

DYNEA PAKISTAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

1. THE COMPANY AND ITS OPERATIONS

Dynea Pakistan Limited (the Company) was incorporated 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 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, Siddiqsons Tower, 3-Jinnah Co-operative Housing Society, Block-7/8, Sharea Faisal, Karachi, Pakistan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards issued but not yet effective

The following revised standards with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective revised standard:

Standards	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowing costs (Revised)	January 01, 2009
IAS 32 - Financial Instruments (Amended)	January 01, 2009
IAS 39 - Financial Instruments: Recognition and Measurement (Amended)	January 01, 2009
IFRS 8 - Operating Segments	January 01, 2009

The Company expects that the adoption of the above standards and interpretations will not have any material impact on the Company's financial statements in the period of initial application other than to the extent of certain changes and/ or enhancements in the presentation and disclosures in the financial statements resulting from the following:

IAS – 01 'Presentation of Financial Statements' (effective from January 1, 2009). The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

IAS – 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (on that take substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption of the above amendment, the option of immediately expensing those borrowing costs will be withdrawn and will result in change in accounting policy. This amendment is not expected to have a significant effect on the Company's financial statements, as the Company does not have any borrowing for acquisition, construction or production of qualifying asset.

The other standards, amendments and interpretations effective from the accounting periods beginning on July 01, 2009 are not stated here as these are considered not to be relevant or to have any significant effect on the Company's operations.

2.3 Adoption of new accounting standards

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of July 01, 2008:

- IFRS 7 - Financial Instruments: Disclosures
- IFRIC 12 - Service concession arrangements
- IFRIC 13 - Customer loyalty programmes; and
- IFRIC 14 - IAS 19 – The limit on defined benefit asset, minimum funding requirement and their interactions

Adoption of these standards and interpretations did not have any material effect on the financial statements of the Company except for certain additional disclosures in respect of IFRS 7 included in the relevant notes to the financial statements.

2.4 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.5 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- (a) determining the residual values and useful lives of property, plant and equipment (Note 2.6);
- (b) impairment of inventories / adjustment of inventories to their net realizable value (Note 2.8);
- (c) provision for impairments of trade debts and other receivables (Note 2.9);
- (d) recognition of taxation and deferred tax (Note 2.18); and
- (e) contingencies (Note. 17)

2.6 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment in value, if any, except for freehold land which is stated at cost. Depreciation is charged to income using the reducing balance method, other than freehold land which is determined to have an indefinite life, at the rates specified in note 3 to the financial statements. Depreciation on additions is charged from the month of addition and in case of deletion up to the month of disposal.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements are capitalised and the assets so replaced, if any, are retired. Gains and losses on disposal of fixed assets are taken to profit and loss account currently.

Leasehold land is amortised in equal installments over the lease period.

Leased

Assets held under finance leases are capitalised at the lower of present value of the minimum lease payments at the inception of the lease term and the fair value of leased assets. The related obligations under finance lease less finance charges allocated to future periods are shown as liabilities. Finance cost is calculated at the rate implicit in the lease and is charged to profit and loss account. Depreciation is charged to income on the same basis as for owned assets.

2.7 Stores and spares

These are valued at the lower of cost and net realizable value (NRV). Cost is determined on weighted average basis. Stores and spares are regularly reviewed by the management and obsolete items if any, are brought down to their NRV.

2.8 Stock-in-trade

These are stated at the lower of NRV and cost determined as follows:

Raw and packing materials	- Weighted average cost.
Finished goods	- Cost of direct materials and labour plus attributable overheads.
Goods in transit and stock in bonded warehouse	- Invoice price plus other charges paid thereon.

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.9 Trade debts and other receivables

Trade debts originated by the Company are recognized and carried at original invoice amount less provision for impairment. Other receivables are carried at cost less provision for impairment. Provision for impairment is based on management's assessment of customers outstanding, and credit worthiness. Bad debts are written off as and when identified.

2.10 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, bank balances and bank deposits net of running finances. The cash and cash equivalents are readily available known amount of cash and are therefore subject to insignificant risk of changes in value.

2.11 Staff retirement benefits

Defined contribution plan

The Company operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the fund by the Company and the employees in accordance with the rules of the scheme. The Company has no further obligation once the contributions have been paid. The contributions made by the Company are recognised as employee benefit expense when they are due.

2.12 Compensated absences

The Company accounts for these benefits in the accounting period in which the absences are earned.

2.13 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

2.14 Dividends and appropriation to reserves

Dividend and appropriation to the reserves are recognized in the period in which these are approved.

2.15 Revenue recognition

Sales are recorded when goods are dispatched to customers.

Profit on bank deposits is recognized on an accrual basis.

2.16 Foreign currency transactions

Transactions in foreign currencies are translated into rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date.

Exchange differences are taken to the profit and loss account.

2.17 Borrowing costs

Borrowing costs are recognized as expense, in the period in which these are incurred.

2.18 Taxation

2.18.1 Current

Provision for taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

2.18.2 Deferred

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of un used tax assets and un used tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduces to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax loss) that have been enacted or substantively enacted at the balance sheet date.

2.19 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights that comprise the financial assets are realised, expired or surrendered. Financial liabilities are derecognised when they are extinguished - that is, when the obligation specified in the contract is discharged, cancelled, or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to the profit and loss account.

2.20 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to recognize the asset and settle the liability simultaneously. Corresponding income and expenditure is also netted off and reported on a net basis in the profit and loss account.

2.21 Related party transactions

All transactions with related parties are priced on an arm's length basis. Prices for these transactions are determined on the basis of admissible valuation methods.

