

dynea

**DYNEA PAKISTAN LIMITED**

**Condensed Interim Financial Statements  
For the Half Year Ended December 31, 2018  
(UN-AUDITED)**

# DYNEA PAKISTAN LIMITED

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# DYNEA PAKISTAN LIMITED

## COMPANY INFORMATION

### Board of Directors :

Dr. Donald Jenkin	<i>Chairman</i>
Mr. Shabbir Abbas	<i>Chief Executive Officer</i>
Mr. Tayyeb Afzal	
Mr. Sajid Hassan	
Syed Ali Azfar Naqvi	Resigned on January 21, 2019.
Mr. Ameen Bandukda	
Mr. Aqeel Loon	
Ms. Anam Fatima Khan	Appointed on January 21, 2019.

### Audit Committee :

Mr. Aqeel Loon	<i>Chairman</i>
Dr. Donald Jenkin	<i>Member</i>
Mr. Tayyeb Afzal	<i>Member</i>
Ms. Anam Fatima Khan	<i>Member</i>

### Human Resource and Remuneration Committee:

Mr. Aqeel Loon	<i>Chairman</i>
Dr. Donald Jenkin	<i>Member</i>
Mr. Sajid Hassan	<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. Habib Metropolitan Bank Limited  
M/s. MCB Bank Limited  
M/s. Standard Chartered Bank (Pakistan) Limited  
M/s. United Bank Limited  
M/s. Dubai Islamic Bank Pakistan Limited

### Auditors :

M/s. EY Ford Rhodes  
*Chartered Accountants*

### Legal Advisors :

M/s. Sayeed & Sayeed, Advocates & Legal Consultants  
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 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 TO THE SHAREHOLDERS FOR THE HALF YEAR ENDED DECEMBER 31, 2018.

The Directors of your Company are pleased to present this report along with the unaudited financial results for the second quarter and half year ended December 31, 2018.

During the half year ended December 31, 2018, the Company earned a profit before tax of Rs.192.35 million and an after tax profit of Rs.136.73 million compared to the profit before tax of Rs.237.61 million and the after tax profit of Rs.194.77 million during the corresponding period last year. The decline in profit is due to significant increases in the cost of imported raw materials which could not be fully passed on to our customers. The basic and diluted earnings per share decreased from Rs. 10.32 to Rs. 7.24.

### Resin Division

The Resin Division generated sales revenue of Rs. 1,287.66 million compared to Rs.905.91 million achieved during the same period last year. The increase of 42.14% was partly due to increased sales volume and partly to price increases as a consequence of increased raw material costs. The Resin Division result was Rs.130.55 million compared to Rs.168.19 million for the corresponding period of the previous financial year.

### Moulding Compound Division

The Moulding Compound Division generated sales revenue of Rs. 1,262.30 million compared to Rs.765.94 million achieved during the same period last year, showing an increase of 64.80%. As for the Resin Division, the increase in revenue was a consequence of increased sales volumes and increased costs of raw materials passed on to customers. The Moulding Compound Division result was Rs.169.10 million compared to Rs.148.57 million for the corresponding period of the previous financial year.

### Future Outlook

The management has a positive outlook and it will ensure continued sales growth, operational efficiency and optimum results for the company and its stakeholders for the second half of the financial year.

### Vend Fee and Permit Fee Case

The Sindh High Court has already twice given decisions in favour of the Company. Presently the case is pending before the Honourable Supreme Court of Pakistan. In view of the legal merits of the case and the previous two favourable decisions of the Sindh High Court, the company expects the Supreme Court to confirm the previous decisions.

### Acknowledgment

In conclusion, as Directors of the Company, we would like to thank the Almighty Allah for all His blessings in these challenging times and to convey our appreciation to shareholders, customers, financial institutions and other stakeholders for their continued support and the confidence that they have shown in the Company. We also wish to recognise the efforts of our management team and workers who continue to strive to achieve better results.

