

PARTNERS IN
PROGRESS



HALF YEARLY REPORT

DECEMBER 31, 2020

Descon Oxychem Limited



VISION

Winning together with our customers, our ambition is to enhance local and regional footprint while delivering sustainable value to all stakeholders.

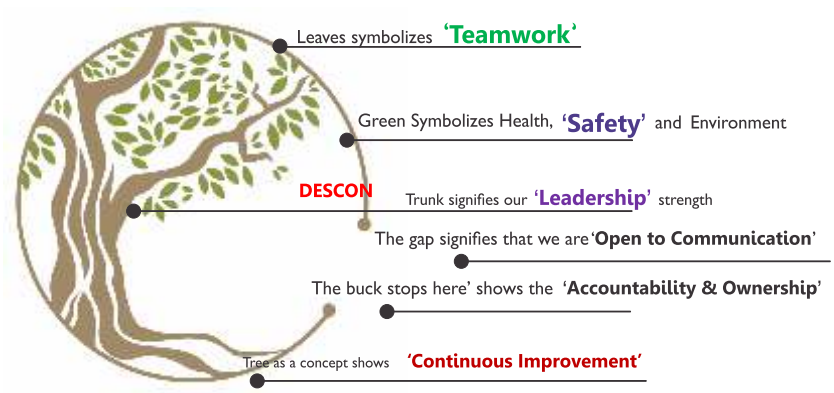


MISSION

We are determined to:

- Strengthen our domestic market leadership position
- Establish a footprint in new segments & regional markets
- Achieve success through winning together with our customers driven by best cost propositions, motivated people and effective teamwork

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."

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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.Ferguson & 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-53000 Pakistan.
Tel: +92 42 35923721-9

Plant Site

18-KM Lahore - Sheikhpura Road,
Lahore, Pakistan.
Tel: +92 42 37971822-24
Fax: +92 42 3797 1834

Web Presence

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

DIRECTORS REPORT TO THE SHAREHOLDERS

For the six months ended December 31, 2020

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, 2020.

Your Company's journey towards consolidation of strong financial position remained on track during the six months. Despite some head winds, the business regularly reviewed and aligned its strategy to meet the challenges and to sustain a profitable position. The summarized financial performance appears below.

	Quarter ended		Half year ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Rupees in '000		Rupees in '000	
Sales	704,995	741,921	1,325,509	1,370,738
Cost of goods sold	(516,958)	(524,429)	(1,073,372)	(1,008,910)
Gross profit	188,037	217,492	252,137	361,828
Profit from operations	144,988	166,857	172,053	270,026
Profit before taxation	129,504	135,348	151,254	203,055
Profit for the period	90,931	88,384	104,997	142,544
Earnings per share - Basic	0.52	0.70	0.60	1.13
Production - MT	8550	7980	12749	16849

Your company made a net profit of PKR 105 million during the six months compared with a net profit of PKR 143 million in the corresponding period last year, a decrease of PKR 38 million. Gross profit for the six months has decreased from PKR 362 million to PKR 252 million. This swing in profitability can be attributed to a number of significant one off events including prolonged plant shut down for expansion tie-ins and planned Annual Turn Around which was not there in the corresponding period last year. The increase in cost of sales and reduction in gross profit (in terms of PKR & Percentage) compared with same period last year is attributable to the cost of planned annual turnaround, additional impact of depreciation due to expansion, impact of one off high utilities factor owing to shut down and increased electricity tariff.

It is pertinent to note here that period under review was extraordinary due to the addition of 24 metric tons per day of additional production capacity as a result of plant expansion and a major annual turnaround was planned and executed which will positively contribute to the reliability and sustainability of the plant. We are pleased to inform that plant expansion has been successfully completed within planned timelines and budget. The new plant has achieved the target capacity. With strong downstream demand, your company foresees significant improvement in both revenue and profitability as more product will be available for sale from the additional capacity which will substitute for imports coming into the country.

