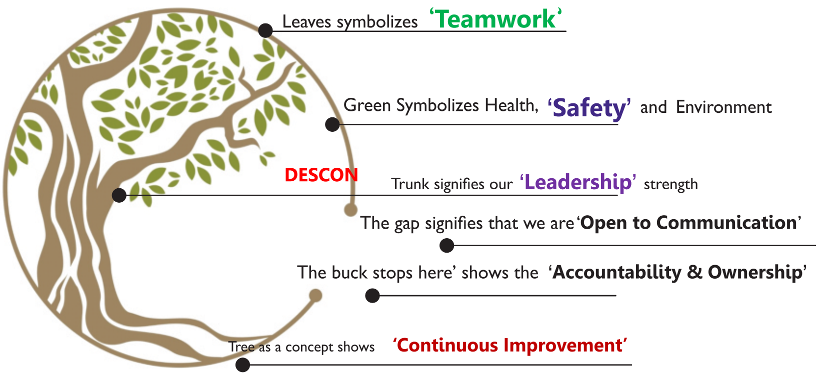
PARTNERS IN PROGRESS

DESCON

HALF YEARLY
REPORT
DECEMBER 31, 2019

Descon Oxychem Limited

Our Core Values



Continuous Improvement
"We believe excellence is a commitment to improve everything we do all the time."

Leadership
"We believe leaders inspire others to learn and achieve more."

Accountability and Ownership
"We believe in taking responsibility for our decisions, actions and their results."

Team Work
"We believe in the strength of the individual, yet we accomplish more by working together."

Open Communication
"We believe open communication is the foundation of trust."

Safety
"We believe HSE is of utmost importance and we attach the highest value to the safety of our employees and stakeholders."

Contents

Company Information

Board of Directors

Taimur Dawood	Chairman
Asif Qadir	Independent Director
Farooq Nazir	
Mehreen Dawood	
Faisal Dawood	
Ali Asrar Hossain Aga	Independent Director
Haroon Waheed	Independent Director
Imran Qureshi	Chief Executive Officer

Muhammad Saqib Abbas
Chief Financial Officer

Abdul Sohail
Company Secretary

Auditors
M/s A.F. Fergusan & Co.
Chartered Accountants

Internal Auditors
M/s KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors
M/s Hassan & Hassan Advocates

Bankers
Allied Bank Limited
Bank Al Habib Limited
Habib Metropolitan Bank Limited

Share Registrar
M/s Corplink (Pvt) Limited
Wings Arcade, 1-K Commercial Area,
Model Town, Lahore-53000
Tel: +92 42 35887262, 35839182
Fax: +92 42 35869037

Registered Office
Descon Headquarter
18-KM Ferozpur Road
Lahore-53000Pakistan.
Tel: +92 42 35923721-9

Plant Site
18-KM Lahore - Sheikhupura Road,
Lahore, Pakistan.
Tel: +92 42 3797 1821-24
Fax: +92 42 3797 1831

Web Presence
Updated Company's Information together with the latest Quarterly Report can be accessed at Descon's website, www.desconoxychem.com

DIRECTORS REPORT TO THE SHAREHOLDERS
For the six months ended December 31, 2019

The Board of Directors of the company are pleased to present the six months report along with the Financial Statements for the period ended December 31, 2019.

Your Company's journey towards consolidation of its financial position continued during the six months. To counter a challenging economic environment, the Company successfully realigned its strategy so to sustain a profitable position. The summarized financial performance is below.

