

**DYNEA PAKISTAN LIMITED**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2006**  
**(UN-AUDITED)**

**1. THE COMPANY AND ITS OPERATION**

Dynea Pakistan Limited (the Company) was incorporated in Pakistan on June 20, 1982 as a public company limited by shares under the Companies Ordinance, 1984 (the Ordinance) and is listed on the Karachi and Lahore stock exchanges in Pakistan. It is engaged in the manufacture and sale of urea/melamine, formaldehyde and aminoplast compound. The registered office of the Company is situated at 1st Floor, 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 unaudited 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, 2005 and 2006 have not been reviewed by the auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2005 and 2006.

**3. SUMMARY OF 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 interim condensed financial statements for the year ended June 30, 2006.

**4. CHANGE IN ACCOUNTING ESTIMATE**

During the period, effective July 01, 2006 the useful life of the following Property, plant and equipment were reviewed which resulted in revision of depreciation rates:

	<b>Annual rate of depreciation</b>	
	<b>2007</b>	<b>2006</b>
Building		
- on freehold land	10%	5%
- on lease hold land	10%	5%
Plant and machinery	20%	10%
Storage tank	20%	10%
Electrical installations	20%	10%
Computer and accessories	50%	33%

Further, depreciation on additions was previously charged from the month of addition and in case of deletion up to the month of disposal. From the current period, depreciation on additions is being charged for the full year, whereas in case of deletions no depreciation is charged in the year of disposal.

Had the above not been changed the depreciation for the period would have been lower by Rs.7.25 million and carrying amount of fixed assets would have been higher by the said amount.

**5. PROPERTY, PLANT AND EQUIPMENT**

The following additions and deletions were made in operating fixed assets during the period:

	<b>Additions</b>	<b>Deletions</b>
	(Rupees in 000's)	
Plant and machinery	6,051	-
Office equipment	116	-
Computer and accessories	276	-
Vehicles	580	1,048
	<u>7,023</u>	<u>1,048</u>

6. This includes amount of Rs. 16.79 million (June 30, 2006: Rs. 6.43 million) due from a related party.

7. This includes amount of Rs. 0.744 million (June 30, 2006: Rs. -Nil-) due to related parties.

**8. CONTINGENCIES AND COMMITMENTS****Contingencies**

There were no major changes in the contingencies as reported in the annual interim condensed financial statements for the year ended June 30, 2006, except the following;

- 8.1 Bank guarantees amounting to Rs. 15.589 million (June 30, 2006: Rs. 13,589 million) have been issued to the Collector of Customs against import of machinery and to Excise & Taxation Department against liability on account of vend and permit fee and infrastructure cess.
- 8.2 The Honourable Sindh High Court in its judgement in favour of formaldehyde industry 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. 651 million (June 2006: 621 million). The Company is confident of a favourable decision, hence no provision has been made in this respect.
- 8.3 The learned taxation officer intends to recover income tax refunds amounting to Rs. 5 million allowed for the year 2002 and 2003 under section 107AA of the Repealed Income Tax Ordinance, 1979 on the plea that these were allowed wrongly. Since the Company is confident that the matter will ultimately be resolved in its favor, therefore no provision has been made in these interim condensed financial statements.

<b>December 31,</b>	<b>June 30,</b>
<b>2006</b>	<b>2006</b>
(Rupees in '000')	

**Commitments**

8.4 Outstanding letters of credit	<u>129,795</u>	<u>86,179</u>
8.5 Lease rentals under operating lease agreements		
Within one year	233	384
After one year	-	85
	<u>233</u>	<u>469</u>