Future Outlook

The challenge for your Company is to sustain the strong financial performance by maintaining its margins in an environment of significant cost increases. Your company is consistently working on strategies to ensure these challenges are met effectively. Efforts to penetrate new segments and markets have been successfully implemented alongside organic growth in Textile and Mining sectors. Your Company is also exploring options to diversify into downstream products which will further strengthen the usage of hydrogen peroxide in local market. Your Company is also taking initiatives to reduce its cost of production which is the most significant part of the cost structure. Our target is to become the lowest cost producer in the region by implementing a well thought through manufacturing excellence program. The business continues to invest in areas which reinforce its advantageous position in safety, manufacturing efficiency and building market leadership in key geographies.

We would like to thank all stakeholders for their contribution and support in the past year.

For and on behalf of the Board

Lahore
February 16, 2021


CHIEF EXECUTIVE


DIRECTOR

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

کمپنی کے بورڈ آف ڈائریکٹرز 31 دسمبر 2020ء کو اختتام پذیر شدہ سالانہ رپورٹ اور ہاؤس ہولڈرز میٹنگ سے مندرجہ ذیل کے باوجود کاروبار کی ناقاعدگی سے متاثر ہوئی رہی اور چیلنجز سے نمبر ڈراما ہونے اور کمپنی کو منافع بخش بنانے کے لئے حکمت عملی وضع کی گئی۔ مالیاتی کارکردگی کا خلاصہ حسب ذیل ہے۔

مالیاتی خلاصہ

اختتام پذیر شدہ سال		اختتام پذیر شدہ سال	
31 دسمبر 2019	31 دسمبر 2020	31 دسمبر 2019	31 دسمبر 2020
000 روپوں میں			
1,370,738	1,325,509	741,921	704,995
(1,008,910)	(1,073,372)	(524,429)	(516,958)
361,828	252,137	217,492	188,037
270,026	172,053	166,857	144,988
203,055	151,254	135,384	129,504
142,544	104,997	88,384	90,931
1.13	0.60	0.70	0.52
16849	12749	7980	8550

آپ کی کمپنی نے گذشتہ برس کی اسی مدت میں 143 ملین روپے خاص منافع کے مقابلہ میں 105 ملین روپے خالص منافع حاصل کیا جو گذشتہ برس کے مقابلہ میں 38 ملین روپے کم ہے۔ اس ششماہی میں مجموعی منافع 362 ملین روپے سے کم ہو کر 252 ملین روپے ہوا ہے۔ نفع میں اس تبدیلی کوئی امور سے منسوب کیا جاسکتا ہے جس میں توسیع اور سالانہ نثرن آروٹ کے لئے پلانٹ کی طویل بندش شامل ہے جو گذشتہ برس میں نہیں تھی۔ پچھلے برس کے مقابلہ میں فروخت کی لاگت میں اضافہ اور (روپوں اور اوسط کے لحاظ سے) مجموعی منافع میں کمی کو طے شدہ سالانہ نثرن آروٹ، توسیع کی وجہ سے اضافی فرسودگی، شٹ ڈاؤن کی وجہ سے یوٹیلٹی کے خرچے میں اضافہ اور بجلی کی قیمتوں سے منسوب کیا جاسکتا ہے۔

یہاں یہ بیان کرنا لازمی ہے کہ پلانٹ میں توسیع کی وجہ سے پیداواری صلاحیت میں 24 میٹرک ٹن یومیہ اضافہ کے پیش نظر یہ ششماہی غیر معمولی تھی۔ ہم آپ کو ازراہ مسرت آگاہ کرتے ہیں کہ طے شدہ بجٹ اور مدت میں پلانٹ کی توسیع کامیابی سے مکمل ہو چکی ہے۔ نئے پلانٹ نے طے شدہ صلاحیت بھی حاصل کر لی ہے۔ طلب میں اضافہ کی وجہ سے آپ کی کمپنی نفع اور آمدنی میں نمایاں اضافہ کی توقع رکھتی ہے کیونکہ اضافی صلاحیت کی وجہ سے مزید پروڈکٹ فروخت کے لئے دستیاب ہوگی۔ جو ملک میں درآمدات کا متبادل ہوگی۔

