DYNEA PAKISTAN LIMITED

Condensed Interim Financial Statements
FOR THE HALF YEAR ENDED DECEMBER 31, 2019.
(UN-AUDITED)

DYNEA PAKISTAN LIMITED

CONTENTS

DYNEA PAKISTAN LIMITED
COMPANY INFORMATION

Board of Directors :

Dr. Donald Jenkin	*Chairman*
Mr. Shabbir Abbas	*Chief Executive Officer*
Mr. Ameen Mohammad Bandukda	
Ms. Anam Fatima Khan	
Mr. Adnan Afridi	
Mr. Andalib Alavi	

Audit Committee :

Mr. Adnan Afridi	*Chairman*
Dr. Donald Jenkin	*Member*
Mr. Andalib Alavi	*Member*

Human Resource and Remuneration Committee:

Ms. Anam Fatima Khan	*Chairperson*
Dr. Donald Jenkin	*Member*
Mr.Ameen Mohammad Bandukda	*Member*
Mr. Andalib Alavi	*Member*

Chief Financial Officer :
Mr. Muhammad Shakeel Uddin

Company Secretary :
Mr. Saqib Naim

Head of Internal Audit:
Mr. Mujtaba Hassan Ghanchi

Bankers :

M/s. Habib Bank Limited
M/s. Habib Metropolitan Bank Limited
M/s. MCB Bank Limited
M/s. Standard Chartered Bank (Pakistan) Limited
M/s. United Bank Limited
M/s. Dubai Islamic Bank Pakistan Limited

Auditors :

M/s. EY Ford Rhodes
Chartered Accountants

Legal Advisors :

M/s. Zahid & Tariq Advocates

Share Registrar :

FAMCO Associates (Pvt) Ltd
Management Consultants & Share Registrars
8-F, Next to Hotel Faran Nursery, Block - 6, P.E.C.H.S
Shahra-e-Faisal, Karachi.
Ph: (92-21) 34380101-5, 34384621-3 (Ext. 103) Fax: (92-21) 34380106

Registered Office :

Office No.406, Parsa Tower, Plot No.31/1/A,
Block-6. P.E.C.H.S., Shahrah-e-Faisal,
Karachi.75400
Ph: (92-21) 34520132 – 35 Fax: (92-21) 34392182

Factories :

1) **Hub Unit**
A101 - A105, A132 - A136,
Hub Industrial Trading Estate,
Hub Chowki, Distt. Lasbella, Baluchistan.
Ph: (92-853) 363706 - 09 Fax: (92-853) 363907

2) **Gadoon Unit**
34-A, 34-B, 35 & 38-A Road-3, Industrial Estate,
Gadoon Amazai, District Swabi, Khyber Pakhtunkhwa.
Ph: (92-938) 270150 - 52 Fax: (92-938) 270246

DYNEA PAKISTAN LIMITED

DIRECTORS' REVIEW REPORT TO THE SHAREHOLDERS FOR THE HALF YEAR ENDED DECEMBER 31, 2019.

The Directors of your Company are pleased to present this report along with the unaudited financial results for the second quarter and half year ended December 31, 2019.

During the half year ended December 31, 2019, the Company earned a profit before tax of Rs.172.67 million and an after tax profit of Rs.122.27 million compared to the profit before tax of Rs.192.35 million and the after tax profit of Rs.136.73 million during the corresponding period last year. The basic and diluted earnings per share decreased from Rs. 7.24 to Rs. 6.48.

Resin Division

The Resin Division generated sales revenue of Rs.1,039.24 million compared to Rs.1,287.66 million achieved during the same period last year, showing a decline of 19.29%. The Resin Division result was Rs.88.59 million compared to Rs.130.55 million for the corresponding period of the previous financial year.

Moulding Compound Division

The Moulding Compound Division generated sales revenue of Rs.1,385.11 million compared to Rs.1,262.30 million achieved during the same period last year, showing an increase of 9.73%. The Moulding Compound Division result was Rs.195.80 million compared to Rs.169.10 million for the corresponding period of the previous financial year.