On behalf of the Board



Shabbir Abbas  
Chief Executive Officer

Karachi: February 19, 2019



Dr. Donald Jenkin  
Chairman

# ڈانیا پاکستان لمیٹڈ

ڈائریکٹرز کی جائزہ رپورٹ برائے شہیر ہولڈر  
31 دسمبر 2018 کو ختم ہونے والی ششماہی کے لئے

آپ کی کمپنی کے ڈائریکٹرز بہت سے رپورٹ مع غیر آڈٹ شدہ مالی نتائج باہت جاری مالی سال کی دوسری سہ ماہی و ششماہی 31 دسمبر 2018 پیش کرتے ہیں۔

اس ششماہی میں قبل ازنگس منافع 192.35 ملین روپے اور بعد ازنگس منافع 136.73 ملین روپے رہا۔ جبکہ گزشتہ سال اسی مدت میں قبل ازنگس منافع 237.61 ملین روپے اور بعد ازنگس منافع 194.77 ملین روپے بالترتیب رہا تھا۔ منافع میں کمی درآمدی خام مال کی لاگت میں اضافہ کی وجہ سے ہے جس کو مکمل طور پر ٹیکسوں کو منتقل نہیں کیا جا سکا۔ فی حصہ (شینئر) آمدن 10.32 روپے سے گھٹ کر 7.24 روپے ہو گئی۔

## ریٹرن قسمت

ریٹرن قسمت کی کل بکری (ژرن اور) 1,287.66 ملین روپے رہی جبکہ گزشتہ سال اسی عرصہ میں اس کی مقدار 905.91 ملین روپے رہی تھی جو کہ پچھلے سال کے مقابلے میں 42.14% زیادہ ہے اس کی کچھ وجہ بکری کی مقدار میں اضافہ اور بڑی وجہ قیمت میں اضافہ ہے جو خام مال کی قیمت میں اضافہ کی وجہ سے ضروری تھا۔ ریٹرن قسمت کا شعبہ جاتی نتیجہ 130.55 ملین روپے رہا جبکہ گزشتہ مالی سال کے دوران یہ 168.19 ملین روپے تھا۔

## مولڈنگ کپاؤنڈ قسمت

مولڈنگ کپاؤنڈ قسمت کی کل بکری (ژرن اور) 1,262.30 ملین روپے رہی جب کہ گزشتہ سال اسی عرصہ میں اس کی مقدار 765.94 ملین روپے رہی تھی جو کہ پچھلے سال کے مقابلے میں 64.80% زیادہ ہے۔ ریٹرن قسمت کی طرح، بکری میں اضافہ کی وجہ فروخت کی مقدار اور خام مال کی قیمتوں میں اضافہ ہے جو کہ خریداروں کو منتقل کیا گیا ہے۔ مولڈنگ کپاؤنڈ قسمت کا شعبہ جاتی نتیجہ 169.10 ملین روپے رہا جبکہ گزشتہ مالی سال کے دوران یہ 148.57 ملین روپے تھا۔

## مستقبل پر ایک نظر

کمپنی کی انتظامیہ مستقبل کے بارے میں پُر امید ہے اور دوسری ششماہی میں بکری میں بڑھوتری، آپریشنل کارکردگی اور بہترین نتائج کے حصول کو کمپنی اور اسٹیک ہولڈر کیلئے یقینی بنائے گی۔

## ویڈیو اور پرمٹ فی کیس

سندھ ہائی کورٹ اس مقدمہ میں پہلے ہی دو موافق فیصلوں کا اعلان کمپنی کے حق میں کر چکا ہے۔ سندھ حکومت کی اپیل کی وجہ سے مقدمہ معزز سپریم کورٹ آف پاکستان میں زیر سماعت ہے۔ کیس کی قانونی مضبوطی اور سندھ ہائی کورٹ کے پہلے دو موافق فیصلوں کی بدولت انتظامیہ پُر اعتماد ہے کہ سپریم کورٹ، سندھ ہائی کورٹ کے پہلے دیئے گئے فیصلوں کی توثیق کرے گا۔

## اعتراف

آخر میں ہم ڈائریکٹرز اللہ تعالیٰ کی اس مشکل وقت میں انکی تمام مہربانیاں پر شکریہ ادا کرتے ہیں اور اپنے انحصار یافتگان، گاہکوں، مالیاتی اداروں اور دیگر اسٹیک ہولڈرز کی مسلسل معاونت اور کمپنی پر ان کے اعتماد کے لئے ہدیہ تحسین پیش کرتے ہیں۔ ہم اپنی محنتیہم کے ارکان اور کارکنوں کی کمیشنوں کے متحرک ہیں جو بہتر نتائج کیلئے مسلسل کوشاں ہیں۔



ڈاکٹر ڈونلڈ سٹیکن  
چیئرمین

بورڈ آف ڈائریکٹرز کی جانب سے



شہیر عباس  
چیف ایگزیکٹو



**Building a better  
working world**

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## INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Dynea Pakistan Limited

Report on review of Interim Financial Statements

### Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Dynea Pakistan Limited** (the Company) as at **31 December 2018** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows, and condensed interim statement of changes in equity and notes to the financial statements for the six months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months period ended 31 December 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 31 December 2018.