Financial Highlights

	Quarter ended		Half year ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	Rupees in '000			
Sales	**741,921**	667,338	**1,370,738**	1,339,513
Cost of goods sold	**(524,429)**	(455,785)	**(1,008,910)**	(851,453)
Gross profit	**217,492**	211,553	**361,828**	548,060
Profit from operations	**166,857**	175,442	**270,026**	452,678
Profit before taxation	**135,348**	162,945	**203,055**	439,437
Profit for the period	**88,384**	84,453	**142,544**	315,580
Earnings per share - Basic	**0.87**	0.83	**1.40**	3.09
Production - MT	**7980**	7068	**16849**	15045

Your company made a net profit of PKR 143 million during the six months compared with a net profit of PKR 316 million in the corresponding period last year, a decrease of PKR 173 million. Gross profit for the six months has decreased from PKR 548 million to PKR 362 million. However gross profit percentage has gone up in the quarter ended December 19 to 29% from 23%in the preceding quarter (Sep 19). Cost of goods sold has gone up primarily due to conversion of local industry to 100% RLNG which was a mixture of natural gas & RLNG during the same period last year. Hence the decline in profit can be attributed to ,inter-alia, increase in input cost, finance cost (conversion of preference share capital into inter company loan) and the negative impact of the steep decline in international prices. Subsequent to the period end, the Company converted the loan from Descon Engineering Limited of Rs. 733.33 million into 48.88 million ordinary shares of Rs. 10 which will significantly reduce the debt servicing burden of the company and will make it easier to service the debt obtained for capacity expansion.

While your Company continues to produce consistently at the optimum level which is reflected in the half year numbers, however, for the quarter delay in timing of annual turnaround is one of the reasons for higher production. With the implementation of Manufacturing Excellence programs, the Company has been able to achieve productivity gains relating to energy and chemicals consumptions. During this reporting period, safety record remained a hallmark of your company's commitment to sustainability and there were no reportable injuries to any employee or to on-site contractors. The business has successfully completed 6.5 million-man hours without a lost time injury (LTI) since operations commenced in December 2008.

Future Outlook

The challenge ahead for your Company is not only to sustain the financial performance, but also find ways to maintain its margins and profits in an environment of significant cost increases. The company is constantly working on strategies to ensure these challenges are met effectively. Your Company is taking measures to reduce its energy cost by benchmarking with comparable industries and best practices. Your Company is fully committed to complete its production capacity expansion project as planned and we are very confident that the project will be completed ahead of planned timelines.

Your Company has been able to make considerable breakthrough in its efforts to penetrate new markets and post successful technical trials has entered into an agreement with Tetra Pak Pakistan to sell ASEPTOX 35 (Hydrogen Peroxide based product) to Tetra Pak's customers in Pakistan. This development also opens the food grade disinfectant export markets to Your Company.

We thank all stakeholders for their unfailing and steadfast support.

For and on behalf of the Board

Lahore
February 12, 2020

CHIEF EXECUTIVE

DIRECTOR

ڈائریکٹرز کی رپورٹ

کمپنی کے بورڈ آف ڈائریکٹرز 31 دسمبر 2019ء کو اختتام پذیر نصف سال کے مالیاتی گوشوارے اور رپورٹ پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

مالیاتی استحکام کی جانب آپ کی کمپنی کا سفر چھے ماہ میں جاری رہا۔ مشکل ترین مالیاتی ماحول کے باوجود کاروبار کا باقاعدگی سے جائزہ لیا گیا اور مشکلات سے نبرد آزما ہونے اور منافع بخش حالت کو برقرار رکھنے کے لئے حکمت عملی ترتیب دی گئی۔ مالیاتی کارکردگی کا خلاصہ حسب ذیل ہے:

مالیاتی خلاصہ

	اختتام پذیر سہ ماہی		اختتام پذیر نصف سال	
	31 دسمبر 2019ء	31 دسمبر 2018ء	31 دسمبر 2019ء	31 دسمبر 2018ء
	روپے 000'			
سیلز	**741,921**	667,338	**1,370,738**	1,339,513
فروخت شدہ اشیا کی لاگت	**(524,429)**	(455,785)	**(1,008,910)**	(851,453)
مجموعی منافع	**217,492**	211,553	**361,828**	548,060
آپریشنز سے منافع	**166,857**	175,442	**270,026**	452,678
نفع ٹیکس کے علاوہ	**135,348**	162,945	**203,055**	439,437
خالص منافع	**88,384**	84,453	**142,544**	315,580
فی حصص آمدنی - بنیادی	**0.87**	0.83	**1.40**	3.09
پیداوار - (میٹرک ٹن)	**7980**	7068	**16849**	15045