2.22 Impairment of assets

The carrying values of assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. Impairment losses are recognized in the profit and loss account.

2.23 Provisions

Provisions are recognised in the balance sheet where the Company has a legal or constructive obligation as a result of past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.24 Segment reporting

A segment is a distinguishable component within a Company that is engaged in providing products and under a common control environment (business segment), or in providing products within a particular economic environment (geographical segments), which is subject to risks and returns that are different from those of other segments.

2.25 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 The following is a statement of operating assets:

	2009										
	COST					ACCUMULATED DEPRECIATION					Written down value as at June 30, 2009
	As at July 01, 2008	Additions/transfers*	Disposals / write off**	As at June 30, 2009	Rate	As at July 01, 2008	Charge for the year / transfer*	Disposals / write off**	As at June 30, 2009	Rupees	
	Rupees				%	Rupees				Rupees	
Owned											
Freehold land	659,961	-	-	659,961	-	-	-	-	-	659,961	
Leasehold land	4,164,884	-	-	4,164,884	99 years	472,082	42,062	-	514,144	3,650,740	
Buildings on freehold land	20,307,457	-	-	20,307,457	10	13,808,874	649,857	-	14,458,731	5,848,726	
Buildings on leasehold land	38,373,911	-	-	38,373,911	10	21,669,331	1,670,457	-	23,339,788	15,034,123	
Plant and machinery	297,530,607	14,673,850	(641,814)	311,562,643	20	213,765,119	16,842,632	(433,930)	230,173,821	81,388,822	
Electrical installations	16,338,433	-	-	16,338,433	20	12,765,818	714,522	-	13,480,340	2,858,093	
Furniture and fixtures	-	139,054	-	139,054	20	-	4,635	-	4,635	134,419	
Office equipments	2,146,516	35,150	-	2,181,666	20	1,034,371	228,874	-	1,263,245	918,421	
Computers and accessories	2,663,884	182,420	(204,436)	2,641,868	50	2,268,903	229,065	(185,558)	2,312,410	329,458	
Vehicles	10,742,942	359,000 *	(3,288,607)	7,813,335	20	3,766,580	1,261,339 163,705 *	(1,855,275)	3,336,349	4,476,986	
Storage tanks	3,156,035	-	(649,000)	2,507,035	20	2,166,950	194,147	(469,188)	1,891,909	615,126	
	396,084,630	15,030,474 359,000	(3,493,043) (1,290,814)**	406,690,247		271,718,028	21,837,590 163,705 *	(2,040,833) (903,118)**	290,775,372	115,914,875	
Leased assets											
Vehicles	2,906,000	1,324,351 359,000 *	-	3,871,351	20	1,297,212	452,662 163,705 *	-	1,586,169	2,285,182	
Plant and machinery	6,550,000	-	-	6,550,000	20	218,333	1,266,333	-	1,484,666	5,065,334	
	9,456,000	1,324,351 359,000 *	-	10,062,351		1,515,545	1,718,995 163,705 *	-	3,070,835	7,350,516	
	405,540,630	16,354,825	(3,493,043) (1,290,814)**	416,752,598		273,233,573	23,556,585	(2,040,833) (903,118)**	293,846,207	123,265,391	

** During the year, operating fixed assets having written down value amounting to Rs. 387,696 were written off.

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2008										
	COST				Rate	ACCUMULATED DEPRECIATION				
	As at July 01, 2007	Additions	Disposals	As at June 30, 2008		As at July 01, 2007	Charge for the year	Disposals	As at June 30, 2008	Written down value as at June 30, 2008
	Rupees					%	Rupees			
Owned										
Freehold land	659,961	-	-	659,961	-	-	-	-	-	659,961
Leasehold land	4,164,884	-	-	4,164,884	99 years	430,020	42,062	-	472,082	3,692,802
Buildings on freehold land	20,307,457	-	-	20,307,457	10	13,086,810	722,064	-	13,808,874	6,498,583
Buildings on leasehold land	38,373,911	-	-	38,373,911	10	19,813,271	1,856,060	-	21,669,331	16,704,580
Plant and machinery	297,869,321	3,648,557	(3,987,271)	297,530,607	20	197,468,913	19,360,020	(3,063,814)	213,765,119	83,765,488
Electrical installations	16,400,087	-	(61,654)	16,338,433	20	11,928,242	893,354	(55,778)	12,765,818	3,572,615
Furniture and fixtures	2,444,190	-	(2,444,190)	-	20	1,957,535	16,231	(1,973,766)	-	-
Office equipments	2,015,989	523,317	(392,790)	2,146,516	20	1,142,293	212,749	(320,671)	1,034,371	1,112,145
Computers and accessories	2,600,084	307,500	(243,700)	2,663,884	50	2,050,373	387,289	(168,759)	2,268,903	394,981
Vehicles	9,165,570	3,168,090	(1,590,718)	10,742,942	20	3,479,762	1,317,498	(1,030,680)	3,766,580	6,976,362
Storage tanks	3,156,035	-	-	3,156,035	20	1,919,679	247,271	-	2,166,950	989,085
	<u>397,157,489</u>	<u>7,647,464</u>	<u>(8,720,323)</u>	<u>396,084,630</u>		<u>253,276,898</u>	<u>25,054,598</u>	<u>(6,613,468)</u>	<u>271,718,028</u>	<u>124,366,602</u>
Leased assets										
Motor vehicles	2,906,000	-	-	2,906,000	20	895,014	402,198	-	1,297,212	1,608,788
Plant and machinery	-	6,550,000	-	6,550,000	20	-	218,333	-	218,333	6,331,667
	<u>2,906,000</u>	<u>6,550,000</u>	<u>-</u>	<u>9,456,000</u>		<u>895,014</u>	<u>620,531</u>	<u>-</u>	<u>1,515,545</u>	<u>7,940,455</u>
	<u>400,063,489</u>	<u>14,197,464</u>	<u>(8,720,323)</u>	<u>405,540,630</u>		<u>254,171,912</u>	<u>25,675,129</u>	<u>(6,613,468)</u>	<u>273,233,573</u>	<u>132,307,057</u>