Future Outlook

Dynea Pakistan Limited expects the remaining half year to be challenging on the back of a further slowdown in the economy. The company anticipates pressure on resin sales volume due to excess capacity, ongoing competition and slowdown in the construction sector. In addition, there has been a trend in recent years of resin users going captive and making their own resins. Management is committed to taking all possible measures to alleviate these factors.

Vend Fee and Permit Fee Case

As per the order of the Honorable Supreme Court of Pakistan dated December 10, 2019, the Provincial Government of Sindh shall not press the instant and connected appeals. It was also stated that the Provincial Government shall surrender the Indemnity Bonds from 1990 to October 30, 2002 Subsequent to this date, a fresh demand shall be raised for the amount payable following the notification dated February 14, 2002 and Sindh (Amendment) Abkari Ordinance 2002 notified on October 30, 2002. It is therefore expected that the Company will receive notice of demand for vend and permit fee on methanol consumed since November 2002 to date, whereafter necessary legal action will be taken to defend the Company's interest. Based on the previous favourable decisions of High Courts the management has made no provision for any liability. 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.

Acknowledgment

In conclusion, as Directors of the Company, we would like to thank the Almighty Allah for all his blessings in these challenging times we wish to convey our appreciation to our shareholders, customers, financial institutions and other stakeholders for their continued support and the confidence that they have shown in the Company.

On behalf of the Board

Shabbir Abbas
Chief Executive Officer

Dr. Donald Jenkin
Chairman

Karachi: February 21, 2020

ڈائنیا پاکستان

ڈائریکٹرز کی جائزہ رپوٹ برائے شئیر ہولڈر

31دسمبر2019 کو ختم ہونے والی ششماہی کے لئے

آپ کی کمپنی کے ڈائریکٹرز بمسرت یہ رپورٹ مع غیر آڈٹ شدہ مالی نتائج بابت جاری مالی سال کی دوسری سہ ماہی و ششماہی 31 دسمبر2019پیش کرتے ہیں۔
اس ششماہی میں قبل از ٹیکس منافع 172.67ملین روپے اور بعداز ٹیکس منافع122.27ملین روپے رہا۔ جبکہ گذشتہ سال اسی مدت میں قبل از ٹیکس منافع 192.35ملین روپے اور بعداز ٹیکس منافع 136.73 ملین روپے بالترتیب رہا تھا۔فی حصہ (شیئر) آمدن معمولی کمی کے بعد7.24 روپے سے گھٹ کر6.48 روپے ہو گئی۔

ریژن قسمت

ریژن قسمت کی کل بِکری (ٹرن اوور)1,039.24 ملین روپے رہی جب کہ گذشتہ سال اِسی عرصہ میں اس کی مقدار 1,287.66 ملین روپے رہی تھی جو کہ پچھلے سال کے مقابلے میں %19.29 کم ہے ۔ ریژن قسمت کا شعبہ جاتی نتیجہ 88.59ملین روپے رہاجبکہ گزشتہ مالی سال کے دوران یہ 130.55 ملین روپے تھا۔

مولڈ نگ کمپاؤنڈ قسمت

مولڈ نگ کمپاؤنڈ قسمت کی کل بِکری (ٹرن اوور) 1,385.11 ملین روپے رہی جب کہ گذشتہ سال اِسی عرصہ میں اِس کی مقدار 1,262.30 ملین روپے رہی تھی جو کہ پچھلے سال کے مقابلےمیں %9.73 زیادہ ہے۔ مولڈ نگ کمپاؤنڈ قسمت کا شعبہ جاتی نتیجہ 195.80 ملین روپے رہا جبکہ گذشتہ مالی سال کےدوران یہ 169.10 ملین روپے تھا۔

مستقبل پر ایک نظر

ڈائنیا پاکستان لمیٹڈ کو توقع ہے کہ بقیہ نصف سال معیشت میں مزید سست روی کے باعث چیلینجنگ ہو گا۔ کمپنی اضافی صلاحیت، مسلسل مسابقت اور تعمیراتی شعبے میں کمزوری کی وجہ سے ریژن کی فروخت کے حجم پر دباؤ کی توقع رکھتی ہے مزید یہ کہ حالیہ برسوں میں ریژن استعمال کرنے والوں کا خود سے ریژن کی پیداوار کا رحجان ہے۔ انتظامیہ ان عوامل کو کم کرنے کے کیلئے ہر ممکنہ اقدامات کرنے کیلئے پر عزم ہے۔

