

# ANNUAL REPORT

2019

Descon Oxychem Limited | Report and Accounts 2019

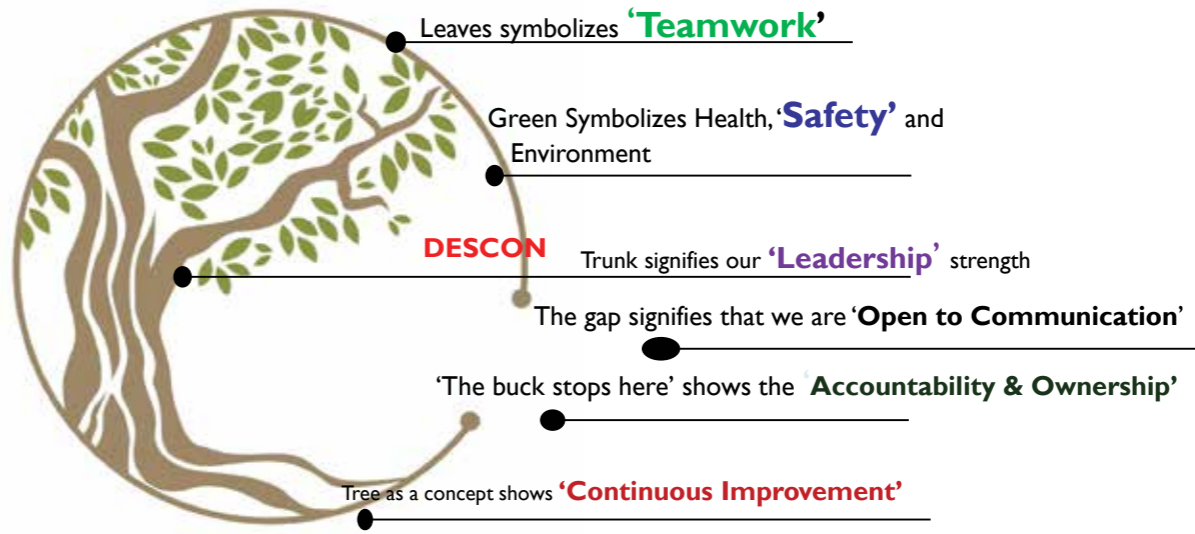


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Descon Oxychem Limited



# Our Core Values



## 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 and ethically, complying with all applicable laws – this is our commitment 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 commitment 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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### 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 3586903

### Registered Office

Descon Headquarters  
18-KM Ferozepur Road  
Lahore - 53000 Pakistan.  
Tel: +92 42 35923721-9

### Plant Site

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

### 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)

### Audit Committee

Audit committee has been constituted by the Board in compliance with the Listing Regulations. The committee oversees the Internal Audit function, and also reviews internal audit plans and reports. The committee conducts its meetings as and when required. The committee apprises the Board about the significant discussions and decisions at its meetings and recommendations in respect of Company's operations and financial results.

The committee comprises of three members, all are non-executive directors, including the Chairman of the committee. This committee is constituted of the following members:

Farooq Nazir	Chairman
Faisal Dawood*	Member
Ali Asrar Hossain Aga	Member

\*Replaced Taimur Dawood effect from June 19, 2019

### Human Resource & Remuneration Committee

The Committee has been constituted by the Board to recommend human resource management policies to the Board and fulfill the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017. It comprises of three members, of whom two are non-executive directors, the Chairman of the committee is an independent director.

Ali Asrar Hossain Aga	Chairman
Haroon Waheed	Member
Farooq Nazir	Member

### Enterprise Risk Management Committee

Enterprise Risk Management Committee was constituted to assist Audit Committee of the Board of Directors in overseeing and reviewing information regarding the enterprise risk management framework, including the significant policies, procedures and practices employed to manage all risks affecting the Company. The committee at minimum meets on a quarterly basis or as frequently as necessary. The committee is constituted of the following members:

Imran Qureshi	Chairman
Yawar Mahmood	Member
Mushfiq Hussain	Member
M. Saqib Abbas	Member
Muhammad Farooq	Member
Amir Javed	Member

### Compliance Committee

Compliance Committee was constituted to oversee Company's compliance with applicable legal and regulatory requirements, industry standards, and the Company's Code of Ethics and Business Conduct. The committee is constituted of the following members:

Imran Qureshi	Chairman
Yawar Mahmood	Member
Mushfiq Hussain	Member
M. Saqib Abbas	Member
Muhammad Farooq	Member
Amir Javed	Member

### Mining

Descon's DOLOX 50 brand is the leadership brand for Pakistan's mining industry. It is extensively used by its customers as an oxidant, such as leaching, concentrate preparation and effluent treatment. This application is known as Peroxide Assisted Leach and effluent treatment. The treatment of dissolved oxygen is a crucial factor for overall leaching efficiency. HP ensures that the necessary dissolved oxygen concentration is in the system, leading to significant increases in bleaching efficiency. Downstream, HP is often used for the removal of cyanide oxidation in a single step, without the formation of toxic intermediates.

### Textiles

The company's TEXTOX 50 is the flagship brand, which is most extensively used by the textile market for bleaching of natural and animal fibers derived from cellulose such as cotton, linen and bast fibers. The textile fibers are used as loose stock, yarn or knitted woven fabrics. This product has inherent design strengths and the right chemistry to be used in a wide range of processing technologies. These include Rier, Winch, Jig, J-Box and Steamer with and without storage. The oxidizing bleaching agents, where HP provides a high bleaching impact at extremely competitive cost, especially if modern short-term bleaching are used.

### Food & Beverages

Descon's ASEPTOX 35 is one of the top brands used by the food and beverage customers. HP is used in beverages, milk, dairy products, sauces and soups. These products are packaged aseptically in cartons, tubes, bottles and foils. These storage-stable products maintain the required shelf-life and high product quality standards. To create a sterile environment in aseptic packing units, several treatment approaches for materials sterilization and internal machine surfaces are used.

## Chairman's Statement

The Company's Management has achieved robust growth through implementing to the strategic direction set by the Board. The Board has been playing an effective role in guiding the company through regular oversight of the business and its performance. The Directors have set a high standard of corporate governance and compliance which is reflected through the engagement of a strong out sourced internal audit function.

The board performed its role and responsibilities for the overall management and supervision of the affairs of the Company and remained duly cognizant of its fiduciary responsibilities. In 2018-19, EPS grew by 22%, mainly led by commercial initiatives and cost efficiencies. Your Company has paid its first ordinary dividend (10%) during the year. The board has also reviewed the capital structure of the Company during the year and based on recommendations of financial consultants the most efficient capital realignment option has been implemented during the year.

An annual evaluation of the Board of Directors overall performance is in process in compliance with the requirement of the Code of Corporate Governance and Companies Act, 2017. The purpose of this evaluation is to ensure that the Board performance is measured in the context of overall corporate objectives and governance structure of the Company. It's important to highlight the key role played by the Committees (Audit Committee, Human Resource and Remuneration Committee) in underscoring and directing towards areas of improvements.

Going forward, the Company aims to enhance its competitive position by expanding manufacturing capabilities and delivering growth through an inclusive business model. Despite challenging market environment, the Company is prepared to respond to the rapidly changing dynamics of the business and industry.

On behalf of the Board of Directors, I would like to express gratitude to our stakeholders for their continued support and encouragement and place on record the appreciation of the valuable services rendered by the management of the Company. I also acknowledge the commitment and diligence of my fellow directors during the year under review.

Lahore  
August 27, 2019



**Taimur Dawood** Chairman

## Director's Report to the Shareholders for the year ended June 30, 2019

The Directors of the Company are pleased to present the Annual Report along with the Audited Financial Statements for the year ended June 30, 2019.

### Economic Review

The impact of macroeconomic adjustments, such as monetary tightening, exchange rate adjustment, expenditure control and enhancement of regulatory duties on non-essential imports, are measures although unpopular were necessary to avoid a much bigger crisis.

### Business Results

Your company continued to build on the strong fundamentals. The consistent performance of your Company demonstrates the inherent strength of the business. The summarized financial performance appears below.

	2019 (Rs '000')	2018 (Rs '000')
Sales	<b>2,704,957</b>	2,088,225
Gross profit	<b>830,751</b>	616,361
Profit from operations	<b>657,655</b>	459,191
Finance cost	<b>(79,181)</b>	(5,373)
Profit before tax	<b>578,474</b>	453,818
Profit after tax	<b>394,269</b>	322,279
Earnings per share – Basic	<b>3.87</b>	3.16

The company has been able to improve its revenue, margins and profitability compared to last year as evident from above numbers. Sales have increased from PKR 2.08 billion to PKR 2.7 billion, a growth of 29%. Gross profits of the Company have increased from PKR 616 million to PKR 831 million. Gross profit percentage has gone up from 29% to 31%. Increase in gross profits has been primarily driven by commercial initiatives and Pak Rupee devaluation. Cost of sales have also gone up primarily due to the conversion of local industry from local indigenous gas to RLNG. Reduction in distribution and selling cost is mainly due to the classification to cost of sales due to adoption of IFRS 15, 'Revenue from Contracts with Customers'. Finance cost has gone up due to intercompany borrowing of PKR 1.1 billion for redemption of preference shares.

Profit after tax has increased from PKR 322 million to PKR 394 million. EPS has also shown healthy growth as it moves up to PKR 3.87 per share from PKR 3.16 per share.

### Cash Flow Management

The Company has continued its efficient working capital management during the year. The net investment in working capital was mainly contributed by increase in cost of raw material and PKR devaluation. During the year, your Company has repaid the intercompany loan of PKR 366 million. Payment of preference dividend of PKR 184 million and ordinary dividend of PKR 99.6 million was also made during the year. Your Company has paid dividend on ordinary share capital for the first time since inception which is indicative of the Company's sustained performance and efforts. The controls built in the ERP system, which derives efficiencies between marketing, supply chain and finance have also contributed a lot in keeping working capital in control.

There is significant increase in Capital expenditures during the year which mainly are expenditures relating to Company's ongoing plant expansion project.

### Safety & Manufacturing

Health, safety, environment and security of our employees and contractors have a principal focus in the company, and it is an integral part of Descon's core values. At the close of FY19, the business had operated eleven consecutive years without a single lost time injury (LTI), achieving 6.19 million man-hours without a lost time incident. Total reportable injuries rate (TRIR) is still zero same as last year.