3.2 The following property, plant and equipment were disposed off during the year:

	Original Cost	Accumulated depreciation	Written Down Value	Sale proceeds	Gain/ (loss) (Note 22)	Mode of disposal	Particulars of buyers
Rupees							
Cultus AGP-968	560,000	324,412	235,588	355,786	120,198	Negotiation	Mrs. Shaista Tabasum Staff town, University of Karachi
Toyota Corolla AKP-148	879,000	380,510	498,490	825,786	327,296	Negotiation	Mr. Javed Iqbal House 436, 4/DK, Orangi Town, Karachi
Toyota Corolla AKT-659	969,000	487,859	481,141	317,522	(163,619)	Company Scheme	Mr. Muhammad Bashir Khan , Karachi (Ex-Employee)
Coure CL AJS-743	359,000	170,214	188,786	330,786	142,000	Negotiation	Mr. Syed Sabir Hussain Shah Hashmi 5-B, 4/15 Nazimabad, Karachi
Toyota Hilux D/Cabin D-1129	452,607	436,062	16,545	700,000	683,455	Negotiation	Muhammad Ali , Gadoon District Swabi
Honda CD 70 KCT-7641	69,000	56,218	12,782	37,500	24,718	Insurance Claim	Habib Insurance Company Limited (related party)
Computers and accessories having book value less than Rs. 50,000/-	204,436	185,458	18,878	21,000	2,122	Negotiation	Various
	<u>3,493,043</u>	<u>2,040,833</u>	<u>1,452,210</u>	<u>2,588,380</u>	<u>1,136,170</u>		

3.3 Depreciation charge for the year has been allocated as follows:

	Note	2009 Rupees	2008 Rupees
Cost of sales	19	22,313,335	24,357,710
Distribution costs	20	291,697	293,282
Administrative expenses	21	951,553	1,024,137
		<u>23,556,585</u>	<u>25,675,129</u>

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	Note	2 0 0 9 Rupees	2 0 0 8 Rupees
4. LONG-TERM LOANS			
Unsecured - considered good			
Due from employees	4.1	138,764	164,983
Less: Current portion shown under current assets	9	81,860	112,246
		<u>56,904</u>	<u>52,737</u>
4.1	Interest free loans were granted for purchase of property, motor vehicles and for miscellaneous purposes to the employees of the Company repayable in three years. These loans are secured against the retirement benefits of the employees.		
	Note	2 0 0 9 Rupees	2 0 0 8 Rupees
5. LONG-TERM DEPOSITS			
Water and Power Development Authority		823,200	823,200
Lasbela Industrial Estate Development Authority		212,870	212,870
Others		217,456	297,750
		<u>1,253,526</u>	<u>1,333,820</u>
6. STORES AND SPARES			
Stores		3,342,554	1,775,231
Spares		2,734,817	5,326,300
		<u>6,077,371</u>	<u>7,101,531</u>
7. STOCK-IN-TRADE			
Raw material:			
In hand		106,020,287	93,161,812
In bonded warehouse		32,273,980	41,449,794
In transit		2,386,383	79,652,673
		<u>140,680,650</u>	214,264,279
Packing material		2,029,620	3,115,991
		<u>142,710,270</u>	217,380,270
Finished goods		12,450,214	15,732,060
		<u>155,160,484</u>	<u>233,112,330</u>
8. TRADE DEBTS – unsecured			
Considered good	8.1	162,605,741	207,221,326
Considered doubtful		40,000,000	39,940,920
		<u>202,546,661</u>	247,162,246
Less: Provision for impairment	8.2	40,000,000	39,940,920
		<u>162,546,661</u>	<u>207,221,326</u>
8.1	Includes amount of Rs.17.75 million (2008: Rs.20.46 million) due from Thal Limited – a related party.		
8.2	Reconciliation of provision for impairment of trade debts		
Opening provision		39,940,920	39,695,509
Charge for the year		22,978,691	20,000,000
Less: Reversal during the year		(22,919,611)	(19,754,589)
Balance at the end of the year		<u>40,000,000</u>	<u>39,940,920</u>