ویٹڈ فی اور پرمٹ فی کیس

معزز سپریم کورٹ آف پاکستان کے10دسمبر 2019 کے حکم کے مطابق ،صوبائی حکومت سندھ فوری اورمنسلک اپیلوں پر دباؤ نہیں ڈالے گی۔ یہ بھی کہا گیا ہے کہ صوبائی حکومت 1990سے لے کر 30 اکتوبر 2002 کے انڈیمنیٹی بانڈ حوالے کردے گی اور اس تاریخ کے بعد قابل ادائیگی رقم کا تازہ مطالبہ کرے گی جو نوٹیفیکشن بتاریخ 14 فروری 2002 اور سندھ آبکاری آرڈیننس(ترمیم شدہ) بتاریخ 30 اکتوبر 2002 کے مطابق ہو گا۔ لہذا توقع کی جاتی ہے کہ کمپنی کو نومبر 2002سے اب تک استعمال ہونے والے میتھانول پر ویٹڈ اور پرمٹ فی کی ادائیگی کانوٹس ملے گا ،اس کے بعد کمپنی کے مفادکے دفاع کیلئے ضروری کاروائی کی جائے گی۔ سندھ ہائی کورٹ کےپہلے دو موافق فیصلوں کی بنیاد پر کسی لائیبلیٹی کی کوئی فراہمی نہیں کی گئی ۔مزیدبراں انتظامیہ اس معاملہ کو حل کرنے کیلئے ضروری کوششیں کررہی ہےاور کمپنی کے کاروبار کو جاری رہنے کی صلاحیت کے بارے میں پر اعتماد ہے۔

اعتراف

آخر میں ہم ڈائریکٹرز اللہ تعالیٰ کی اس مشکل وقت میں اسکی تمام مہربانیوں پر متشکر ہیں اور اپنے حصص یافتگان، گاہکوں، مالیاتی اداروں اور دیگر اسٹیک ہولڈرز کی مسلسل معاونت اور کمپنی پر ان کے اعتماد کے لئے ہدیہ تحسین پیش کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

شبیرعباس
چیف ایگزیکٹو

ڈاکٹر ڈونلڈ جینکن
چیئرمین

کراچی، 21 فروری 2020

EY
Building a better working world

EY Ford Rhodes
Chartered Accountants
Progressive Plazza, Beaumont Road
P.O. Box 15541, Karachi-75530
Pakistan.

UAN: 9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Dynea Pakistan Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Dynea Pakistan Limited** (the Company) as at **31 December 2019** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity and notes to the financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months period ended 31 December 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 31 December 2019.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditors' report is Tariq Feroz Khan.

Emphasis of Matter

We draw attention to note 11.1.1 to the interim financial statements which describes the significant uncertainty related to the outcome of a contingency for which no provision is considered necessary in the interim financial statements for the reasons disclosed in the said note. Our conclusion is not modified in respect of this matter.

EY Ford Rhodes

Chartered Accountants
Place: Karachi
Date: 26 February 2020

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	31 December 2019 (Un-audited)	30 June 2019 (Audited)
		----------- (Rupees in '000)	------------
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**443,734**	490,399
Intangible assets		**558**	559
Long-term loans		**233**	145
Long-term deposits		**6,674**	6,674
Deferred taxation - net		**34,913**	12,146
		486,112	509,923
CURRENT ASSETS			
Stores and spares		**19,251**	23,790
Stock-in-trade	7	**613,555**	683,110
Trade debts	8	**891,688**	929,059
Loans and advances		**29,463**	29,998
Deposits and prepayments		**15,241**	6,773
Other receivables		**-**	257
Taxation - net		**65,603**	75,990
Cash and bank balances		**141,443**	101,772
		1,776,244	1,850,749
TOTAL ASSETS		**2,262,356**	2,360,672
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
40,000,000 (June 30, 2019: 40,000,000) ordinary shares of Rs.5/- each		**200,000**	200,000
Issued, subscribed and paid-up capital		**94,362**	94,362
Revenue reserves		**1,359,458**	1,284,366
		1,453,820	1,378,728
NON-CURRENT LIABILITIES			
Long-term financing	9	**196,875**	253,125
Lease liabilities against assets subject to finance lease		**10,820**	5,844
		207,695	258,969
CURRENT LIABILITIES			
Trade and other payables		**447,441**	316,940
Current portion of lease liabilities against assets subject to finance lease		**5,083**	3,070
Unclaimed dividend		**5,017**	5,260
Accrued mark-up		**7,276**	10,421
Short-term running finance	10	**23,524**	274,784
Current portion of long term financing	9	**112,500**	112,500
		600,841	722,975
CONTINGENCIES AND COMMITMENTS	11		
TOTAL EQUITY AND LIABILITIES		**2,262,356**	2,360,672