مستقبل کا منظر

آپ کی کمپنی لاگت میں اضافہ کے اس ماحول میں اپنے اہداف کو برقرار رکھ کر مالیاتی کارکردگی میں استحکام کے لئے کوشاں ہے۔ آپ کی کمپنی ان چیلنجز سے نمبر ڈراما ہونے کے لئے مربوط حکمت عملی وضع کر رہی ہے۔ بیکنائل اور کان کنی کے شعبے میں پرکشش نمو کے ساتھ ساتھ نئے شعبوں اور منڈیوں میں داخل ہونے حکمت عملی کا مہیا بنانے کے لاگتوں کی کمی ہے۔ آپ کی کمپنی مصنوعات میں تنوع کے طریقے تلاش کر رہی ہے جس کی وجہ سے مقامی منڈی میں ہائیڈروجن پراکسائیڈ کے استعمال میں مزید اضافہ ہوگا۔ آپ کی کمپنی لاگت کے ڈھانچے کے اہم جزو میں کمی کے لئے بھی اقدامات کر رہی ہے۔ ہمارا مقصد پیداواری بہتری کے مربوط پروگرام کے ذریعے علاقہ میں کم ترین پیداواری لاگت کی حامل کمپنی بنانا ہے۔ آپ کی کمپنی ایسے شعبوں میں سرمایہ کاری کرتی رہے گی جو سخت، پیداواری عمدگی اور اہم علاقوں کی منڈیوں میں سرفہرست رکھے گی۔ ہم گذشتہ برس کے دوران اپنے سٹیک ہولڈرز کی محنت اور معاونت کے تہجدول سے شکر یہ ادا کرتے ہیں۔

منجانب/ برائے بورڈ آف ڈائریکٹرز

لاہور

16 فروری، 2021ء

Director,
ڈائریکٹر

Chairman,
چیف ایگزیکٹو



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, 2020 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-month periods ended December 31, 2020 and December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2020

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.

Chartered Accountants
Lahore
February 24, 2021

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT DECEMBER 31, 2020**

	Note	Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
220,000,000 (June 30, 2020: 220,000,000) ordinary shares of Rs 10 each		2,200,000	2,200,000
Issued, subscribed and paid up capital			
175,031,084 (June 30, 2020: 150,888,866) ordinary shares of Rs 10 each	5	1,750,311	1,508,889
Share premium	5	3,022	244,444
Accumulated profits		136,090	181,982
		1,889,423	1,935,315
NON CURRENT LIABILITIES			
Long term finances - secured	6	623,717	215,923
Lease liabilities		16,520	24,054
Deferred taxation		212,369	189,328
Deferred grant		1,176	-
		853,782	429,305
CURRENT LIABILITIES			
Current portion of non current liabilities		95,007	22,431
Finances under mark up arrangements - secured		4,950	32,283
Trade and other payables	7	562,561	409,043
Dividend payable		2,588	1,528
Accrued finance cost		11,900	6,780
		677,006	472,065
CONTINGENCIES AND COMMITMENTS			
	8		
		3,420,211	2,836,685
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	9	2,539,058	2,031,207
Intangible assets		23,927	27,318
Long term deposits		17,554	17,554
		2,580,539	2,076,079
CURRENT ASSETS			
Stores and spares		336,302	319,793
Stock in trade	10	118,765	183,058
Trade debts		74,457	54,940
Advances, deposits, prepayments and other receivables	11	163,912	121,529
Income tax recoverable		73,676	74,341
Bank balances		72,560	6,945
		839,672	760,606
		3,420,211	2,836,685

The annexed notes 1 to 22 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, 2020