Your company remained fully compliant with all global accreditation requirements for ISO 9001, OHSAS 18001 and ISO 14001. The business consistently complied with national liquid and gaseous emissions standards. The entire workforce is trained, supported and regularly assessed, which enables them to perform their jobs with minimal risk. During the year, the company invested 1,012 training hours in capacity and capability development.

### Sales & Marketing

The Company continues to be the leading producer, reliable supplier and provider of quality product coupled with providing customer centric solutions. While Textile and Mining sectors remain the core customer base, the Company has enhanced its presence in segments of food, beverages and Cosmetic markets. The Company has successfully started its supplies in water treatment, a newly developed market. The Company is pursuing a number of opportunities in the areas of product and market development and much progress is expected in the coming year.

### Risk Evaluation

The Company's activities expose it to a range of operational and financial risks. The Company's overall risk management program seeks to minimize potentially adverse impact on financial performance, through appropriate mitigating strategies and management has an ongoing process involving assessing and identifying individual risks posed to the company. Further, the business through its Enterprise Risk Management Committee (ERMC) ensures that the company has robust mitigation in-place. ERMC regularly review the Company's risk register and its counter strategic to mitigate the risks.

### Entity Credit Rating

By the Pakistan Credit Rating Agency Limited as on June 30, 2019.

Rating Type	Rating
Long-term	<b>A</b> (Single A)
Short-term	<b>A1</b> (A One).

the short-term entity ratings of Descon Oxychem Limited (DOL) at "A" (Single A) The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and "A1" (A one), respectively. These ratings suggest a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

### 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 ever-increasing cost environment. The company is constantly working on strategies to ensure these challenges are met effectively. Our continuous efforts to penetrate new markets has paid rich dividends alongside organic growth in Textile and Mining sectors.

Your Company is also taking initiatives to reduce its energy cost which is one of the most significant part of the cost. Our target is to become the lowest cost producer in the region.

As your Company has announced to enhance its production capacity by 25%, the project is work in progress and has been monitored rigorously to complete well ahead of plan. After the completion, the production capacity of the plant will be enhanced by more than 20%

The business continues to invest in those areas which reinforce its advantaged positions in safety, manufacturing efficiency and building market leadership positions in key geographies.

### Best Corporate Practices

The Company surpasses the minimum legal requirements for good corporate governance imposed by applicable laws and regulations. The Company encourages adherence to best corporate practices. During the year, all periodic financial statements of the Company were circulated well in time to the Directors, endorsed by the Chief Executive and the Chief Financial Officer prior to circulation. The Quarterly financial statements of the Company were approved, published and circulated to shareholders within one month of the closing date while Half Yearly financial statements of the Company were reviewed by the external auditors, approved by the Board, published and circulated to shareholders within the permitted time period of two months after closing. Other non-financial information to be circulated to governing bodies and other stakeholders were also delivered in an accurate and timely manner. The annual financial statements have also been audited by the external auditors and approved by the Board and will be presented to the shareholders in the forthcoming Annual General Meeting for their approval.

### Composition of the Board of Directors

Keeping in mind the legal and regulatory framework defining the factors regarding qualification and composition of the Board of Directors, the Company has on its Board highly capable and dedicated personnel with vast experience, knowledge, integrity, and strong sense of responsibility for safeguarding of shareholders' interest. The Board consists of 8 Directors including the Chief Executive Officer, effectively representing the interest of shareholders. There are five (4) non-executive Directors, one (1) executive Director i.e. the CEO and two (3) independent Directors.

As prescribed under the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("Regulations"), the Board has placed an effective mechanism for its own performance evaluation, its members and of its committees. This Function was outsourced to Pakistan Institute of Corporate Governance (in collaboration with Corporate L.I.F.E Centre International Inc.).

### Meetings of the Board

The Board is legally required to meet at least once every quarter to monitor the Company's performance aimed at effective and timely accountability of its management. The Board held 5 such meetings during the year, agendas of which were circulated in a timely manner. The decisions made by the Board during the meetings were recorded and were duly circulated to all the Directors for endorsement and were approved in the following Board meetings. All meetings of the Board had minimum quorum for attendance prescribed by the Regulations and were also attended by the Chairman and the Company Secretary. During the year under review, five (05) meetings of the Board of Directors were held and the attendance of Directors was as follows:

Name of Director	Remarks	Attended Remarks
Abdul Razak Dawood	1	Resigned from the Board
Asif Qadir	5	--
Taimur Dawood	5	--
Farooq Nazir	5	--
Mrs. Mehreen Dawood	1	Leave of absence was granted in four meetings
Faisal Dawood	4	Leave of absence was granted in one meeting
Ali Asrar Hossain Aga	5	--
Haroon Waheed	3	New appointment
Imran Qureshi (CEO)	5	--

As per requirements of the listing regulations, each member of the Board shall be subject to orientation and training for enhancing their director skills. The Board had already met the criteria of Corporate Governance Leadership Skills (CGLS) training for its Directors under the Regulations. Therefore, no such training program was conducted during the year.

### Directors' Remuneration

The remuneration of Board members is empowered by the Board itself. The Board seeks to ensure that there is a transparent and fair mechanism in place for determining the remuneration of directors for participation in the meetings of the board. For this purpose, a policy for the determining remuneration of directors has been approved and implemented for the recommendation to the Board on appropriate remuneration levels for the directors.

### Changes to the Board

During the year, Mr. Haroon Waheed has been appointed as an Independent Director of the Company, in place of Mr. Abud Razak Dawood, for the balance unexpired term.

### Directors' Statement

The directors are pleased to make statements as required by the Regulations as given below:

- i) Presentation of Financial Statements**  
The financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.
- ii) Books of Accounts**  
The Company has maintained proper books of accounts.
- iii) Accounting Policies**  
Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv) International Financial Reporting Standards (IFRS)**  
International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- v) Accounting Year**  
The accounting year of the Company is from 1st July to 30th June.
- vi) Safety and Environments**  
The Company strictly complies with the standards of the safety rules and regulations. It also follows environment friendly policies.
- vii) Going Concern**  
There is no significant doubt upon the Company's ability to continue as a going concern.
- viii) Internal Control System**  
The system of internal control is sound in design and has been effectively implemented and monitored. The review will continue in future for the improvement in controls.
- ix) Trading Company's Shares**  
Mr. Haroon Waheed, the Independent Director obtained 500 ordinary shares of the Company.
- x) Outstanding Statutory Dues**  
There are no outstanding statutory dues.
- xi) Dividends**  
The Company, with the approval of Board of Director, has declared and paid interim cash dividend @ 10% (Rs 1 per ordinary share) to the shareholders out of the profits of the Company during the year ended on June 30th 2019.

**xii) Quality Control**

To ensure implementation of the Management System, Internal Quality Audits, Surveillance Audits and Management Review meetings are conducted regularly.

**xiii) Communication**

Communication with the shareholders is given high priority. Annual, Half Yearly and Quarterly Accounts are distributed to them within the time specified in the Companies Act, 2017. Every opportunity is given to the individual shareholders to attend and freely ask questions about Company operations at the Annual General Meeting.

**xiv) Board of Directors**

The details of the Board meetings are given above.

**xv) Auditors**

In pursuance of the Regulations, the Audit Committee has recommended the re-appointment of M/s. A.F. Ferguson & Co., Chartered Accountants, as Auditors of the Company for the year ending June 30, 2020.

**xvi) Name of Director Designation**

Farooq Nazir	Chairman
Fais Dawood	Member
Ali Asrar Hossain Aga	Member

Internal audit function of the Company is outsourced to M/s. KPMG Taseer Hadi and Co., Chartered Accountants. During the year under review, the audit committee has performed its functions satisfactorily and in accordance with the Regulations.

**Acknowledgements**

We would like to thank all stakeholders for their contributions and accomplishments in the past year. The ongoing support of customers and vendors makes all the achievements possible.

Finally, the continued trust that you, the shareholders, have conferred on the company is the foundation upon which this enterprise has been built and we look forward to a bright and a promising future.

For and on behalf of the Board

Lahore  
August 27, 2019

*Humera Anwer*  
**CHIEF EXECUTIVE**

*Director*  
**DIRECTOR**

*Director*  
**DIRECTOR**

*Humera Anwer*  
**CHIEF EXECUTIVE**

برائے اور جناب بورڈ آف ڈائریکٹرز

کمپنی عالمی میار ISO 9001:OHSAS 18001 اور ISO 14001 کے تحت عالمی سطح پر منظور شدہ ہے۔ کاروبار قومی لیکوڈ اینڈ گیس کے ترویج کے معیارات پر مکمل طور پر پورا اترتی ہے۔ تمام افرادی قوت تربیت یافتہ ہے، جسے ناصرف سپورٹ کیا جاتا ہے بلکہ اس کی باقاعدگی سے تفتیش بھی کی جاتی ہے اور یہ روش ان کے کام میں رسک کے خطرے کے امکان کو کم از کم کرتی ہے۔ گنجائش اور کارکردگی میں بہتری کیلئے دوران سال 1,012 گھنٹے تربیت پر صرف کئے گئے۔ ادارہ جاتی سطح پر یہ اقدامات جاری و ساری ہیں۔

سیلز اینڈ مارکیٹنگ

کمپنی معروف پیداوار، قابل اعتماد سپلائرز اور معیاری اشیاء کی فراہمی کیساتھ صارفین دوست اقدامات جاری رکھے ہوئے ہے۔ جبکہ نیگٹائل اور کان کنی ٹیکنالوجی بنیادی صارفین کی حیثیت رکھتے ہیں، کمپنی نے اپنے موجودہ فوڈ گریڈ، بیوریز مارکیٹ اور کاسمیٹک کے شعبہ میں گراں قدر اضافہ کیا۔ کمپنی نے نئے قائم کردہ پیکر کے تحت کامیابی کیساتھ شفاف پانی کی فراہمی کا آغاز بھی کر دیا ہے۔ کمپنی مصنوعات اور مارکیٹ کے شعبہ میں لاتعداد مواقع فراہم کر رہی ہے اور آئے والے سال میں مزید بہتری کی توقع کی جا رہی ہے۔