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

SHABBIR ABBAS	DR. DONALD JENKIN	SHAKEEL UDDIN
Chief Executive Officer	Chairman	Chief Financial Officer

Karachi: February 21, 2020

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019
(UN-AUDITED)

	Half year ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	----------- (Rupees in '000)	------------	----------- (Rupees in '000)	------------
Turnover - net	**2,424,354**	2,549,962	**1,351,022**	1,487,030
Cost of sales	**(2,035,936)**	(2,211,842)	**(1,113,533)**	(1,270,907)
Gross profit	**388,418**	338,120	**237,489**	216,123
Distribution costs	**(120,034)**	(53,482)	**(53,300)**	(7,155)
Administrative expenses	**(52,809)**	(45,245)	**(26,551)**	(23,243)
	(172,843)	(98,727)	**(79,851)**	(30,398)
Other income	**5,707**	3,400	**2,594**	396
Operating profit	**221,282**	242,793	**160,232**	186,121
Finance costs	**(34,053)**	(33,009)	**(16,300)**	(19,560)
Other charges	**(14,560)**	(17,438)	**(10,568)**	(13,913)
	(48,613)	(50,447)	**(26,868)**	(33,473)
Profit before taxation	**172,669**	192,346	**133,364**	152,648
Taxation				
- current	**(73,246)**	(56,096)	**(47,389)**	(36,673)
- prior	**84**	-	**84**	-
- deferred	**22,766**	479	**8,448**	(7,218)
	(50,396)	(55,617)	**(38,857)**	(43,891)
Net profit for the period	**122,273**	136,729	**94,507**	108,757
Basic and diluted earnings per share	**6.48**	7.24	**5.01**	5.76

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

SHABBIR ABBAS
Chief Executive Officer

DR. DONALD JENKIN
Chairman

SHAKEEL UDDIN
Chief Financial Officer

Karachi: February 21, 2020

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2019 (UN-AUDITED)

	Half year ended		Quarter ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	--------- (Rupees in '000) ---------		--------- (Rupees in '000) ---------	
Net profit for the period	**122,273**	136,729	**94,507**	108,757
Other comprehensive income	**-**	-	**-**	-
Total comprehensive income for the period	**122,273**	136,729	**94,507**	108,757

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

SHABBIR ABBAS
Chief Executive Officer

DR. DONALD JENKIN
Chairman

SHAKEEL UDDIN
Chief Financial Officer

Karachi: February 21, 2020

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2019
(UN-AUDITED)

	Note	31 December 2019	31 December 2018
		------------ (Rupees in '000) ------------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**172,669**	192,346
Adjustments for non-cash and other items			
Depreciation and amortisation		**64,526**	58,991
Provision for expected credit loss	8.1	**46,341**	(23,581)
Finance costs		**34,053**	33,009
Gain on disposal of operating fixed assets		**(1,520)**	-
		143,400	68,419
		316,069	260,765
Decrease / (Increase) in current assets			
Stores and spares		**4,539**	(4,740)
Stock-in-trade		**69,555**	(229,552)
Trade debts		**(8,970)**	(137,608)
Loans and advances		**535**	(45,514)
Deposits and prepayments		**(8,468)**	(1,972)
Other receivables		**257**	3,058
		57,448	(416,328)
Increase in current liabilities			
Trade and other payables		**130,257**	230,329
		503,774	74,766
Finance cost paid		**(37,198)**	(27,287)
Income tax paid		**(62,775)**	(61,500)
Long-term loans and deposits - net		**(88)**	(123)
Net cash generated from / (used in) operating activities		**403,713**	(14,144)
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure	6	**(8,043)**	(40,420)
Proceeds from disposal of operating fixed assets		**1,567**	846
Net cash used in investing activities		**(6,476)**	(39,574)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term financing		**(56,250)**	(28,125)
Lease rental paid		**(2,875)**	(290)
Dividends paid		**(47,181)**	(119,699)
Net cash used in financing activities		**(106,306)**	(148,114)
Net increase / (decrease) in cash and cash equivalents		**290,931**	(201,832)
Cash and cash equivalent at the beginning of period		**(173,012)**	(138,256)
Cash and cash equivalents at the end of period		**117,919**	(340,088)
CASH AND CASH EQUIVALENT			
Cash and bank balances		**141,443**	131,002
Short-term running finance		**(23,524)**	(471,090)
		117,919	(340,088)