	Note	Three-month period ended		Six-month period ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		(Rupees in thousand)			
Sales	12	704,995	741,921	1,325,509	1,370,738
Cost of sales	13	(516,958)	(524,429)	(1,073,372)	(1,008,910)
Gross profit		188,037	217,492	252,137	361,828
Administrative expenses		(29,595)	(27,594)	(50,452)	(53,981)
Distribution and selling costs		(3,673)	(10,009)	(17,317)	(23,813)
Other income		3,448	(2,661)	5,597	3,659
Other operating expenses		(13,229)	(10,371)	(17,912)	(17,667)
Profit from operations		144,988	166,857	172,053	270,026
Finance costs		(15,484)	(31,509)	(20,799)	(66,971)
Profit before taxation		129,504	135,348	151,254	203,055
Taxation		(38,573)	(46,964)	(46,257)	(60,511)
Profit for the period		90,931	88,384	104,997	142,544
Earnings per share			(Restated)		(Restated)
- basic and diluted - Rupees	14.1	0.52	0.70	0.60	1.13

The annexed notes 1 to 22 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, 2020

	Three-month period ended		Six-month period ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
(Rupees in thousand).....			
Profit for the period	90,931	88,384	104,997	142,544
Other comprehensive 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	<u>90,931</u>	<u>88,384</u>	<u>104,997</u>	<u>142,544</u>

The annexed notes 1 to 22 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 SIX-MONTH PERIOD ENDED DECEMBER 31, 2020

	Share capital Ordinary share capital	Capital reserve Share premium	Revenue reserve Accumulated (loss) / profits	Capital and reserves Total
(Rupees in thousand).....			
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)	<u>1,020,000</u>	<u>-</u>	<u>(93,897)</u>	<u>926,103</u>
Balance as on July 1, 2020 (audited)	1,508,889	244,444	181,982	1,935,315
Profit for the period	-	-	104,997	104,997
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	104,997	104,997
Transactions with owners, recognised directly in equity	-	-	-	-
Final dividend for the year ended June 30, 2020 @ 10% (Rs 1 per share)	-	-	(150,889)	(150,889)
16% bonus shares issued - note 5.1	241,422	(241,422)	-	-
	241,422	(241,422)	(150,889)	(150,889)
Balance as on December 31, 2020 (un-audited)	<u>1,750,311</u>	<u>3,022</u>	<u>136,090</u>	<u>1,889,423</u>

The annexed notes 1 to 22 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 SIX-MONTH PERIOD ENDED DECEMBER 31, 2020

	Note	Six-month period ended	
		December 31, 2020	December 31, 2019
Cash flows from operating activities			
Cash generated from operations	16	458,189	380,961
Finance cost paid		(16,730)	(83,742)
Profit on deposits received		627	1,639
Income tax paid		(22,551)	(72,051)
Net cash generated from operating activities		419,535	226,807
Cash flows from investing activities			
Fixed capital expenditure (including intangibles)		(647,463)	(163,507)
Net cash used in investing activities		(647,463)	(163,507)
Cash flows from financing activities			
Proceeds from long term finance		479,525	50,000
Principal element of lease payments		(8,820)	-
Ordinary dividends paid		(149,829)	(680)
Net cash generated from financing activities		320,876	49,320
Net increase in cash and cash equivalents		92,948	112,620
Cash and cash equivalents at beginning of the period		(25,338)	(93,324)
Cash and cash equivalents at the end of the period	17	67,610	19,296

The annexed notes 1 to 22 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 (now the Companies Act, 2017) 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. The Company 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 Statement of compliance

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, 2020.

2.3 The figures included in the condensed interim statement of profit or loss for the three months ended December 31, 2020 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, 2020.

3. Significant accounting policies

3.1 The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2020. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2020, except for estimation of provision for taxation as referred to in note 4 and adoption of accounting policy as set out in note 3.2.

3.2 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3.3 Standards, amendments and interpretations to published approved accounting standards

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

Certain standards, amendments and interpretations to International Financial Reporting Standards ('IFRS') are effective for accounting periods beginning on July 1, 2020, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.

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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2021 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

4. Taxation

The provision for taxation for the quarter and half year ended December 31, 2020 has been made using the tax rate that would be applicable to expected total annual earnings.