خطرات کا جائزہ

کمپنی کی سرگرمیاں متعدد آپریشنل اور مالی خطرات کی نشاندہی کرتی ہیں۔ کمپنی کا مجموعی رسک بیچمنٹ پروگرام مناسب حکمت عملی کی تشکیل سے مالی کارکردگی پر اثر انداز ہونے والے ممکنہ منفی اثرات کو کم کرنے کی کوشش کر رہا ہے۔ انتظامیہ کمپنی کو لائق خطرات کے جائزہ اور نشاندہی کیلئے مسلسل جدوجہد کر رہی ہے۔ مزید یہ کہ کاروبار بائزر پرائز رسک بیچمنٹ کمپنی (ای آر ایم سی) کے ذریعے کمپنی رسک کے امکانات کو کم کرنے کیلئے لائحہ عمل رکھتا ہے۔ ای آر ایم سی باقاعدگی سے کمپنی کو لائق خطرات کا جائزہ لیتے ہوئے اس کے سدباب کی سعی کر رہی ہے۔

ادارہ جاتی کریڈٹ درجہ بندی

30 جون 2019ء کو پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ کے مطابق کمپنی کی کریڈٹ ریٹنگ درج ذیل ہے۔

اقسام درجہ بندی	درجہ بندی
طویل المیاد	اے (سنگل اے)
تفیل المیاد	اے 1 (اے ون)

پاکستان کریڈٹ ریٹنگ ایجنسی (پی اے سی آراے)۔ Descon Oxychem Limited (DOL) کی طویل المیاد اور تفیل المیاد ادارہ جاتی درجہ بندی بائزر ٹیب ”اے“ (سنگل اے) اور ”اے 1“ قرار دی ہے۔

مستقل کا نقطہ نظر

کمپنی کو اپنی مضبوط معاشی کارکردگی کے علاوہ لاگت کے مقابلہ جاتی ماحول میں اپنے مارجنز اور منافع کو برقرار رکھنے جیسے چیلنجز کا سامنا ہے۔ کمپنی ان چیلنجز سے مندرجہ ذیل سے نمٹنے کیلئے مسلسل لائحہ عمل مرتب کر رہی ہے۔ نیگٹائل اور کان کنی کے سیکٹرز میں نامیاتی ترقی کیساتھ ساتھ نئے شعبوں اور مارکیٹ میں اپنی مضبوط جگہ بنانے کیلئے ہماری مسلسل کوششوں میں وسیع پیمانے پر منافع ہوا۔ کمپنی توانائی کی لاگت میں کمی کیلئے بھی اقدامات کر رہی ہے۔ ہمارا ہدف ہے کہ رجین میں سب سے کم لاگت پر پیداوار حاصل کی جائے۔

جدیدہ کمپنی نے اعادہ کیا ہے کہ پیداوری حجم میں 25 فیصد تک اضافہ کیا جائے گا تو اس ضمن میں سخت نگرانی کے اندر مضبوطی بنی پر کام جاری ہے۔ اس منصوبہ بندی کی تکمیل کے بعد پلانٹ کی پیداواری صلاحیت 118-120 میٹرک ٹن فی دن تک چلی جائیگی۔

کاروبار بنیادی شعبہ جات جیسے کہ تحفظ، مینوفیکچرنگ کی کارکردگی میں بہتری اور مارکیٹ میں لیڈر شپ پوزیشن کی تکمیل میں سرمایہ کاری جاری رکھے ہوئے ہے۔

اعترافات

ہم گزشتہ سال کے دوران تمام سٹیل ہولڈرز کی بھرپور شرکت پر ان کا شکریہ ادا کرتے ہیں۔ کمپنی کی یہ تمام کامیابیاں صارفین کے تعاون اور شرکت داروں کی وجہ سے ممکن ہو پائی ہیں۔

مختصر یہ کہ ڈیئر ہولڈرز کا کمپنی پر مسلسل اعتمادی مضبوط کاروباری ساتھ کی بنیاد ہے۔ ہمیں یقین اور روٹن مستقبل کے لئے پر امید ہیں۔

کمپنی کے ڈائریکٹرز 30 جون 2019 تک کی سالانہ رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

معاشی نظر ثانی

مانیکرو اکٹا ایک ایڈجسٹمنٹ جیسا کہ کڑی مانیٹرنگ، آپٹیمائزیشن، ایڈجسٹمنٹ، اخراجات پر کنٹرول، غیر ضروری برآمدات پر ریگولیشن ڈیویژن میں اضافہ کے اقدامات استحکام اور معاشی غیر یقینی صورتحال کو کم کرنے میں مدد فراہم کریں گے۔

کاروباری نتائج

کمپنی بنیادوں اصولوں پر کاربند ہے۔ کمپنی کی جہد مسلسل مضبوط کاروباری سائیکل کی عکاس ہے۔ معاشی کارکردگی کا مختصر خلاصہ حسب ذیل ہے۔

پچھلے روپوں میں

2019 (Rs. '000')	2018 (Rs. '000')	
2,704,957	2,088,225	سیلز
830,751	616,361	مجموعی منافع
657,655	459,191	آپریشن سے منافع
(79,181)	(5,373)	معاشی لاگت
578,474	453,818	ٹیکس سے پہلے منافع
394,269	322,279	ٹیکس کے بعد منافع
3.87	3.16	ٹی شیئر آمدن - بنیادی

مذکورہ بالا نمبرز اس بات کا ثبوت ہیں کہ کمپنی نے گزشتہ سال کے اسی دورانیہ کے مقابلے میں اپنی ٹاپ لائنز، مارجنز اور منافع میں بہتری کی ہے۔ سیلز میں 2.08 بلین روپے سے 2.7 بلین روپے تک اضافہ ہوا، بڑھوتری کی شرح 29 فیصد رہی۔ کمپنی کے مجموعی منافع میں 616 بلین روپے سے 831 بلین روپے تک اضافہ ہوا۔ مجموعی منافع کی فیصد شرح 29 فیصد سے بڑھ کر 31 فیصد تک رہی۔ مجموعی منافع میں اضافہ کمرشل اقدامات اور پاکستانی روپوں کی قدر پر منتج ہے۔ پیداوار کی لاگت میں اضافہ کی بنیادی وجہ صنعت کو مقامی قدرتی گیس سے آر ایل این جی میں تبدیلی کرنا ہے۔ پرفیورنس شیئر کیپٹل ختم کرنے کے لیے 1.1 بلین انٹر کمپنی قرضہ جات لینے کی وجہ سے فنانس کاسٹ میں اضافہ ہوا۔

ٹیکس کے بعد منافع میں 322 بلین روپے سے 394 بلین روپے تک اضافہ ہوا۔ ٹی شیئر آمدن میں 3.6 روپے سے 3.87 روپے تک کی تسلی بخش بڑھوتری ہوئی ہے۔

کمپنی کی فلو کی مینجمنٹ

کمپنی نے دوران سال نمونہ ورکنگ کیپٹل مینجمنٹ کو جاری رکھا۔ ورکنگ کیپٹل میں خالص سرمایہ کاری بنیادی طور پر خام مال کی قیمتوں میں اضافے، پاکستانی روپوں کی قدر میں کمی اور مصنوعات کی قیمتوں میں اضافہ کی وجہ سے روٹا ہوئی۔ دوران سال کمپنی نے 366 بلین روپے کا قرض واپس لیا ہے۔ دوران سال 184 بلین روپے کے ترجیحی منافع کی ادائیگی اور 99.6 بلین روپے کے عام منافع کی بھی ادائیگی کی گئی۔ کمپنی نے اپنے حصہ داران کے مالی فائدہ کیلئے اپنے آغاز کے بعد پہلی دفعہ عام منافع کا اعلان کیا جو کہ کمپنی کی پائیدار کارکردگی اور مخلصانہ کوششوں کی نشاندہی کرتا ہے۔ ای آر پی سسٹم میں بنائے گئے کنٹرولز نے مارکیٹنگ، سپلائی چین کے مائین اسٹریڈ اور وضاحت اور ورکنگ کیپٹل کو کنٹرول کرنے میں گراں قدر شمولیت اختیار کی ہے۔

کمپنی خراجات میں نمایاں اضافہ ہوا جس کی بنیادی وجہ کمپنی کے موجودہ پلانٹ میں توسیع کے منصوبے سے متعلقہ اخراجات ہیں۔

سیفٹی اینڈ مینوفیکچرنگ

کمپنی کیلئے اپنے ملازمین اور کنٹریکٹرز کی صحت، تحفظ، انہیں موزوں ماحول اور سیکورٹی کی فراہمی اولین ترجیحات میں شامل ہے اور یہ Descon's کے بنیادی اقدار میں شامل ہے۔ مالی سال 2019ء کے اختتام پر پھیر کی عمارت کے 11 کاروباری سال مکمل ہوئے اور 6.19 بلین گھنٹے کام ہوا۔ گزشتہ سال کی طرح اس سال کوئی حادثہ رپورٹ نہیں ہوا۔

	2019	2018	2017	2016	2015	2014
	------(Rs '000')-----					

Summary of Profit and Loss

Sales	2,704,957	2,088,225	1,961,005	1,581,547	1,409,082	1,498,547
Cost of Goods Sold	(1,874,206)	(1,471,864)	(1,454,383)	(1,238,213)	(1,140,866)	(1,199,098)
Gross Profit	830,751	616,361	506,622	343,334	268,216	299,449
Operating profit	657,655	459,191	345,273	210,240	132,257	177,208
Finance Cost	(79,181)	(5,373)	(11,739)	(76,564)	(212,188)	(225,340)
Profit / (loss) before tax	578,474	453,818	333,534	133,676	(79,931)	(48,132)
Profit / (loss) after tax	394,269	322,279	204,925	44,989	(118,849)	(61,291)
EBITDA	835,263	632,862	528,810	381,911	298,563	353,387

Financial Position

Share Capital - Ordinary	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000
Share Capital - Preference	-	1,100,000	1,100,000	1,100,000	-	-
Reserves including unappropriated profit	(236,441)	(344,272)	(402,551)	(607,476)	(642,587)	(523,018)
Long term borrowings	877,631	-	-	111,822	1,455,350	1,658,785
Property, plant and equipment	1,483,894	1,392,836	1,518,988	1,655,483	1,771,052	1,900,009
Net Current Assets	263,173	320,986	92,560	(211,114)	241,023	279,990