### Scope of Review

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

### Conclusion

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

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

### Emphasis of Matter

We draw attention to note 12.1.1 to the interim financial statements which describes the significant uncertainty related to the outcome of a contingency for which no provision is considered necessary in the interim financial statements for the reasons disclosed in the said note. Our conclusion is not modified in respect of this matter.

**Chartered Accountants**  
Place: Karachi  
Date: 19 February 2019

# DYNEA PAKISTAN LIMITED

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	6	529,529	541,303
Intangible assets		655	847
Long-term loans		262	139
Long-term deposits		6,725	6,725
		<u>537,171</u>	<u>549,014</u>
<b>CURRENT ASSETS</b>			
Stores and spares		26,039	21,299
Stock-in-trade	7	929,063	699,511
Trade debts	8	889,275	728,086
Loans and advances		59,681	14,167
Deposits and prepayments		7,949	5,977
Other receivables		694	4,598
Taxation - net		129,482	124,078
Cash and bank balances		131,002	128,412
		<u>2,173,185</u>	<u>1,726,128</u>
<b>TOTAL ASSETS</b>		<u><b>2,710,356</b></u>	<u><b>2,275,142</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised share capital			
40,000,000 (June 30, 2018: 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		1,194,193	1,180,135
		<u>1,288,555</u>	<u>1,274,497</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	9	309,375	365,625
Liability against assets subject to finance lease	10	4,519	-
Deferred taxation - net		2,937	3,416
		<u>316,831</u>	<u>369,041</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		500,089	269,761
Unclaimed dividend		6,664	3,692
Accrued mark-up		12,830	7,108
Short-term running finance	11	471,090	266,668
Current portion of liability against assets subject to finance lease	10	1,796	-
Current portion of long-term financing	9	112,500	84,375
		<u>1,104,969</u>	<u>631,604</u>
<b>CONTINGENCY AND COMMITMENTS</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>2,710,356</b></u>	<u><b>2,275,142</b></u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



SHABBIR ABBAS  
Chief Executive



DR. DONALD JENKIN  
Chairman



SHAKEEL UDDIN  
Chief Financial Officer

Karachi: February 19, 2019

# DYNEA PAKISTAN LIMITED

## CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (UN-AUDITED)

	Half year ended		Quarter ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Turnover - net	2,549,962	1,671,853	1,487,030	974,686
Cost of sales	(2,211,842)	(1,318,573)	(1,270,907)	(764,457)
<b>Gross profit</b>	<b>338,120</b>	<b>353,280</b>	<b>216,123</b>	<b>210,229</b>
Distribution costs	(53,482)	(49,354)	(7,155)	(22,117)
Administrative expenses	(45,245)	(40,779)	(23,243)	(20,804)
	(98,727)	(90,133)	(30,398)	(42,921)
Other income	3,400	1,438	396	650
<b>Operating profit</b>	<b>242,793</b>	<b>264,585</b>	<b>186,121</b>	<b>167,958</b>
Finance costs	(33,009)	(5,659)	(19,560)	(5,062)
Other charges	(17,438)	(21,320)	(13,913)	(13,840)
	(50,447)	(26,979)	(33,473)	(18,902)
<b>Profit before taxation</b>	<b>192,346</b>	<b>237,606</b>	<b>152,648</b>	<b>149,056</b>
<b>Taxation</b>				
- current	(56,096)	(21,510)	(36,673)	5,730
- deferred	479	(21,328)	(7,218)	(22,084)
	(55,617)	(42,838)	(43,891)	(16,354)
<b>Net profit for the period</b>	<b>136,729</b>	<b>194,768</b>	<b>108,757</b>	<b>132,702</b>
Basic and diluted earnings per share	<u>7.24</u>	<u>10.32</u>	<u>5.76</u>	<u>7.03</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