5. Issued, subscribed and paid up capital

Un-audited December 31, 2020 (Number of shares)	Audited June 30, 2020		Un-audited December 31, 2020 (Rupees in thousands)	Audited June 30, 2020
102,000,000	102,000,000	Ordinary shares of Rs 10 each		
48,888,900	48,888,900	- Fully paid in cash	1,020,000	1,020,000
		- Fully paid for consideration other than cash	488,889	488,889
24,142,218	-	- Fully paid as bonus shares	241,422	-
<u>175,031,118</u>	<u>150,888,900</u>		<u>1,750,311</u>	<u>1,508,889</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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- 5.1** Bonus shares in the ratio of sixteen bonus shares for every hundred shares held by the shareholders was proposed in the Board of Directors meeting held on September 2, 2020. The approval of the members for issuance of bonus shares was obtained in the Annual General Meeting held on October 21, 2020. As a result, the Company issued 24,142,218 shares of Rs 10 each during the period against the share premium.

6. Long term finances - secured

	Un-audited December 31, 2020	Audited June 30, 2020
	(Rupees in thousand)	
Opening balance	223,131	877,631
Add: disbursements during the period / year	479,525	78,833
Less: conversion of loan to equity	-	(733,333)
	<u>702,656</u>	<u>223,131</u>
Less: deferred grant	(4,658)	-
Add: amortisation of arrangement fee and accretion of finance cost	2,110	-
	<u>700,108</u>	<u>223,131</u>
Less: current portion shown under current liabilities	(76,391)	(7,208)
	<u><u>623,717</u></u>	<u><u>215,923</u></u>

- 6.1** This represents deferred grant recognised in respect of the benefit of below-market interest rate on long term financing facility of Rs 58.39 million, availed from Allied Bank Limited under State Bank of Pakistan's Refinance Scheme for payment of wages and salaries to the workers and employees of business concerns.

7. Trade and other payables

	Un-audited December 31, 2020	Audited June 30, 2020
	(Rupees in thousand)	
Trade creditors	244,133	200,213
Bills payable	82,041	32,836
Associated undertakings	1,793	465
Contract liability	35,907	43,628
Accrued liabilities	184,745	83,696
Worker's profit participation fund	8,742	31,716
Worker's welfare fund	3,090	13,555
Other liabilities	2,110	2,934
	<u>562,561</u>	<u>409,043</u>

8. Contingencies and commitments

8.1 Contingencies

- i) Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract of Rs 55.32 million (June 30, 2020: Rs 48.64 million).
- ii) Guarantee issued to Pakistan State Oil against the performance of a contract of Rs 3.50 million (June 30, 2020: Rs 3.50 million).
- iii) The Honorable Supreme Court of Pakistan in its decision dated August 13, 2020 held that Gas Infrastructure Development Cess (GIDC), as initially levied through Gas Infrastructure Development Cess Act, 2011 and modified via different notifications issued from time to time and thereafter re-levied through the Gas Infrastructure Development Cess Ordinance, 2014, stands payable to SNGPL in twenty four (24) equal monthly installments with immediate effect.

The Company has filed a writ petition in the Honorable Lahore High Court against the above mentioned order pleading that the said order be reviewed under article 199 of the Constitution of Islamic Republic of Pakistan, 1973.

The Company's legal advisor is of the opinion that the judgement does not apply to arrears under the Gas Infrastructure Development Cess Act, 2011 and Gas Infrastructure Development Ordinance 2014 that are, in terms of first proviso of section 8 (2) of the Gas Infrastructure Development Cess Act, 2015, not to be collected. The applicability of first provision of section 8 (2) is subject to the determination by High Level Committee ('Committee') of Sui Northern Gas Pipelines Limited. The decision has not been made by the Committee on the applicability and the amount to be paid by the Company. Accordingly, the Company has not recognised the estimated provision of Rs 43 million in these condensed interim financial statements.

8.2 Commitments

- i) Letters of credit other than capital expenditure aggregating to Rs 16.3 million (June 30, 2020: Rs 75.57 million).
- ii) Letters of credit and contracts for capital expenditure aggregating to Rs 58.3 million (June 30, 2020: Rs 32.36 million).