Investor Information

Gross profit margin (%)	30.71	29.52	25.83	21.71	19.03	19.98
EBITDA margin to sales (%)	30.88	30.31	26.97	24.15	21.19	23.58
Pre tax margin (%)	21.39	21.73	17.01	8.45	(5.67)	(3.21)
Net profit margin (%)	14.58	15.43	10.45	2.84	(8.43)	(4.09)
Return on equity (%) - Net	50.32	18.15	11.93	2.97	(31.49)	(12.33)
Return on equity (%) - Gross	38.65	15.20	9.67	2.12	(11.65)	(6.01)
Return on capital employed (%) - Net	36.65	25.86	20.10	12.94	5.86	7.25
Return on capital employed (%) - Gross	32.38	21.66	16.29	9.42	4.56	5.97
Current Ratio	1.58	2.22	1.21	0.77	1.61	2.26
Quick Ratio	0.82	2.12	1.10	0.74	1.35	1.94
Debtors turnover (days)	11	7	13	12	23	20
Inventory turnover (days)	14	7	12	10	33	21
Creditors turnover (days)	61	52	53	48	52	34
Operating cycle (no. of days)	(36)	(38)	(28)	(26)	4	7

Debt: Equity (Ratio)	53:47	0:100	0:100	7:93	83:17	80:20
Interest cover (Times)	8.31	85.46	29.41	2.75	0.62	0.79

Earnings / (loss) per share (pre tax) (Rupees)	5.67	4.45	3.27	1.31	(0.78)	(0.47)
Earnings / (loss) per share (after tax)						
(Rupees) - Basic	3.87	3.16	2.01	0.44	(1.17)	(0.60)
Earnings / (loss) per share (after tax)						
(Rupees) - Dilluted	2.7	1.52	0.97	0.21	(1.17)	(0.60)
Share Price	16.05	19.30	18.35	6.03	4.72	5.98
Price Earnings Ratio	4.15	6.11	9.13	13.67	(4.05)	(9.95)
Breakup Value Per Share (Rupees)	7.68	6.62	6.05	4.04	3.70	4.87

Hydrogen Peroxide Production (MTs)	30,836	33,293	34,697	32,234	32,098	32,506
Hydrogen Peroxide Sales (MTs)	30,957	34,066	34,295	33,841	31,785	32,131

## Statement of compliance with the listed companies (code of corporate governance) regulations, 2017

### Descon Oxychem Limited For year ended June 30, 2019

The Company has complied with the requirements of the Regulations in the following manner:

1. The total numbers of directors are 8 (including CEO) as per the following:

- |    |        |                                       |
|----|--------|---------------------------------------|
| a) | Male   | 7 (Including Chief Executive Officer) |
| b) | Female | 1                                     |

2. Composition of the Board of Directors ("the Board") is as follows:

Category	Names
Independent Directors	Mr. Ali Asrar Hossain Aga Mr. Asif Qadir Mr. Haroon Waheed*
Non - Executive Directors	Mr. Taimur Dawood Mr. Faisal Dawood Ms. Mehreen Dawood Mr. Farooq Nazir
CEO (Executive Director)	Mr. Imran Qureshi

(\*) Appointed in place of Mr. Abdul Razak Dawood on November 14, 2018

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding company, where applicable).

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by Board / shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The Board has complied with requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of the Meetings of the Board.

8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with Act and the Regulations.

9. The Company has already met the criteria of training programs for its directors under the Regulations. Therefore, no such training program was conducted during the year.

10. During the period, there is no replacement of CFO, Company Secretary, and Head of Internal Audit of the Company.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The board has formed three committees comprising of the members given below:

#### a) Audit Committee

Name of Member	Meetings Attended
Mr. Farooq Nazir	Chairman
Mr. Taimur Dawood	Member
Mr. Ali Asrar Hossain Aga	Member
Mr. Faisal Dawood (Replaced Mr. Taimur Dawood with effect from June 19, 2019)	Member

Chairman of the audit committee was not an independent director during the year.

#### b) Human Resource and Remuneration Committee

Name of Member	Meetings Attended
Mr. Ali Asrar Hossain Aga	Chairman
Mr. Haroon Waheed	Member
Mr. Farooq Nazir	Member

#### c) Risk Management Committee

It comprises of the following members:

Name of Member	Meetings Attended
Mr. Imran Qureshi	Chairman
Mr. Yawar Mahmood	Member
Mr. Mushfiq Hussain	Member
Mr. M. Saqib Abbas	Member
Mr. M. Farooq	Member
Mr. Amir Javed	Member

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

14. The frequency of meetings (quarterly/half yearly/ yearly) of the Committees were as per following:

- |     |   |             |
|-----|---|-------------|
| (a) | Audit committee                           | Quarterly   |
| (b) | Human Resource and Remuneration Committee | Half yearly |
| (c) | Risk Management Committee                 | Quarterly   |

15. The Board has outsourced the internal audit function to M/s. KPMG Taseer Hadi and Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with except that the Company did not obtain annual independence declarations from two independent directors as required under section 6(2) of the Regulations.

For and on behalf of the Board

Lahore  
August 27, 2019

  
CHIEF EXECUTIVE

  
CHAIRMAN

## Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Descon Oxychem Limited for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

Paragraph Reference	Description
i) 12	The Chairman of the Audit Committee was not an independent director during the year.
ii) 18	The Company did not obtain annual declaration from two independent directors as required under section 6(2) of the Regulations.

Lahore  
August 27, 2019

  
A.F.Ferguson and Co.  
Chartered Accountants  
Name of engagement partner: **Asad Aleem Mirza**

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# INDEPENDENT AUDITOR'S REPORT To the members of Descon Oxychem Limited

## Report on the Audit of Financial Statements

### Opinion

We have audited the annexed financial statements of Descon Oxychem Limited (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key Audit Matter	How the matter is addressed in our audit
1.	<p><b>Capital Expenditive</b> (Refer notes 13 and 14 to the financial statements)</p> <p>The Company has incurred significant capital expenditure during the current year, which primarily comprises the expenditure on capacity expansion project and upgradation of existing</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>- assessed the design, implementation and operative effectiveness of key internal controls over the purchase and accounting of the assets including the expansion project;</li> </ul>

S. No.	Key Audit Matter	How the matter is addressed in our audit
	<p>property, plant and equipment.</p> <p>The incurrence of capital expenditure involves determination of costs which meet the criteria for capitalisation under the accounting and reporting standards.</p> <p>We identified the additions in carrying value of property, plant and equipment as a key audit matter because of high level of management judgement involved and because of its significance to the financial statements.</p>	<ul style="list-style-type: none"> <li>- tested costs capitalised with the relevant underlying documentation;</li> <li>- verified the capitalization of borrowing costs based on the relevant criteria and compared interest rates to loan agreements, recalculating the interest capitalization rate and assessing the calculation of interest capitalized in capital work-in-progress;</li> <li>- assessed the nature of capitalised costs to ensure whether assets capitalized meet the recognition criteria set out in International Accounting Standard – 16, "Property, plant and Equipment" and International Accounting Standard – 38, "Intangible assets";</li> <li>- consider whether capitalization of assets ceased when the assets are in location and condition necessary for it to be capable of operating in the manner intended by the management;</li> <li>- validated the existence of capitalised assets through physical verification on a sample basis; and</li> <li>- reviewed the adequacy of the disclosures made by the Company in this area with regard to applicable accounting and reporting standards.</li> </ul>

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- (a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- (b) The statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- (c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- (d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Asad Aleem Mirza.

Lahore  
September 24, 2019



A.F.Ferguson and Co.  
Chartered Accountants

Name of engagement partner: **Asad Aleem Mirza**

# STATEMENT OF FINANCIAL POSITION

as at June 30, 2019

	Note	2019 (Rs '000')	2018 (Rs '000')
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital 110,000,000 (2018: 110,000,000) ordinary shares of Rs 10 each		<u>1,100,000</u>	<u>1,100,000</u>
Nil (2018: 110,000,000) preference shares of Rs 10 each		<u>-</u>	<u>1,100,000</u>
Issued, subscribed and paid up capital 102,000,000 (2018: 102,000,000) ordinary shares of Rs 10 each	5	<u>1,020,000</u>	<u>1,020,000</u>
Nil (2018: 110,000,000) preference shares of Rs 10 each	6	<u>-</u>	<u>1,100,000</u>
Accumulated loss		<u>(236,441)</u>	<u>(344,272)</u>
		<u>783,559</u>	<u>1,775,728</u>
<b>NON CURRENT LIABILITIES</b>			
Long term finances - secured	7	<u>877,631</u>	<u>-</u>
Deferred taxation	8	<u>133,254</u>	<u>-</u>
		<u>1,010,885</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>			
Finances under mark up arrangements - secured	9	<u>124,317</u>	<u>-</u>
Trade and other payables	10	<u>312,085</u>	<u>211,561</u>
Income tax payable		<u>-</u>	<u>51,715</u>
Dividend payable		<u>2,396</u>	<u>10</u>
Accrued finance costs	11	<u>14,945</u>	<u>378</u>
		<u>453,743</u>	<u>263,664</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		
		<u>2,248,187</u>	<u>2,039,392</u>

The annexed notes 1 to 41 form an integral part of these financial statements.