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

SHABBIR ABBAS Chief Executive Officer	DR. DONALD JENKIN Chairman	SHAKEEL UDDIN Chief Financial Officer

Karachi: February 21, 2020

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Unappropriated profit	Total	
	--	(Rupees in '000)		--	
Balance as at 30 June 2018	94,362	691,000	489,135	1,180,135	1,274,497
Final dividend for the year ended 30 June 2018 @ Rs. 6.50 per share	-	-	(122,671)	(122,671)	(122,671)
Transferred to general reserve	-	300,000	(300,000)	-	-
Net profit for the period	-	-	136,729	136,729	136,729
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	136,729	136,729	136,729
Balance as at 31 December 2018 (un-audited)	**94,362**	**991,000**	**203,193**	**1,194,193**	**1,288,555**
Balance as at 30 June 2019	94,362	991,000	293,366	1,284,366	1,378,728
Final dividend for the year ended 30 June 2019 @ Rs. 2.5 per share	-	-	(47,181)	(47,181)	(47,181)
Transferred to general reserve	-	150,000	(150,000)	-	-
Net profit for the period	-	-	122,273	122,273	122,273
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	122,273	122,273	122,273
Balance as at 31 December 2019 (un-audited)	**94,362**	**1,141,000**	**218,458**	**1,359,458**	**1,453,820**

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

SHABBIR ABBAS
Chief Executive Officer

DR. DONALD JENKIN
Chairman

SHAKEEL UDDIN
Chief Financial Officer

Karachi: February 21, 2020

DYNEA PAKISTAN LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2019

1. THE COMPANY AND ITS OPERATIONS

Dynea Pakistan Limited (the Company) was incorporated on June 20, 1982, in Pakistan as a public limited company and is listed on Pakistan Stock Exchange Limited. It is engaged in the manufacture and sale of formaldehyde, urea / melamine formaldehyde and moulding compounds. The registered office of the Company is situated at Office No. 406, Parsa Tower, Plot No. 31/1/A, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi, Pakistan.

2. BASIS OF PREPARATION

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the quarters ended 31 December 2019 and 31 December 2018 and notes forming part thereof have not been reviewed by the statutory auditors of the Company, as they have reviewed the cumulative figures for the half years ended 31 December 2019 and 31 December 2018.

2.3 These condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended 30 June 2019. These condensed interim financial statements are unaudited, however, have been subject to limited scope review by the statutory auditors and are being submitted to the shareholders as required by the listing regulation of Pakistan Stock Exchange Limited and Section 237 of the Companies Act, 2017.

2.4 These condensed interim financial statements is presented in Pakistan Rupees which is the Company's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation 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 30 June 2019 except for the adoption of new standards, amendments and interpretation of International Financial Reporting Standards (IFRSs) as disclosed in note 4.

