

dynea

**DYNEA PAKISTAN LIMITED**

**Condensed Interim Financial Statements  
for the Quarter ended September 30, 2020  
(Un-Audited)**

# DYNEA PAKISTAN LIMITED

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# 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  
Mr. Murtaza Lalan

### Audit Committee :

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

### Human Resource and Remuneration Committee :

Mr. Andalib Alavi *Chairman*  
Dr. Donald Jenkin *Member*  
Mr. Ameen Mohammad Bandukda *Member*  
Ms. Anam Fatima Khan *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  
M/s. National Bank of Pakistan  
M/s. Allied Bank Limited  
M/s. Bank Al-Falah Limited  
M/s. Meezan Bank 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, Balochistan.  
Ph: (92-853) 363706 - 09  
Fax: (92-853) 363907

**2) Gadoon Unit**  
34-A, 34-B & 35 and 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' REPORT

### FOR THE QUARTER ENDED SEPTEMBER 30, 2020

The Directors of your Company are pleased to present this report along with the unaudited financial results for the quarter ended September 30, 2020.

During the period ended September 30, 2020, the Company earned a profit before tax of Rs.357.33 million and an after tax profit of Rs.253.27 million compared to the profit before tax of Rs.39.31 million and after tax profit of Rs.27.77 million during the corresponding period last year. The basic and diluted earnings per share increased from Rs.1.47 to Rs.13.42.

#### Resin Division

The Resin Division generated sales revenue of Rs.542.09 million compared to Rs.512.07 million achieved during the same period last year, showing an increase of 5.86%. The Resin Division result was Rs.136.78 million compared to Rs.30.08 million for the corresponding period of the previous financial year.

#### Moulding Compound Division

The Moulding Compound Division generated sales revenue of Rs.919.49 million compared to Rs.561.27 million achieved during the same period last year, showing an increase of 63.82%. The Moulding Compound Division result was Rs.287.28 million compared to Rs.61.47 million for the corresponding period of the previous financial year.

#### Future Outlook

##### a) Market Conditions:

The COVID-19 health crisis and continuing economic uncertainty present a unique set of challenges for Dynea. Inflation and interest rates are falling, the current account deficit is under control and foreign exchange reserves are growing which are positive signs for the recovery of industry. We will continue to build on the momentum that has been achieved on the productivity front.

Whilst the Company cannot predict when and how the economy will move forward as the COVID-19 situation improves, Company management has in place a strategy to take advantage of opportunities as they may arise. Covid-19 has posed unprecedented challenges but we believe that by implementing our strategy we will come out stronger than before.

##### b) Expansion at Gadoon:

Civil works are in progress for the expansion in production capacity of urea/melamine-formaldehyde moulding compound. Commercial production is expected to commence by the third quarter of the financial year 2020-21.

#### Vend Fee and Permit Fee Case

In December 2019, The Government of Sindh filed an application that the Department will not press the instant and connected appeals, and that a fresh demand shall be raised following the notification dated 14 February 2002 and the 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. 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.

#### Acknowledgement

In conclusion the Directors of the Company 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



Andalib Alavi  
Director

Karachi, October 26, 2020.

## ڈاکٹریٹ پاکستان لمیٹڈ

### ڈاکٹریٹرز کی جائزہ رپورٹ 30 ستمبر 2020 کو ختم ہونے والی سہ ماہی کیلئے

آپ کی کمپنی کے ڈاکٹریٹرز، ہمسرت یر پورٹ مع غیر آڈٹ شدہ مالی نتائج، بائٹ جاری مالی سال کی پہلی سہ ماہی 30 ستمبر 2020 پیش کرتے ہیں۔ اس سہ ماہی میں قبل از ٹیکس منافع 357.33 ملین روپے اور بعد از ٹیکس منافع 253.77 ملین روپے رہا۔ جبکہ گزشتہ سال اسی مدت میں قبل از ٹیکس منافع 39.31 ملین روپے اور بعد از ٹیکس منافع 27.77 ملین روپے بالترتیب رہا تھا۔ فی حصہ (شئیر) آمدن اضافے کے بعد 1.47 روپے سے بڑھ کر 13.42 روپے ہو گئی۔