SHABBIR ABBAS  
Chief Executive



DR. DONALD JENKIN  
Chairman



SHAKEEL UDDIN  
Chief Financial Officer



# DYNEA PAKISTAN LIMITED

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (UN-AUDITED)

	Half year ended		Quarter ended	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Net profit for the period	136,729	194,768	108,757	132,702
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>136,729</u>	<u>194,768</u>	<u>108,757</u>	<u>132,702</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



SHABBIR ABBAS  
Chief Executive



DR. DONALD JENKIN  
Chairman



SHAKEEL UDDIN  
Chief Financial Officer

# DYNEA PAKISTAN LIMITED

## CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2018 (UN-AUDITED)

	31 December 2018	31 December 2017
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	192,346	237,606
Adjustments for non-cash and other items		
Depreciation and amortisation	58,991	35,379
Reversal of doubtful debts	(23,581)	(21,952)
Finance costs	33,009	5,659
Gain on disposal of operating fixed assets	-	(312)
	68,419	18,774
	260,765	256,380
<b>(Increase) / decrease in current assets</b>		
Stores and spares	(4,740)	53
Stock-in-trade	(229,552)	(196,587)
Trade debts	(137,608)	(104,996)
Loans and advances	(45,514)	(46,470)
Deposits and prepayments	(1,972)	2,547
Other receivables	3,058	1,054
	(416,328)	(344,399)
<b>Increase in current liabilities</b>		
Trade and other payables	230,329	50,742
	74,766	(37,277)
Finance cost paid	(27,287)	(1,824)
Income tax paid	(61,500)	(88,482)
Long-term loans and deposits - net	(123)	(27)
Net cash used in operating activities	(14,144)	(127,610)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(40,420)	(349,980)
Proceeds from disposal of operating fixed assets	846	312
Net cash used in investing activities	(39,574)	(349,668)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term financing (repaid)/ obtained	(28,125)	400,000
Finance lease (repaid)	(290)	-
Dividends paid	(119,699)	(75,489)
Net cash (used in)/ generated from financing activities	(148,114)	324,511
<b>Net decrease in cash and cash equivalents</b>		
	(201,832)	(152,767)
Cash and cash equivalent at the beginning of period	(138,256)	141,832
Cash and cash equivalents at the end of period	(340,088)	(10,935)
<b>CASH AND CASH EQUIVALENT</b>		
Cash and bank balances	131,002	154,009
Short-term running finance	(471,090)	(164,944)
	(340,088)	(10,935)

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



SHABBIR ABBAS  
Chief Executive



DR. DONALD JENKIN  
Chairman



SHAKEEL UDDIN  
Chief Financial Officer

Karachi: February 19, 2019

# DYNEA PAKISTAN LIMITED

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Issued, subscribed and paid- up capital	Revenue reserves			Total
		General reserve	Unappropriated profit	Total	
----- (Rupees in '000) -----					
Balance as at 30 June 2017	94,362	691,000	269,738	960,738	1,055,100
Final dividend for the year ended 30 June 2017 @ Rs. 4.00 per share	-	-	(75,489)	(75,489)	(75,489)
Net profit for the period	-	-	194,768	194,768	194,768
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	194,768	194,768	194,768
Balance as at 31 December 2017	<b>94,362</b>	<b>691,000</b>	<b>389,017</b>	<b>1,080,017</b>	<b>1,174,379</b>
Balance as at 30 June 2018	94,362	691,000	489,135	1,180,135	1,274,497
Transfer to general reserve		300,000	(300,000)	-	-
Final dividend for the year ended 30 June 2018 @ Rs. 6.50 per share	-	-	(122,671)	(122,671)	(122,671)
Net profit for the period	-	-	136,729	136,729	136,729
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	136,729	136,729	136,729
Balance as at 31 December 2018	<b>94,362</b>	<b>991,000</b>	<b>203,193</b>	<b>1,194,193</b>	<b>1,288,555</b>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



SHABBIR ABBAS  
Chief Executive



DR. DONALD JENKIN  
Chairman



SHAKEEL UDDIN  
Chief Financial Officer

Karachi: February 19, 2019

# DYNEA PAKISTAN LIMITED

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

### 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

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.