آپ کی کمپنی نے گذشتہ برس کی اسی مدت میں 316 ملین روپے خالص منافع کے مقابلہ میں نصف سالہ مدت کے دوران 173 ملین روپے کمی کے ساتھ 143 ملین روپے خالص منافع ریکارڈ کیا۔ چھے ماہ کے لئے مجموعی منافع 548 ملین روپے سے کم ہو کر 362 ملین روپے ہو گیا۔ تاہم مجموعی منافع کی شرح گذشتہ سہ ماہی کے مقابلہ میں دسمبر 2019ء کو اختتام پذیر سہ ماہی میں 23 فی صد سے بڑھ کر 29 فی صد ہو گئی۔ مقامی صنعت کی RLNG پر 100% فی صد منتقلی کی وجہ سے اشیا کی فروخت کی لاگت میں اضافہ ہوا جب کہ گذشتہ برس کی اسی مدت کے دوران قدرتی گیس اور RLNG دونوں پر انحصار رہا۔ لہٰذا حالیہ مدت میں نفع کے اعداد میں کمی کو ان پٹ کاسٹ اور قرضوں میں لاگت میں اضافہ (جو بنیادی طور پر ترجیحی سرمایہ کی کمپنی قرضہ میں تبدیلی کی وجہ سے ہے) اور بین الاقوامی قیمتوں کے منفی اثرات سے منسوب کیا جا سکتا ہے۔ جس سے گذشتہ برس کی اسی مدت کے دوران کمپنیاں مستفید ہوتی رہیں۔ اس مدت کے اختتام پر کمپنی نے ڈیسکان انجینئرنگ لمیٹڈ کے 733.33 ملین روپے کے قرضہ کو 48.88 ملین عمومی حصص میں بحساب 10 روپے فی حصص تبدیل کر دیا۔ اس کا مقصد توسیع سے قبل کمپنی کے سرمایہ کو قابل انتظام بنانا ہے۔

چونکہ آپ کی کمپنی موزوں سطح پر مسلسل پیداوار برقرار رکھے ہوئے جس کی عکاسی نصف سال کے اعداد کرتے ہیں۔ اس مدت کے لئے سالانہ منافع کے وقت میں تاخیر اعلیٰ پیداوار کی وجہ ہے۔ پیداواری مہارت پروگراموں کے اطلاق سے کمپنی توانائی اور کیمیکل کھپت سے متعلق اعداد میں بہتری لانے کی اہل ہو گئی۔ اس رپورٹنگ دورانیہ میں، آپ کی کمپنی حفاظتی ریکارڈ میں استحکام کے عزم پر قائم رہی۔ کسی بھی ملازم یا آن سائیٹ کنٹریکٹر کو ضرر پہنچنے کی کوئی رپورٹ سامنے نہ آئی۔ دسمبر 2008ء میں آپریشنز کے آغاز سے کمپنی نے LTI کے بغیر 6.5 ملین مین ہاورز کامیابی سے مکمل کئے۔