9. Property, plant and equipment

		Un-audited December 31, 2020	Audited June 30, 2020
(Rupees in thousand)			
Operating assets			
- Owned assets	- note 9.1	2,289,182	1,109,058
- Right of use assets	- note 9.2	29,386	36,732
Capital work-in-progress		124,204	823,346
Major spare parts, catalysts and standby equipment [including in transit Nil (June 30, 2019: 17.159 million)]		96,286	62,071
		<u>2,539,058</u>	<u>2,031,207</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2020

	Un-audited December 31, 2020 (Rupees in thousand)	Audited June 30, 2020
9.1 Owned assets		
Opening book value	1,109,058	1,212,314
Add: Additions during the period / year - note 9.1.1	1,316,209	78,570
	<u>2,425,267</u>	<u>1,290,884</u>
Less: Disposals during the period / year (at book value) - note 9.1.2	-	(690)
Less: Depreciation charged during the period / year	(136,085)	(181,136)
Closing book value	<u>2,289,182</u>	<u>1,109,058</u>
9.1.1 Additions during the period / year		
Buildings on freehold land	18,560	5,649
Plant, machinery and equipment	1,293,387	63,759
Laboratory equipment	-	754
Tools and equipment	1,001	6,127
Computer equipment	1,185	1,740
Office equipment	-	509
Furniture and fixture	2,076	32
	<u>1,316,209</u>	<u>78,570</u>
9.1.2 Disposals during the period / year		
Plant, machinery and equipment	-	(677)
Computer equipment	-	(13)
	<u>-</u>	<u>(690)</u>
9.2 Right of use assets		
Add: Opening book value	36,732	-
Add: Recognition during the period / year	-	44,078
Less: Depreciation charged during the period / year	(7,346)	(7,346)
	<u>29,386</u>	<u>36,732</u>
10. Stock in trade		
Raw materials [including in transit of Rs 56.12 million (June 30, 2020: Rs 13.66 million)]	91,243	67,377
Work-in-process	12,660	8,702
Finished goods		
- purchased for resale	5,003	7,107
- own manufactured [including in transit of Rs 2.66 million (June 30, 2020: Rs 5.88 million)]	9,859	99,872
	<u>118,765</u>	<u>183,058</u>
11. These includes sales tax recoverable of Rs 116.87 million (June 30, 2020: Rs 90.80 million) and contract assets of Rs 2.10 million (June 30, 2020: Rs 4.50 million).		

	Un-audited		Un-audited		
	Three-month period ended		Six-month period ended		
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	
.....(Rupees in thousand).....					
12. Sales					
Gross sales:					
- Local	839,935	883,818	1,559,290	1,614,640	
- Export	1,698	2,360	17,945	4,745	
	841,633	886,178	1,577,235	1,619,385	
Less: Commission and discount on sales	(17,352)	(16,818)	(29,880)	(29,530)	
Less: Sales tax	(119,286)	(127,439)	(221,846)	(219,117)	
	704,995	741,921	1,325,509	1,370,738	
13. Cost of sales					
Raw and packing material consumed	204,653	189,186	319,499	444,024	
Salaries, wages and other benefits	40,148	30,088	70,429	58,508	
Fuel and power	86,895	82,120	137,067	164,018	
Services through contractors	11,088	13,106	21,708	29,460	
Repair and maintenance	16,667	18,046	31,561	36,628	
Shutdown expenses	40	-	33,688	-	
Quality assurance	618	431	858	654	
Travelling	711	1,712	831	1,986	
Communication	368	383	524	554	
Rent & rates	2,144	6,944	5,354	15,969	
Depreciation on property, plant and equipment:					
- owned assets	79,277	43,867	135,597	87,764	
- right of use assets	3,673	-	7,346	-	
Amortization of intangible assets	1,894	1,642	3,867	3,284	
Insurance	3,550	3,273	6,798	6,533	
Safety items consumed	87	187	530	882	
Miscellaneous	4,811	3,826	5,461	4,446	
	456,624	394,811	781,118	854,710	
Add: Opening work in process	12,670	5,785	8,702	4,218	
Less: Closing work in process	(12,660)	(8,075)	(12,660)	(8,075)	
	10	(2,290)	(3,958)	(3,857)	
Cost of goods produced	456,634	392,521	777,160	850,853	
Add: Opening finished goods	8,850	78,009	99,872	18,649	
Less: Closing finished goods	(9,859)	(21,113)	(9,859)	(21,113)	
	(1,009)	56,896	90,013	(2,464)	
Cost of goods sold - own manufactured	455,625	449,417	867,173	848,389	
Cost of goods sold - purchase for resale	43,658	62,279	188,031	140,164	
Cost of services	17,675	12,733	18,168	20,357	
	516,958	524,429	1,073,372	1,008,910	
	Un-audited		Un-audited		
	Three-month period ended		Six-month period ended		
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019	
(Restated)					
14. Earnings per share					
14.1 Basic earnings per share					
Profit for the period	Rupees in thousand	90,931	88,384	104,997	142,544
Weighted average number					
of ordinary shares	Number in thousand	175,031	126,142	175,031	126,142
Earnings per share	Rupees	0.52	0.70	0.60	1.13