The figures of the condensed interim statement of profit or loss and condensed interim statement of other comprehensive income for the quarters ended December 31, 2018 and 2017 have not been reviewed by the external auditors of the Company as they have reviewed the cumulative figures for the half year ended December 31, 2018. These condensed interim financial statements do not include all the information and disclosures as 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, 2018.

### 3. ACCOUNTING POLICIES

The accounting policies and the methods of computations 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 June 30, 2018 except for as disclosed in note 4.

### 4. NEW / REVISED STANDARDS, INTERPRETATION AND AMENDMENTS

The Company has adopted the following standards and amendment to IFRSs which became effective for the current period:

#### Standard or Interpretation

- |          |   |   |
|----------|---|---|
| IFRS 2   | - | Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)   |
| IFRS 4   | - | Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments) |
| IFRS 9   | - | Financial Instruments   |
| IFRS 15  | - | Revenue from Contracts with Customers   |
| IAS 40   | - | Investment Property: Transfers of Investment Property (Amendments)  |
| IFRIC 22 | - | Foreign Currency Transactions and Advance Consideration   |

The adoption of the above standards and amendments in the accounting standards did not have effect on the accounting policies of the Company except as follows:

#### **4.1 IFRS 15 Revenue from Contracts with Customers**

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company is engaged in manufacture and sale of formaldehyde, urea/melamine formaldehyde and moulding compounds. The Company has assessed that significant performance obligation in contracts with customers, across all divisions, is to deliver the goods which also coincides with the transfer of control and is discharged at that point of time.

The Company has concluded, based on the assessment carried out by the management, that it is in compliance with the requirements of the new accounting standard.

#### **4.2 IFRS 9 Financial Instruments**

IFRS 9 'Financial Instruments' has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting. The Company has applied IFRS 9 retrospectively, with the initial application date of 1 July 2018 as notified by the Securities and Exchange Commission of Pakistan (SECP).

The Company's financial assets mainly includes long term loans, long term deposits, trade debts, loans, deposits, other receivables, bank balances held with commercial banks and cash in hand.

IFRS 9 retain but simplifies the measurement model and establishes the measurement categories of financial asset: amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. The Company's trade debts and other financial assets previously classified as loans and receivables are now measured at amortised cost.

Further the adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach. Expected Credit Loss (ECL) are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Considering the nature of the financial assets, the Company has applied the standard's simplified approach and has calculated ECL based on life time ECL.

The Company has concluded, based on the assessment carried out by the management, that it is in compliance with the requirements of the new accounting standard.

### **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 June 30, 2018 except for changes as disclosed in note 4.2 above.

		31 December 2018	30 June 2018
	Note	----- (Rupees in '000) ----- (Un-audited)	----- (Audited) -----
<b>6. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	6.1	529,529	529,264
Capital work-in-progress	6.2	-	12,039
		<u>529,529</u>	<u>541,303</u>

6.1 Includes following additions during the period:

		31 December 2018	31 December 2017
		----- (Rupees in '000) ----- (Un-audited)	----- (Audited) -----
<b>Additions - at cost</b>			
Leasehold land		31,195	-
Building on leasehold land		-	88,710
Plant and machinery		19,861	284,130
Electrical installations		-	38,292
Office equipments		57	572
Computer and accessories		1,347	640
Motor vehicles		-	175
Leased vehicles		6,604	-
		<u>59,064</u>	<u>412,519</u>

		31 December 2018	30 June 2018
		----- (Rupees in '000) ----- (Un-audited)	----- (Audited) -----
<b>6.2 Movement in capital work-in-progress:</b>			
Balance at the beginning of the period/year		12,039	65,332
Additions during the period/ year		34,487	377,356
Transfers to operating fixed assets		(46,526)	(430,649)
		<u>-</u>	<u>12,039</u>

		31 December 2018	30 June 2018
		----- (Rupees in '000) ----- (Un-audited)	----- (Audited) -----
<b>7. STOCK-IN-TRADE</b>			
Raw material:			
In hand		343,970	484,317
In bonded warehouse		46,559	-
In transit		408,241	137,327
		<u>798,770</u>	<u>621,644</u>
Packing material		6,254	6,869
Finished goods		124,039	70,998
		<u>929,063</u>	<u>699,511</u>

