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	*Chairman*
Mr. Shabbir Abbas	*Chief Executive Officer*
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	*Chairman*
Dr. Donald Jenkin	*Member*
Mr. Tayyeb Afzal	*Member*
Ms. Anam Fatima Khan	*Member*

Human Resource and Remuneration Committee:

Mr. Aqeel Loon	*Chairman*
Dr. Donald Jenkin	*Member*
Mr. Sajid Hassan	*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

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

Dr. Donald Jenkin
Chairman

Karachi: February 19, 2019

ڈائنیا پاکستان لمیٹڈ

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

آپ کی کمپنی کے ڈائریکٹرز بمسرت یہ رپورٹ مع غیر آڈٹ شدہ مالی نتائج بابت جاری مالی سال کی دوسری سہ ماہی و ششماہی **31** دسمبر **2018** پیش کرتے ہیں۔

اس ششماہی میں قبل ازٹیکس منافع 192.35 ملین روپے اور بعدازٹیکس منافع 136.73 ملین روپے رہا۔ جبکہ گذشتہ سال اسی مدت میں قبل ازٹیکس منافع 237.61 ملین روپے اور بعدازٹیکس 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 گاہکوں کو منتقل نہیں کیا جا سکا۔فی حصہ (شیئر) آمدن 10.32 روپے سے گھٹ کر 7.24 روپے ہوگئی۔

ریژن قسمت

ریژن قسمت کی کل بکری (ٹرن اوور) 1,287.66 ملین روپے رہی جب کہ گذشتہ 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 جزوی وجہ قیمت میں اضافہ ہے جو خام مال کی قیمت میں اضافہ کی وجہ سے ضروری تھا۔ ریژن قسمت کا شعبہ جاتی نتیجہ 130.55 ملین روپے رہا جبکہ گزشتہ مالی سال کے دوران یہ 168.19 ملین روپے تھا۔

مولڈنگ کمپاؤنڈ قسمت

مولڈنگ کمپاؤنڈ قسمت کی کل بکری (ٹرن اوور)1,262.30 ملین روپے رہی جب کہ گذشتہ سال اسی عرصہ میں اس کی مقدار765.94 ملین روپے رہی تھی جو کہ پچھلے سال کے مقابلےمیں 64.80% زیادہ ہے ریژن 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 گیاہے۔مولڈنگ کمپاؤنڈ قسمت کا شعبہ جاتی نتیجہ 169.10 ملین روپے رہا جبکہ گذشتہ مالی سال کےدوران یہ 148.57 ملین روپے تھا۔

مستقبل پر ایک نظر

کمپنی کی انتظامیہ مستقبل کے بارے میں پُرامید ہے اور دوسری ششماہی میں بکری میں بڑوتھری،آپریشنل کارکردگی اور بہترین نتائج کےحصول کو کمپنی اور اسٹیک ہولڈر کیلئے یقینی بنائے گی۔

ویٹ فی 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 اسکی تمام مہربانیوں پر متشکر ہیں اور اپنے حصص یافتگان، گاہکوں، مالیاتی اداروں اور دیگر اسٹیک ہولڈرز کی مسلسل معاونت اور کمپنی پر ان کے اعتماد کے لئے ہدیہ تحسین پیش کرتے ہیں۔ہم اپنی منتظم ٹیم کے ارکان اور کارکنوں کی کوششوں کے معترف ہیں جو بہتر نتائج کیلئے مسلسل کوشاں ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

شبیر عباس
چیف ایگزیکٹیو

ڈاکٹر ڈونلڈ جینکن
چیئرمین

کراچی19 فروری 2019

EY
Building a better working world

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ey.com/pk

INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Dynea Pakistan Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Dynea Pakistan Limited** (the Company) as at **31 December 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.

EY Ford Rhodes

Chartered Accountants
Place: Karachi
Date: 19 February 2019

DYNEA PAKISTAN LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31 December 2018 (Un-audited)	30 June 2018 (Audited)
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
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
		537,171	549,014
CURRENT ASSETS			
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
		2,173,185	1,726,128
TOTAL ASSETS		2,710,356	2,275,142
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
40,000,000 (June 30, 2018: 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		1,194,193	1,180,135
		1,288,555	1,274,497
NON-CURRENT LIABILITIES			
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
		316,831	369,041
CURRENT LIABILITIES			
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
		1,104,969	631,604
CONTINGENCY AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		2,710,356	2,275,142