مستقبل کا نقطۂ نظر

مالیاتی کارکردگی کو مستحکم کرنے کے علاوہ کمپنی بڑھتی ہوئی لاگت کے ماحول میں نفع اور اہداف کو حاصل کرنے میں مشکلات کا شکار ہے۔ کمپنی ان مسائل سے نمٹنے کے لئے مسلسل حکمت عملی طے کر رہی ہے۔ آپ کی کمپنی انرجی کاسٹ میں کمی کے لئے اقدامات کر رہی ہے۔ جو متقابل صنعتوں اور بہترین عمل داری کے ساتھ بینچ مارکنگ کے ذریعے لاگت کا نمایاں پہلو ہے۔ آپ کی کمپنی اپنی پیداواری صلاحیت میں اضافہ کے لئے توسیعی منصوبہ کی تکمیل کی طرف گامزن ہے۔ اور ہم پرامید ہیں کہ یہ منصوبہ مقررہ مدت سے قبل مکمل ہو جائے گا۔ آپ کی کمپنی نے نئی منڈیوں کی تشکیل میں نمایاں کامیابیاں حاصل کی ہیں اور صارفین کی ضروریات کے مطابق کمپنی کی تیار شدہ ASEPTOX35 (ہائیڈروجن پر آکسائیڈ پر مشتمل پروڈکٹ) کی فروخت کے لئے ٹیٹرا پاک پاکستان سے معاہدہ کیا ہے۔ کمپنی ان شعبوں میں سرمایہ داری کر رہی جو حفاظت، کاروباری کارکردگی اور نئی منڈیوں میں اپنی ساکھ بنانے میں مدد و معاون ثابت ہوں۔

ہم اپنے تمام سٹیک ہولڈرز کی مسلسل حمایت پر تہہ دل سے شکر گزار ہیں۔

برائے اور منجانب بورڈ آف ڈائریکٹرز

چیف ایگزیکٹو

ڈائریکٹر

لاہور،
12 فروری 2020ء

pwc

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REVIEW REPORT

To The Members Of Descon Oxychem Limited

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Descon Oxychem Limited as at December 31, 2019 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month 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 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-monthperiodsended December 31, 2019 and December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2019.

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 auditor's report is Asad Aleem Mirza.

A.F. Ferguson & Co.
Chartered Accountants
Lahore
Date: February 24, 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT DECEMBER 31, 2019

	Note	Un-audited December 31, 2019	Audited June 30, 2019
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
220,000,000 (June 30, 2019: 110,000,000) ordinary shares of Rs 10 each		2,200,000	1,100,000
Issued, subscribed and paid up capital			
102,000,000 (June 30, 2019: 102,000,000) ordinary shares of Rs 10 each		1,020,000	1,020,000
Accumulated loss		(93,897)	(236,441)
		926,103	783,559
NON-CURRENT LIABILITIES			
Long term finances - secured	4	927,631	877,631
Deferred taxation		157,849	133,254
		1,085,480	1,010,885
CURRENT LIABILITIES			
Finances under mark up arrangements - secured	5	377	124,317
Trade and other payables		268,306	312,085
Dividend payable		1,716	2,396
Accrued finance cost		10,496	14,945
		280,895	453,743
CONTINGENCIES AND COMMITMENTS	6		
		2,292,478	2,248,187
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,571,021	1,483,894
Intangible assets		26,439	29,723
Long term deposits		17,654	17,654
		1,615,114	1,531,271
CURRENT ASSETS			
Stores and spares		287,747	271,162
Stock in trade		81,679	72,454
Trade debts		58,826	80,742
Advances, deposits, prepayments and other receivables	8	110,141	171,507
Income tax recoverable		119,298	90,058
Bank balances		19,673	30,993
		677,364	716,916
		2,292,478	2,248,187

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)

For The Three-Month and Six-Month Period Ended December 31, 2019

	Note	Three-month period ended December 31, 2019	Three-month period ended December 31, 2018	Six-month period ended December 31, 2019	Six-month period ended December 31, 2018
		..................(Rupees in thousand)			....
Sales	9	741,921	667,338	1,370,738	1,399,513
Cost of sales	10	(524,429)	(455,785)	(1,008,910)	(851,453)
Gross profit		217,492	211,553	361,828	548,060
Administrative expenses		(27,594)	(19,572)	(53,981)	(43,865)
Distribution and selling costs		(10,009)	(16,376)	(23,813)	(32,929)
Other income		(2,661)	7,101	3,659	9,083
Other operating expenses		(10,371)	(7,264)	(17,667)	(27,671)
Profit from operations		166,857	175,442	270,026	452,678
Finance costs		(31,509)	(12,497)	(66,971)	(13,241)
Profit before taxation		135,348	162,945	203,055	439,437
Taxation		(46,964)	(78,492)	(60,511)	(123,857)
Profit for the period		88,384	84,453	142,544	315,580
Earnings per share					
- Basic - Rupees	11.1	0.87	0.83	1.40	3.09
- Diluted - Rupees	11.2	0.87	0.51	1.40	1.67