#### ریزن قمیت

ریزن قمیت کی کل بکری (ٹرن اوور) 542.09 ملین روپے رہی جبکہ گزشتہ سال اسی عرصے میں اس کی مقدار 512.07 ملین روپے رہی تھی جو کہ پچھلے سال کے مقابلے میں %5.86 زیادہ ہے۔ ریزن قمیت کا شعبہ جاتی نتیجہ 136.78 ملین روپے رہا جبکہ گزشتہ مالی سال کے دوران یہ 30.08 ملین روپے تھا۔

#### مولڈنگ کمپاؤنڈ قمیت

مولڈنگ کمپاؤنڈ قمیت کی کل بکری (ٹرن اوور) 919.49 ملین روپے رہی جبکہ گزشتہ سال اسی عرصے میں اس کی مقدار 561.27 ملین روپے رہی تھی جو کہ پچھلے سال کے مقابلے میں %63.82 زیادہ ہے۔ مولڈنگ کمپاؤنڈ قمیت کا شعبہ جاتی نتیجہ 287.28 ملین روپے رہا جبکہ گزشتہ مالی سال کے دوران یہ 61.47 ملین روپے تھا۔

#### مستقبل پر ایک نظر

#### الف) مارکیٹ کی صورتحال

کوویڈ-19 صحت کا بحران اور مستقل معاشی غیر یقینی صورتحال ڈانٹا کیلئے چیلنجوں کا ایک انوکھا مجموعہ پیش کرتی ہے۔ افریقا، زراور سوڈی شرح کم ہو رہی ہے، کرنٹ اکاؤنٹ خسارہ کنٹرول میں ہے اور زرمبادلہ کے ذخائر بڑھ رہے ہیں جو صنعت کی بحالی کے لئے مثبت علامت ہیں۔ ہم اس رفتار کو آگے بڑھاتے رہیں گے جو پیداواریت کے محاذ پر حاصل ہوا ہے۔

جب کہ کمپنی پیش گوئی نہیں کر سکتی ہے کہ کوویڈ-19 کی صورتحال بہتر ہونے کے ساتھ معیشت کب اور کس طرح آگے بڑھے گی، کمپنی انتظامیہ نے مواقع سے فائدہ اٹھانے کی حکمت عملی تیار کی ہے جب وہ پیدا ہو سکتے ہیں۔ کوویڈ-19 نے غیر معمولی چیلنجوں کو سامنے کیا ہے لیکن ہمیں یقین ہے کہ اپنی حکمت عملی کو عملی جامہ پہنانے سے ہم پہلے کی نسبت مضبوط ہوں گے۔

#### ب) ادوں میں توسیع


یورپا/میلٹا میں۔ فارملڈ ہائڈ مولڈنگ کمپاؤنڈ کی پیداواری صلاحیت میں توسیع کے لئے سول کام جاری ہے۔ تجارتی پیداوار مالی سال 2020-21 کے تیسری سہ ماہی تک شروع ہونے کی امید ہے۔


#### دیہتی اور پر مٹی کیس

دسمبر 2019 میں، حکومت سندھ نے ایک درخواست دائر کی کہ محکمہ فوری اور نسک اپیلوں پر دباؤ نہیں ڈالتا، اور 14 فروری 2002 کے نوٹیفکیشن اور سندھ (تریمی) آرڈینری آرڈیننس 2002 کے 130 اکتوبر 2002 کو مطلع شدہ نوٹیفکیشن کے بعد ایک نیا مطالبہ اٹھایا جائے گا۔ اس کے علاوہ، محکمہ انڈسٹری ہائڈز کے ذریعے حاصل کردہ مطالبہ کو سال 1990 سے لیکر اکتوبر 2002 تک کے حوالے کر دے گا۔ سپریم کورٹ نے ان شرائط پر دست برداری قبول کر دی۔ محکمہ کی طرف سے تازہ مطالبہ کی وصولی کے بعد، کمپنی اس ایس کا دفاع کرنے کے لئے متعلقہ عدالت انصاف سے رجوع کرنے کا ارادہ رکھتی ہے۔ کمپنی قانونی مشیر کے کنٹیننٹل نظر کے مطابق اور اس معاملے کی خوبیوں کے پیش نظر، کمپنی کے حق میں فیصلے کی توقع رکھتی ہے۔ اسی مناسبت سے، اس مالی گوشوارے میں کسی بھی قسم کی کوئی ذمہ داری فراہم نہیں کی گئی ہے۔ انتظامیہ کو یقین ہے کہ کمپنی اپنی موجودہ حیثیت کے مطابق کام جاری رکھے گی۔