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	Note	2 0 0 9 Rupees	2 0 0 8 Rupees
8.3 The aging of trade debts at June 30 is as follows			
Neither past due nor impaired		120,168,625	180,029,452
Past due but not impaired			
- 61 to 90 days		24,267,035	14,662,983
- 91 to 180 days		18,111,001	13,020,961
		<u>162,546,661</u>	<u>207,221,326</u>
 9. LOANS, ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Loans and advances – unsecured, considered good			
Current portion of long term loans – employees	4	81,860	112,246
Advances			
- Suppliers and contractors		20,400,105	12,926,279
- Employees		2,173,108	2,327,753
		<u>22,573,213</u>	<u>15,254,032</u>
		<u>22,655,073</u>	<u>15,366,278</u>
Deposits and prepayments			
Margin against letters of credit		-	37,586,140
Prepayments		593,428	516,797
		<u>593,428</u>	<u>38,102,937</u>
Other receivables	9.1	137,391	-
		<u>23,385,892</u>	<u>53,469,215</u>
9.1 This includes amount of Rs.0.079 million (2008: Rs. Nil million) due from Shabbir Tiles & Ceramics Limited – a related party.			
		2 0 0 9 Rupees	2 0 0 8 Rupees
 10. CASH AND BANK BALANCES			
Cash in hand		185,228	645,967
Cash at banks - current accounts		24,716,087	17,047,021
		<u>24,901,315</u>	<u>17,692,988</u>
 11. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Number of ordinary shares of Rs. 5/- each			
2 0 0 9	2 0 0 8		
8,316,000	8,316,000	Fully paid in cash	41,580,000
<u>10,556,413</u>	10,556,413	Issued as fully paid bonus shares	52,782,065
<u>18,872,413</u>	<u>18,872,413</u>		<u>94,362,065</u>
			<u>94,362,065</u>
The shares held by related parties as at June 30, 2009 were 7,221,917 (2008: 7,221,917) ordinary shares of Rs. 5/- each.			
		2 0 0 9 Rupees	2 0 0 8 Rupees
 12. RESERVES			
Revenue Reserve			
General reserve		101,000,000	101,000,000
Unappropriated profit		197,279,752	141,005,546
		<u>298,279,752</u>	<u>242,005,546</u>

13. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Minimum Lease Payments	Present Value of MLP	Minimum Lease Payments	Present Value of MLP
	2009		2008	
Not later than one year	3,493,080	2,918,214	3,058,740	2,307,165
Later than one year but not later than five years	2,940,398	2,756,119	5,443,107	4,862,094
Total minimum lease payments	6,433,478	5,674,333	8,501,847	7,169,259
Less : Financial charges allocated to future periods	759,145	-	1,332,588	-
Present value of minimum lease payments	5,674,333	5,674,333	7,169,259	7,169,259
Less: Current maturity shown under current liabilities	2,918,214	2,918,214	2,307,165	2,307,165
	2,756,119	2,756,119	4,862,094	4,862,094

This represents finance leases entered into with a modaraba and a banking company for vehicles and plant and machinery respectively. The balance of the liability is payable by September 2011 in monthly installments. The above lease contracts contain a bargain purchase option. Monthly lease payments include finance charges ranging from three months' KIBOR+1 percent to six months' KIBOR+3 percent per annum (2008: Three months' KIBOR+1 percent to six months' KIBOR+3 percent per annum), which is used as a discounting factor. The liability is partly secured by deposits of Rs.1.043 million (2008: Rs. 0.946 million). There are no financial restrictions in the lease agreements.

	Note	2009 Rupees	2008 Rupees
14. DEFERRED TAXATION			
Deferred taxation comprises temporary differences relating to:			
- Accelerated tax depreciation		14,835,773	16,981,262
- Liabilities against assets subject to finance lease		586,664	269,918
- Provisions		(14,000,000)	(13,893,428)
		1,422,437	3,357,752
15. TRADE AND OTHER PAYABLES			
Trade creditors		4,219,994	4,733,959
Bills payable		1,874,500	57,401,324
Accrued liabilities	15.1	45,604,897	43,602,545
Infrastructure cess payable	17.2	20,324,133	16,620,035
Workers' Welfare Fund		1,620,922	1,577,191
Workers' Profit Participation Fund	15.2	4,148,244	3,497,616
Tax deducted at source		1,027,019	6,727
Unclaimed and unpaid dividend		728,074	752,524
Vend / permit fee	15.3	4,552,438	4,552,438
		84,100,221	132,744,359
15.1 This includes due to the following related parties:			
Habib Insurance Company Limited		688,276	-
Shabbir Tiles & Ceramics Limited		103,460	120,000
Thal Limited		-	4,819
		791,736	124,819
15.2 WORKERS' PROFIT PARTICIPATION FUND			
Balance at the beginning of the year		3,497,616	1,490,910
Interest on funds utilized in the Company's business		103,998	41,240
		3,601,614	1,532,150
Allocation for the year		4,148,244	3,497,616
		7,749,858	5,029,766
Less: Payments during the year		3,601,614	1,532,150
Balance at the end of the year		4,148,244	3,497,616

15.3 This represents amount charged to certain customers in respect of vend and permit fee. Depending on the outcome of the law suit mentioned in note 17.3, the amount would either be paid to the Excise and Taxation Department, Government of Sindh or refunded to the customers. The Company has discontinued this practice of charging the fee from July 2002 in accordance with the industrial norms.

	Note	2009 Rupees	2008 Rupees
16. SHORT-TERM BORROWINGS – secured			
From banking companies			
Running finance under mark-up arrangements	16.1	11,144,291	145,155,180
Trust receipts (TR)	16.2	-	15,024,795
		<u>11,144,291</u>	<u>160,179,975</u>

16.1 Running finance under mark-up arrangements

These facilities have been obtained from various banks and are secured by hypothecation of stores and spares, stock-in-trade and trade receivables and are payable quarterly. The facilities available under mark-up arrangements amount to Rs. 320 million (2008: Rs. 320 million) of which the amount unavailed at the year end was Rs.309 million (2008: Rs. 174.845 million). The rate of mark-up on running finances ranges from 12.87 percent to 16.87 percent (2008: 10.30 percent to 13.66 percent) per annum.

16.2 Trust Receipt

This facility has been obtained from a bank and is secured by hypothecation of stores and spares, stock-in-trade and trade receivables and is payable quarterly. The facility available under mark-up arrangement amounts to Rs. 65 million (2008: 65 million) of which the amount unavailed at the year end was Rs.65 million (2008: Rs. 49.975 million). The rate of mark-up on this facility is three months KIBOR+1.095% (2008: three months KIBOR+1%) per annum.

