

dynea

DYNEA PAKISTAN LIMITED

Condensed Interim Financial Statements
for the First Quarter ended September 30, 2021
(Un-Audited)

Company Information	02
Directors' Report	03
Condensed Interim Statement of Financial Position	05
Condensed Interim Statement of Profit or Loss Account	06
Condensed Interim Statement of Comprehensive Income	07
Condensed Interim Statement of Cash Flows	08
Condensed Interim Statement of Changes in Equity	09
Notes to the Condensed Interim Financial Statements	10

Board of Directors :

Dr. Donald Jenkin	<i>Chairman</i>
Mr. Shabbir Abbas	<i>Chief Executive Officer</i>
Mr. Ameen Mohammad Bandukda	
Ms. Anam Fatima Khan	
Mr. Adnan Afridi	
Mr. Andalib Alavi	
Mr. Tariq Ahmed	

Audit Committee :

Mr. Adnan Afridi	<i>Chairman</i>
Dr. Donald Jenkin	<i>Member</i>
Mr. Andalib Alavi	<i>Member</i>

Human Resource and**Remuneration Committee :**

Mr. Andalib Alavi	<i>Chairman</i>
Dr. Donald Jenkin	<i>Member</i>
Mr. Ameen Mohammad Bandukda	<i>Member</i>
Ms. Anam Fatima Khan	<i>Member</i>

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. National Bank of Pakistan
 M/s. Habib Metropolitan Bank Limited
 M/s. Allied Bank Limited
 M/s. MCB Bank Limited
 M/s. Bank Al-Falah Limited
 M/s. Standard Chartered Bank (Pakistan) Limited
 M/s. Meezan Bank 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, Shakra-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., Shakra-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

The Directors of your Company are pleased to present this report along with the unaudited financial results for the quarter ended September 30, 2021.

During the period ended September 30, 2021, the Company earned a profit before tax of Rs. 254.51 million and an after tax profit of Rs.180.56 million compared to the profit before tax of Rs.357.33 million and after tax profit of Rs.253.27 million during the corresponding period last year. The basic and diluted earnings per share decreased from Rs.13.42 to Rs.9.57. The decline in profit before tax is on account of steep rise in prices of imported raw materials which resulted in decrease of margins.

Resin Division

The Resin Division generated sales revenue of Rs. 801.70 million compared to Rs. 542.09 million achieved during the same period last year, showing an increase of 47.89%. The Resin Division result was Rs.109.74 million compared to Rs.136.78 million for the corresponding period of the last financial year.

Moulding Compound Division

The Moulding Compound Division generated sales revenue of Rs. 1,153.33 million compared to Rs. 919.49 million achieved during the same period last year, showing an increase of 25.43%. The Moulding Compound Division result was Rs.223.47 million compared to Rs.287.28 million for the corresponding period of the last financial year.

Future Outlook

a) Market Conditions:

The costs of many imported raw materials have increased significantly, due to rise in international prices and an increase in shipping costs caused by a shortage of containers. The company is monitoring the situation and shall take counter measures to retain its profitability.

b) Expansion at Gadoon:

Debottlenecking of the formaldehyde and moulding compound plants has been successfully completed and both plants were back in production by 6 October, 2021.

Vend Fee and Permit Fee Case

The Excise and Taxation Department Government of Sindh has not issued any demand to the Company. If and when the Company receives a 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 favour of the Company. Accordingly, no provision for any liability has been made in these condensed interim financial statements.

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

Karachi, October 22, 2021.



Anam Fatima Khan
Director

آپ کی کمپنی کے ڈائریکٹرز سمیت رپورٹ مع غیر آڈٹ شدہ مالی نتائج بابت جاری مالی سال کی پہلی سہ ماہی 30 ستمبر 2021 پیش کرتے ہیں۔
30 ستمبر 2021 کو ختم ہونے والی سہ ماہی میں قبل از ٹیکس منافع 254.51 ملین روپے اور بعد از ٹیکس منافع 180.56 ملین روپے رہا۔ جبکہ گزشتہ سال اسی مدت میں قبل از ٹیکس منافع 357.33 ملین روپے اور بعد از ٹیکس منافع 253.27 ملین روپے با ترتیب رہا تھا۔ فی حصہ (شیئر) آمدن 13.42 روپے سے کم ہو کر 9.57 روپے ہو گئی۔ منافع قبل از ٹیکس میں کمی کی وجہ سے آڈٹ شدہ خالص مال کے نرخوں میں نمایاں اضافہ تھا جس کے نتیجے میں شرح منافع میں کمی آئی۔