		31 December 2018	30 June 2018
		----- (Rupees in '000) ----- (Un-audited)	----- (Audited) -----
<b>8. TRADE DEBTS - unsecured</b>			
Considered good		889,275	728,086
Considered doubtful		52,984	76,565
		<u>942,259</u>	<u>804,651</u>
Provision for doubtful debts		(52,984)	(76,565)
		<u>889,275</u>	<u>728,086</u>

		31 December 2018	30 June 2018
		----- (Rupees in '000) ----- (Un-audited)	----- (Audited) -----
<b>8.1 Movement of provision for doubtful debts:</b>			
Balance at beginning of the period		76,565	62,898
(Reversal)/ charge during the period		(23,581)	13,667
Balance at end of the period		<u>52,984</u>	<u>76,565</u>

	31 December 2018	30 June 2018
	----- (Rupees in '000) -----	
	(Un-audited)	(Audited)
<b>9. LONG-TERM FINANCING - secured</b>		
Long-term financing	421,875	450,000
Current portion of long-term financing	<u>(112,500)</u>	<u>(84,375)</u>
	<u>309,375</u>	<u>365,625</u>

- 9.1** Represents utilized portion of long-term finance facility obtained from a commercial bank amounting to Rs. 500 million (June 30, 2018: Rs. 500 million). The facility carries a mark-up at the rate of three months' KIBOR plus 0.35% (2018: 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. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**

	31 December 2018		30 June 2018	
	Minimum lease payment	Present value	Minimum lease payment	Present value
	----- (Rupees in '000) -----			
Not later than one year	2,459	1,796	-	-
Later than one year and not later than five years	5,088	4,519	-	-
Total minimum lease payments	<u>7,547</u>	<u>6,315</u>	<u>-</u>	<u>-</u>
Less: Financial charges allocated to future periods	1,232	-	-	-
Present value of minimum lease payments	6,315	6,315	-	-
Less: Current portion shown under current liabilities	1,796	1,796	-	-
	<u>4,519</u>	<u>4,519</u>	<u>-</u>	<u>-</u>

- 10.1** Represent finance leases entered into by the Company with First Habib Modaraba for vehicles. Lease rentals are payable in monthly installments latest by November 2021. Overdue rental payments are subject to an additional charge of Rs. 500 per day for the number of days the rentals remain overdue. Taxes, repairs, replacement and insurance costs are to be borne by the Company. These carry interest rate of 6 months KIBOR plus 2.75% (June 2018: Nil) percent per annum.

**11. SHORT-TERM RUNNING FINANCE - secured**

Represents utilized portion of running finance facilities obtained from various commercial banks amounting to Rs. 550 million (June 30, 2018: Rs. 500 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+0.50% to six months' KIBOR+0.50% (June 30, 2018: one month KIBOR+0.50% to three months' KIBOR+0.75%) 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, 2018:100 million) remained unutilized at the reporting date.

**12. CONTINGENCY AND COMMITMENTS**

**12.1 Contingency**

- 12.1.1** The Company is exposed to pay vend and permit fee amounting to Rs. 1,536.36 million (June 30, 2018: Rs. 1,460.12 million) on methanol consumed since July, 1990. Based on the legal advice, the Company is expecting favourable decision from the Honourable Supreme Court of Pakistan and accordingly no provision for any liability has been made in these condensed interim financial statements.

	31 December 2018	30 June 2018
Note	----- (Rupees in '000) ----- <u>(Un-audited)</u>	<u>(Audited)</u>
12.1.2 Outstanding bank guarantees	<u>10,584</u>	<u>13,084</u>
<b>12.2 Commitments</b>		
12.2.1 Outstanding letter of credits	<u>577,464</u>	<u>364,132</u>
12.2.2 Postdated cheques issued in favour of collector of customs	<u>150,362</u>	<u>-</u>
12.2.3 Commitment for capital expenditure	<u>-</u>	<u>28,061</u>
12.2.4 Commitment for rental under Ijarah finance agreement		
Within one year	1,459	2,182
After one year but not more than five years	<u>629</u>	<u>1,336</u>
12.2.4.1	<u>2,088</u>	<u>3,518</u>

12.2.4.1 Represent Ijarah finance facility entered into with First Habib Modarba in respect of vehicles. Total Ijarah payments due under the agreement is Rs 2.088 million (June 30, 2018: Rs. 3.518 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.