#### اعتراف

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


  
عبدالرشید ملوی  
ڈاکٹریٹرز


  
شیر عباس  
چیف ایگزیکٹو آفیسر  
کراچی 26 اکتوبر 2020


**DYNEA PAKISTAN LIMITED**  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2020**

	30 September 2020 (Un-audited)	30 June 2020 (Audited)	
Note	(Rupees in '000)		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	425,285	414,796
Long-term loans		239	151
Long-term deposits		6,674	6,674
Deferred taxation - net		37,003	57,593
		<u>469,201</u>	<u>479,214</u>
<b>CURRENT ASSETS</b>			
Stores and spares		19,077	18,828
Stock-in-trade	6	708,587	698,834
Trade debts	7	825,904	788,497
Loans and advances		48,387	22,918
Trade deposits and short-term prepayments		3,305	4,030
Accrued markup		-	480
Other receivables		25	2,072
Taxation - net		-	7,288
Cash and bank balances		645,350	323,719
		<u>2,250,635</u>	<u>1,866,666</u>
		<u>2,719,836</u>	<u>2,345,880</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital			
40,000,000 (June 30 2020: 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		1,743,801	1,490,534
		<u>1,838,163</u>	<u>1,584,896</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	8	112,500	140,625
Lease liabilities	9	3,615	5,152
		<u>116,115</u>	<u>145,777</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		582,112	485,191
Accrued mark-up		1,673	4,593
Short-term running finance	10	6,408	-
Current portion of long-term financing	8	112,500	112,500
Current portion of lease liabilities	9	6,793	7,473
Taxation - net		50,656	-
Unclaimed dividend		5,416	5,450
		<u>765,558</u>	<u>615,207</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	11		
		<u>2,719,836</u>	<u>2,345,880</u>

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

  
**SHABBIR ABBAS**  
 Chief Executive Officer

  
**ANDALIB ALAVI**  
 Director

  
**SHAKEEL UDDIN**  
 Chief Financial Officer

**DYNEA PAKISTAN LIMITED**  
**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2020**  
**(UN-AUDITED)**

	30 September 2020	30 September 2019
	..... (Rupees in '000) .....	
Turnover - net	1,461,586	1,073,332
Cost of sales	<u>(1,074,633)</u>	<u>(922,403)</u>
<b>Gross profit</b>	<b>386,953</b>	<b>150,929</b>
Distribution costs	<u>(50,619)</u>	<u>(34,832)</u>
Administrative expenses	<u>(30,373)</u>	<u>(26,258)</u>
Reversal / (Allowance) for expected credit loss	<u>78,308</u>	<u>(31,902)</u>
	<u>(2,684)</u>	<u>(92,992)</u>
Other income	<u>3,049</u>	<u>693</u>
<b>Operating profit</b>	<b>387,318</b>	<b>58,630</b>
Finance costs	<u>(6,171)</u>	<u>(17,753)</u>
Other charges	<u>(23,820)</u>	<u>(1,572)</u>
	<u>(29,991)</u>	<u>(19,325)</u>
<b>Profit before taxation</b>	<b>357,327</b>	<b>39,305</b>
<b>Taxation</b>		
- current	<u>(83,470)</u>	<u>(25,857)</u>
- deferred	<u>(20,590)</u>	<u>14,318</u>
	<u>(104,060)</u>	<u>(11,539)</u>
<b>Net profit for the period</b>	<b>253,267</b>	<b>27,766</b>
Basic and diluted earnings per share	<u>13.42</u>	<u>1.47</u>