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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14.1.1 Number of shares in issue and earning per share for the period ended December 31, 2019 have been restated, taking the effect of bonus shares issued during the current period.

14.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2020 and December 31, 2019, which would have any effect on the earnings per share is the option to convert is exercised.

15. Transactions with related parties

Relationship with the Company	Nature of transaction	Un-audited	
		Six-month period ended	
		December 31, 2020	December 31, 2019
		(Rupees in thousand)	
i. Associated companies	Purchase of goods and services	364,710	126,746
	Sale of goods	1,000	27
	Share of common expenses charged to the Company	13,115	12,434
	Share of common expenses charged by the Company	2,127	1,538
	Mark-up expense on long term loan	-	55,776
	Payment of ordinary dividend	94,341	-
	Royalty charged to the Company	6,581	-
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	3,222	3,025
iii. Key management personnel	Salaries and other employee benefits	37,051	31,838
		Un-audited December 31, 2020	Audited June 30, 2020
		(Rupees in thousand)	
Period-end balances			
	Payable to related parties	78,196	18,417
	Advances to related parties	32,072	21,450
	Accrued finance cost	-	1,823
	Receivable from related parties	82	-

	Un-audited	
	Six-month period ended	
	December 31, 2020	December 31, 2019
	(Rupees in thousand)	
16. Cash generated from operations		
Profit before taxation	151,254	203,055
Adjustments for:		
- Depreciation on property, plant and equipment:		
- owned assets	136,085	88,689
- right of use assets	7,346	-
- Amortization of intangible assets	3,930	3,284
- Finance costs	20,799	66,971
- Interest on bank deposits	(627)	(1,639)
- Exchange loss	131	1,873
- Loss on sale of property, plant and equipment	-	13
Cashflows before working capital changes	318,918	362,246
Effect on cash flow due to working capital changes		
- Increase in stores and spares	(16,509)	(16,585)
- Decrease / (increase) in stock-in-trade	64,293	(9,225)
- (Increase) / decrease in trade debts	(19,517)	21,916
- (Increase) / decrease in advances, deposits, prepayments and other receivables	(42,383)	61,366
- Increase / (decrease) in trade and other payables	153,387	(38,757)
	139,271	18,715
Cash generated from operations	458,189	380,961
17. Cash and cash equivalents		
Bank balances	72,560	19,673
Finances under mark up arrangements - secured	(4,950)	(377)
	67,610	19,296
18. 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.

19. 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, 2020.

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

20. Date of authorization for issue

These condensed interim financial statements were authorized for issue on February 16, 2021 by the Board of Directors of the Company.

21. Subsequent event

There are no significant events after the statement of financial position date.

22. 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 rearrangements have been made.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

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