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
For The Three-Month And Six-Month Period Ended December 31, 2019

	Three-month period ended		Six-month period ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	....................(Rupees in thousand)....................			
Profit for the period	88,384	84,453	142,544	315,580
Other comprefensive income				
- Items that may be reclassified subsequently to profit or loss	-	-	-	-
- Items that will not be reclassified subsequently to profit or loss	-	-	-	-
Total comprehensive income for the period	88,384	84,453	142,544	315,580

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
For The Three-Month And Six-Month Period Ended December 31, 2019

	Share Capital			
	Ordinary share capital	Preference share capital	Accumulated loss	Total
	..................(Rupees in thousand)..................			
Balance as on July 1, 2018 (audited)	1,020,000	1,100,000	(344,272)	1,775,728
Profit for the period	-	-	315,580	315,580
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	315,580	315,580
Transactions with owners, recognised directly in equity				
Preference dividend @ Rs 1.2 per share	-	-	(132,000)	(132,000)
Redemption during the period	-	(1,100,000)	-	(1,100,000)
	-	(1,100,000)	(132,000)	(1,232,000)
Balance as on December 31, 2018 (un-audited)	1,020,000	-	(160,692)	859,308
Balance as on July 1, 2019 (audited)	1,020,000	-	(236,441)	783,559
Profit for the period	-	-	142,544	142,544
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	142,544	142,544
Transactions with owners, recognised directly in equity	-	-	-	-
Balance as on December 31, 2019 (un-audited)	1,020,000	-	(93,897)	926,103

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
For The Three-Month And Six-Month Period Ended December 31, 2019

	Note	Six-month period ended December 31, 2019	Six-month period ended December 31, 2018
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	13	380,961	289,304
Finance cost paid		(83,742)	(1,489)
Profit on deposits received		1,639	6,824
Income tax paid		(72,051)	(89,258)
Net cash generated from operating activities		226,807	205,381
Cash flows from investing activities			
Fixed capital expenditure (including intangibles)		(163,507)	(56,416)
Proceeds from sale of fixed assets		-	316
Net cash used in investing activities		(163,507)	(56,100)
Cash flows from financing activities			
Proceeds from long term finance		50,000	1,100,000
Redemption of preference shares		-	(1,100,000)
Dividend paid		(680)	(131,992)
Net cash generated from / (used in) financing activities		49,320	(131,992)
Net increase in cash and cash equivalents		112,620	17,289
Cash and cash equivalents at beginning of the period		(93,324)	113,085
Cash and cash equivalents at the end of the period	14	19,296	130,374

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

1. The Company and its operations

The Company was incorporated in Pakistan as a private limited company on November 12, 2004 under the Companies Ordinance, 1984 and was converted into a public limited company with effect from February 28, 2008. Subsequently, on September 15, 2008, it was listed on Karachi Stock Exchange (now Pakistan Stock Exchange). The registered office of the company is situated at 18-KM Ferozepur Road, Lahore and the factory is situated at 18-KM Lahore-Sheikhupura Road, Lahore. It is principally engaged in the manufacture, procurement and sale of hydrogen peroxide and allied products. The Company commenced its commercial production on March 1, 2009.

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 audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2019.

2.3 The figures included in the condensed interim statement of profit or loss for the three months ended December 31, 2019 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the six months period ended December 31, 2019.

3. Significant accounting policies

3.1 The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2019. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2019, except for estimation of provision for taxation as referred to in note 4 and changes to accounting policies on adoption of IFRS 16 as discussed in note 3.2.1.

