

PARTNERS IN  
PROGRESS



HALF YEARLY  
**REPORT**

DECEMBER 31, 2022

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.

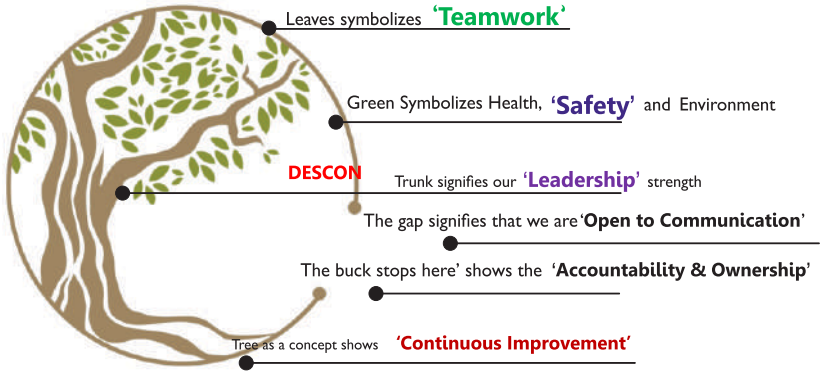


## MISSION

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	Non-Executive Director
Mehreen Dawood	Non-Executive Director
Faisal Dawood	Non-Executive Director
Ali Asrar Hossain Aga	Independent Director
Haroon Waheed	Independent Director
M. Mohsin Zia	Chief Executive Officer

### Muhammad Rizwan Qaiser

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  
Bank Alfalah Limited  
Habib Metropolitan Bank Limited  
The Bank of Punjab

### 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](http://www.desconoxychem.com)

## DIRECTORS REPORT TO THE SHAREHOLDERS

For the Six Months Ended December 31, 2022

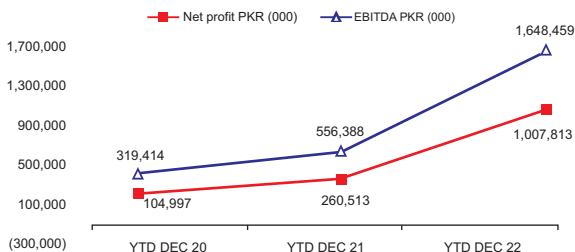
The Board of Directors of the company are pleased to present the six months report along with the Financial Statements for the period ended December 31, 2022.

Your Company has performed exceptionally well as compared to last year mainly driven by high demand and increased international commodity prices. Despite increased RLNG and energy cost coupled with major supply chain disruptions leading to additional working capital requirement, the company due to improved planning, better placement of volume and optimal price implementation, tailored to market conditions, has been able to increase profitability. The summarized financial performance appears below.

### Financial Highlights

	Quarter ended		Half year ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	Rupees in Million		Rupees in Million	
Sales	1,782	1,137	3,483	1,925
Cost of goods sold	(956)	(722)	(1,814)	(1,421)
Gross profit	826	415	1,669	504
Profit from operations	707	343	1,452	388
EBITDA	805	428	1,648	556
Profit before taxation	700	332	1,439	363
Tax	211	94	431	103
Profit for the period	489	238	1,008	261
Earnings per share – Basic	2.79	1.36	5.76	1.49

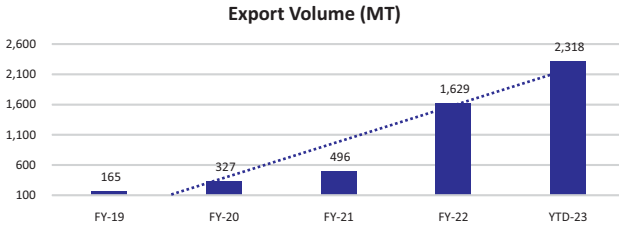
Your company generated an EBITDA of PKR 1.6bn vs PKR 556 million in the corresponding period last year (Increase of 196%). In line with EBITDA your company also delivered a net profit of PKR 1,008 million during the six months compared with a net profit of PKR 261 million in the corresponding period last year (Increase of 287%). The increased profitability is driven by companies' philosophy to have strict control over costs and price the product in line with market conditions.