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



SHABBIR ABBAS  
Chief Executive Officer



ANDALIB ALAVI  
Director



SHAKEEL UDDIN  
Chief Financial Officer

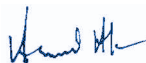
**DYNEA PAKISTAN LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2020**  
**(UN-AUDITED)**

	30 September 2020	30 September 2019
	..... (Rupees in '000) .....	
Net profit for the period	253,267	27,766
Other comprehensive income	—	—
Total comprehensive income for the period	<u>253,267</u>	<u>27,766</u>

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



SHABBIR ABBAS  
Chief Executive Officer



ANDALIB ALAVI  
Director




SHAKEEL UDDIN  
Chief Financial Officer




**DYNEA PAKISTAN LIMITED**  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2020**  
**(UN-AUDITED)**

	30 September 2020	30 September 2019
Note	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	357,327	39,305
Adjustments for non-cash and other items		
Depreciation and amortisation	23,409	31,814
(Reversal) / allowance for expected credit loss	(78,308)	31,902
Finance costs	6,171	17,753
	(48,728)	81,469
	<u>308,599</u>	<u>120,774</u>
<b>(Increase) / decrease in current assets</b>		
Stores and spares	(249)	63
Stock-in-trade	(9,753)	40,228
Trade debts	40,901	37,098
Loans and advances	(25,469)	(1,712)
Trade deposits and short-term prepayments	725	860
Accrued markup	480	257
Other receivables	2,047	-
	8,682	76,794
<b>Increase in current liabilities</b>		
Trade and other payables	96,922	58,726
	<u>414,203</u>	<u>256,294</u>
Finance costs paid	(9,091)	(19,243)
Income taxes paid - net	(25,527)	(58,053)
Long-term loans and deposits - net	(88)	(116)
Net cash generated from operating activities	<u>379,497</u>	<u>178,882</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditures	(33,897)	(7,628)
Net cash used in investing activities	<u>(33,897)</u>	<u>(7,628)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term financing	(28,125)	(28,125)
Lease rentals paid	(2,218)	(732)
Dividend paid	(34)	(206)
Net cash used in financing activities	<u>(30,377)</u>	<u>(29,063)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>315,223</u>	<u>142,191</u>
Cash and cash equivalents at the beginning of period	323,719	(173,012)
Cash and cash equivalents at the end of period	<u>638,942</u>	<u>(30,821)</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	645,350	95,276
Short-term running finance	(6,408)	(126,097)
	<u>638,942</u>	<u>(30,821)</u>

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

  
**SHABBIR ABBAS**  
 Chief Executive Officer

  
**ANDALIB ALAVI**  
 Director

  
**SHAKEEL UDDIN**  
 Chief Financial Officer


**DYNEA PAKISTAN LIMITED**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED 30 SEPTEMBER 2020**

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Unappropriated profit	Total	
(Rupees in '000)					
Balance as at 30 June 2019	94,362	991,000	293,366	1,284,366	1,378,728
Transferred to general reserve	-	150,000	(150,000)	-	-
Net profit for the period	-	-	27,766	27,766	27,766
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	27,766	27,766	27,766
<b>Balance as at 30 September 2019</b>	<b>94,362</b>	<b>1,141,000</b>	<b>171,132</b>	<b>1,312,132</b>	<b>1,406,494</b>
Balance as at 30 June 2020	94,362	1,141,000	349,534	1,490,534	1,584,896
Transferred to general reserve	-	200,000	(200,000)	-	-
Net profit for the period	-	-	253,267	253,267	253,267
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	253,267	253,267	253,267
<b>Balance as at 30 September 2020</b>	<b>94,362</b>	<b>1,341,000</b>	<b>402,801</b>	<b>1,743,801</b>	<b>1,838,163</b>

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



SHABBIR ABBAS  
Chief Executive Officer



ANDALIB ALAVI  
Director



SHAKEEL UDDIN  
Chief Financial Officer

# DYNEA PAKISTAN LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 compound. 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 (the "Act") differ with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2020.