	Resin division	Aminoplast division	December 31, 2006	December 31, 2005
----- (Rupees in '000') -----				
<b>9. TURNOVER</b>				
<b>For the half year ended</b>				
Sales	296,377	362,295	<b>658,672</b>	608,160
Sales tax	(38,958)	(47,623)	<b>(86,581)</b>	(79,423)
	<u>257,419</u>	<u>314,672</u>	<u><b>572,091</b></u>	<u>528,737</u>
<b>For the quarter ended</b>				
Sales	163,919	198,378	<b>362,297</b>	321,109
Sales tax	(21,529)	(26,076)	<b>(47,605)</b>	(41,958)
	<u>142,390</u>	<u>172,302</u>	<u><b>314,692</b></u>	<u>279,151</u>
<b>10. COST OF SALES</b>				
<b>For the half year ended</b>				
Raw material consumed	257,624	226,511	<b>484,135</b>	418,826
<b>Manufacturing expenses</b>				
Salaries, wages and benefits	16,058	25,707	<b>41,765</b>	42,531
Fuel and power	7,799	17,080	<b>24,879</b>	24,227
Depreciation	8,923	6,088	<b>15,011</b>	8,082
Others	7,906	8,860	<b>16,766</b>	17,814
	<u>40,686</u>	<u>57,735</u>	<u><b>98,421</b></u>	<u>92,654</u>
	298,310	284,246	<b>582,556</b>	511,480
Inter division transfers of stock	<u>(77,824)</u>	-	<u><b>(77,824)</b></u>	<u>(73,905)</u>
<b>Cost of goods manufactured</b>	220,486	284,246	<b>504,732</b>	437,575
Opening stock of finished goods	3,614	6,315	<b>9,929</b>	17,258
Closing stock of finished goods	<u>(8,513)</u>	<u>(5,745)</u>	<u><b>(14,258)</b></u>	<u>(15,122)</u>
	<u>(4,899)</u>	<u>570</u>	<u><b>(4,329)</b></u>	<u>2,136</u>
	<u>215,587</u>	<u>284,816</u>	<u><b>500,403</b></u>	<u>439,711</u>
<b>For the quarter ended</b>				
Raw material consumed	142,773	123,649	<b>266,422</b>	208,099
<b>Manufacturing expenses</b>				
Salaries, wages and benefits	8,050	13,614	<b>21,664</b>	22,327
Fuel and power	3,800	8,417	<b>12,217</b>	12,093
Depreciation	4,105	3,508	<b>7,613</b>	4,168
Others	4,124	6,060	<b>10,184</b>	10,087
	<u>20,079</u>	<u>31,599</u>	<u><b>51,678</b></u>	<u>48,675</u>
	162,852	155,248	<b>318,100</b>	256,774
Inter division transfers of stock	<u>(44,673)</u>	-	<u><b>(44,673)</b></u>	<u>(35,672)</u>
<b>Cost of goods manufactured</b>	118,179	155,248	<b>273,427</b>	221,102
Opening stock of finished goods	6,178	3,301	<b>9,479</b>	18,850
Closing stock of finished goods	<u>(8,513)</u>	<u>(5,745)</u>	<u><b>(14,258)</b></u>	<u>(15,122)</u>
	<u>(2,335)</u>	<u>(2,444)</u>	<u><b>(4,779)</b></u>	<u>3,728</u>
	<u>115,844</u>	<u>152,804</u>	<u><b>268,648</b></u>	<u>224,830</u>

**11. TRANSACTIONS WITH RELATED PARTIES**

Related parties of the Company comprise associated undertakings, directors and key management personnel. Transactions with related parties during the period are as follows:

	<b>December 31, 2006</b>	<b>December 31, 2005</b>
	<b>(Rupees in '000')</b>	
Sales	<u>35,800</u>	<u>34,332</u>
Purchases	<u>-</u>	<u>674</u>
Insurance premium	<u>3,818</u>	<u>4,098</u>
Remuneration of the Key Management Personnel	<u>2,183</u>	<u>794</u>
Contribution to the Provident fund	<u>1,778</u>	<u>1,769</u>
Donation	<u>30</u>	<u>30</u>

Transactions with associated undertakings and related parties are made under normal commercial terms and conditions.

The related party status of outstanding receivable and payable as at December 31, 2006 is disclosed in the respective notes to the interim condensed financial statements.

**12. DATE OF AUTHORIZATION FOR ISSUE**

These interim condensed financial statements were authorised for issue on February 16, 2007 by the Board of Directors of the Company.

**13. GENERAL**

Rupees have been rounded off to nearest thousands.

ALIREZA M. ALLADIN  
CHIEF EXECUTIVE OFFICER

FAROOQ HASSAN  
DIRECTOR

Karachi.

Dated : February 16, 2007