4. NEW STANDARDS, AMMENDMENTS AND IMPROVEMENTS OF IFRSs

The Company has adopted the following accounting standards and amendments of IFRSs and the improvements to accounting standards which became effective during the current period:

Standard or amendment:

IFRS 16 – Leases

IFRS 9 – Prepayment features with negative compensation (Amendments)

IAS 19 – Plan amendment, curtailment or settlement (Amendments)

IAS 28 – Long term interests in associates and joint ventures (Amendments)

IFRIC 23 – Uncertainty over income tax treatments

Improvements to accounting standards issued by the IASB in December 2017

IFRS 3 Business combinations – Previously held interests in a joint operation

IFRS 11 Joint arrangements – Previously held interests in a joint operation

IAS 12 Income taxes – Income tax consequences of payments on financial instruments

IAS 23 Borrowing costs – Borrowing costs eligible for capitalization

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on the Company's condensed interim financial statements except for IFRS 16. The impact of adoption of IFRS 16 are described below:

IFRS 16 - Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on statement of financial position model.

The Company adopted IFRS 16 using the modified retrospective approach with initial application date of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, the information presented for prior years has not been restated. The Company elected to use the transition practical expedient allowing the standard to be applied only to lease contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The new accounting policy in respect of leases is disclosed in note 4.1 to these condensed interim financial statements. The impact of adoption of IFRS 16 as at 1 July 2019 on the condensed interim statement of financial position is summarised below:

	Rupees in '000's
Assets	
Right-of-use assets	13,163
Property, plant and equipment	(9,599)
Prepayments	(283)
	3,281
Liabilities	
Lease liabilities	1,574
Current portion of lease liabilities	1,707
	3,281

The right-of-use assets were recognised based on the amount equal to the lease liabilities adjusted for related prepayments and lease accruals (if any). Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company did not have any sub-lease as on 1 July 2019.

The impact of adoption of IFRS 16 on condensed interim statement of profit or loss for the half year ended 31 December 2019 is summarized below:

	Rupees in '000's
Decrease in rent, rate and taxes	888
Increase in depreciation expense	(822)
Increase in financial charges	(212)
	(146)

The lease liabilities as at 01 July 2019 can be reconciled to the operating lease commitments as of June 30, 2019 as follows:

	Rupees in '000's
Operating lease commitments as at 30 June 2019	3,760
Impact of discounting	(478)
Discounted operating lease commitments as at 1 July 2019	3,281
Less: commitments relating to short-term leases	-
Add: commitments relating to leases previously classified as finance leases	8,914
Total adjusted lease liability at 1 July 2019	**12,195**
Average incremental borrowing rate as at 1 July 2019	**16.13%**

4.1 Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated using straight line method. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the initial application date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

5. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these condensed interim financial statements in conformity with approved accounting standards,as applicable in Pakistan requires the management to make estimates, assumptions and use judgments that affect the application of policies and the reported amount of assets and liabilities and income and expenses.

Judgements and estimates made by the management in the preparation of these condensed interim financial statements are same as those applied in the Company's annual financial statements for the year ended 30 June 2019, except for those disclosed in note 4 to these condensed interim financial statements.

	Note	31 December 2019	30 June 2019
		-------- (Rupees in '000) --------	
		(Un-audited)	(Audited)
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	**425,770**	480,550
Right of use asset		**17,283**	9,599
Capital work-in-progress	6.2	**681**	250
		443,734	490,399

6.1 Includes following additions during the period:

	31 December 2019	31 December 2018
	-------- (Rupees in '000) --------	
	(Un-audited)	
Additions - at cost		
Leasehold land	**-**	31,195
Plant and machinery	**7,022**	19,861
Office equipments	**-**	57
Computer and accessories	**415**	1,347
Motor vehicles	**175**	6,604
	7,612	59,064

	31 December 2019	30 June 2019
	-------- (Rupees in '000) --------	
	(Un-audited)	(Audited)
6.2 Movements in capital work-in-progress is as follows:		
Balance at beginning of the period / year	**250**	12,039
Capital expenditure incurred during the period / year	**431**	36,104
Transferred to operating fixed assets during the period / year	**-**	(47,893)
Balance at end of the period / year	**681**	250