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

### 3. 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 audited financial statements for the year ended June 30, 2020. The Company has adopted certain amended International Financial Reporting Standards (IFRS) which became effective during the period and reported in note 6 to the audited financial statements for the year ended June 30, 2020. The adoption of such amended IFRS did not have any material effect on these condensed interim financial statements.

### 4. 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 June 30, 2020.

	30 September 2020 (Un-audited)	30 June 2020 (Audited)
	..... (Rupees in '000) .....	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets	370,567	388,658
Right to use asset	13,539	14,787
Capital work-in-progress	41,179	11,351
	<u>425,285</u>	<u>414,796</u>
	30 September 2020 (Un-audited)	30 September 2019 (Un-audited)
	..... (Rupees in '000) .....	
<b>5.1 Includes following additions during the period:</b>		
<b>Additions - at cost</b>		
Plant and machinery	595	7,022
Computer and accessories	849	
Motor vehicles	2,625	175
	<u>4,069</u>	<u>7,197</u>
	30 September 2020 (Un-audited)	30 June 2020 (Audited)
	..... (Rupees in '000) .....	
<b>5.2 Movement in capital work-in-progress is as follows:</b>		
Balance at beginning of the period	11,351	250
Capital expenditure incurred during the period	30,423	28,882
Transfers to operating fixed assets during the period	(595)	(17,781)
Balance at end of the period	<u>41,179</u>	<u>11,351</u>
<b>6. STOCK-IN-TRADE</b>		
Raw material:		
In hand	356,912	472,914
In transit	295,168	178,705
	<u>652,080</u>	<u>651,619</u>
Packing material	6,248	7,223
Finished goods	50,259	39,992
	<u>708,587</u>	<u>698,834</u>
<b>7. TRADE DEBTS - unsecured</b>		
Considered good	825,904	788,497
Considered doubtful	105,855	184,163
	<u>931,759</u>	<u>972,660</u>
Allowance for expected credit loss	(105,855)	(184,163)
	<u>825,904</u>	<u>788,497</u>
<b>7.1 Movement of allowance for expected credit loss:</b>		
Balance at beginning of the period	184,163	88,572
(Reversal) / charge during the period	(78,308)	95,591
Balance at end of the period	<u>105,855</u>	<u>184,163</u>
<b>8. LONG-TERM FINANCING - secured</b>		
Long-term financing	225,000	253,125
Current portion of long-term financing	(112,500)	(112,500)
	<u>112,500</u>	<u>140,625</u>
<b>8.1</b>	Represents utilized portion of long-term finance facility obtained from a commercial bank amounting to Rs. 500 million (June 30, 2020: Rs. 500 million). The facility carries a mark-up at the rate of three months' KIBOR plus 0.35% (June 30, 2020: 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.	
<b>9. LEASE LIABILITIES</b>		
	The Company has entered into various lease agreements with a financial institution in respect of vehicles. The lease arrangement carries mark-up at the rate of KIBOR plus 2.75% (2020: KIBOR plus 2.75%). Rentals are payable in equal monthly installments whereas repairs and insurance costs are borne by the Company. These are secured against promissory notes.	

The Company also has lease contract for the city office having lease term of 5 years. In general, the Company is restricted from assigning and subleasing the leased assets. These lease contracts include extension and termination options subject to the mutual consent of the Company and the Lessors. The Company is bound by certain covenants which includes but are not limited to payment of certain taxes and to exercise reasonable care.