The development of export market during recent years has improved the Company's ability to place volumes at better prices while delivering sustainable profitability and earning much needed foreign exchange for the country. The company has achieved the highest ever volume of export sales during this period opening avenues for new product applications and markets while improving its ability to service its customers in the chosen markets.

## DIRECTORS REPORT TO THE SHAREHOLDERS

For the Six Months Ended December 31, 2022



With strong downstream demand and governments export focused approach the company foresees robust sales in both short term and long term. In addition to existing market demand, the company is focused on development of additional segments of the market creating increased market size in future.

The company's cash flows before working capital changes has also improved to PKR 1.6 billion from PKR 555 million in the corresponding period last year (Increase of 194%). Based on improved EBITDA, and cash flows the company has been able to avoid high interest cost being faced by many market players. The decreased long-term debt will hedge the company's future profitability against increase in discount rates linked with increased inflation in the economy. In line with the increased profitability company has also incurred income tax expense of PKR 431 million significantly contributing to the national exchequer.

### 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 owing to global supply chain disruptions. Your company is consistently working on strategies to ensure these challenges are met effectively and new markets are developed to create hedge against margin erosion. Efforts to penetrate new segments and markets have been successfully implemented alongside organic growth in Textile, Food and Mining sectors. The company is also targeting consistent improvement in raw material consumption in line with the management target to achieve economies of scale. Our target is to become the lowest cost producer to become a dominant player in the region by implementing a well thought through manufacturing excellence and international market development programs. 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.

**For and on behalf of the Board**

Lahore  
February 13, 2023

  
CHIEF EXECUTIVE

  
DIRECTOR

## ڈائریکٹرز رپورٹ برائے حصص داران

31 دسمبر 2022 کو ختم ہونے والی ششماہی کے لیے ڈائریکٹرز کی حصص داران کو رپورٹ

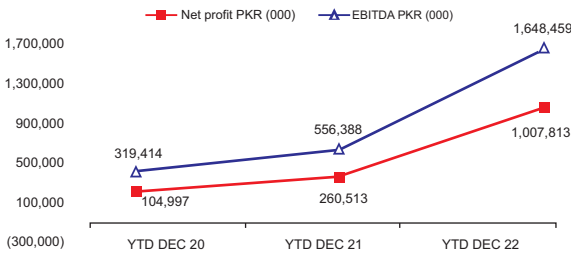
کھنی کے بورڈ آف ڈائریکٹرز 31 دسمبر 2022 کو ختم ہونے والی مدت کے مالیاتی گوشوارے مع ششماہی رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

آپ کی کھنی نے گزشتہ سال کے مقابلے میں غیر معمولی کارکردگی کا مظاہرہ کیا ہے جو بنیادی طور پر زیادہ طلب اور بین الاقوامی ایشیا کی قیمتوں میں اضافہ کی وجہ سے ہے۔ RLNG اور توانائی کی لاگت میں اضافے اور سپلائی چین کی بڑی رکاوٹوں کے ساتھ ساتھ ورکنگ کپیلٹی کی اضافی ضرورت کا باعث بننے کے باوجود، کھنی بہتر منصوبہ بندی، حجم کی بہتر پلینمنٹ اور مارکیٹ کے حالات کے مطابق قیمت کے بہترین نفاذ کی وجہ سے، منافع میں اضافہ کرنے میں کامیاب رہی ہے۔ مالیاتی کارکردگی کا خلاصہ حسب ذیل ہے:

مالیاتی جھلکیاں

نختہ ششماہی		نختہ سرمایہ		تفصیل
31 دسمبر 2021	31 دسمبر 2022	31 دسمبر 2021	31 دسمبر 2022	
روپے ملین میں		روپے ملین میں		
1,925	3,483	1,137	1,782	فروخت
(1,421)	(1,814)	(722)	(956)	فروخت ایشیا کی لاگت
504	1,669	415	826	مجموعی منافع
388	1,452	343	707	آپریٹنگ منافع
556	1,648	428	805	EBITDA
363	1,439	332	700	گیس سے پہلے منافع
103	431	94	211	گیس
261	1,008	238	489	مدت کے لیے منافع
1.49	5.76	1.36	2.79	فی شیئر آمدنی - بنیادی