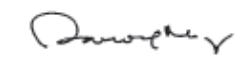
  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

	Note	2019 (Rs '000')	2018 (Rs '000')
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	13	<u>1,483,894</u>	<u>1,392,836</u>
Intangible assets	14	<u>29,723</u>	<u>733</u>
Long term deposits	15	<u>17,654</u>	<u>17,654</u>
Deferred taxation	8	<u>-</u>	<u>43,519</u>
		<u>1,531,271</u>	<u>1,454,742</u>
<b>CURRENT ASSETS</b>			
Stores and spares	16	<u>271,162</u>	<u>211,484</u>
Stock in trade	17	<u>72,454</u>	<u>26,317</u>
Trade debts	18	<u>80,742</u>	<u>39,439</u>
Advances, deposits, prepayments and other receivables	19	<u>171,507</u>	<u>194,325</u>
Income tax recoverable		<u>90,058</u>	<u>-</u>
Bank balances	20	<u>30,993</u>	<u>113,085</u>
		<u>716,916</u>	<u>584,650</u>
		<u>2,248,187</u>	<u>2,039,392</u>

## STATEMENT OF PROFIT OR LOSS

for the Year Ended June 30, 2019

	Note	2019 (Rs '000')	2018 (Rs '000')
Sales	21	2,704,957	2,088,225
Cost of goods sold	22	(1,874,206)	(1,471,864)
<b>Gross profit</b>		<b>830,751</b>	616,361
Administrative expenses	23	(89,619)	(85,084)
Distribution and selling costs	24	(37,844)	(66,532)
Other income	25	21,520	27,847
Other operating expenses	26	(67,153)	(33,401)
		<b>(173,096)</b>	(157,170)
<b>Profit from operations</b>		<b>657,655</b>	459,191
Finance cost	27	(79,181)	(5,373)
<b>Profit before taxation</b>		<b>578,474</b>	453,818
Taxation	28	(184,205)	(131,539)
<b>Profit for the year</b>		<b>394,269</b>	322,279
<b>Earnings per share</b>			
-Basic	29.1	3.87	3.16
-Diluted	29.2	2.70	1.52

The annexed notes 1 to 41 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

## STATEMENT OF COMPREHENSIVE INCOME

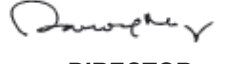
for the Year Ended June 30, 2019

	2019 (Rs '000')	2018 (Rs '000')
Profit for the year	394,269	322,279
<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 year</b>	<b>394,269</b>	322,279

The annexed notes 1 to 41 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

## STATEMENT OF CHANGES IN EQUITY

for the Year Ended June 30, 2019

	Share Capital			Total
	Ordinary Share Capital	Preference Share Capital	Accumulated Loss	
	------(Rs '000')-----			
<b>Balance as on June 30, 2017</b>	1,020,000	1,100,000	(402,551)	1,717,449
Profit for the year	-	-	322,279	322,279
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	322,279	322,279
<b>Transactions with owners, recognised directly in equity</b>				
Preference dividend @ Rs 2.4 per share	-	-	(264,000)	(264,000)
<b>Balance as on June 30, 2018</b>	1,020,000	1,100,000	(344,272)	1,775,728
Profit for the year	-	-	394,269	394,269
Other comprehensive income for the year	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	394,269	394,269
<b>Transactions with owners, recognised directly in equity</b>				
Final preference dividend for the year ended June 30, 2018 @ Rs 1.2 per share	-	-	(132,000)	(132,000)
Preference dividend upon redemption @ Rs 0.477 per share	-	-	(52,438)	(52,438)
Redemption during the year	-	(1,100,000)	-	(1,100,000)
Interim dividend on ordinary shares @ Rs 1 per share	-	-	(102,000)	(102,000)
	-	(1,100,000)	(286,438)	(1,386,438)
<b>Balance as on June 30, 2019</b>	1,020,000	-	(236,441)	783,559

The annexed notes 1 to 41 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

## STATEMENT OF CASH FLOWS

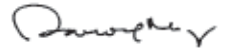
for the Year Ended June 30, 2019

	Note	2019 (Rs '000')	2018 (Rs '000')
<b>Cash flow from operating activities</b>			
Cash generated from operations	30.1	813,450	679,525
Finance cost paid		(67,594)	(196,198)
Profit on deposits received		12,629	1,384
Taxes paid		(149,205)	(35,903)
<b>Net cash generated from operating activities</b>		<b>609,280</b>	448,808
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(277,062)	(60,904)
Purchase of intangible assets		(33,014)	(483)
Proceeds from disposal of property, plant and equipment		808	10,125
<b>Net cash used in investing activities</b>		<b>(309,268)</b>	(51,262)
<b>Cash flow from financing activities</b>			
Net proceeds from long term finances		1,244,298	-
Repayment of long term finances		(366,667)	-
Redemption of preference shares		(1,100,000)	-
Preference dividend paid		(184,438)	(263,990)
Ordinary dividend paid		(99,614)	-
<b>Net cash used in financing activities</b>		<b>(506,421)</b>	(263,990)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(206,409)</b>	133,556
<b>Cash and cash equivalents at the beginning of year</b>		<b>113,085</b>	(20,471)
<b>Cash and cash equivalents at the end of year</b>	33	<b>(93,324)</b>	113,085

The annexed notes 1 to 41 form an integral part of these financial statements.

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

## 1. Legal status and nature of business

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 as approved by the Securities and Exchange Commission of Pakistan (SECP) vide letter no. ARL 16222 dated March 14, 2008. Subsequently, on September 15, 2008, it was listed on Pakistan Stock Exchange. The Company is a subsidiary of DEL Chemicals (Private) Limited. The registered office of the Company is situated at 18-KM Ferozepur Road, Lahore and the company's business unit and factory is situated at 18-KM Lahore-Sheikhupura Road, Lahore. The Company is principally engaged in manufacture, procurement and sale of hydrogen peroxide and allied products. The Company commenced its trial production on December 1, 2008 and commercial production on March 1, 2009.

## 2. Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- i) International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- ii) Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

### 2.1 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

#### 2.1.1 Standards, amendments and interpretations to approved accounting standards that are effective in current year

There are certain amendments and an interpretation to approved accounting and reporting standards which are mandatory for the Company's annual accounting period which began on July 1, 2018. However, these do not have any significant impact on the Company's financial reporting and, therefore, have not been detailed in these financial statements.

In addition to the above, the following two new standards became applicable and the Company adopted these standards on July 01, 2018 using modified retrospective approach:

- IFRS 9 'Financial instruments' - This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On July 01, 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories.

- IFRS 15 'Revenue from contracts with customers' - This standard introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 replaces the previous revenue standards: IAS 18 'Revenue', IAS 11 'Construction Contracts', and the related interpretations on revenue recognition.

The changes laid down by these standards do not have any significant impact on these financial statements of the Company. However, related changes to the accounting policies have been made in these financial statements.

#### 2.1.2 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 IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2019 but are considered not to be relevant to the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- IFRS 16 'Leases' will be effective for the Company's annual accounting period beginning January 1, 2019. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. At present the Company is in the process of determining the impacts of application of IFRS 16 on future financial statements of the Company.

## 3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention. Figures have been rounded off to nearest thousand of rupees unless otherwise stated.

3.2 The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

#### i) Estimated useful lives of property, plant and equipment

The Company reviews the useful life of property, plant and equipment on a regular basis. Any change in estimate in future years might effect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

#### ii) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the company's views differ from the view taken by income tax department at the assessment stage and where the company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and tax credits to the extent that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. The recoverability of deferred tax assets are analyzed at each reporting period end and adjusted if considered necessary with a corresponding effect on deferred tax charge/income for the period.

#### 4. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 4.1 Employees retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

###### a) Defined contribution scheme

A recognized voluntary contributory provident fund scheme is in operation covering all permanent employees. Equal monthly contributions are made by the Company and employees in accordance with the rules of the scheme at 6.3% of the gross pay effective from January 01, 2019 (2018: 10% of the basic pay).

###### b) Accumulating compensated absences

The Company provides for accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. Under the Company's policy, permanent management employees are entitled to 10 days sick leaves and 21 days annual leaves per calendar year. Sick leaves can be accumulated upto a maximum number of 30 days, while unutilized annual leaves lapse and can only be encashed in case of death and not upon termination, resignation or retirement. The contractual employees are not entitled to carry forward sick or annual leaves.

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to the statement of profit or loss.

##### 4.2 Taxation

###### Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

###### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

##### 4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Property, plant and equipment acquired under finance leases are capitalized at the lease's commencement at the lower of the present value of minimum lease payments under the lease arrangements and the fair value of the leased asset. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss. Cost in relation to certain property, plant and equipment comprises historical cost and borrowing costs referred to in note 4.15.

Depreciation on all property, plant and equipment except land is charged to profit on the straight line basis so as to write off the historical cost of an asset over its estimated useful life at the rates given in note 13.1 without taking into account any residual value, which is considered insignificant.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its property, plant and equipment as at June 30, 2019 has not required any adjustment.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

Initial fill of catalysts is capitalized with plant and machinery whereas costs of subsequent replacements of such catalysts are included in property, plant and equipment and depreciated on straight line basis over their estimated useful lives.

The Company assesses at each statement of financial position date whether there is any indication that property, plant and equipment including major spare parts, catalysts and standby equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Capital work in progress is stated at cost less any identified impairment loss.

Major spare parts, catalyst and standby equipment qualify as property, plant and equipment when entity expects to use them for more than one year. Transfers are made to relevant operating fixed assets category as and when such items are available for use.

##### 4.4 Intangible asset

Expenditure incurred to acquire intangible assets is stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method over its estimated useful lives at the rates given in note 14. Amortization is charged to statement of profit or loss.

Amortization is charged from the month the asset is acquired or capitalized while no amortization is charged in the month of disposal.

The Company assesses at each statement of financial position date whether there is any indication that an intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

#### 4.5 Leases

The Company is the lessee:

##### 4.5.1 Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases and are capitalized at lower of present value of minimum lease payments under the lease arrangements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to the statement of profit or loss over the lease term.

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of the payment.

##### 4.5.2 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the lease term. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight-line basis over the lease term.

#### 4.6 Stores and spares

Stores and spares, except for the 'working solution' are valued at lower of moving average cost and net realizable value. Provision in stores and spares is made for slow moving and obsolete items. Items considered as unusable are written off against the provision. Items in transit are valued at cost comprising invoice value plus other directly attributable charges incurred thereon. Working solution is valued at lower of weighted average cost determined on a yearly basis and net realizable value.

#### 4.7 Stock in trade

Stock of raw materials, packing materials, work-in-process and finished goods, except for those in transit are valued principally at the lower of weighted average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, salaries of production staff and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management's estimate. Items considered as unusable are written off against the provision.

#### 4.8 Financial instruments

##### 4.8.1 Financial assets

###### a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

###### b) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

###### c) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in the statement of profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments continue to be recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to the statement of profit or loss following the derecognition of the investment.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the statement of profit or loss for the period in which it arises.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

##### 4.8.2 Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of profit or loss.

#### 4.8.3 Off-setting of financial assets and liabilities

A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### 4.9 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The Company applies the simplified approach to recognise lifetime expected credit losses for trade debts, due from customers and contract assets.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

#### 4.10 Trade debts

Trade debts are amounts due from customers for sales made during the ordinary course of business. Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method less expected credit losses. Bad debt are written off when identified.

#### 4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the statement of financial position, finances under mark-up arrangements are included in current liabilities.

#### 4.12 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

#### 4.13 Contract balances

Contract liabilities are recognized for consideration received in respect of unsatisfied performance obligations. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

#### 4.14 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the statement of financial position date. Foreign exchange gains and losses on translation are recognised in statement of profit or loss. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

#### 4.15 Borrowing costs

Mark up, interest and other charges on borrowings are capitalized up to the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to the statement of profit or loss.