17. CONTINGENCIES AND COMMITMENTS

Contingencies

17.1 Bank guarantees amounting to Rs. 3.314 million (2008: Rs. 3.447 million) have been issued to the Collector of Customs against import of raw material, Excise & Taxation Department against liability on account of vend and permit fee and Sui Southern Gas Company Limited against gas connection at Hub Plant.

- 17.2** The Divisional 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 Honourable Supreme Court of Pakistan against the above order of the Honourable High Court of Sindh where by the Honourable High Court of Sindh had declared infrastructure cess/fee subsequent to December 27, 2006 as valid and constitutional. The Honourable 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 periods prior to December 27, 2006 as the Excise Department, Government of Sindh and also filed an appeal before the Honourable Supreme Court of Pakistan against the above order of the Honourable High Court of Sindh. Therefore, the Company continues to provide for infrastructure cess/fee liability in the financial statements until the matter is finally decided by the Honourable Supreme Court of Pakistan.

An amount of Rs. 1.426 million (2008: Rs. 2.130 million) is an un-utilized portion of a bank guarantee issued in favour of Excise and Taxation Department, Government of Sindh against the levy of infrastructure cess on the imported goods. The utilized portion of bank guarantee amounting to Rs. 20.324 million (2008: Rs. 16.620 million) is shown under infrastructure cess payable in note 15 to the financial statements.

- 17.3** The Excise and Taxation Department, Government of Sindh imposed vend and permit fee on methanol, a major raw material used by the Company in the production of formaldehyde. The Company filed a petition against the imposition of these levies in the Honourable High Court of Sindh in August 1996. In June 2001, the Honourable High Court of Sindh decided the case in the favour of the Company. However, the Excise and Taxation department filed an appeal in the Honourable Supreme Court of Pakistan against the above judgement. The Honourable Supreme Court of Pakistan suspended the decision of the Honourable High Court of Sindh and reverted the case back to the Honourable High Court of Sindh for fresh hearing. After number of hearings, finally the Honourable Bench of High Court of Sindh, kept the judgment order reserved in November 2002. In March 2003, the division bench announced the judgment order and termed the impugned declaration and the notification to that effect as unlawful and set aside the impugned demands of the vend and permit fee on methanol.

The Company was served a notice from the Advocate on record, Honourable Supreme Court of Pakistan that the Advocate General High Court of Sindh has filed a petition for Leave to Appeal in the Honourable Supreme Court of Pakistan, that has been accepted and a stay has been granted to them with the remarks that the matter would be decided in near future and till then status quo would be maintained and the matter will be heard afresh.

Total liability against vend and permit fee, as on June 30, 2009 works out at Rs. 802.463 million (2008: Rs. 731.970 million). Since the Company is confident to get a favourable decision from the Honourable Supreme Court of Pakistan, no provision for any liability has been made in these financial statements. Furthermore, management is making necessary efforts to resolve this matter and is confident that the Company will be able to continue as a going concern.

- 17.4** The Company is in litigation with the Income Tax Department, Peshawar against levy of minimum tax under section 80D of the repealed Income Tax Ordinance, 1979 (the Ordinance) on its former subsidiary M/s. Visionite (Private) Limited (the subsidiary) which was set up in June 1993. Though the profits of the subsidiary were exempt from income tax under clause 122-C of the Second Schedule to the Ordinance, while finalizing assessments for the years 1994-95 to 2002-03, minimum tax was levied by the Income Tax Department (the department). The matter was appealed and all the cases except 2000-01 were decided in Company's favour by the Commissioner of Income Tax (Appeals) and subsequently by the Income Tax Appellate Tribunal Peshawar. Reference applications were also filed by the department with the High Court of Peshawar against the judgment of the Appellate Tribunal on eight appeals.

Cases pertaining to the years 1994-95 to 1999-2000 pending with the learned High Court have been remanded back to the department for deciding afresh in the light of the decision of the

learned Supreme Court of Pakistan with reference to the case of Commissioner of Income Tax, Peshawar v/s Zaman Cotton Mills Limited. The Income Tax Appellate Tribunal while deciding the Company's appeal for the Assessment Year 2000-01 directed the department not to charge minimum tax if the subsidiary was set up after November 07, 1990. There is no ambiguity of whatsoever nature in the referred decision of the Appellate Tribunal and it is mandatory on the department to follow directions of the Appellate Tribunal while deciding all set aside/remanded back cases.

Despite clear and unambiguous direction of the Income Tax Appellate Tribunal, the department has acted contrarily and levied minimum tax amounting to Rs. 5.4 million on the turnover of the Company for the years 1994-95 to 1999-2000. Appeals for the respective years have been filed with the Commissioner of Income Tax (Appeals). Since the Company is confident to win the cases in appellate forums, therefore, no provision against this liability has been made in these financial statements. Case for the year 2000-01 remanded back to the department is pending. Alleged liability on account of minimum tax amounting to Rs. 1.3 million paid earlier will be refunded in case it is decided favourably at higher appellate forums.

17.5 The Company during the year 2001 filed a writ petition in the High Court of Sindh against levy of Professional Tax by the Excise and Taxation Department. Since the Company is confident that the case would be decided in its favour, therefore professional tax amounting to Rs. 0.7 million (2008: Rs. 0.7 million) pertaining to the years 2001-07 has not been provided for in these financial statements.

17.6 In 2007, the Taxation Officer issued an order for the recovery of Income Tax Credit amounting to Rs. 3.1 million pertaining to the Assessment Year 2002-03, allowed earlier u/s. 107AA of the repealed Income Tax Ordinance, 1979 on the plea that such credit could not be allowed in such cases where minimum tax u/s. 80D of the repealed Income Tax Ordinance, 1979 is leviable. Since in the said year the Company was subjected to minimum tax, the Taxation Officer passed orders for the recovery of previously refunded amount.