آپ کی کھنی نے گزشتہ سال کی اسی مدت میں 556 ملین روپے کے مقابلے میں 1.6 بلین روپے کا EBITDA کمایا (196% کا اضافہ)۔ EBITDA کے مطابق آپ کی کھنی نے ششماہی کے دوران 1,008 ملین روپے کا خالص منافع فراہم کیا ہے جبکہ پچھلے سال کی اسی مدت میں 261 ملین روپے کا خالص منافع ہوا تھا (287% کا اضافہ)۔ منافع میں اضافہ کپینٹوں کے لاگت پر سخت کنٹرول اور مارکیٹ کے حالات کے مطابق پروڈکٹ کی قیمت لگانے کے فلسفے کی وجہ سے ہوا ہے۔

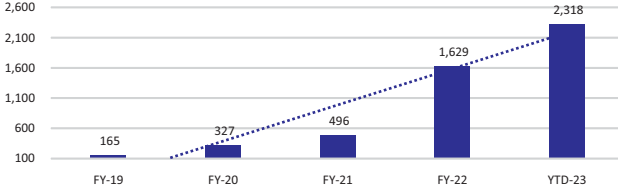


حالیہ برسوں کے دوران برآمدی منڈی کی ترقی نے پائیدار منافع کی فراہمی اور ملک کے لیے بہت ضروری زرمبادلہ کمانے کے ساتھ ساتھ بہتر قیمتوں پر حجم رکھنے کی کھنی کی صلاحیت کو بہتر بنایا ہے۔ کھنی نے اس عرصے کے دوران برآمدی فروخت کا اہم حصہ سب سے زیادہ حجم حاصل کیا ہے جس نے نئی مصنوعات کی اپنی گیشٹور اور مارکیٹوں کے لیے راہیں کھولی ہیں جبکہ منتخب مارکیٹوں میں اپنے صارفین کو فائدہ مات فراہم کرنے کی اپنی صلاحیت کو بہتر بنایا ہے۔

## ڈائریکٹرز رپورٹ برائے حصص داران

31 دسمبر 2022 کو ختم ہونے والی ششماہی کے لیے ڈائریکٹرز کی حصص داران کو رپورٹ

Export Volume (MT)



کم ہوتی طلب کو مضبوط کرنے اور کھوتوں کے برآمدی نقطہ نظر کے ساتھ کمپنی دونوں مختصر اور طویل مدت میں مستحکم فروخت کی پیش گوئی کرتی ہے۔ موجودہ مارکیٹ کی طلب کے علاوہ، کمپنی مارکیٹ کے مزید شعبوں کی ترقی پر توجہ مرکوز کر رہی ہے جس سے مستقبل میں مارکیٹ کا سائز بڑھتا جا رہا ہے۔

ورلڈ کیمیکلز کی تہذیبوں سے پہلے کمپنی کا بخش فلوریسی ہینز جو کہ 1.6 بلین روپے ہو گیا ہے جو پچھلے سال کی اسی مدت میں 555 بلین روپے تھا (%194 اضافہ)۔ EBITDA اور کمیشن ٹوٹی بنیاد پر کمپنی مارکیٹ کے بہت سے پائیز زکوہ پیش سوڈی زیادہ لاگت سے بچنے میں کامیاب رہی ہے۔ طویل مدتی قرض میں کمی معیشت میں بڑھتی ہوئی افراط زر سے منسلک رعایتی شرحوں میں اضافے کے خلاف کمپنی کے مستقبل کے منافع کو حاصل کرے گی۔ منافع میں اضافے کے مطابق کمپنی نے 431 بلین روپے کے کوئٹس کے اخراجات بھی برداشت کیے ہیں جو توئی خزانے میں نمایاں حصہ ہیں۔