#### 4.16 Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by the transferring control of a promised goods or service to a customer, and control either transfers over time or at a point in time. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and other considerations payable to customers.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

#### 4.17 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are approved.

### 5. Issued, subscribed and paid up capital

	2019 (Number of shares)	2018 (Rs '000')	2019 (Rs '000')	2018 (Rs '000')
Ordinary shares of Rs 10 each fully paid in cash	102,000,000	102,000,000	1,020,000	1,020,000

5.1 52,033,550 (2018: 52,033,550) ordinary shares of the company which represents 51.013% (2018: 51.013%) of the issued, subscribed and paid up share capital of the company are held by DEL Chemicals (Private) Limited, the holding company incorporated in Pakistan.

5.2 Ordinary shares of the Company held by related parties as at year end are as follows:

	Basis of Relationship	2019 (Number of shares)	2018 (Number of shares)
DEL Chemicals (Private) Limited	Holding Company	52,033,550	52,033,550
Descon Corporation (Private) Limited	Common Directorship	8,725,250	8,725,250
Descon Holdings (Private) Limited	Common Directorship	1,249,300	1,132,300
Interworld Travels (Private) Limited	Common Directorship	92,054	92,054
Inspectest (Private) Limited	Common Directorship	-	117,000
		<u>62,100,154</u>	<u>62,100,154</u>

6. Preference shares

The shareholders of the Company, vide an Extraordinary General Meeting, on July 27, 2018, approved amendments in terms of preference shares and related amendment in Articles of Association of the Company. Previously, the preference shares were redeemable at the option of the Company only through a sinking fund created out of profits of the Company. After the amendment, the Company can redeem preference shares through any funds obtained whether generated from its own sources or from loans.

The Board of Directors of the Company, on October 23, 2018, approved redemption of 110,000,000 preference shares of the Company, in full, at par value. The Company redeemed preference shares on November 23, 2018.

7. Long term finances - secured

		2019 (Rs '000')	2018 (Rs '000')
These represent long term finances from:			
- Descon Engineering Limited	7.1	733,333	-
- Syndicate facility	7.2	144,298	-
		<u>877,631</u>	<u>-</u>

7.1 Descon Engineering Limited

During the year, the Company obtained a loan of Rs 1,100 million from Descon Engineering Limited, a related company to meet its cash flow requirements.

Terms of markup

The loan carries markup at 3 months KIBOR + 1.5% per annum payable bi-annually.

Terms of repayment

The tenure of the loan is nine years from the disbursement date and it was repayable in eighteen bi-annual installments commencing from May 31, 2019. However, the Company early repaid installments aggregating to Rs 366.67 million during the year.

Security

DEL Chemicals (Private) Limited, the holding company has provided corporate guarantee to the lender.

7.2 Syndicate facility

This represent disbursement against aggregate facility of Rs 1,100 million from syndicate of financial institutions to finance the capacity expansion project. As at June 30, 2019 the Company has utilised the available limit upto Rs 150 million.

Terms of markup

The facility carries mark-up at 3 months KIBOR + 0.9% per annum payable quarterly.

Terms of repayment

It is repayable in thirteen equal bi-annual installments commencing from June 2021.

Security

It is secured against first charge by way of hypothecation over all present and future fixed assets (excluding land and building) of the Company.

8. Deferred taxation

	Balance as at June 30, 2018	Reversal / (charge) during the year	Balance as at June 30, 2019
	------(Rs '000')-----		
<b>Taxable Temporary difference</b>			
Accelerated tax depreciation	231,524	8,539	<b>222,985</b>
<b>Deductible temporary differences</b>			
Tax credits	(167,992)	(86,658)	<b>(81,334)</b>
Loss allowance against doubtful debts and provision against inventory	(7,358)	(1,186)	<b>(6,172)</b>
Unused tax losses	(99,693)	(97,468)	<b>(2,225)</b>
	(275,043)	(185,312)	<b>(89,731)</b>
	<u>(43,519)</u>	<u>(176,773)</u>	<u><b>133,254</b></u>

The company has recognized deferred tax asset of Rs 2.23 million (2018: Rs 99.69 million) on unused tax losses, Rs 81.33 million (2018: Rs 89.26 million) on carried forward Alternate Corporate Tax and Nil (2018: Rs 78.73 million) on carried forward minimum tax. The Company has not recognized deferred tax asset Nil (2018: Rs 11.822 million) in respect of minimum tax. The recognition of deferred tax asset is based on management's projection of future taxable profits against which the unused tax losses and tax credits can be utilised. The projections are based on management's best estimates of key production, sales and economic assumptions.

Under the Finance Act, 2019, a change in corporate tax rate from 30% to 29% was enacted for tax year 2019. Deferred tax assets and liabilities have been recognized accordingly using the expected applicable rate.

9. Finances under mark up arrangements - secured

These represent the outstanding balance against short term running finance facilities aggregating to Rs 550 million (2018: Rs 400 million) under markup arrangements from various banks to meet the working capital requirements of the Company. These carry markup of 3 months KIBOR plus 0.75% per annum. The markup charged during the year ranges from Rs 0.0280 to Rs 0.0429 per diem per thousand on the outstanding balance or part thereof. These are secured against hypothecation charge over present and future current assets of Company with 25% margin.

**Notes to and Forming Part of the Financial Statements** Continued  
for the Year Ended June 30, 2019

Of the aggregate facilities of Rs 375 million (2018: Rs 225 million), Rs 150 million as sub limit of short term running finance facilities, for opening of letters of credit for import of machinery, raw materials and stores and letter of guarantees from various banks the amount utilized as at June 30, 2019 was Rs 225.47 million (2018: Rs 129.29 million).

	Note	2019 (Rupees in thousand)	2018
<b>10. Trade and other payables</b>			
Trade creditors	10.1	174,746	90,247
Bills payable		15,182	-
Associated undertakings	10.2	2,817	223
Contract liability	10.3	19,110	60,619
Accrued liabilities		60,164	34,985
Worker's profit participation fund	10.4	30,791	23,885
Worker's welfare fund	10.5	6,789	-
Other liabilities		2,486	1,602
		<u>312,085</u>	<u>211,561</u>

**10.1** Trade creditors includes interest free amounts due to related parties (on the basis of common directorship) in the normal course of business as follows:

	2019 (Rupees in thousand)	2018
Inspectest (Private) Limited	942	725
Popular Travels and Tours	373	116
Interworld Travels (Private) Limited	96	52
Descon Engineering Limited	9,782	787
	<u>11,193</u>	<u>1,680</u>

**10.2** These are interest free and represent expenses incurred by related parties (on the basis of common directorship) on behalf of the Company:

	2019 (Rupees in thousand)	2018
Descon Corporation (Private) Limited	2,323	223
Descon Engineering Limited	494	-
	<u>2,817</u>	<u>223</u>

**10.3** This primarily represent advances received from customers against which sales were made in the subsequent period. Its movement for the year is as follows:

	2019 (Rupees in thousand)	2018
Opening balance	60,619	13,168

Payments received during the year	2,066,468	(1,622,520)
Recognised in sales during the year	(2,107,977)	1,669,971
Balance as at June 30	<u>19,110</u>	<u>60,619</u>

	2019 (Rupees in thousand)	2018
<b>10.4 Workers' profit participation fund</b>		
Opening balance	23,885	17,554
Provision for the year	30,791	23,885
Payments during the year	(23,885)	(17,554)
Closing balance	<u>30,791</u>	<u>23,885</u>

**10.5** This represents provision for the current year.

**11. Accrued finance costs**

Long term finances - secured	12,363	-
Finances under mark up arrangements - secured	2,582	378
	<u>14,945</u>	<u>378</u>

**12. Contingencies and commitments**

**12.1 Contingencies**

Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract of Rs 48.64 million (2018: Rs 48.64 million).

Guarantee issued to Pakistan State Oil against the performance of a contract of Rs 3.50 million (2018: Rs 3.50 million).

Other shipping guarantees Nil (2018: Rs 7.89 million).

**12.2 Commitments**

The Company has the following commitments in respect of:

- Letters of credit for capital expenditure amounting to Rs 165.84 million (2018: Nil).
- Letters of credit other than capital expenditure amounting to Rs 15.79 (2018: Rs 69.26 million).
- Cumulative dividend on preference shares Nil (2018: Rs 132 million).

**13. Property, plant and equipment**

	Note	2019 (Rupees in thousand)	2018
Operating assets	13.1	1,212,314	1,304,289
Capital work-in-progress	13.2	213,388	2,338
Major spare parts, catalysts and standby equipment [including in transit of Rs 17.159 million (2018: Nil)]	13.3	58,192	86,209
		<u>1,483,894</u>	<u>1,392,836</u>

Notes to and Forming Part of the Financial Statements Continued  
for the Year Ended June 30, 2019

