



DYNEA PAKISTAN LIMITED

**Condensed Interim Financial Statements
FOR THE NINE MONTHS ENDED MARCH 31, 2020.
(UN-AUDITED)**

DYNEA PAKISTAN LIMITED

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DYNEA PAKISTAN LIMITED

COMPANY INFORMATION

Board of Directors :

Dr. Donald Jenkin
Mr. Shabbir Abbas
Mr. Ameen Mohammad Bandukda
Ms. Anam Fatima Khan
Mr. Adnan Afridi
Mr. Andalib Alavi
Mr. Murtaza Lalan

Chairman
Chief Executive Officer

Audit Committee :

Mr. Adnan Afridi
Dr. Donald Jenkin
Mr. Andalib Alavi

Chairman
Member
Member

Human Resource and Remuneration Committee:

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

Chairperson
Member
Member
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. EYFord 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 NINE MONTHS ENDED MARCH 31, 2020.

The Directors of your Company are pleased to present this report along with the unaudited financial results for the third quarter and nine months ended March 31, 2020.

During the nine months ended March 31, 2020, the Company earned a profit before tax of Rs. 360.68 million and an after tax profit of Rs. 254.95 million compared to the profit before tax of Rs. 269.17 million and the after tax profit of Rs. 190.95 million during the corresponding period last year. The basic and diluted earnings per share increased from Rs.10.12 to Rs.13.51.

Resin Division

The Resin Division generated sales revenue of Rs.1,566.58 million compared to Rs.2,005.51 million achieved during the same period last year, showing a decline of 21.89%. The Resin Division result was Rs.158.48 million compared to Rs.184.06 million for the corresponding period of the previous financial year.

Moulding Compound Division

The Moulding Compound Division generated sales revenue of Rs.2,194.39 million compared to Rs.2,029.66 million achieved during the same period last year, showing an increase of 8.12%. The Moulding Compound Division result was Rs.380.51 million compared to Rs.255.18 million for the corresponding period of the previous financial year.

Future Outlook

The COVID-19 health crisis and continuing economic uncertainty present a unique set of challenges for Dynea. 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.

Whilst the Company cannot predict when and how the economy will move forward as the COVID-19 situation improves, Company Management is well advanced with planning a strategy to take advantage of opportunities as they may arise.

Vend Fee and Permit Fee Case

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 upto October 2002. The Supreme Court accepted the withdrawal on those terms. Upon the receipt of the fresh demand from the Department, the Company intend 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.

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



Ameen Mohammad Bandukda
Director

Karachi: April 27, 2020

ڈانیا پاکستان لمیٹڈ

ڈائریکٹرز کی جائزہ رپورٹ برائے شیئر ہولڈرز

31 مارچ 2020 کو ختم ہونے والی نوامی کے لئے

آپ کی کمپنی کے ڈائریکٹرز ہمسرت یہ رپورٹ مع غیر آڈٹ شدہ مالی نتائج باہت جاری مالی سال کی تیسری سرمایہ و نوامی 31 مارچ 2020 پیش کرتے ہیں۔ اس نوامی میں قبل از ٹیکس منافع 360.68 ملین روپے اور بعد از ٹیکس منافع 254.95 ملین روپے رہا۔ جبکہ گزشتہ سال اسی مدت میں قبل از ٹیکس منافع 269.17 ملین روپے اور بعد از ٹیکس منافع 190.95 ملین روپے بالترتیب رہا تھا۔ فی حصہ (شیئر) آمدن 10.12 روپے سے بڑھ کر 13.51 روپے ہو گئی۔

ریٹرن قسمت

ریٹرن قسمت کی کل بکری (ٹرن اوور) 1,566.58 ملین روپے رہی جب کہ گزشتہ سال اسی عرصہ میں اس کی مقدار 2,005.51 ملین روپے رہی تھی جو کہ پچھلے سال کے مقابلے میں 21.89% کم ہے۔ ریٹرن قسمت کا شعبہ جاتی نتیجہ 158.48 ملین روپے رہا جبکہ گزشتہ مالی سال کے دوران یہ 184.06 ملین روپے تھا۔