مستقبل کا نقطہ نظر

عالمی سپلائی چین میں رکاوٹوں کی وجہ سے لاگت میں نمایاں اضافہ کے ماحول میں اپنے مارجن کو برقرار رکھنے ہوئے مضبوط مالی کارکردگی کو برقرار رکھنا آپ کی کمپنی کے لیے ایک چیلنج ہے۔ آپ کی کمپنی مسلسل حکمت عملیوں پر کام کر رہی ہے تاکہ یہ یقینی بنایا جاسکے کہ ان چیلنجوں کا مؤثر طریقے سے مقابلہ کیا جائے اور مارجن کی کمی کے خلاف بیچ بھانے کے لیے نئی مارکیٹیں تلاش کی جائیں۔ جیکسٹائل، خوراک اور کان کنی کے شعبوں میں نامیاتی نمونہ کے ساتھ ساتھ نئے شعبوں اور منڈیوں تک رسائی کی کوششوں کا میانی کے ساتھ نافذ کیا گیا ہے۔ کمپنی بڑی میشتوں کو حاصل کرنے کے انتظامی ہدف کے مطابق خام مال کی کھپت میں مسلسل بہتری کو بھی ہدف بنا رہی ہے۔ ہمارا ہدف بیوٹیکسٹریکٹ ایکسی لینس اور بین الاقوامی مارکیٹ کی ترقی کے پروگراموں کے ذریعے اچھی سوچ کو لاگو کر کے خطے میں ایک ترقیاتی کھلاڑی بننے کے لیے سب سے کم لاگت پر ڈیولپر بننا ہے۔ کاروبار ان شعبوں میں سرمایہ کاری کرتا رہتا ہے جو حفاظت، مینڈیکٹریکٹ کی کارکردگی اور کایدی جھرائیوں میں مارکیٹ کی قیادت کی تعمیر میں اس کی فائدہ مند پوزیشن کو تقویت دیتے ہیں۔

ہم تمام اسٹیک ہولڈرز کی شراکت اور تعاون کے لیے ان کا شکریہ ادا کرتے ہیں۔

مخانب/ برائے بورڈ آف ڈائریکٹرز

*Signature*  
ڈائریکٹر

*Signature*  
چیف ایگزیکٹو

لاہور

13 فروری 2023ء



## INDEPENDENT AUDITOR'S REVIEW REPORT

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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, 2022 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, 2022 and December 31, 2021 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2022.

### 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**

**February 22, 2023**

**UDIN: RR202210128yUpDjeF0i**

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT DECEMBER 31, 2022

	Note	Un-audited December 31, 2022 (Rupees in thousand)	Audited June 30, 2022
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
220,000,000 (June 30, 2022: 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, 2022: 175,031,084) ordinary shares of Rs 10 each		1,750,311	1,750,311
Share premium		3,022	3,022
Accumulated profits		1,263,393	605,642
		3,016,726	2,358,975
<b>NON CURRENT LIABILITIES</b>			
Long term finances - secured	5	109,662	257,865
Lease liabilities		6,642	10,482
Deferred taxation		235,354	240,370
Deferred grant		20,471	24,188
		372,129	532,905
<b>CURRENT LIABILITIES</b>			
Current portion of non current liabilities		44,120	83,325
Finances under mark up arrangements - secured		417,515	14,620
Current portion of deferred grant		7,838	8,567
Trade and other payables	6	656,929	766,457
Income tax payable		445,628	128,084
Dividend payable		6,335	3,237
Accrued finance cost		782	8,849
		1,579,147	1,013,139
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7		
		4,968,002	3,905,019
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	8	2,375,407	2,489,830
Intangible assets		23,439	26,972
Long term loans - secured		8,300	6,025
Long term deposits		64,512	23,423
		2,471,658	2,546,250
<b>CURRENT ASSETS</b>			
Stores and spares	9	571,058	509,916
Stock in trade	10	456,920	248,816
Trade debts		309,469	237,383
Advances, deposits, prepayments and other receivables	11	74,584	106,483
Short term investment	12	918,390	150,000
Income tax recoverable		-	-
Bank balances		165,923	106,171
		2,496,344	1,358,769
		4,968,002	3,905,019

The annexed notes 1 to 23 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, 2022