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

SHABBIR ABBAS	DR. DONALD JENKIN	SHAKEEL UDDIN
Chief Executive	Chairman	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)
Gross profit	338,120	353,280	216,123	210,229
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
Operating profit	242,793	264,585	186,121	167,958
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)
Profit before taxation	192,346	237,606	152,648	149,056
Taxation				
- 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)
Net profit for the period	136,729	194,768	108,757	132,702
Basic and diluted earnings per share	7.24	10.32	5.76	7.03

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 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	**136,729**	194,768	**108,757**	132,702

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

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

Karachi: February 19, 2019

DYNEA PAKISTAN LIMITED

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

	Note	31 December 2018	31 December 2017
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
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	8.1	**(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
(Increase) / decrease in current assets			
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)
Increase in current liabilities			
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)
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
CASH FLOWS FROM FINANCING ACTIVITIES			
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
Net decrease in cash and cash equivalents		**(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)
CASH AND CASH EQUIVALENT			
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	DR. DONALD JENKIN	SHAKEEL UDDIN
Chief Executive	Chairman	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	**94,362**	**691,000**	**389,017**	**1,080,017**	**1,174,379**
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	**94,362**	**991,000**	**203,193**	**1,194,193**	**1,288,555**

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

SHABBIR ABBAS	DR. DONALD JENKIN	SHAKEEL UDDIN
Chief Executive	Chairman	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 – (Ammendments)
IFRS 9	-	Financial Instruments
IFRS 15	-	Revenue from Contracts with Customers
IAS 40	-	Investment Property: Transfers of Investment Property (Ammendments)
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.

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

6.1 Includes following additions during the period:

	31 December 2018 (Un-audited)	31 December 2017 (Un-audited)
	(Rupees in '000)	
Additions - at cost		
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**	-
	59,064	412,519

		31 December 2018 (Un-audited)	30 June 2018 (Audited)
		(Rupees in '000)	
6.2	**Movement in capital work-in-progress:**		
	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)
		-	12,039
7.	**STOCK-IN-TRADE**		
	Raw material:		
	In hand	**343,970**	484,317
	In bonded warehouse	**46,559**	-
	In transit	**408,241**	137,327
		798,770	621,644
	Packing material	**6,254**	6,869
	Finished goods	**124,039**	70,998
		929,063	699,511
8.	**TRADE DEBTS - unsecured**		
	Considered good	**889,275**	728,086
	Considered doubtful	**52,984**	76,565
		942,259	804,651
	Provision for doubtful debts	**(52,984)**	(76,565)
		889,275	728,086
8.1	**Movement of provision for doubtful debts:**		
	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	**52,984**	76,565

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

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	7,547	6,315	-	-
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	-	-
	4,519	4,519		

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.

		Note	31 December 2018	30 June 2018
			(Rupees in '000)	
			(Un-audited)	(Audited)
12.1.2	Outstanding bank guarantees		10,584	13,084
12.2	**Commitments**			
12.2.1	Outstanding letter of credits		577,464	364,132
12.2.2	Postdated cheques issued in favour of collector of customs		150,362	-
12.2.3	Commitment for capital expenditure		-	28,061
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		629	1,336
		12.2.4.1	2,088	3,518

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	1,287,660	1,262,302	2,549,962	905,909	765,944	1,671,853
Segment result	130,551	169,103	299,654	168,191	148,570	316,761
Unallocated expenses:						
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			(55,617)			(42,838)
Net profit for the period			136,729			194,768
Capital expenditure	5,422	34,385	39,807	172,192	177,383	349,575
Unallocated capital expenditure			613			405
Total capital expenditure			40,420			349,980
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			58,991			35,379

	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
Total assets			2,710,356			2,275,142
Segment liabilities	405,681	412,306	817,987	363,460	336,348	699,808
Unallocated liabilities			603,813			300,837
Total liabilities			1,421,800			1,000,645

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
Segment result	98,856	118,034	216,890	109,176	85,378	194,554
Unallocated expenses:						
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)
Net profit for the period			108,757			132,702
Capital expenditure	510	34,347	34,857	42,001	38,175	80,176
Unallocated capital expenditure			251			122
Total capital expenditure			35,108			80,298
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			29,847			21,861

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	**20,339**	18,639
Directors		0.03%	Director fee	**2,775**	2,182
Directors		0.03%	Dividend paid	**39**	24
AICA Asia Pacific Holding pte Limited	Significant influence over the Company	24.99%	Dividend paid	**30,655**	18,865
Provident Fund		Nil	Contribution to fund	**4,399**	3,952

15. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February19, 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

Karachi: February 19, 2019

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