13.1 Operating assets	(Rupees in thousand)											Total	
	Freehold land	Buildings on freehold land	Plant, machinery and equipment	Plant, machinery and equipment - catalyst	Laboratory equipment	Material handling	Tools and equipment	Computer equipment	Electrical equipment	Office equipment	Furniture and fixture		Vehicles
<b>Net Carrying Value Basis</b>													
<b>Year Ended June 30, 2019</b>													
Opening Net Book Value	101,316	165,954	1,016,575	436	6,990	699	6,041	1,595	630	1,288	1,508	1,257	1,304,289
Additions	-	4,862	75,295	6,861	710	108	2,278	2,937	571	1,952	186	1,249	97,009
Disposals / write offs (NBV)	-	-	(2,609)	-	-	-	-	(8)	-	-	-	-	(2,617)
Depreciation for the year	-	(15,215)	(151,072)	(1,704)	(981)	(333)	(610)	(1,235)	(348)	(395)	(683)	(808)	(173,584)
Impairment loss for the year	-	-	(12,783)	-	-	-	-	-	-	-	-	-	(12,783)
Closing net book value	101,316	155,601	925,406	5,593	6,719	474	7,509	3,289	853	2,845	1,011	1,698	1,212,314
<b>Gross Carrying Value Basis</b>													
<b>As at June 30, 2019</b>													
Cost	101,316	304,014	2,424,514	22,896	16,135	3,347	11,303	10,246	1,989	8,484	7,636	4,456	2,916,336
Accumulated depreciation and impairment	-	(148,413)	(1,499,108)	(17,303)	(9,416)	(2,873)	(3,794)	(6,957)	(1,136)	(5,639)	(6,625)	(2,758)	(1,704,022)
Net book value	101,316	155,601	925,406	5,593	6,719	474	7,509	3,289	853	2,845	1,011	1,698	1,212,314
<b>Depreciation Rate % per annum</b>	-	5	6.25 - 33	10 - 50	6.25	20	6.25 - 10	33.33	20	20	10	20	20
<b>Net Carrying Value Basis</b>													
<b>Year Ended June 30, 2018</b>													
Opening Net Book Value	101,316	178,618	1,147,356	4,002	7,331	1,240	5,425	1,269	900	711	1,878	2,214	1,452,260
Additions	-	2,266	24,991	-	600	-	1,179	1,323	-	857	335	-	31,551
Disposals / write offs (NBV)	-	-	(7,399)	-	-	-	-	(15)	-	-	-	-	(7,414)
Depreciation for the year	-	(14,930)	(148,373)	(3,566)	(941)	(541)	(563)	(982)	(270)	(280)	(705)	(957)	(172,108)
Closing net book value	101,316	165,954	1,016,575	436	6,990	699	6,041	1,595	630	1,288	1,508	1,257	1,304,289
<b>Gross Carrying Value Basis</b>													
<b>As at June 30, 2018</b>													
Cost	101,316	299,152	2,356,045	16,035	15,425	3,239	9,025	7,507	1,418	6,532	7,450	5,581	2,828,725
Accumulated depreciation and impairment	-	(133,198)	(1,339,470)	(15,599)	(8,435)	(2,540)	(2,984)	(5,912)	(788)	(5,244)	(5,942)	(4,324)	(1,524,436)
Net book value	101,316	165,954	1,016,575	436	6,990	699	6,041	1,595	630	1,288	1,508	1,257	1,304,289
<b>Depreciation Rate % per annum</b>	-	5	6.25 - 33	10 - 50	6.25	20	6.25 - 10	33.33	20	20	10	20	20

13.1.1 The cost of fully depreciated assets which are still in use as at June 30, 2019 is Rs 32.83 million ( 2018: Rs 21.43 million).

13.1.2 The depreciation charge has been allocated as follows:

	Note	2019	2018
Cost of sales	22	172,263	171,113
Administrative expenses	23	1,192	824
Distribution and selling costs	24	129	171
		<u>173,584</u>	<u>172,108</u>

13.1.3 This primarily represents loss on assets that are no longer expected to be used by the Company. Impairment loss has been measured as the difference between carrying amount and recoverable amount determined as fair value less cost to sell. The impairment loss has been recognised in other operating expenses.

13.1.4 Immovable fixed assets of the Company are situated at plant, 18 KM Lahore-Sheikhupura Road, Lahore. Freehold land represents 224 Kanal of land situated at 18 KM Lahore-Sheikhupura Road, Lahore out of which approximately 104 Kanal represents covered area.

13.1.5 Disposal of property, plant and equipment:

Particulars of assets	2019					
	Disposed off to	Cost	Net book value	Sale proceeds received/ receivable	(Loss) / profit on disposal	Mode of disposal
	----- (Rupees in thousand) -----					
Plant, machinery and equipment	Assets written off	6,825	2,609	-	(2,609)	Write off
Computer equipment	Assets written off	198	8	-	(8)	Write off
Vehicles	Mr Yawar (Company employee)	1,580	-	316	316	Company policy
Vehicles	Muhamma d Asad Khan (Outsider)	794	-	492	492	Negotiation
		<u>9,397</u>	<u>2,617</u>	<u>808</u>	<u>(1,809)</u>	

Particulars of assets	2018					
	Disposed off to	Cost	Net book value	Sale proceeds received/receivable	Profit on disposal	Mode of disposal
----- (Rupees in thousand) -----						
Impeller	M/s EFU General Insurance	10,089	7,399	13,070	5,671	Insurance Claim
Computer equipment	Assets written off	26	15	-	(15)	Write off
		<u>10,115</u>	<u>7,414</u>	<u>13,070</u>	<u>5,656</u>	

13.1.6 All assets classified in property, plant and equipment are in name of the Company and in Company's possession and control.

13.2 Capital work-in-progress	Note	2018	
		2019	2018
		(Rupees in thousand)	
Technical fee		144,490	-
Plant and machinery		43,654	538
Advances to suppliers and contractors	13.2.1	22,264	-
Others		2,980	1,800
		<u>213,388</u>	<u>2,338</u>

The reconciliation of the carrying amount is as follows:

2019				
Balance as at June 30, 2018	Capital expenditure incurred during the year	Borrowing cost capitalized during the year	Transfers to operating assets	Balance as at June 30, 2019
(Rupees in thousand)				
Technical fee	144,490	-	-	144,490
Plant and machinery	104,028	-	(60,912)	43,654
Civil works	4,862	-	(4,862)	-
Advances to suppliers and contractors	22,264	-	-	22,264
Others	1,122	2,980	(2,922)	2,980
	<u>2,338</u>	<u>2,980</u>	<u>(68,696)</u>	<u>213,388</u>

2018				
Balance as at June 30, 2017	Capital expenditure incurred during the year	Borrowing cost capitalized during the year	Transfers to operating assets / intangibles	Balance as at June 30, 2018
(Rupees in thousand)				
Plant and machinery	23,640	-	(23,502)	538
Civil works	2,266	-	(2,266)	-
Others	3,409	-	(1,609)	1,800
	<u>29,315</u>	<u>-</u>	<u>(27,377)</u>	<u>2,338</u>

13.2.1 Advances to suppliers and contractors include advance given to Descon Engineering Limited, a related party (on the basis of common directorship) of Rs 15.73 million (2018: Nil) and are in the normal course of business.

13.3 Major spare parts, catalysts and standby equipment	Note	2018	
		2019	2018
		(Rupees in thousand)	

The reconciliation of the carrying amount is as follows:

Balance at the beginning of the year	86,209	66,328
Additions made during the year	213,445	68,781
Impairment loss	-	(7,530)
Transfers made during the year	(241,462)	(41,370)
Balance at the end of the year	<u>58,192</u>	<u>86,209</u>

#### 14. Intangible assets

##### Net carrying value basis

Opening net book value (NBV)	733	1,813
Additions (at cost)	14.1 33,014	483
Amortization charge	14.2 (4,024)	(1,563)
Closing net book value	<u>29,723</u>	<u>733</u>

**Gross carrying value basis**

Cost		39,489	6,475
Accumulated amortization		(9,766)	(5,742)
Net book value		<u>29,723</u>	<u>733</u>
Amortization rate % per annum		<u>10% - 33.33%</u>	<u>33.33%</u>

**14.1** This include expenditure of Rs 32.63 million (2018: Nil) on Distributed Control System (DCS). Carrying value of DCS is Rs 28.82 million (2018: Nil) as at June 30, 2019. Its remaining useful life is 4.4 years as at June 30, 2019.

	Note	2019 (Rupees in thousand)	2018 (Rupees in thousand)
<b>14.2</b> Amortization charge for the year has been allocated as follows:			
Cost of sales	22	3,806	-
Administrative expenses	23	218	1,563
		<u>4,024</u>	<u>1,563</u>

**15. Long term deposits**

These are in the normal course of business and are interest free.

**16. Stores and spares**

General stores and spares [including in transit of Rs 5.79 million (2018: Rs 1.03 million)]	16.1	160,978	122,785
Working solution		117,216	95,731
Provision for obsolescence		(7,032)	(7,032)
		<u>271,162</u>	<u>211,484</u>

**16.1** General stores and spares include raw material for working solution of Rs 36.667 million (2018: Rs 14.944 million).

	Note	2019 (Rupees in thousand)	2018 (Rupees in thousand)
--	------	------------------------------	------------------------------

**17. Stock in trade**

Raw materials [including in transit of Rs 1.61 million (2018: Rs 1.28 million)]	17.1	49,587	17,738
Work-in-process	17.2	4,218	5,285
Finished goods [including in transit of Rs 2.38 million (2018: Nil)]		18,649	3,294
		<u>72,454</u>	<u>26,317</u>

**17.1** Raw materials include Nil (2018: Rs 0.08 million) being carried at net realizable value.

**17.2** Work-in-process include unused packing material of Rs 1.65 million (2018: Rs 5.29 million).

	Note	2019 (Rupees in thousand)	2018 (Rupees in thousand)
<b>18. Trade debts</b>			
Considered good	18.1 & 18.2	80,742	39,439
Considered doubtful		877	3,377
		<u>81,619</u>	<u>42,816</u>
Loss allowance	18.3	(877)	(3,377)
		<u>80,742</u>	<u>39,439</u>

**18.1** These include Nil (2018: Rs 1.49 million) receivable from Hayleys Fabrics PLC, Sri Lanka against export sales made by the Company. During the year, the Company made export sales amounting to Rs 4.28 million (2018: Rs 11.88 million) to Hayleys Fabrics PLC through letter of credit.

**18.2** These include Rs 80.74 million (2018: Rs 39.39 million) secured by way of inland letter of credit.

	Note	2019 (Rupees in thousand)	2018 (Rupees in thousand)
<b>18.3 Loss allowance</b>			
Balance as at July 1		3,377	14,765
Reversal during the year	25	(2,500)	(9,325)
Bad debts written off		-	(2,063)
Balance as at June 30		<u>877</u>	<u>3,377</u>

**18.3.1** As at June 30, 2019, the impact of loss allowance is not materially different than the provision for doubtful debts that would have been recognised under IAS 39, previously applicable to the Company.

	Note	2019 (Rupees in thousand)	2018 (Rupees in thousand)
<b>19. Advances, deposits, prepayments and other receivables</b>			
Advances to suppliers			
- Considered good	19.1	11,491	9,597
- Considered doubtful		275	275
Sales tax recoverable			
- Considered good		143,991	178,287
- Considered doubtful		11,043	-
		<u>155,034</u>	<u>178,287</u>
Advances to employees and short term loans to employees - considered good		140	92
Security deposits		2,000	1,000
Prepayments		1,286	921

**Notes to and Forming Part of the Financial Statements** Continued  
for the Year Ended June 30, 2019

		2019	2018
Associated undertakings - considered good		-	-
Contract asset	19.2	12,515	-
Other receivables - considered good		84	4,428
		<u>182,825</u>	<u>194,600</u>
Provision for doubtful advances	19.3	(11,318)	(275)
		<u>171,507</u>	<u>194,325</u>

**19.1** Advances to suppliers include advance given to a related party Descon Engineering Services & Tech (on the basis of common directorship) of amount of Rs 0.35 million (2018: Nil) in the normal course of business. The maximum aggregate advance given to related parties at the end of any month during the year was Rs 16.90 million (2018: Rs 16.20 million).