ریزن قسمت

ریزن قسمت کی کل بکری (ٹرن اوور) 801.70 ملین روپے رہی جب کہ گزشتہ سال اسی عرصے میں اس کی مقدار 542.09 ملین روپے رہی تھی جو کہ پچھلے سال کے مقابلے میں 47.89% زیادہ ہے۔ ریزن قسمت کا شعبہ جاتی نتیجہ 109.74 ملین روپے رہا جبکہ گزشتہ مالی سال کے اسی دورانیہ میں یہ 136.78 ملین روپے تھا۔

مولڈنگ کمپاؤنڈ قسمت

مولڈنگ کمپاؤنڈ قسمت کی کل بکری (ٹرن اوور) 1,153.33 ملین روپے رہی جبکہ گزشتہ سال اسی عرصے میں اس کی مقدار 919.49 ملین روپے رہی تھی جو کہ پچھلے سال کے مقابلے میں 25.43% زیادہ ہے۔ مولڈنگ کمپاؤنڈ قسمت کا شعبہ جاتی نتیجہ 223.47 ملین روپے رہا جبکہ گزشتہ مالی سال کے اسی دورانیہ میں یہ 287.28 ملین روپے تھا۔

مستقبل پر ایک نظر

الف) مارکیٹ کی صورتحال

متعدد درآمد شدہ خام مال کی لاگت کنٹریٹر کی قلت کے باعث شیٹنگ اخراجات میں اضافہ اور بین الاقوامی نرخ بڑھ جانے کی وجہ سے نمایاں حد تک اضافہ ہو گیا۔ کمپنی اس صورتحال پر توجہ دے رہی ہے اور منافع جات کی شرح برقرار رکھنے کیلئے موثر اقدامات کئے جائیں گے۔

ب) گلدن میں توسیع

فائل ڈی بائیڈ اور مولڈنگ کمپاؤنڈ پلانٹس کی کشتادگی کے لئے اقدامات کامیابی سے مکمل کرنے لگے ہیں اور دونوں پلانٹس 6 اکتوبر 2021 سے اپنی پروڈکشن پر واپس آ چکے ہیں

ویٹنی اور پرمٹ فی ٹیکس

ایکسٹرنل ویٹنیٹیشن ڈپارٹمنٹ حکومت سندھ نے کمپنی کیلئے کوئی مطالبہ جاری نہیں کیا۔ اگر کمپنی کو ٹیکس کی جانب سے جب بھی کوئی نیا مطالبہ کیا گیا تو کمپنی ٹیکس کے دفاع کیلئے متعلقہ عدالت انصاف سے رجوع کرے گی۔ کمپنی اپنے قانونی مشیر کے نقطہ نگاہ اور ٹیکس کی مہرٹ کی بنیاد پر امید کرتی ہے کہ فیصلہ کمپنی کے حق میں کیا جائے گا۔ اس کے مطابق کسی بھی مالی ذمہ داری کیلئے کوئی بھی شیئر ان مجموعی عبوری مالیاتی حسابات میں شامل نہیں کی گئی۔

اعتراف

آخر میں ہم ڈائریکٹرز اللہ تعالیٰ کی اس مشکل وقت میں اس کی 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 بدلیے تجسین پیش کرتے ہیں۔ ہم اپنا منظم ٹیم کے ارکان اور کارکنوں کی کوششوں کے معترف ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

Dr. Anam

انجم فاطمہ خان
ڈائریکٹر

Shirras

شیر عیاض
چیف ایگزیکٹو آفیسر

کراچی: 22 اکتوبر 2021

**CONDENSED INTERIM STATEMENT
OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021**

dynea

		30 September 2021 (Un-audited)	30 June 2021 (Audited)
Note		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
	5	774,875	640,434
		239	112
		7,195	7,195
		20,780	15,613
		803,089	663,354
CURRENT ASSETS			
		21,028	22,069
	6	1,227,128	1,189,668
	7	1,121,413	993,364
		50,741	30,158
		5,318	8,664
		-	1,009
		333,379	499,304
		2,759,007	2,744,236
		3,562,096	3,407,590
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
		40,000,000 (June 30, 2021: 40,000,000) ordinary shares of Rs.5/- each	200,000
		200,000	200,000
		94,362	94,362
		2,468,157	2,287,599
		2,562,519	2,381,961
NON-CURRENT LIABILITIES			
	8	81,943	108,413
	9	8,127	9,370
		12,806	5,715
		102,876	123,498
CURRENT LIABILITIES			
		636,253	655,695
		1,414	1,583
	8	127,898	128,206
	9	5,388	5,493
		6,208	5,052
		113,227	99,619
		6,313	6,483
		896,701	902,131
CONTINGENCIES AND COMMITMENTS			
	11		
		3,562,096	3,407,590