An appeal was filed with the Commissioner of Income Tax (Appeals) against that order which has been vacated this year by the Commissioner of Income Tax (Appeals). The tax department has filed an appeal with the Income Tax Appellate Tribunal, Karachi against the said order.

As the Commissioner of Income Tax (Appeals) has already decided the case in favour of the Company, the management is confident that the ultimate decision would be in its favour and therefore no provision has been made for the above demand in these financial statements.

Commitments

17.7 Commitments under letters of credit as at the year end amounted to Rs. 75.468 million (2008: Rs. 119.447 million).

	2 0 0 9 Rupees	2 0 0 8 Rupees
17.8 Post dated cheques issued in favour of collector of customs against custom duties and other levies on methanol kept in bonded ware house	18,481,500	10,959,128

18. TURNOVER – net

Sales	1,548,355,004	1,507,129,478
Less: Sales tax	207,514,332	189,408,807
Excise duty	12,969,646	12,644,429
Sales return	21,890,719	8,022,387
Trade discount	9,006,237	35,080,475
	251,380,934	245,156,098
	1,296,974,070	1,261,973,380

Dynea Pakistan Limited

	2 0 0 9 Rupees	2 0 0 8 Rupees
19. COST OF SALES		
Opening stock – raw and packing materials	96,277,803	95,250,405
Purchases	858,041,809	856,361,522
Inter division transfers-in	167,190,424	170,546,352
	1,121,510,036	1,122,158,279
Closing stock – raw and packing materials	(108,049,907)	(96,277,803)
Inter division transfers-out	(24,595,671)	(23,213,455)
Raw and packing material consumed	988,864,458	1,002,667,021
Manufacturing expenses:		
Indirect material consumed	7,021,834	6,049,354
Stores and spares consumed	19,041,936	19,116,771
Fuel and power	68,066,132	53,601,928
Salaries, wages and other benefits	85,004,276	80,136,737
Rent, rates and taxes	480,531	483,602
Insurance	1,964,860	2,403,707
Repairs and maintenance	14,096,811	15,247,473
Vehicles running and maintenance	2,465,866	2,376,349
Vehicles lease rentals	-	74,190
Postage, telephone and telex	462,377	329,504
Storage and handling charges	7,241,500	4,732,500
Traveling and conveyance	945,675	1,587,061
Printing and stationery	562,810	450,505
Depreciation	22,313,335	24,357,710
Others	4,647,802	3,477,425
	234,315,745	214,424,816
	1,223,180,203	1,217,091,837
Inter division transfers of stock	(142,594,753)	(147,332,897)
Cost of goods manufactured	1,080,585,450	1,069,758,940
Cost of finished goods		
Opening stock	15,732,060	19,955,947
Closing stock	(12,450,214)	(15,732,060)
	3,281,846	4,223,887
	1,083,867,296	1,073,982,827

19.1 Inter-segment pricing

Transfers between business segments are recorded at cost which includes direct material, direct labour and applicable overheads.

Dynea Pakistan Limited

	Note	2 0 0 9 Rupees	2 0 0 8 Rupees
20. DISTRIBUTION COSTS			
Salaries and other benefits		7,451,347	7,924,729
Cartage and freight		62,487,506	52,676,194
Rent, rates and taxes		585,000	642,010
Insurance		156,192	140,666
Repairs and maintenance		288,771	317,094
Vehicles running and maintenance		1,026,030	739,890
Postage, telephone and telex		313,326	261,541
Traveling and conveyance		1,211,778	1,218,639
Printing and stationery		129,580	61,552
Electricity		25,068	15,534
Depreciation	3.3	291,697	293,282
Sales promotion		69,360	898,603
Subscription		-	1,282
Provision for impairment of trade debts		59,080	245,411
Others		130,350	85,575
		<u>74,225,085</u>	<u>65,522,002</u>

21. ADMINISTRATIVE EXPENSES

Salaries and other benefits		20,758,026	17,882,197
Rent, rates and taxes		918,275	1,292,133
Insurance		703,601	361,836
Repairs and maintenance		2,114,566	4,537,942
Vehicles running and maintenance		1,487,884	696,166
Postage, telephone and telex		782,083	705,942
Traveling and conveyance		1,478,143	1,591,900
Printing and stationery		544,422	494,211
Utilities		540,964	590,472
Depreciation	3.3	951,553	1,024,137
Legal and professional charges		4,083,935	3,937,431
Advertisement and publicity		66,596	211,195
Charity and donations	21.1	60,000	80,000
Annual listing fee		76,250	88,750
Computer service charges		690,498	829,786
Auditors' remuneration	21.2	570,837	422,328
Subscription		65,408	86,460
ISO certification fees		73,000	172,360
Others		726,524	207,489
		<u>36,692,565</u>	<u>35,212,735</u>

21.1 Charity and donations

Donations do not include any donee in whom any director of the Company or his / her spouse has any interest except an amount of Rs. 0.06 million (2008: Rs. 0.06 million) paid to Muhammad Ali Habib Welfare Trust, Karachi, of which Mr. Rafiq M. Habib, Director of the Company is a trustee.