### 13. 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 moulding compounds.

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

	31 December 2018			31 December 2017		
	Resin division	Moulding compound division	Total	Resin division	Moulding compound division	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Turnover - net	<u>1,287,660</u>	<u>1,262,302</u>	<u>2,549,962</u>	905,909	765,944	<u>1,671,853</u>
Segment result	<u>130,551</u>	<u>169,103</u>	<u>299,654</u>	168,191	148,570	316,761
<b>Unallocated expenses:</b>						
Administrative expenses			(45,245)			(40,779)
Distribution costs			(15,016)			(12,835)
Other income			3,400			1,438
Finance costs			(33,009)			(5,659)
Other charges			(17,438)			(21,320)
Taxation			<u>(55,617)</u>			<u>(42,838)</u>
Net profit for the period			<u>136,729</u>			<u>194,768</u>
Capital expenditure	5,422	34,385	39,807	172,192	177,383	349,575
Unallocated capital expenditure			613			405
<b>Total capital expenditure</b>			<u>40,420</u>			<u>349,980</u>
Depreciation and amortisation	27,351	30,831	58,182	16,936	16,955	33,891
Unallocated depreciation and amortisation			810			1,488
Total depreciation and amortisation			<u>58,991</u>			<u>35,379</u>



	31 December 2018			30 June 2018		
	Resin division	Moulding compound division	Total	Resin division	Moulding compound division	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Segment assets	1,163,971	1,178,421	2,342,392	981,761	981,513	1,963,274
Unallocated assets			367,964			311,868
<b>Total assets</b>			<u>2,710,356</u>			<u>2,275,142</u>
Segment liabilities	405,681	412,306	817,987	363,460	336,348	699,808
Unallocated liabilities			603,813			300,837
<b>Total liabilities</b>			<u>1,421,800</u>			<u>1,000,645</u>

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

	31 December 2018			31 December 2017		
	Resin division	Moulding compound division	Total	Resin division	Moulding compound division	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Turnover - net	738,422	748,608	1,487,030	541,097	433,589	974,686
<b>Segment result</b>	<b>98,856</b>	<b>118,034</b>	<b>216,890</b>	109,176	85,378	194,554
<b>Unallocated expenses:</b>						
Administrative expenses			(23,243)			(20,804)
Distribution costs			(7,922)			(6,442)
Other income			396			650
Finance costs			(19,560)			(5,062)
Other charges			(13,913)			(13,840)
Taxation			(43,891)			(16,354)
<b>Net profit for the period</b>			<u>108,757</u>			<u>132,702</u>
Capital expenditure	510	34,347	34,857	42,001	38,175	80,176
Unallocated capital expenditure			251			122
<b>Total capital expenditure</b>			<u>35,108</u>			<u>80,298</u>
Depreciation and amortisation	13,764	15,646	29,410	10,759	10,379	21,138
Unallocated depreciation and amortisation			437			723
Total depreciation and amortisation			<u>29,847</u>			<u>21,861</u>

14. TRANSACTIONS WITH RELATED PARTIES

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

Name of related party	Relationship	% of shareholding	Nature of transaction	31 December 2018	31 December 2017
				----- (Rupees in '000) ----- (Un-audited)	
Remuneration	Key management personnel	0.005%	Remuneration	<u>20,339</u>	<u>18,639</u>
Directors		0.03%	Director fee	<u>2,775</u>	<u>2,182</u>
Directors		0.03%	Dividend paid	<u>39</u>	<u>24</u>
AICA Asia Pacific Holding pte Limited	Significant influence over the Company	24.99%	Dividend paid	<u>30,655</u>	<u>18,865</u>
Provident Fund		Nil	Contribution to fund	<u>4,399</u>	<u>3,952</u>

**15. DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on February 19, 2019 by the Board of Directors of the Company.

**16. GENERAL**

**16.1** Key management personnel remuneration's corresponding figure in related party transactions note has been revised in line with the new definition of executives in the Companies Act, 2017.

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



SHABBIR ABBAS  
Chief Executive



DR. DONALD JENKIN  
Chairman



SHAKEEL UDDIN  
Chief Financial Officer

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