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



SHABBIR ABBAS
Chief Executive Officer



ANAM FATIMA KHAN
Director



SHAKEEL UDDIN
Chief Financial Officer

	30 September 2021	30 September 2020
	(Rupees in '000)	
Turnover - net	1,955,023	1,461,586
Cost of sales	<u>(1,573,236)</u>	<u>(1,074,633)</u>
Gross profit	381,787	386,953
Distribution costs	(55,377)	(50,619)
Administrative expenses	(35,932)	(30,373)
(Allowance)/ Reversal of allowance for expected credit loss	<u>(3,524)</u>	<u>78,308</u>
	(94,833)	(2,684)
Other income	<u>6,902</u>	<u>3,049</u>
Operating profit	293,856	387,318
Finance costs	(5,451)	(6,171)
Other charges	<u>(33,897)</u>	<u>(23,820)</u>
	(39,348)	(29,991)
Profit before taxation	254,508	357,327
Taxation		
- current	(79,117)	(83,470)
- deferred	<u>5,167</u>	<u>(20,590)</u>
	(73,950)	(104,060)
Net profit for the period	180,558	253,267
Basic and diluted earnings per share	<u>9.57</u>	<u>13.42</u>

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



SHABBIR ABBAS
Chief Executive Officer



ANAM FATIMA KHAN
Director



SHAKEEL UDDIN
Chief Financial Officer

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2021
(UN-AUDITED)

dynea

	30 September 2021	30 September 2020
 (Rupees in '000)	
Net profit for the period	180,558	253,267
Other comprehensive income	—	—
Total comprehensive income for the period	<u>180,558</u>	<u>253,267</u>

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



SHABBIR ABBAS
Chief Executive Officer



ANAM FATIMA KHAN
Director



SHAKEEL UDDIN
Chief Financial Officer

	30 September 2021	30 September 2020
Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	254,508	357,327
Adjustments for non-cash and other items		
Depreciation on operating fixed assets	33,445	22,161
Depreciation on right-of-use assets	1,543	1,248
Allowance/ (Reversal of allowance) for expected credit loss	3,524	(78,308)
Finance costs	5,451	6,171
Deferred income amortized	(1,348)	-
Gain on disposals of operating fixed assets	(3,107)	-
	<u>39,508</u>	<u>(48,728)</u>
	294,016	308,599
(Increase) / decrease in current assets		
Stores and spares	1,041	(249)
Stock-in-trade	(37,460)	(9,753)
Trade debts	(131,573)	40,901
Loans and advances	(20,583)	(25,469)
Trade deposits and short-term prepayments	3,346	725
Accrued markup	1,009	480
Other receivables	-	2,047
	<u>(184,220)</u>	<u>8,682</u>
(Decrease) / increase in current liabilities		
Trade and other payables	(19,443)	96,922
	<u>90,353</u>	<u>414,203</u>
Finance costs paid	(4,272)	(9,091)
Income taxes paid - net	(65,510)	(25,527)
Long-term loans and deposits - net	(127)	(88)
Net cash generated from operating activities	<u>20,444</u>	<u>379,497</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditures	(162,455)	(33,897)
Proceeds from disposal of operating fixed assets	5,207	-
Net cash used in investing activities	<u>(157,248)</u>	<u>(33,897)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term financing	(28,125)	(28,125)
Lease rentals paid	(826)	(2,218)
Dividend paid	(170)	(34)
Net cash used in financing activities	<u>(29,121)</u>	<u>(30,377)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(165,925)</u>	<u>315,223</u>
Cash and cash equivalents at the beginning of period	<u>499,304</u>	<u>323,719</u>
Cash and cash equivalents at the end of period	<u>333,379</u>	<u>638,942</u>
CASH AND CASH EQUIVALENTS		
Cash and bank balances	333,379	645,350
Short-term running finance	-	(6,408)
	<u>333,379</u>	<u>638,942</u>