	2 0 0 9 Rupees	2 0 0 8 Rupees
21.2 Auditors' remuneration		
Statutory audit fee	375,000	250,000
Fee for review of half yearly financial statements	80,000	80,000
Other certifications	45,000	45,000
Out of pocket expenses	70,837	47,328
	<u>570,837</u>	<u>422,328</u>

Dynea Pakistan Limited

	2009	2008
Note	Rupees	Rupees

22. OTHER OPERATING INCOME

Income from financial assets

Profit on bank deposits	13,218	131,656
Mark-up on loans to employees	-	3,175
	13,218	134,831

Income from non-financial assets

Scrap sales	294,507	88,650
Profit on disposal of property, plant and equipment	1,136,170	-
Others	48,241	3,588
	1,478,918	92,238
	1,492,136	227,069

23. FINANCE COSTS

Mark-up on:

- Short term borrowings	17,671,135	9,660,523
- Finance lease	924,049	281,195
Interest on workers' profit participation fund	103,998	41,240
Bank guarantees commission	223,766	131,181
Bank charges	1,405,740	960,895
	20,328,688	11,075,034

24. OTHER CHARGES

Workers' profit participation fund	4,148,244	3,497,616
Property, plant and equipment written off	3.1 387,696	975,855
Net exchange loss	-	5,725,093
Workers' welfare fund	1,620,922	1,577,191
	6,156,862	11,775,755

25. TAXATION

Current	27,798,818	27,048,822
Prior	(4,941,999)	139,095
Deferred	(1,935,315)	(2,400,632)
	20,921,504	24,787,285

25.1 Relationship between accounting profit and tax expense

Profit before taxation	77,195,710	64,632,096
Tax @ 35%	27,018,499	22,621,234
Tax effects of the expenses that are inadmissible	9,438,957	9,239,527
Tax effects of the expenses that are admissible	(8,658,638)	(4,811,939)
Tax effect of temporary differences	(1,935,315)	(2,400,632)
Tax effects of prior years	(4,941,999)	139,095
Tax expense	20,921,504	24,787,285

Dynea Pakistan Limited

	2 0 0 9	2 0 0 8
	Rupees	Rupees
26. BASIC AND DILUTED EARNINGS PER SHARE		
There is no dilutive effect on the basic earnings per share which is based on :		
Profit after taxation	<u>56,274,206</u>	<u>39,844,811</u>
	Number of shares	
Weighted average number of ordinary shares	<u>18,872,413</u>	<u>18,872,413</u>
	Rupees	
Earnings per share	<u>2.98</u>	<u>2.11</u>

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	<u>June 2009</u>			<u>June 2008</u>		
	<u>Chief executive</u>	<u>Directors</u>	<u>Executives</u>	<u>Chief executive</u>	<u>Directors</u>	<u>Executives</u>
	-----Rupees-----					
Managerial remuneration	1,018,542	1,674,520	5,161,149	865,209	371,930	4,519,989
Retirement and other benefits	610,389	437,322	2,371,261	352,197	75,286	2,079,251
House rent	347,340	753,541	1,914,358	347,340	167,370	1,840,310
	<u>1,976,271</u>	<u>2,865,383</u>	<u>9,446,768</u>	<u>1,564,746</u>	<u>614,586</u>	<u>8,439,550</u>
Number of persons	<u>1</u>	<u>1</u>	<u>6</u>	<u>1</u>	<u>1</u>	<u>5</u>

27.1 In addition, the chief executive, director and certain executives are provided with free use of company maintained cars.

27.2 Fee paid to non-executive directors for attending the Board meetings amounts to Rs. 4,000 (2008: Rs. 8,000).

28. SEGMENT INFORMATION

	<u>Resin Division</u>	<u>Aminoplast Division</u>	<u>Total</u>	<u>Resin division</u>	<u>Aminoplast division</u>	<u>Total</u>
	<u>2 0 0 9</u>			<u>2 0 0 8</u>		
	-----Rupees-----					
Sales	<u>733,199,331</u>	<u>563,774,739</u>	<u>1,296,974,070</u>	<u>688,218,735</u>	<u>573,754,645</u>	<u>1,261,973,380</u>
Segment results	134,062,999	16,562,670	150,625,669	102,589,502	32,724,855	135,314,357
Unallocated corporate expenses:						
Administrative and distribution costs			(48,436,545)			(48,058,541)
Other operating income			1,492,136			227,069
Operating profit			<u>103,681,260</u>			<u>87,482,885</u>
Finance costs			(20,328,688)			(11,075,034)
Other charges			(6,156,862)			(11,775,755)
Taxation			(20,921,504)			(24,787,285)
Net profit after taxation			<u>56,274,206</u>			<u>39,844,811</u>
Segment assets	270,852,045	170,179,365	441,031,410	364,203,693	246,023,160	610,226,853
Unallocated assets			58,251,561			42,064,151
Total assets			<u>499,282,971</u>			<u>652,291,004</u>
Segment liabilities	37,346,959	7,738,456	45,085,415	30,746,612	53,121,696	83,868,308
Unallocated liabilities			61,575,463			232,055,085
Total liabilities			<u>106,660,878</u>			<u>315,923,393</u>
Capital expenditure	14,673,850	35,150	14,709,000	11,021,913	527,050	11,548,963
Unallocated capital expenditure			1,645,825			2,648,501
Total capital expenditure			<u>16,354,825</u>			<u>14,197,464</u>
Depreciation	14,470,906	7,842,429	22,313,335	14,877,186	9,480,524	24,357,710
Unallocated depreciation			1,243,250			1,317,419
Total depreciation			<u>23,556,585</u>			<u>25,675,129</u>
Non-cash expenses other than depreciation	59,080		59,080	245,411	-	245,411

29. 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 year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2 0 0 9	2 0 0 8
	Rupees	Rupees
Sales	88,072,626	88,084,363
Purchases	189,946	1,275,626
Insurance premium paid	5,206,024	4,844,170
Insurance claim received	48,240	63,000
Provident fund contributions	3,768,950	3,423,087

There are no transactions with key management personnel other than under terms of employment as disclosed in note 27.