	Note	Three-month period ended		Six-month period ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
(Rupees in thousand)					
Sales	13	1,782,486	1,136,734	3,482,711	1,925,015
Cost of sales	14	(956,365)	(722,002)	(1,813,705)	(1,421,143)
<b>Gross profit</b>		<b>826,121</b>	<b>414,732</b>	<b>1,669,006</b>	<b>503,872</b>
Administrative expenses		(44,142)	(32,148)	(74,435)	(56,111)
Distribution and selling costs		(53,359)	(14,350)	(78,179)	(36,421)
Other income		27,820	3,894	40,661	7,423
Other operating expenses		(49,812)	(29,109)	(104,572)	(31,256)
<b>Profit from operations</b>		<b>706,628</b>	<b>343,019</b>	<b>1,452,481</b>	<b>387,507</b>
Finance costs		(6,514)	(11,239)	(13,501)	(24,361)
<b>Profit before taxation</b>		<b>700,114</b>	<b>331,780</b>	<b>1,438,980</b>	<b>363,146</b>
Taxation		(211,133)	(93,683)	(431,167)	(102,633)
<b>Profit for the period</b>		<b>488,981</b>	<b>238,097</b>	<b>1,007,813</b>	<b>260,513</b>
<b>Earnings per share</b>					
- basic and diluted - Rupees	15	2.79	1.36	5.76	1.49

The annexed notes 1 to 23 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, 2022**

	Three-month period ended		Six-month period ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	.....(Rupees in thousand).....			
Profit for the period	488,981	238,097	1,007,813	260,513
<b>Other comprehensive income</b>				
- Items that may be reclassified subsequently to profit or loss	-	-	-	-
- Items that will not be reclassified subsequently to profit or loss	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>488,981</b>	<b>238,097</b>	<b>1,007,813</b>	<b>260,513</b>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

# DESCON OXYCHEM LIMITED

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2022

	Share capital	Capital reserve	Revenue reserve	Capital and reserves
	Ordinary share capital	Share premium	Accumulated profits	Total
	.....(Rupees in thousand).....			
<b>Balance as on July 1, 2021 (audited)</b>	1,750,311	3,022	309,796	2,063,129
Profit for the period	-	-	260,513	260,513
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	260,513	260,513
<b>Transactions with owners, recognised directly in equity</b>				
Final dividend for the year ended June 30, 2021 @ 10% (Re 1 per share)	-	-	(175,031)	(175,031)
<b>Balance as on December 31, 2021 (Un-audited)</b>	<u>1,750,311</u>	<u>3,022</u>	<u>395,278</u>	<u>2,148,611</u>
<b>Balance as on July 1, 2022 (audited)</b>	1,750,311	3,022	605,642	2,358,975
Profit for the period	-	-	1,007,813	1,007,813
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	1,007,813	1,007,813
<b>Transactions with owners, recognised directly in equity</b>				
Final dividend for the year ended June 30, 2022 @ 20% (Rs 2 per share)	-	-	(350,062)	(350,062)
<b>Balance as on December 31, 2022 (un-audited)</b>	<u>1,750,311</u>	<u>3,022</u>	<u>1,263,393</u>	<u>3,016,726</u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.



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CHIEF FINANCIAL OFFICER



DIRECTOR

**CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)**  
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2022

	Note	Six-month period ended	
		December 31, 2022	December 31, 2021
<b>Cash flows from operating activities</b>			
Cash generated from operations	17	1,214,540	496,265
Finance cost paid		(17,811)	(34,180)
Profit received on deposits		14,697	3,630
Net income tax paid		(117,786)	(43,973)
Long term loan to employee		(3,000)	-
<b>Net cash generated from operating activities</b>		<b>1,090,640</b>	<b>421,742</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(73,144)	(120,255)
Proceeds from sale of short term investments		150,632	560,964
Purchase of short term investments		(917,472)	-
Long term deposits		(41,459)	-
<b>Net cash (used in)/generated from investing activities</b>		<b>(881,443)</b>	<b>440,709</b>
<b>Cash flows from financing activities</b>			
Repayments of long term finances - secured		(192,840)	(649,011)
Principal element of lease payments		(12,536)	(8,820)
Ordinary dividends paid		(346,964)	(173,234)
<b>Net cash used in financing activities</b>		<b>(552,340)</b>	<b>(831,065)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(343,143)</b>	<b>31,386</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>91,551</b>	<b>(194)</b>
<b>Cash and cash equivalents at the end of the period</b>	18	<b>(251,592)</b>	<b>31,192</b>

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.



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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 Ferozpur 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, 2022.

2.3 The figures included in the condensed interim statement of profit or loss for the three months ended December 31, 2022 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, 2022.