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



SHABBIR ABBAS
Chief Executive Officer



ANAM FATIMA KHAN
Director



SHAKEEL UDDIN
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF
CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2021**

dynea

	Issued, subscribed and paid-up capital	Revenue reserves			Total
		General reserve	Unappropriated profit	Total	
(Rupees in '000)					
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
Balance as at 30 September 2020 (un-audited)	94,362	1,341,000	402,801	1,743,801	1,838,163
Balance as at 30 June 2021	94,362	1,341,000	946,599	2,287,959	2,381,961
Transferred to general reserve	–	500,000	(500,000)	–	–
Net profit for the period	–	–	180,558	180,558	180,558
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the period	–	–	180,558	180,558	180,558
Balance as at 30 September 2021 (un-audited)	94,362	1,841,000	627,157	2,468,157	2,562,519

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



SHABBIR ABBAS
Chief Executive Officer



ANAM FATIMA KHAN
Director



SHAKEEL UDDIN
Chief Financial Officer

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 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 the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2021.

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, 2021. 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, 2021. 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, 2021.

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2021**

dynea

	30 September 2021 (Un-audited)	30 June 2021 (Audited)
 (Rupees in '000)	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	582,324	603,719
Right to use asset	22,119	14,589
Capital work-in-progress	170,432	22,125
	<u>774,875</u>	<u>640,433</u>

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

	Additions at cost		Deletions at book value	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
	(Un-audited)		(Un-audited)	
 (Rupees in '000) (Rupees in '000)	
Plant and machinery	8,892	595	-	-
Computer and accessories	-	849	-	-
Office Equipment	66	-	-	-
Motor vehicles	5,190	2,625	2,100	-
	<u>14,148</u>	<u>4,069</u>	<u>2,100</u>	<u>-</u>

	30 September 2021 (Un-audited)	30 June 2021 (Audited)
 (Rupees in '000)	
5.2 Movement in capital work-in-progress is as follows:		
Balance at beginning of the period/ year	22,125	11,351
Capital expenditure incurred during the period/ year	153,497	292,143
Transfers to operating fixed assets during the period/ year	(5,190)	(281,369)
Balance at end of the period	<u>170,432</u>	<u>22,125</u>
6. STOCK-IN-TRADE		
Raw material:		
In hand	732,995	729,793
In transit	397,558	335,771
	<u>1,130,553</u>	<u>1,065,564</u>
Packing material	10,073	13,163
Finished goods	86,502	110,941
	<u>1,227,128</u>	<u>1,189,668</u>
7. TRADE DEBTS - unsecured		
Considered good	1,121,413	993,364
Considered doubtful	61,411	57,887
	<u>1,182,824</u>	<u>1,051,251</u>
Allowance for expected credit loss	(61,411)	(57,887)
	<u>1,121,413</u>	<u>993,364</u>
7.1 Movement of allowance for expected credit loss:		
Balance at beginning of the period/ year	57,887	184,162
Charge during the period/ year	3,524	(111,311)
Written-off during the period/ year	-	(14,964)
Balance at end of the period/ year	<u>61,411</u>	<u>57,887</u>

	30 September 2021 (Un-audited)	30 June 2021 (Audited)
 (Rupees in '000)	
8. LONG-TERM FINANCING - secured		
Term loan	112,500	140,625
Temporary Economic Refinance Facility (TERF)	97,341	95,994
	<u>209,841</u>	<u>236,619</u>
Current portion of long-term financing	<u>(127,898)</u>	<u>(128,206)</u>
	<u><u>81,943</u></u>	<u><u>108,413</u></u>

8.1 Represents utilized portion of term loan obtained from a conventional bank amounting to Rs. 500 million (June 30, 2021: Rs. 500 million). The facility carries a mark-up at the rate of three months' KIBOR plus 0.35% (June 30, 2021: three months' KIBOR plus 0.35%) per annum. This is repayable latest by August 2022 in sixteen equal quarterly installments which commenced from November 2018 and is secured against equitable mortgage and hypothecation of the Company's operating fixed assets.

8.2 Represents facility obtained from a conventional bank for import of plant and machinery under State Bank of Pakistan (SBP) scheme of TERF amounting to Rs. 150 million (June 30, 2021: Rs. 150 million). The facility carries mark-up at the rate of 1% base plus 0.75% spread (June 30, 2021: 1% base plus 0.75% spread) per annum. The SBP allowed rate as per the scheme is up to 5% per annum. However, the effective interest rate is calculated as 7.64% per annum and the loan has been recognised at the present value. The loan is repayable in sixteen equal quarterly installments commencing from February 2022 discounted at the effective rate of interest. The differential mark-up has been recognised as deferred income (as mentioned in note 9) which will be recognized as income over the period of the facility. The financing is secured against equitable mortgage and hypothecation of the Company's operating fixed assets.