مولڈنگ کمپاؤنڈ قسمت

مولڈنگ کمپاؤنڈ قسمت کی کل بکری (ٹرن اوور) 2,194.39 ملین روپے رہی جب کہ گزشتہ سال اسی عرصہ میں اس کی مقدار 2,029.66 ملین روپے رہی تھی جو کہ پچھلے سال کے مقابلے میں 8.12% زیادہ ہے۔ مولڈنگ کمپاؤنڈ قسمت کا شعبہ جاتی نتیجہ 380.51 ملین روپے رہا جبکہ گزشتہ مالی سال کے دوران یہ 255.18 ملین روپے تھا۔

مستقبل پر ایک نظر

COVID 19 صحت کے بحران اور جاری معاشی غیر یقینی صورتحال سے ڈانیا پاکستان کو منفرد چیلنج کا سامنا ہے۔ کمپنی اضافی پیدوار کی صلاحیت، مسابقت، کنسٹرکشن انڈسٹری میں سست روی سے ریٹرن کی فروخت کے حجم پر دباؤ کی توقع رکھتی ہے مزید یہ کہ حالیہ برسوں میں ریٹرن استعمال کرنے والوں کا خود سے ریٹرن کی پیدوار کا رجحان ہے۔ کمپنی پیش گوئی نہیں کر سکتی کہ کب اور کیسے معیشت کی بحالی ہوگی اور COVID 19 کی صورتحال بھڑکے گی۔ کمپنی منجھت حکمت عملی کی منصوبہ بندی کر رہی ہے کہ اگر مواقع آئے تو اس کا فائدہ اٹھایا جائے۔

ویڈ فی اور پرمٹ فی کیس

دسمبر 2019 میں، حکومت سندھ نے ایک درخواست دائر کی کہ محکمہ فوری اور مشلک ایپلوں پر دباؤ نہیں ڈالتا، اور 14 فروری 2020 کے نوٹیفکیشن اور سندھ (ترتیبی) ایکٹری آرڈیننس 2002 کے 30، گسٹ 2002 کو مطلع ہونے کے بعد ایک نیا مطالبہ اٹھایا جائے گا۔ اس کے علاوہ محکمہ 1990 سے اکتوبر 2002 تک کے عرصے کے اندر یقینی پائڈز کے ذریعہ حاصل شدہ رقم کو حوالے کر دے گا۔ سپریم کورٹ نے ان شرائط پر دستبرداری قبول کر دی۔ محکمہ کی طرف سے تازہ مطالبہ کی وصولی پر، کمپنی اس مقدمے کا دفاع کرنے کے لئے متعلقہ عدالت انصاف سے رجوع کرنے کا ارادہ رکھتی ہے۔ کمپنی توقع رکھتی ہے، قانونی مشیر اور اس معاملے کی قابلیت کے نظریہ کی بنیاد پر، فیصلہ کمپنی کے حق میں ہو گا۔ اسی مناسبت سے، ان مجتمع عبوری مالی بیانات میں کسی بھی قسم کی ذمہ داری کی کوئی فراہمی نہیں کی گئی ہے۔ انتظامیہ کو یقین ہے کمپنی اپنے کاروبار کو جاری رکھ سکے گی۔

اعتراف

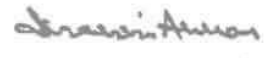
آخر میں ہم ڈائریکٹرز اللہ تعالیٰ کی اس مشکل وقت میں اسکی تمام مہربانیوں پر متشکر ہیں اور اپنے حصص یافتگان، گاہکوں، مالیاتی اداروں اور دیگر اسٹیک ہولڈرز کی مسلسل معاونت اور کمپنی پر ان کے اعتماد کے لئے ہدیہ جھینم پیش کرتے ہیں۔ ہم اپنی مختلیم کے ارکان اور کارکنوں کی کوششوں کے معترف ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے



امین محمد بندو کدا

ڈائریکٹر



شبیر عباس

چیف ایگزیکٹو

کراچی، 27 اپریل 2020

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

		31 March 2020 (Un-audited) ----- (Rupees in '000) -----	30 June 2019 (Audited) -----
	Note		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	438,667	490,399
Intangible assets		-	559
Long-term loans		191	145
Long-term deposits		6,674	6,674
Deferred taxation - net		41,992	12,146
		<u>487,524</u>	<u>509,923</u>
CURRENT ASSETS			
Stores and spares		19,349	23,790
Stock-in-trade	7	823,478	683,110
Trade debts	8	1,031,055	929,059
Loans and advances		10,530	29,998
Deposits and prepayments		3,231	6,773
Other receivables		-	257
Taxation - net		13,838	75,990
Cash and bank balances		60,603	101,772
		<u>1,962,084</u>	<u>1,850,749</u>
TOTAL ASSETS		<u>2,449,608</u>	<u>2,360,672</u>
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		<u>200,000</u>	<u>200,000</u>
Issued, subscribed and paid-up capital		94,362	94,362
Revenue reserves		<u>1,492,138</u>	<u>1,284,366</u>
		<u>1,586,500</u>	<u>1,378,728</u>
NON-CURRENT LIABILITIES			
Long-term financing	9	168,750	253,125
Lease liabilities against assets subject to finance lease		6,172	5,844
		<u>174,922</u>	<u>258,969</u>
CURRENT LIABILITIES			
Trade and other payables		548,759	316,940
Current portion of lease liabilities against assets subject to finance lease		8,176	3,070
Unclaimed dividend		4,998	5,260
Accrued mark-up		3,700	10,421
Short-term running finance	10	10,053	274,784
Current portion of long term financing	9	112,500	112,500
		<u>688,186</u>	<u>722,975</u>
CONTINGENCIES AND COMMITMENTS			
	11		
TOTAL EQUITY AND LIABILITIES		<u>2,449,608</u>	<u>2,360,672</u>

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


SHABBIR ABBAS
Chief Executive Officer


AMEEN MOHAMMAD BANDUKDA
Director


SHAKEEL UDDIN
Chief Financial Officer

Karachi: April 27, 2020

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS ENDED 31 MARCH 2020 (UN-AUDITED)

	Nine months ended		Quarter ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Turnover - net	3,760,967	4,035,169	1,336,613	1,485,207
Cost of sales	(3,079,201)	(3,516,620)	(1,043,265)	(1,304,778)
Gross profit	681,766	518,549	293,348	180,429
Distribution costs	(167,483)	(100,952)	(47,449)	(47,470)
Administrative expenses	(78,886)	(72,411)	(26,077)	(27,166)
	(246,369)	(173,363)	(73,526)	(74,636)
Other income	6,674	4,664	3,303	1,264
Operating profit	442,071	349,850	223,125	107,057
Finance costs	(45,788)	(55,832)	(11,735)	(22,823)
Other charges	(35,604)	(24,849)	(23,380)	(7,411)
	(81,392)	(80,681)	(35,115)	(30,234)
Profit before taxation	360,679	269,169	188,010	76,823
Taxation				
- current	(132,400)	(83,520)	(59,154)	(27,424)
- prior	(3,171)	-	(3,255)	-
- deferred	29,845	5,300	7,079	4,821
	(105,726)	(78,220)	(55,330)	(22,603)
Net profit for the period	254,953	190,949	132,680	54,220
Basic and diluted earnings per share	13.51	10.12	7.03	2.87

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



SHABBIR ABBAS
Chief Executive Officer



AMEEN MOHAMMAD BANDUKDA
Director



SHAKEEL UDDIN
Chief Financial Officer

Karachi: April 27, 2020

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 31 MARCH 2020 (UN-AUDITED)

	Nine months ended		Quarter ended	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Net profit for the period	254,953	190,949	132,680	54,220
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>254,953</u>	<u>190,949</u>	<u>132,680</u>	<u>54,220</u>

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



SHABBIR ABBAS
Chief Executive Officer



AMEEN MOHAMMAD BANDUKDA
Director



SHAKEEL UDDIN
Chief Financial Officer

Karachi: April 27, 2020

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 31 MARCH 2020 (UN-AUDITED)

	31 March 2020	31 March 2019
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	360,679	269,169
Adjustments for non-cash and other items		
Depreciation and amortisation	97,119	89,492
Provision for expected credit loss	49,867	(18,730)
Finance costs	45,788	55,832
Gain on disposal of operating fixed assets	(2,961)	(674)
	189,813	125,920
	550,492	395,089
(Increase) / decrease in current assets		
Stores and spares	4,441	(9,750)
Stock-in-trade	(140,368)	22,419
Trade debts	(151,863)	(300,049)
Loans and advances	19,468	(46,964)
Deposits and prepayments	3,542	916
Other receivables	257	3,752
	(264,523)	(329,676)
Increase in current liabilities		
Trade and other payables	231,556	211,825
	517,525	277,238
Finance cost paid	(52,509)	(48,276)
Income tax paid	(73,419)	(65,978)
Long-term loans and deposits - net	(46)	51
Net cash generated from operating activities	391,551	163,035
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(35,011)	(42,661)
Proceeds from disposal of operating fixed assets	3,008	1,520
Net cash used in investing activities	(32,003)	(41,141)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term financing	(84,375)	(56,250)
Lease rental paid	(4,430)	(723)
Dividends paid	(47,181)	(120,720)
Net cash used in financing activities	(135,986)	(177,693)
Net increase / (decrease) in cash and cash equivalents		
	223,562	(55,799)
Cash and cash equivalent at the beginning of period	(173,012)	(138,256)
Cash and cash equivalents at the end of period	50,550	(194,055)
CASH AND CASH EQUIVALENT		
Cash and bank balances	60,603	143,264
Short-term running finance	(10,053)	(337,319)
	50,550	(194,055)