The related party status of outstanding receivable/payable as at June 30, 2009 is included in the respective notes to the financial statements.

30. UNAVAILED CREDIT FACILITIES

The unavailed amount of facilities for opening letters of credit and guarantees as at June 30, 2009 amounted to Rs. 339.53 million (2008: Rs. 295.55 million) and Rs. 0.676 million (2008: Rs. 1.678 million) respectively.

The facilities for foreign currency import financing obtained from banks as at June 30, 2009 amounted to Rs. 80 million (2008: Rs. 80 million) which is unutilized at the balance sheet date. Under the financing arrangements with the banks (except with Habib Metropolitan Bank Limited), FCIF facilities are combined with the facilities available under running finance arrangements. The rate of mark-up on FCIF ranges from LIBOR+1 percent to LIBOR+1 percent (2008: 3.37 percent to 6.44 percent) per annum.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

31.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is mainly exposed to credit risk on trade debts, advances to suppliers and bank balances. The Company seeks to minimise the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable.

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by the reference to external credit ratings or the historical information about counter party default rates.

	Carrying Values	
	2009 Rupees	2008 Rupees
31.1.1 Trade debts		
Customers with no defaults in the past one year	153,236,377	179,014,913
Customers with some defaults in past one year which have been fully recovered	49,310,284	68,147,333
	<u>202,546,661</u>	<u>247,162,246</u>

31.1.2 Bank balances

Out of the total bank balance of Rs.24.716 million (2008: Rs.17.047 million) amounts aggregating Rs.24.715 million (2008:Rs.17.046 million) have been placed with banks having short term credit rating of A1+.

31.2. Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind. The maturity profile is monitored to ensure that adequate liquidity is maintained.

Year ended 30 June 2009

	On demand	Less than 3 months	3 to 12 Months (Rupees)	1 to 5 years	Total
Trade and other payables	52,427,465	-	-	-	52,427,465
Short term borrowings	-	-	11,144,291	-	11,144,291
Accrued markup	-	361,691	-	-	361,691
Liabilities against assets subject to finance lease	-	693,838	2,224,376	2,756,119	5,674,333
Total	<u>52,427,465</u>	<u>1,055,529</u>	<u>13,368,667</u>	<u>2,756,119</u>	<u>69,607,780</u>

Year ended 30 June 2008

	On demand	Less than 3 months	3 to 12 Months (Rupees)	1 to 5 Years	Total
Trade and other payables	106,490,352	-	-	-	106,490,352
Short term borrowings	-	-	160,179,975	-	160,179,975
Accrued markup	-	1,508,447	-	-	1,508,447
Liabilities against assets subject to finance lease	-	550,938	1,756,227	4,862,094	7,169,259
Total	<u>106,490,352</u>	<u>2,059,385</u>	<u>161,936,202</u>	<u>4,862,094</u>	<u>275,348,033</u>

31. Currency risk

Foreign currency risk is the risk that the value of a financial asset or a liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

	2009 (USD)	2008 (USD)
Bills payable	<u>23,000</u>	<u>837,713</u>
Total (US Dollars)	<u><u>23,000</u></u>	<u><u>837,713</u></u>

The following significant exchange rates have been applied at the reporting dates:

Exchange Rates	<u><u>81.3</u></u>	<u><u>68.5</u></u>
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Sensitivity analysis:

A reasonable change of 10 percent depreciation of the rupee against the US dollar at 30 June would have decreased the equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant.

	Equity (Rupees)	Effect on profit before tax (Rupees)
30 June 2009	<u><u>(113,157)</u></u>	<u><u>(186,990)</u></u>
30 June 2008	<u><u>(3,473,567)</u></u>	<u><u>(5,740,011)</u></u>

A 10 percent strengthening of the rupee against the US dollar at 30 June would have had the equal but opposite effect on the above currency to the amounts shown above on the basis that all other variables remain constant.

31.4 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short term borrowings and liabilities against assets subject to finance lease with floating interest rate.

Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

	Increase / decrease in basis points	Effect on profit before tax (Rupees)
2009		
KIBOR	+100	<u><u>(156,581)</u></u>
KIBOR	-100	<u><u>156,581</u></u>
2008		
KIBOR	+100	<u><u>(1,558,021)</u></u>
KIBOR	-100	<u><u>1,558,021</u></u>

31.5 Capital risk management

The Company's objectives when managing capital is to safeguard the Company's ability to remain as a going concern and continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financing majority of its operations through equity and working capital. The capital structure of the Company is equity based with no financing through long term borrowings.

31.6 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

32. CAPACITY AND PRODUCTION

		Rated Capacity 2009	Actual Production 2009	Rated Capacity 2008	Actual Production 2008
	Note	-----M. Tons-----			
RESIN DIVISION					
Urea/Melamine formaldehyde		34,000	31,762	34,000	35,017
Formaldehyde		39,000	31,262	39,000	31,034
	32.1	73,000	63,024	73,000	66,051
AMINOPLAST DIVISION					
Aminoplast compound	32.1	10,000	8,294	10,000	9,498

32.1 The reason for shortfall in actual production is due to low demand.

33. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 08, 2009 by the Board of Directors of the Company.

34. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 08, 2009 proposed cash dividend of Rupee 0.75 per share for the year ended June 30, 2009 amounting to Rs.14.154 million for approval of the members at the Annual General Meeting to be held on October 26, 2009.

35. GENERAL

Figures have been rounded off to the nearest rupee.

Shabbir Abbas
Chief Executive

Alirez M. Alladin
Director