## 3. Significant accounting policies and estimates

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, 2022. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2022, except for estimation of provision for taxation as referred to in note 4.

3.2 **Standards, amendments and interpretations to published approved accounting standards**

### 3.2.1 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, 2022, 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.

### 3.2.2 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, 2022 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, 2022 has been made using the tax rate that would be applicable to expected total annual earnings.

## 5. Long term finances - secured

	Un-audited December 31, 2022 (Rupees in thousand)	Audited June 30, 2022
Opening balance	325,069	1,107,648
Less: Recognition of deferred grant	-	(10,592)
	<u>325,069</u>	<u>1,097,056</u>
Add: Accretion of finance cost	6,329	17,675
Less: Repayments during the period / year	(192,840)	(789,662)
	<u>138,558</u>	<u>325,069</u>
Less: current portion shown under current liabilities	(28,896)	(67,204)
	<u>109,662</u>	<u>257,865</u>

## 6. Trade and other payables

Trade creditors	199,617	235,360
Bills payable	166,329	215,660
Contract liability	69,515	114,385
Accrued liabilities	111,388	132,479
Worker's profit participation fund	79,803	42,740
Worker's welfare fund	26,552	25,787
Other liabilities	3,725	46
	<u>656,929</u>	<u>766,457</u>

## 7. Contingencies and commitments

### 7.1 Contingencies

- (i) Descon Oxychem Limited has issued guarantees to the following parties:

Against performance of contracts:

Sui Northern Gas Pipelines Limited	144,371	104,482
Pakistan State Oil Company Limited	3,500	3,500
Al-Technique Corporation of Pakistan	18,700	18,700
	<u>166,571</u>	<u>126,682</u>

- (ii) The Honorable Supreme Court of Pakistan ('HSCP') 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.

Pursuant to the order of the HSCP, Sui Northern Gas Pipelines Limited ('SNGPL') raised a demand for the collection of the GIDC arrears. The company filed a writ petition under article 199 of the Constitution of Islamic Republic of Pakistan, 1973 in the Honorable Lahore High Court ('HLHC') against the demand raised, pleading that demanding arrears of GIDC are illegal, unlawful and ultra vires to the first proviso to section 8 (2) of the Gas Infrastructure Development Cess Act, 2015. The writ petition was decided in favor of the Company by HLHC vide its order dated June 17, 2021. SNGPL has filed an intra court appeal in HLHC which was decided against SNGPL vide order of HLHC dated September 21, 2022.

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 its applicability and the amount to be paid by the Company. Accordingly, the Company has not recognised the estimated provision of Rs 55.32 million (June 30, 2022: Rs 55.32 million) in these condensed interim financial statements. However, the Company has provided guarantee of Rs 55.32 million (June 30, 2022: Rs 55.32 million) to SNGPL.

### 7.2 Commitments

- (i) Letters of credit for capital expenditure Nil (June 30, 2022: Rs 10.52 million).
- (ii) Letters of credit other than capital expenditure aggregating to Rs 271.49 million (June 30, 2022: Rs 188.68 million).
- (iii) Post dated cheques issued in favour of National Tariff Commission of Pakistan, Collector of customs and Commissioner Inland Revenue amounting to Rs 0.87 million (June 30, 2022: Rs 0.87 million), Rs 1.26 million (June 30, 2022: Rs 1.26 million) and Rs 85.92 million (June 30, 2022: Nil) respectively.