3.2 Standards, amendments and interpretations to published approved accounting standards

3.2.1 Standards, amendments and interpretations to existing standards effective in current period

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2019. However, these do not have any significant impact on the Company’s financial reporting and, therefore, are not detailed in these condensed interim financial statements.

IFRS 16, ‘Leases', This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain shortterm leases and leases of low-value assets; however, this exemption can only be applied by lessees. The Company adopted this standard on July 01, 2019 using modified retrospective approach and changed its accounting policies in these condensed interim financial statements. However, the changes laid down by this standard does not have any significant impact on these condensed interim financial statements of the Company.

3.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 01, 2020 or later periods, but the Company has not early adopted them:

Standards or Interpretation	Effective date (accounting periods beginning on or after)
Amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs regarding a consistent definition of materiality	January 01, 2020
Amendments to IFRS 9,'Financial Instruments', IFRS 7, 'Financial instruments' and IAS 39, 'Financial Instruments: recognition and measurement' in connection with interest rate benchmark reform	January 01, 2020

3. Taxation

The provision for taxation for the quarter and half year ended December 31, 2019 has been made using the tax rate that would be applicable to expected total annual earnings.

4. Long term finances - secured

	Un-audited December 31, 2019	Audited June 30, 2019
	(Rupees in thousand)	
Opening balance	877,631	-
Net proceeds during the period/ year	50,000	1,244,298
Repayments during the period/ year	-	(366,667)
Closing balance	927,631	877,631

4.1 Subsequent to year end, the Company converted loan from Descon Engineering Limited of Rs. 733.33 million into 48.88 million ordinary shares of Rs. 10 each as referred to in note 18.

	Un-audited December 31, 2019	Audited June 30, 2019
	(Rupees in thousand)	
5. Finances under mark up arrangements - secured		
Allied Bank Limited	377	89,045
Bank Al-Habib Limited	-	35,272
	377	124,317

6. Contingencies and commitments

6.1 Contingencies

Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract amounting to Rs 48.64 million (June 30, 2019: Rs 48.64 million).

Guarantee issued to Pakistan State Oil against the performance of a contract amount to Rs 3.50 million (June 30, 2019: Rs 3.50 million).

6.2 Commitments

i) Letters of credit other than capital expenditure aggregating to Rs 28.7 million (June 30, 2019: Rs 15.79 million).

ii) Letters of credit and contracts for capital expenditure aggregating to Rs 340.02 million (June 30, 2019: Rs 165.84 million).

		Un-audited December 31, 2019	Audited June 30, 2019
		(Rupees in thousand)	
7. Property, plant and equipment			
Operating assets	- note 7.1	1,150,869	1,212,314
Capital work-in-progress		342,113	213,388
Major spare parts, catalysts and standby equipment [including in transit Nil (June 30, 2019: 17.159 million)]		78,039	58,192
		1,571,021	1,483,894

7.1 Operating assets

Opening book value		1,212,314	1,304,289
Add: Additions during the period / year	- note 7.1.1	27,257	97,009
		1,239,571	1,401,298
Less: Disposals during the period / year (at book value)	- note 7.1.2	(13)	(2,617)
Less: Impairment loss		-	(12,783)
Less: Depreciation charged during the period / year		(88,689)	(173,584)
Closing book value		1,150,869	1,212,314

	Un-audited December 31, 2019	Audited June 30, 2019
	(Rupees in thousand)	
7.1.1 Additions during the period / year		
Buildings on freehold land	5,319	4,862
Plant, machinery and equipment	18,824	75,295
Plant, machinery and equipment - catalyst	-	6,861
Laboratory equipment	440	710
Material handling	-	108
Tools and equipment	1,337	2,278
Computer equipment	1,188	2,937
Electrical equipment	-	571
Office equipment	116	1,952
Furniture and fixture	33	186
Vehicles	-	1,249
	27,257	97,009
7.1.2 Disposals during the period / year		
Plant, machinery and equipment	-	2,609
Computer equipment	13	8
	13	2,617

8. These include sales tax recoverable of Rs 46.07 million (June 30, 2019: Rs 143.99 million) and contract assets of Rs 26.97 million (June 30, 2019: Rs 12.52 million).