		31 December 2019	30 June 2019
7.	**STOCK-IN-TRADE**	-------- (Rupees in '000) --------	
		(Un-audited)	(Audited)
	Raw material:		
	In hand	**339,447**	462,695
	In bonded warehouse	**3,887**	-
	In transit	**187,821**	122,309
		531,155	585,004
	Packing material	**5,998**	6,507
	Finished goods	**76,402**	91,599
		613,555	683,110
8.	**TRADE DEBTS - unsecured**		
	Considered good	**891,688**	929,059
	Considered doubtful	**134,912**	88,571
		1,026,600	1,017,630
	Allowance for expected credit loss	**(134,912)**	(88,571)
		891,688	929,059
8.1	**Movement of allowance for expected credit loss:**		
	Balance at beginning of the period	**88,571**	76,565
	Charge during the period	**46,341**	12,006
	Balance at end of the period	**134,912**	88,571
9.	**LONG-TERM FINANCING - secured**		
	Long-term financing	**309,375**	365,625
	Current portion of long-term financing	**(112,500)**	(112,500)
		196,875	253,125

9.1 Represents utilized portion of long-term finance facility obtained from a commercial bank amounting to Rs. 500 million (June 30, 2019: Rs. 500 million). The facility carries a mark-up at the rate of three months' KIBOR plus 0.35% (June 30, 2019: three months' KIBOR plus 0.35%) per annum. The loan is repayable in sixteen equal quarterly installments commenced from November 2018 and is secured against equitable mortgage and hypothecation of the Company's operating fixed assets.

10. SHORT-TERM RUNNING FINANCE - secured

Represents utilized portion of running finance facilities obtained from various commercial banks amounting to Rs. 750 million (June 30, 2019: Rs. 550 million). These facilities are secured by joint / first pari passu hypothecation of stores and spares, stock in trade and trade debts of the Company. The rate of mark-up on these facilities ranges from one month KIBOR+0.75% to six months' KIBOR+0.50% (June 30, 2019: one month KIBOR plus 0.75% to six months' KIBOR plus 0.50%) per annum and mark-up is payable quarterly.

The facilities for foreign currency import financing obtained from various commercial banks amounting to Rs 100 million (June 30, 2019: Rs. 100 million) remained unutilized at the reporting date.

11. CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 The Excise and Taxation Department, Government of Sindh (the Department) 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 (HCS) in August 1996. In June 2001, the Honourable HCS decided the case in the favour of the Company. However, the Department filed an appeal in the Honourable Supreme Court of Pakistan (SCP) against the above judgement. The Honourable SCP suspended the decision of the Honourable HCS and reverted the case back to the Honourable HCS for fresh hearing. In March 2003, the Honourable HCS once again decided the case in favour of the Company. The Department once again filed an appeal before the Honourable SCP.

In December 2019, The Government of Sindh filed an application that the Department does not press the instant and connected appeals, and that a fresh demand shall be raised following the notification dated 14 February 2002 and Sindh (Amendment) Abkari Ordinance 2002 notified on 30 October 2002. In addition to that the Department would surrender the demand secured by Indemnity Bonds for the period 1990 up to October 2002. The Supreme Court accepted the withdrawal on those terms.

As of the reporting date, the Company's management is expecting a fresh demand from the Department against Vend and Permit fee amounting to Rs. 1,218.44 million on the basis of consumption of methanol by the Company since November 2002.

Upon the receipt of the fresh demand from the Department, the Company intends to approach the relevant Court of Justice to defend the case. The Company expects, based on the view of the legal advisor and the merit of the case, that the decision will be in the favor of the Company. Accordingly, no provision for any liability has been made in these condensed interim financial statements. The management is confident that the Company will be able to continue as a going concern.

		Note	31 December 2019	30 June 2019
			-------- (Rupees in '000) --------	
			(Un-audited)	(Audited)
11.1.2	Outstanding bank guarantees		**23,884**	23,884
11.2	**Commitments**			
	Outstanding letter of credits		**497,673**	283,806
	Commitment for capital expenditure		**-**	268
	Commitment for rental under Ijarah finance agreement			
	Within one year	11.2.1	**659**	1,402

11.2.1 Represent Ijarah finance facility entered into with First Habib Modarba in respect of vehicles. Total Ijarah payments due under the agreement is Rs 0.659 million (June 30, 2019: Rs. 1.402 million) and are payable in monthly installments latest by April 2020. These liabilities are secured by on demand promissory note for entire amount of the Ijarah rentals.