		Un-audited December 31, 2022 (Rupees in thousand)	Audited June 30, 2022
<b>8.</b>	<b>Property, plant and equipment</b>		
	Operating assets		
	- Owned assets	8.1 2,198,796	2,127,348
	- Right of use assets	18,942	23,092
	Capital work-in-progress [including in transit of Rs 9.1 million (June 30, 2022: Rs 6.98 million)]	35,690	228,530
	Major spare parts, catalysts and standby equipment	121,979	110,860
		<u>2,375,407</u>	<u>2,489,830</u>
<b>8.1</b>	<b>Owned assets</b>		
	Opening book value	2,127,348	2,168,190
Add:	Additions during the period / year	8.1.1 252,975	286,199
		<u>2,380,323</u>	<u>2,454,389</u>
Less:	Disposals during the period / year (at book value)	8.1.2 (265)	(2)
Less:	Depreciation charged during the period / year	(181,262)	(327,039)
	Closing book value	<u>2,198,796</u>	<u>2,127,348</u>
<b>8.1.1</b>	<b>Additions during the period / year</b>		
	Buildings on freehold land	10,620	21,287
	Plant, machinery and equipment	227,211	245,407
	Plant, machinery and equipment - catalyst	-	4,301
	Laboratory equipment	191	204
	Material handling	560	-
	Tools and equipment	4,639	3,047
	Computer equipment	3,372	7,330
	Office equipment	6,196	1,918
	Furniture and fixture	186	2,705
		<u>252,975</u>	<u>286,199</u>
<b>8.1.2</b>	<b>Disposals during the period / year</b>		
	Computer equipment	-	(2)
	Office equipment & appliances	(265)	-
		<u>(265)</u>	<u>(2)</u>

# DESCON OXYCHEM LIMITED

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2022

	Un-audited December 31, 2022 (Rupees in thousand)	Audited June 30, 2022		
<b>9. Stores and spares</b>				
General stores and spares [including in transit of Rs 1.81 million(June 30, 2022: Rs 8.17 million)] 9.1	360,815	321,141		
Working solution	216,901	195,433		
Provision for obsolescence	(6,658)	(6,658)		
	571,058	509,916		
<b>9.1</b> General stores and spares include raw material for working solution of Rs 130.89 million (June 30, 2022: Rs 127 million).				
<b>10. Stock in trade</b>				
Raw materials [including in transit of Rs 87.61 million (June 30, 2022: Rs 92.45 million)]	350,659	206,166		
Work-in-process	22,492	16,748		
Finished goods				
- purchased for resale	640	639		
- own manufactured [including in transit Rs 2.18 million (June 30, 2022: Rs 0.04 million)]	83,129	25,263		
	456,920	248,816		
<b>11.</b> These mainly include sales tax recoverable of Rs 10.80 million (June 30, 2022: Rs 45.28 million), contract assets of Rs 14 million (June 30, 2022: Rs 22.02 million) and advances to suppliers of Rs 29.88 million (June 30, 2022: Rs 26.32 million).				
<b>12.</b> This represents short term investment made in money market fund amounting to Rs 918 million (June 30, 2022: Rs 150 million).				
	Un-audited	Un-audited		
	Three-month period ended	Six-month period ended		
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	.....(Rupees in thousand).....			
<b>13. Sales</b>				
Gross sales:				
- Local	1,876,051	1,340,572	3,656,846	2,263,222
- Export	213,592	15,544	424,428	29,800
	2,089,643	1,356,116	4,081,274	2,293,022
Less: Commission and discount on sales	(36,725)	(26,909)	(74,497)	(43,797)
Less: Sales tax	(270,432)	(192,473)	(524,066)	(324,210)
	1,782,486	1,136,734	3,482,711	1,925,015

14.

	Un-audited		Un-audited	
	Three-month period ended		Six-month period ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
<b>Cost of sales</b>	.....(Rupees in thousand).....			
Raw and packing material consumed	527,616	430,120	1,109,613	803,655
Salaries, wages and other benefits	50,175	37,994	95,709	71,131
Fuel and power	140,977	105,226	314,713	207,602
Services through contractors	16,756	15,725	33,604	28,588
Repair and maintenance	29,147	14,486	43,206	29,302
Quality assurance	1,994	639	2,552	1,161
Travelling	5,626	669	7,600	1,021
Communication	600	204	803	490
Rent & rates	1,849	1,684	4,161	3,768
Depreciation on property, plant and equipment:				
- owned assets	89,519	79,681	180,054	157,462
- right of use assets	4,507	3,673	9,292	7,346
Amortization of intangible assets	2,753	1,843	3,835	3,791
Insurance	3,592	3,524	7,183	6,990
Safety items consumed	728	761	1,695	1,079
Miscellaneous	4,728	3,457	8,809	5,595
	880,567	699,686	1,822,829	1,328,981
Add: Opening work in process	32,732	4,793	16,748	13,942
Less: Closing work in process	(22,492)	(11,495)	(22,492)	(11,495)
	10,240	(6,702)	(5,744)	2,447
Cost of goods produced	890,807	692,984	1,817,085	1,331,428
Add: Opening finished goods	107,100	23,960	25,263	35,214
Less: Closing finished goods	(83,129)	(29,791)	(83,129)	(29,791)
	23,971	(5,831)	(57,866)	5,423
Cost of goods sold - own manufactured	914,778	687,153	1,759,219	1,336,851
Cost of goods sold - purchase for resale	54,486	18,879	54,486	60,769
Cost of services	(12,899)	15,970	-	23,523
	956,365	722,002	1,813,705	1,421,143