	Un-audited		Un-audited	
	Three-month period ended		Six-month period ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	(Rupees in thousand)		(Rupees in thousand)	
9. Sales				
Gross sales:				
- Local	883,818	705,819	1,614,640	1,474,429
- Export	2,360	1,618	4,745	3,127
	886,178	707,437	1,619,385	1,477,556
Less: Commission and discount on sales	(16,818)	(15,519)	(29,530)	(32,670)
Less: Sales tax	(127,439)	(24,580)	(219,117)	(45,373)
	741,921	667,338	1,370,738	1,399,513

10. Cost of sales

	Un-audited Three-month period ended December 31, 2019	Un-audited Three-month period ended December 31, 2018	Un-audited Six-month period ended December 31, 2019	Un-audited Six-month period ended December 31, 2018
	(Rupees in thousand)		(Rupees in thousand)	
Raw material consumed	187,811	176,007	441,791	350,860
Salaries, wages and other benefits	30,088	25,709	58,508	50,621
Repair and maintenance	18,046	12,951	36,628	30,878
Fuel and power	82,120	60,495	164,018	136,843
Packing material	1,375	780	2,233	1,630
Quality assurance	431	270	654	702
Services through contractors	13,106	10,908	29,460	21,176
Travelling	1,712	734	1,986	734
Annual shutdown expenses	-	38,807	-	38,807
Communication	383	203	554	388
Rent & rates	6,944	9,868	15,969	14,743
Depreciation and impairment on property, plant and equipment	43,867	42,465	87,764	84,373
Amortization of intangible assets	1,642	397	3,284	397
Insurance	3,273	2,683	6,533	5,367
Safety items consumed	187	698	882	1,243
Miscellaneous	3,826	1,318	4,446	2,067
	394,811	384,293	854,710	740,829
Add: Opening work in process	5,785	5,505	4,218	5,285
Less: Closing work in process	(8,075)	(7,711)	(8,075)	(7,711)
	(2,290)	(2,206)	(3,857)	(2,426)
Cost of goods produced	392,521	382,087	850,853	738,403
Add: Opening finished goods	78,009	27,399	18,649	3,294
Less: Closing finished goods	(21,113)	(36,659)	(21,113)	(36,659)
	56,896	(9,260)	(2,464)	(33,365)
Cost of goods sold - own manufactured	449,417	372,827	848,389	705,038
Cost of goods sold - purchase for resale	62,279	82,958	140,164	146,415
Cost of services	12,733	-	20,357	-
	524,429	455,785	1,008,910	851,453

11. Earnings per share

11.1 Basic earnings per share

Profit for the period	**Rupees in thousand**	88,384	84,453	142,544	315,580
Weighted average number of ordinary shares	**Number in thousand**	102,000	102,000	102,000	102,000
Earnings per share	**Rupees**	0.87	0.83	1.40	3.09

		Un-audited		Un-audited	
		Three-month period ended		Six-month period ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
		(Rupees in thousand)		(Rupees in thousand)	
11.2 Diluted earnings per share					
Profit for the period	Rupees in thousand	88,384	84,453	142,544	315,580
Weighted average number of ordinary shares	Number in thousand	102,000	102,000	102,000	102,000
Add: Weighted average number of preference shares	Number in thousand	-	64,066	-	87,158
Weighted average number of outstanding shares	Number in thousand	102,000	166,066	102,000	189,158
Diluted earning per share	Rupees	0.87	0.51	1.40	1.67

12. Transactions with related parties

Relationship with the Company	Nature of transaction	Un-audited Six-month period ended December 31, 2019	December 31, 2018
		(Rupees in thousand)	
i. Related parties other than holding company	Purchase of goods and services	126,746	30,071
	Sale of goods	27	23
	Share of common expenses charged to the Company	12,434	21,433
	Share of common expenses charged by the Company	1,538	636
	Mark-up expense on long term loan	55,776	11,382
	Payment of preference dividend	-	131,755
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	3,025	1,518
iii. Key management personnel	Salaries and other employee benefits	24,259	18,714
	Sale of fixed asset	-	316