12. OPERATING SEGMENT INFORMATION

For management purposes, the Company is organized into business units based on their products and has two reportable operating segments as follows:

- The resin division produces urea/ melamine formaldehyde and formaldehyde; and
- The moulding compound division produces aminoplast compound and melamine glazing powder

12.1 Segment wise operating result for six months ended (Un-audited):

	31 December 2019			31 December 2018		
	Resin division	Moulding compound division	Total	Resin division	Moulding compound division	Total
	-------- (Rupees in '000) --------			-------- (Rupees in '000) --------		
Turnover - net	**1,039,241**	**1,385,113**	**2,424,354**	1,287,660	1,262,302	2,549,962
Segment result	**88,590**	**195,797**	**284,387**	130,551	169,103	299,654
Unallocated expenses:						
Administrative expenses			**(52,809)**			(45,245)
Distribution costs			**(16,003)**			(15,016)
Other income			**5,707**			3,400
Finance costs			**(34,053)**			(33,009)
Other charges			**(14,560)**			(17,438)
Taxation			**(50,396)**			(55,617)
Net profit for the period			**122,273**			136,729
Capital expenditure	**7,197**	**551**	**7,748**	5,422	34,385	39,807
Unallocated capital expenditure			**295**			613
Total capital expenditure			**8,043**			40,420
Depreciation and amortisation	**28,587**	**31,905**	**60,492**	27,351	30,831	58,182
Unallocated depreciation and amortisation			**4,034**			810
Total depreciation and amortisation			**64,526**			58,992

	31 December 2019 (Unaudited)			30 June 2019 (Audited)		
	Resin division	Moulding compound division	Total	Resin division	Moulding compound division	Total
	-------- (Rupees in '000) --------			-------- (Rupees in '000) --------		
Segment assets	**974,996**	**952,659**	**1,927,655**	976,593	1,107,817	2,084,410
Unallocated assets			**334,701**			276,262
Total assets			**2,262,356**			2,360,672
Segment Liabilities	**353,429**	**342,890**	**696,319**	365,066	286,191	651,258
Unallocated liabilities			**112,217**			330,687
Total liabilities			**808,536**			981,945

12.2 Segment wise operating result for second quarter ended (Un-audited):

	31 December 2019			31 December 2018		
	Resin division	Moulding compound division	Total	Resin division	Moulding compound division	Total
	-------- (Rupees in '000) --------			-------- (Rupees in '000) --------		
Turnover - net	**527,174**	**823,848**	**1,351,022**	738,422	748,608	1,487,030
Segment result	**58,512**	**134,324**	**192,836**	98,856	118,034	216,890
Unallocated expenses:						
Administrative expenses			**(26,551)**			(23,243)
Distribution costs			**(8,647)**			(7,922)
Other income			**2,594**			396
Finance costs			**(16,300)**			(19,560)
Other charges			**(10,568)**			(13,913)
Taxation			**(38,857)**			(43,891)
Net profit for the period			**94,507**			108,757
Capital expenditure	**-**	**120**	**120**	510	34,347	34,857
Unallocated capital expenditure			**295**			251
Total capital expenditure			**415**			35,108
Depreciation and amortisation	**14,217**	**15,995**	**30,212**	13,764	15,646	29,410
Unallocated depreciation and amortisation			**2,500**			437
Total depreciation and amortisation			**32,712**			29,847

13. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise companies with common directorship, associated companies, employee retirement benefits fund, directors and key management personnel. Details of associated companies / related parties and transactions with related parties during the period are as follows:

Name of related party	Relationship	% of shareholding	Nature of transaction	31 December 2019	31 December 2018
				------- (Rupees in '000) ------ (Un-audited)	
Key management personnel	Key management personnel	0.005%	Remuneration	**25,604**	20,339
Director	Director	0.03%	Director fee	**4,254**	2,775
Provident Fund	Retirement benefit funds	Nil	Contribution to fund	**4,787**	4,399

14. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 21, 2020 by the Board of Directors of the Company.

15. GENERAL

Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated

SHABBIR ABBAS Chief Executive Officer	DR. DONALD JENKIN Chairman	SHAKEEL UDDIN Chief Financial Officer

Karachi: February 21, 2020

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Karachi-75400.
Ph : (92-21) 34520132 - 35
Fax : (92-21) 34392182
Email : info@dynea.com.pk