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



SHABBIR ABBAS
Chief Executive Officer
Karachi: April 27, 2020



AMEEN MOHAMMAD BANDUKDA
Director




SHAKEEL UDDIN
Chief Financial Officer

DYNEA PAKISTAN LIMITED


CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 31 MARCH 2020

	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)
Transfer to general reserve	-	300,000	(300,000)	-	-
Net profit for the period	-	-	190,949	190,949	190,949
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	190,949	190,949	190,949
Balance as at 31 March 2019	94,362	991,000	257,413	1,248,413	1,342,775
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. 2.50 per share	-	-	(47,181)	(47,181)	(47,181)
Transfer to general reserve	-	150,000	(150,000)	-	-
Net profit for the period	-	-	254,953	254,953	254,953
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	254,953	254,953	254,953
Balance as at 31 March 2020	94,362	1,141,000	351,138	1,492,138	1,586,500

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


SHABBIR ABBAS
Chief Executive Officer


AMEEN MOHAMMAD BANDUKDA
Director


SHAKEEL UDDIN
Chief Financial Officer

Karachi: April 27, 2020

DYNEA PAKISTAN LIMITED

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 31 MARCH 2020

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 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.

2.3 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

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)
	<u>3,281</u>
Liabilities	
Lease liabilities	1,574
Current portion of lease	1,707
	<u>3,281</u>

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 nine months ended 31 March 2020 is summarized below:

	(Rupees in '000)
Decrease in rent, rate and taxes	1,347
Increase in depreciation expense	(1,233)
Increase in financial charges	(298)
	<u>(184)</u>

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)
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 March 2020 ----- (Rupees in '000) ----- (Un-audited)	30 June 2019 ----- (Rupees in '000) ----- (Audited)
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	410,944	480,550
Right to use asset		16,035	9,599
Capital work-in-progress	6.2	11,688	250
		<u>438,667</u>	<u>490,399</u>

6.1 Includes following additions during the period:

	31 March 2020 ----- (Rupees in '000) ----- (Un-audited)	31 March 2019 ----- (Rupees in '000) ----- (Un-audited)
Additions - at cost		
Leasehold land	-	31,195
Plant and machinery	23,541	21,858
Office equipments	-	57
Computer and accessories	415	1,550
Motor vehicles	175	40
	<u>24,131</u>	<u>54,700</u>

6.2 Movement in capital work-in-progress is as follows:

	31 March 2020 ----- (Rupees in '000) ----- (Un-audited)	30 June 2019 ----- (Rupees in '000) ----- (Audited)
Balance at beginning of the period / year	250	12,039
Capital expenditure incurred during the period / year	27,957	36,104
Transfers to operating fixed assets during the period / year	(16,519)	(47,893)
Balance at end of the period / year	<u>11,688</u>	<u>250</u>