	30 September 2021 (Un-audited)	30 June 2021 (Audited)
 (Rupees in '000)	
9. DEFERRED INCOME		
Balance at the beginning of the period / year	14,863	-
Recognized	-	18,127
Amortized	<u>(1,348)</u>	<u>(3,264)</u>
Balance at the end of the period / year	13,515	14,863
Current portion	<u>(5,388)</u>	<u>(5,493)</u>
	<u><u>8,127</u></u>	<u><u>9,370</u></u>

9.1 As aforementioned in note 8.2, the purpose of the deferred income is to facilitate the Company by letting it to borrow funds for new or BMR of the existing project at below market interest rate, in light of the COVID-19 pandemic. The deferred income is conditional upon the Company importing plant and machinery either for new or BMR of existing projects.

10. SHORT-TERM RUNNING FINANCE - secured

Represents portion of running finance facilities obtained from various commercial banks amounting to Rs. 750 million (June 30, 2021: 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 (June 30, 2021: 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.

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 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, no fresh demand has yet been received from the Department against Vend and Permit fee amounting to Rs. 1,464.04 million (June 30, 2021: Rs. 1,415.62 million) determined on the basis of consumption of methanol by the Company since November 2002.

The consignment is being released by paying Rs. 3/= cash per bulk gallon and indemnity bond of Rs. 14/= per bulk gallon under protest.

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 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.

11.2 Commitments

11.2.1 Outstanding bank guarantees

11.2.2 Outstanding letter of credits

11.2.3 Commitment for capital expenditure

	30 September 2021 (Un-audited)	30 June 2021 (Audited)
 (Rupees in '000)	
	<u>23,884</u>	<u>23,884</u>
	<u>814,307</u>	<u>504,307</u>
	<u>—</u>	<u>7,957</u>

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.

12.1 Segment wise operating result for quarter ended (Un-audited).

	30 September 2021			30 September 2020		
	Resin division	Moulding compound division	Total	Resin division	Moulding compound division	Total
	(Rupees in '000)			(Rupees in '000)		
Turnover - net	<u>801,698</u>	<u>1,153,325</u>	<u>1,955,023</u>	542,092	919,494	1,461,586
Segment result	<u>109,736</u>	<u>223,469</u>	<u>333,205</u>	136,775	287,279	424,054
Unallocated expenses:						
Administrative expenses			(35,932)			(30,373)
Distribution costs			(10,319)			(9,412)
Other income			6,902			3,049
Finance costs			(5,451)			(6,171)
Other charges			(33,897)			(23,820)
Taxation			(73,950)			(104,060)
Net profit for the period			<u>180,558</u>			<u>253,267</u>
Capital expenditure	74,743	74,669	149,412	383	30,406	30,789
Unallocated capital expenditure			13,043			3,108
Total capital expenditure			<u>162,455</u>			<u>33,897</u>
Depreciation and amortisation	9,534	22,065	31,599	9,497	11,779	21,276
Unallocated depreciation and amortisation			3,389			2,133
Total depreciation and amortisation			<u>34,988</u>			<u>23,409</u>
	30 September 2021 (Un-audited)			30 June 2021 (Audited)		
	Resin division	Moulding compound division	Total	Resin division	Moulding compound division	Total
	(Rupees in '000)			(Rupees in '000)		
Segment assets	1,458,967	1,613,178	3,072,145	1,034,117	1,756,170	2,790,287
Unallocated assets			489,951			617,303
Total assets			<u>3,562,096</u>			<u>3,407,590</u>
Segment liabilities	389,830	344,254	734,084	277,819	375,110	652,929
Unallocated liabilities			265,493			372,700
Total liabilities			<u>999,577</u>			<u>1,025,629</u>

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2021**

dynea

13. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise associated companies, employee retirement benefits fund, directors and key management personnel. All the transactions with related parties are carried out on arms-length basis and in the ordinary 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 2021	30 September 2020
			 (Rupees in '000) (Un-audited)	
Remuneration	Key management personnel	0.005%	Remuneration	<u>22,318</u>	<u>13,942</u>
Director Fee		0.03%	Director fee	<u>2,215</u>	<u>2,430</u>
Provident Fund	Retirement benefits	Nil	Contribution to fund	<u>3,045</u>	<u>2,395</u>

14. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 22, 2021 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



ANAM FATIMA KHAN
Director



SHAKEEL UDDIN
Chief Financial Officer

Karachi: October 22, 2021

DYNEA PAKISTAN LIMITED

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

Email : info@dynea.com.pk