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2022

	Un-audited		Un-audited		
	Three-month period ended		Six-month period ended		
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	
<b>15. Earnings per share</b>					
<b>15.1 Basic earnings per share</b>					
Profit for the period	Rupees in thousand	488,981	238,097	1,007,813	260,513
Weighted average number of ordinary shares	Number in thousand	175,031	175,031	175,031	175,031
Earnings per share	Rupees	2.79	1.36	5.76	1.49

### 15.2 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, 2022 and December 31, 2021, which would have any effect on the earnings per share if the option to convert is exercised.

### 16. Transactions and balances with related parties

Relationship with the Company	Nature of transaction	Un-audited	
		Six-month period ended	
		December 31, 2022	December 31, 2021
		(Rupees in thousand)	
i. Associated companies	Purchase of goods and services	20,148	24,092
	Sale of goods	59	324
	Share of common expenses charged to the company	22,053	18,136
	Share of common expenses charged by the company	2,108	1,865
	Payment of ordinary dividend	216,108	108,054
	Royalty charged to the company	17,414	9,627
ii. Directors	Meeting fee	813	1,125
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	4,509	2,639
iv. Key management personnel	Salaries and other employee benefits	40,769	36,607

	Un-audited December 31, 2022 (Rupees in thousand)	Audited June 30, 2022
<b>Period-end balances</b>		
Payable to related parties	31,278	44,677
Advances to related parties	287	-
Advances from related parties	26	-
	Un-audited	
	Six-month period ended	
	December 31, 2022	December 31, 2021
	(Rupees in thousand)	
<b>17. Cash generated from operations</b>		
Profit before taxation	1,438,980	363,146
Adjustments for:		
- Depreciation on property, plant and equipment:		
- owned assets	181,262	157,639
- right of use assets	9,293	7,346
- Amortization of intangible assets	5,423	3,896
- Finance costs	13,501	24,361
- Interest on bank deposits	(14,697)	(3,630)
- Reversal of provision against doubtful receivables	-	(1,633)
- Unrealised gain on investment	(1,550)	(342)
- Exchange loss	84	4,456
<b>Cashflows before working capital changes</b>	1,632,296	555,239
<b>Effect on cash flow due to working capital changes</b>		
- Increase in stores and spares	(61,142)	(69,365)
- Increase in stock-in-trade	(208,104)	(36,879)
- Increase in trade debts	(72,086)	(47,500)
- Decrease / (increase) in advances, deposits, prepayments and other receivables	33,104	(49,513)
- (Decrease) / increase in trade and other payables	(109,528)	144,283
	(417,756)	(58,974)
Cash generated from operations	1,214,540	496,265
<b>18. Cash and cash equivalents</b>		
Bank balances	165,923	52,399
Finances under mark up arrangements - secured	(417,515)	(21,207)
	(251,592)	31,192

## 19 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 at December 31, 2022 the Company held investment in money market fund carried at fair value based on level 1 input. Except for this short term investment, there were no Level 1, 2 or 3 assets or liabilities during current or prior period.

## 20. 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, 2022.

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

## 21. Subsequent event

The Board of Directors of the Company have proposed a interim cash dividend of Rs. 2 per share (June 30, 2022: Rs 2 per share) for the half year ended December 31, 2022 at their meeting held on February 13, 2023. These condensed interim financial statements do not include the effect of these appropriations which will be accounted for in the period in which they are approved.

## 22. Date of authorization for issue

These condensed interim financial statements were authorized for issue on February 13, 2023 by the Board of Directors of the Company.

**23. 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 re-arrangements have been made.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

# BOOK POST



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