	Note	31 March 2020 <u>(Un-audited)</u>	30 June 2019 <u>(Audited)</u>
7. STOCK-IN-TRADE			
Raw material:			
In hand		479,692	462,695
In bonded warehouse		91,685	-
In transit		158,123	122,309
		<u>729,500</u>	<u>585,004</u>
Packing material		5,463	6,507
Finished goods		88,515	91,599
		<u>823,478</u>	<u>683,110</u>
8. TRADE DEBTS - unsecured			
Considered good		1,031,055	929,059
Considered doubtful		138,438	88,571
		<u>1,169,493</u>	<u>1,017,630</u>
Provision for expected credit loss		<u>(138,438)</u>	<u>(88,571)</u>
		<u>1,031,055</u>	<u>929,059</u>
8.1 Movement of provision for expected credit loss:			
Balance at beginning of the period		88,571	76,565
Charge during the period		49,867	12,006
Balance at end of the period		<u>138,438</u>	<u>88,571</u>
9. LONG-TERM FINANCING - secured			
Long-term financing		281,250	365,625
Current portion of long-term financing		<u>(112,500)</u>	<u>(112,500)</u>
		<u>168,750</u>	<u>253,125</u>
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 commencing 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 upto 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. 1,243.41 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 intend 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 March 2020 ----- (Rupees in '000) ----- (Un-audited)	30 June 2019 ----- (Rupees in '000) ----- (Audited)
11.1.2 Outstanding bank guarantees		<u>23,884</u>	<u>23,884</u>
11.2 Commitments			
Outstanding letter of credits		<u>182,910</u>	<u>283,806</u>
Postdated cheques issued in favour of collector of customs		<u>89,329</u>	<u>-</u>
Commitment for capital expenditure		<u>-</u>	<u>268</u>
Commitment for rental under Ijarah finance agreement			
Within one year	11.2.1	<u>163</u>	<u>1,402</u>

- 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 0.163 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 nine months ended (Un-audited):

	31 March 2020			31 March 2019		
	Resin division	Moulding compound division	Total	Resin division	Moulding compound division	Total
	(Rupees in '000)			(Rupees in '000)		
Turnover - net	1,566,578	2,194,389	3,760,967	2,005,512	2,029,657	4,035,169
Segment result	158,480	380,511	538,991	184,061	255,176	439,237
Unallocated expenses:						
Administrative expenses			(78,886)			(72,411)
Distribution costs			(24,708)			(21,640)
Other income			6,674			4,664
Finance costs			(45,788)			(55,832)
Other charges			(35,604)			(24,849)
Taxation			(105,726)			(78,220)
Net profit for the period			254,953			190,949
Capital expenditure	7,197	27,519	34,716	6,789	35,015	41,804
Unallocated capital expenditure			295			857
Total capital expenditure			35,011			42,661
Depreciation and amortisation	42,629	48,360	90,989	41,498	46,644	88,142
Unallocated depreciation and amortisation			6,130			1,350
Total depreciation and amortisation			97,119			89,492
	31 March 2020 (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	1,028,979	1,244,989	2,273,968	976,593	1,107,817	2,084,410
Unallocated assets			175,640			276,262
Total assets			2,449,608			2,360,672
Segment liabilities	466,020	289,501	755,521	365,066	286,191	651,258
Unallocated liabilities			107,587			330,687
Total liabilities			863,108			981,945

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

	31 March 2020			31 March 2019		
	Resin division	Moulding compound division	Total	Resin division	Moulding compound division	Total
	(Rupees in '000)			(Rupees in '000)		
Turnover - net	527,337	809,276	1,336,613	717,852	767,355	1,485,207
Segment result	69,890	184,714	254,604	53,510	86,073	139,583
Unallocated expenses:						
Administrative expenses			(26,077)			(27,166)
Distribution costs			(8,705)			(6,624)
Other income			3,303			1,264
Finance costs			(11,735)			(22,823)
Other charges			(23,380)			(7,411)
Taxation			(55,330)			(22,603)
Net profit for the period			132,680			54,220
Capital expenditure	-	26,968	26,968	1,367	630	1,997
Unallocated capital expenditure			-			244
Total capital expenditure			26,968			2,241
Depreciation and amortisation	14,042	16,455	30,497	14,147	15,813	29,960
Unallocated depreciation and amortisation			2,096			541
Total depreciation and amortisation			32,593			30,501

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:

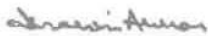
Name of related party	Relationship	% of shareholding	Nature of transaction	31 March 2020 ----- (Rupees in '000) ----- (Un-audited)	31 March 2019 ----- (Rupees in '000) ----- (Un-audited)
Key management personnel	Key management personnel	0.005%	Remuneration	<u>38,853</u>	<u>33,359</u>
Director	Director	0.03%	Director fee	<u>6,122</u>	<u>4,875</u>
Provident Fund	Retirement benefit funds	Nil	Contribution to fund	<u>7,167</u>	<u>6,636</u>

14. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 27, 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



AMEEN MOHAMMAD BANDUKDA
Director



SHAKEEL UDDIN
Chief Financial Officer

Karachi: April 27, 2020

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