Period-end balances	Un-audited December 31, 2019	Audited June 30, 2019
	(Rupees in thousand)	
Payable to related parties	26,859	14,009
Advances to related parties	7,864	16,072
Accrued finance cost	1,823	9,383

13. Cash generated from operations

	Un-audited Six-month period ended December 31, 2019	
	December 31, 2019	December 31, 2018
	(Rupees in thousand)	
Profit before taxation	203,055	439,437
Adjustments for:		
- Depreciation and impairment on property, plant and equipment	88,689	85,157
- Amortization of intangible assets	3,284	397
- Finance costs	66,971	13,241
- Interest on bank deposits	(1,639)	(6,824)
- Provision / (reversal) for accumulating compensated absences	-	779
- Exchange (gain) / loss	1,873	(16)
- (Gain) / loss on sale of property, plant and equipment	13	(316)
Cashflows before working capital changes	362,246	531,855
Effect on cash flow due to working capital changes		
- Increase in stores and spares	(16,585)	(39,140)
- Increase in stock-in-trade	(9,225)	(81,166)
- Decrease / (increase) in trade debts	21,916	(45,591)
- Decrease / (increase) in advances, deposits, prepayments and other receivables	61,366	(88,844)
- (Decrease) / increase in trade and other payables	(38,757)	12,190
	18,715	(242,551)
Cash generated from operations	380,961	289,304

14. Cash and cash equivalents

	Un-audited December 31, 2019	Un-audited December 31, 2018
	(Rupees in thousand)	
Short term investments	-	87,000
Bank balances	19,673	185,014
Finances under mark up arrangement - secured	(377)	(141,640)
	19,296	130,374

15. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Specific valuation techniques used to value financial instruments include:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As of reporting date, There were no Level 1, 2 or 3 assets or liabilities during prior or current period.

16. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at June 30, 2019.

There have been no significant changes in the risk management policies since the year end.

17. Date of authorization for issue

These condensed interim financial statements were authorized for issue on February 12, 2020 by the Board of Directors of the Company.

18. Subsequent event

The Securities and Exchange Commision of Pakistan, vide its order dated January 10, 2020, on the basis of special resolution passed by members on November 27, 2019, has allowed the Company to issue 48,888,866 ordinary shares of Rs. 10 per share at a premium of Rs. 5 per share to Descon Engineering Limited (DEL) by way of other than right under clause (b) of sub-section(1) of Section 83 of the Companies Act, 2017. The Company issued 48,888,866 ordinary shares of Rs. 10 per share at a premium of Rs. 5 per share to DEL on January 29, 2020, against long term loan of Rs 733.33 million from DEL.

19. Corresponding figures

In order to comply with the requirements of IAS 34, the condensed interim statement of financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework. However no significant rearrangments have been made.

CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER	DIRECTOR

Vision

Our vision is to be the leading Pakistan supplier of oxidative solutions based on hydrogen peroxide, complemented by related technologies to the textile, food safety, environmental and other industrial markets. At Descon Oxychem, we are committed to conducting our business honestly complying with all application laws-this is our committed to integrity. Our values exemplify our dedication to high standards of corporate responsibility towards all our stakeholders.

Mission

The mission is underpinned by four principles including safety, innovation, sustainability and customer focus. Our world class safety record is a deep part of our company's heritage, and an incident free workplace is our first priority and foremost goal. We pride ourselves on quality products and innovative applications that are developed as a result of ingenuity and technical expertise. Industry demands constantly evolve, and we keep pace with this evolution. As an industry leader with an international footprint, we know that progress happens with hard work, a committed to success and most of all, sustainable practices. The strength and value of our business lies in our people and their commitment to working with customers to provide solutions, technology expertise and unwavering commitment towards all customers' needs

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