	30 September 2020 (Un-audited)	30 June 2020 (Audited)
	----- (Rupees in '000) -----	
Lease liabilities	10,408	12,626
Current portion of lease liabilities	<u>(6,793)</u>	<u>(7,474)</u>
	<u>3,615</u>	<u>5,152</u>
<b>9.1 Movement of lease liabilities:</b>		
Balance at beginning of the period	12,626	8,914
Impact of initial implication of IFRS-16	-	3,564
Additions during the period	-	6,300
Finance cost during the period	353	2,228
Payments during the period	<u>(2,571)</u>	<u>(8,380)</u>
Balance at end of the period	10,408	12,626
Current portion of lease liabilities	<u>(6,793)</u>	<u>(7,474)</u>
	<u>3,615</u>	<u>5,152</u>

#### 10. SHORT-TERM RUNNING FINANCE - secured

Represents portion of running finance facilities obtained from various commercial banks amounting to Rs. 750 million (2020: Rs.750 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 are based on one month KIBOR to six months' KIBOR as bench mark rate plus 0.50% to 0.75% as spread (2020: one month KIBOR to six months' KIBOR as bench mark rate plus 0.50% to 0.75% as spread) 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 (2020: Rs.100 million) remained unutilized at the reporting date.

#### 11. CONTINGENCIES AND COMMITMENTS

##### 11.1 Contingencies

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 Honourable SCP disposed off the appeal on the basis that the Department would 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.

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. 1,303.09 million (June 30, 2020: Rs. 1,257.84 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 Company has strong grounds to challenge such a demand and its challenge is likely to succeed. Accordingly no provision for any liability has been made in these financial statements. The management is confident that the Company will be able to continue as a going concern.

	30 September 2020 (Un-audited)	30 June 2020 (Audited)
	(Rupees in '000)	
<b>11.2 Commitments</b>		
11.2.1 Outstanding bank guarantees	23,884	23,884
11.2.2 Outstanding letter of credits	758,795	158,236
11.2.3 Commitment for capital expenditure	12,980	9,400

## 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 urea/ melamine formaldehyde moulding compound and melamine glazing powder.

	30 September 2020			30 September 2019		
	Resin division	Moulding compound division	Total	Resin division	Moulding compound division	Total
	(Rupees in '000)			(Rupees in '000)		
	(Un-Audited)			(Un-Audited)		
Turnover - net	542,092	919,494	1,461,586	512,067	561,265	1,073,332
Segment result	136,775	287,279	424,054	30,078	61,473	91,551
<b>Unallocated expenses:</b>						
Administrative expenses			(30,373)			(26,258)
Distribution costs			(9,412)			(7,356)
Other income			3,049			693
Finance costs			(6,171)			(17,753)
Other charges			(23,820)			(1,572)
Taxation			(104,060)			(11,539)
Net profit for the period			253,267			27,766
Capital expenditure	383	30,406	30,789	7,197	431	7,628
Unallocated capital expenditure			3,108			-
<b>Total capital expenditure</b>			33,897			7,628
Depreciation and amortisation	9,497	11,779	21,276	14,370	15,910	30,280
Unallocated depreciation and amortisation			2,133			1,534
<b>Total depreciation and amortisation</b>			23,409			31,814
	30 September 2020 (Un-audited)			30 June 2020 (Audited)		
	Resin division	Moulding compound division	Total	Resin division	Moulding compound division	Total
	(Rupees in '000)			(Rupees in '000)		
Segment assets	832,957	1,108,467	1,941,424	822,720	1,062,033	1,884,753
Unallocated assets			778,412			461,127
<b>Total assets</b>			2,719,836			2,345,880
Segment liabilities	359,307	360,487	719,794	310,286	273,960	584,246
Unallocated liabilities			161,879			176,738
<b>Total liabilities</b>			881,673			760,984

**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. All the transactions with related parties are entered into at agreed terms in the normal course of business as approved by the Board of Directors of the Company. Transactions with related parties are as follows:

Name of related Party	Relationship	% of shareholding	Nature of transaction	30 September 2020	30 September 2019
				..... (Rupees in '000) .....	
				(Un-audited)	
Remuneration	Key management personnel	0.005%	Remuneration	<u>13,942</u>	<u>12,739</u>
Director Fee		0.03%	Director fee	<u>2,430</u>	<u>2,220</u>
Provident Fund	Retirement benefits	Nil	Contribution to fund	<u>2,395</u>	<u>2,392</u>

**14. DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on October 26, 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



ANDALIB ALAVI  
Director



SHAKEEL UDDIN  
Chief Financial Officer