, 2009.

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.

SHABBIR ABBAS
Chief Executive Officer

DONALD JOHN JENKIN
Director

Karachi : October 27, 2009