	Note	2019	2018
		(Rupees in thousand)	
<b>19.2</b> Movement of contract asset against contract with customers is as follows:			
Opening balance		-	-
Recognised in sales during the year		596,980	418,254
Payments received during the year		(584,465)	(418,254)
Balance as at June 30		<u>12,515</u>	<u>-</u>

**19.2.1** These are secured by way of inland letter of credit.

**19.3** Movement of provision against doubtful advances is as follows:

Opening balance		275	275
Provision for the year		11,043	-
Balance as at June 30		<u>11,318</u>	<u>275</u>

**20. Bank balances**

At banks on:			
- Current accounts		870	6,960
- Saving accounts	20.1	30,123	106,125
		<u>30,993</u>	<u>113,085</u>

**20.1** These carry mark up at the rate of 10.25% to 11.5% (2018: 5% to 6%) per annum.

	Note	2019	2018
		(Rupees in thousand)	
<b>21. Sales</b>			
Gross sales			
- Local		2,860,424	2,191,764

	Note	2019	2018
		(Rupees in thousand)	
- Export		11,443	18,170
	21.1	<u>2,871,867</u>	<u>2,209,934</u>
Commission on sales		(59,953)	(44,060)
Sales tax		<u>(106,957)</u>	<u>(77,649)</u>
		<u>2,704,957</u>	<u>2,088,225</u>

**21.1** Gross sales include following recognised at point in time:

Hydrogen peroxide			
- Own manufactured		2,468,500	1,986,077
- Purchase for resale		361,710	223,857
Freight recovered		41,657	-
		<u>2,871,867</u>	<u>2,209,934</u>

**22. Cost of sales**

Raw material consumed	22.1	759,743	569,891
Packing materials		3,327	4,405
Salaries, wages and other benefits	22.2	113,083	98,732
Repair and maintenance		51,650	49,263
Shut down expenses		38,596	-
Fuel and power		291,989	273,285
Quality assurance		1,108	1,564
Services through contractors		43,032	47,255
Traveling		2,958	1,484
Communication		679	568
Rent and rates		37,086	23,456
Depreciation and impairment on property, plant and equipment	13.1.2	172,263	171,113
Amortization of intangible assets	14.2	3,806	-
Insurance		10,733	8,645
Safety items consumed		1,812	1,139
Miscellaneous		5,966	5,574
		<u>1,537,831</u>	<u>1,256,374</u>

Opening work in process		5,285	305
Closing work in process		(4,218)	(5,285)
		<u>1,067</u>	<u>(4,980)</u>

Cost of goods produced		<u>1,538,898</u>	<u>1,251,394</u>
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Opening finished goods		3,294	31,474
Closing finished goods		(18,649)	(3,294)
		<u>(15,355)</u>	<u>28,180</u>

Cost of goods sold - own manufactured		<u>1,523,543</u>	<u>1,279,574</u>
Cost of goods purchased for resale		317,338	192,290
Cost of services		33,325	-
		<u>1,874,206</u>	<u>1,471,864</u>

**22.1** This includes write down of inventories Nil (2018: Rs 3 million).

22.2 Salaries, wages and other benefits include Rs 2.69 million (2018: Rs 1.90 million) in respect of provident fund contribution by the Company and include charge of accumulating compensated absence of Rs 0.78 million (2018: Rs 0.37 million).

	Note	2019 (Rupees in thousand)	2018
<b>23. Administrative expenses</b>			
Salaries, allowances and other benefits	23.1	46,014	41,043
Vehicle running and maintenance		1,299	1,336
Entertainment		267	560
Communication		690	770
Printing and stationery		3,260	3,496
Traveling and conveyance		3,541	1,360
Repair and maintenance		1,736	1,653
Insurance		143	280
Fees and subscriptions		20,247	20,941
Depreciation on property, plant and equipment	13.1.2	1,192	824
Amortization of intangible assets	14.2	218	1,563
Legal and professional fee	23.2	8,199	8,047
Others		2,813	3,211
		<u>89,619</u>	<u>85,084</u>

23.1 Salaries, wages and other benefits include Rs 1.14 million (2018: Rs 0.23 million) in respect of provident fund contribution by the Company.

**23.2 Legal and professional fee**

The charges for legal and professional services include the following in respect of auditors services for (excluding sales tax):

	2019 (Rupees in thousand)	2018
Statutory audit	1,631	1,418
Half yearly review	586	533
Certification charges	1,076	440
Out of pocket expenses	192	144
	<u>3,485</u>	<u>2,535</u>

**24. Distribution and selling costs**

	Note	2019 (Rupees in thousand)	2018
Salaries, allowances and other benefits	24.1	13,774	11,547
Communication		365	393
Traveling and conveyance		2,503	2,290
Advertisement		350	108
Insurance		1,097	1,362
Freight and forwarding	24.2	17,561	50,083
Depreciation on property, plant and equipment	13.1.2	129	171
Fees and subscriptions		1,314	-
Others		751	578
		<u>37,844</u>	<u>66,532</u>

24.1 Salaries, wages and other benefits include Rs 0.27 million ( 2018: Rs 0.28 million) in respect of provident fund contribution by the Company.

24.2 Out of aggregate expenditure of Rs 50.89 million during the current year, Rs 33.33 million are classified in cost of sales due to adoption of IFRS 15, 'Revenue from Contracts with Customers'.

	Note	2019 (Rupees in thousand)	2018
<b>25. Other income</b>			
<b>Income from financial assets</b>			
Interest on bank deposits		12,629	1,384
Gain on sale of investment		900	-
<b>Income from non-financial assets</b>			
Gain on sale of fixed assets		808	311
Net gain on insurance claim of assets written off		-	6,336
Reversal of loss allowance for doubtful debts	18.3	2,500	9,325
Scrap sales		4,683	3,492
		7,991	19,464
Others		-	6,999
		<u>21,520</u>	<u>27,847</u>

**26. Other operating expenses**

Fixed assets written off		2,617	15
Worker's profit participation fund	10.4	30,791	23,885
Worker's welfare fund	10.5	6,789	-
Impairment loss	13.1.3	12,783	-

Charge from associated companies		-	9,501
Provision against long outstanding advances	19.3	11,043	-
Exchange loss		884	-
Others		2,246	-
		<u>67,153</u>	<u>33,401</u>

Note  
2019  
2018  
(Rupees in thousand)

## 27. Finance costs

Interest and mark-up on:

- Long term finances - secured		74,044	-
- Finances under markup arrangements - secured		5,357	2,775
		<u>79,401</u>	<u>2,775</u>

Amount capitalised	13.2	(2,980)	-
		<u>76,421</u>	<u>2,775</u>

Bank charges		2,760	2,598
		<u>79,181</u>	<u>5,373</u>

27.1 The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the average interest rate applicable to the entity's borrowings during the year, in this case 12.02% (2018: Nil).

2019  
2018  
(Rupees in thousand)

## 28. Taxation

Current tax:

- Current year		9,468	93,363
- Prior year		(2,036)	(4,739)

Deferred tax		176,773	42,915
		<u>184,205</u>	<u>131,539</u>

28.1 In view of the available income tax losses, carry forward Alternative Corporate Tax (ACT) and minimum tax under section 113C and 113 respectively of the Income Tax Ordinance, 2001, the provision for current taxation represents tax under 'Final Tax Regime', 'Normal Tax Regime' under section 4 and super tax imposed under section 4B of the Income Tax Ordinance, 2001.

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2019 are estimated approximately at Rs 7.68 million (2018: Rs 343.77 million). Details of deferred tax asset recognized on unused losses, carried forward alternate corporate tax and minimum tax has been included in Note 8.

## 28.2 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate  
Applicable tax rate

	2019 %	2018 %
Applicable tax rate	29.00	30.00
Effect of change in tax rate	3.95	(4.47)
Effect of Super tax	2.35	3.00
Effect of prior period charge	(0.35)	(1.05)
Effect of tax credits and losses	(2.91)	1.78
Tax effect under presumptive tax regime and others	(0.20)	(0.28)
	2.84	(1.02)
Average effective tax rate charged to statement of profit or loss	<u>31.84</u>	<u>28.98</u>

## 28.3 Management assessment on sufficiency of provision for income taxes

	2018	2017	2016
	(Rupees in thousand)		
Tax assessed as per most recent tax assessment	90,340	55,831	21,779
Provision in accounts for income tax	90,340	55,847	24,869

The tax assessed as per most recent tax assessed for the year 2018 and 2017 is based on "deemed assessment" as per income tax return filed for respective years.

As at June 30, 2019, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

28.4 As per 5A clause of Income Tax Ordinance, 2001 every public company is required to pay tax at the rate of 5% of its profit before tax for the year. However, this tax shall not apply in case of a public company which distributes at least 20% of its after tax profits within six months of the end of the tax year through cash. Liability in this respect if any, is recognised when the prescribed time period for the distribution of dividend expires.

	2019	2018	
<b>29. Earnings per share</b>			
<b>29.1 Basic earnings per share</b>			
Profit for the year	Rupees in thousand	394,269	322,279
Weighted average number of ordinary shares in issue during the year	Number in thousand	102,000	102,000
Earnings per share	Rupees	3.87	3.16

**Notes to and Forming Part of the Financial Statements** Continued  
for the Year Ended June 30, 2019

29.2	Diluted earnings per share		2019	2018
	Profit for the year	Rupees in thousand	394,269	322,279
	Weighted average no. of ordinary shares	Number in thousand	102,000	102,000
	Weighted average number of preference shares	Number in thousand	44,000	110,000
		Number in thousand	146,000	212,000
	Earning per share	Rupees	2.70	1.52

Note	2019	2018
	(Rupees in thousand)	

**30. Cash flow information**

**30.1 Cash flow from operating activities**

	Profit before taxation		578,474	453,818
	Adjustment for:			
	- Provision for impairment of property, plant and equipment	13.1	12,783	7,534
	- Depreciation on property, plant and equipment	13.1.2	173,584	172,108
	- Amortization of intangible assets	14	4,024	1,563
	- Provision for / (reversal of provision) accumulating compensated absences		779	(365)
	- Write down of inventories to net realizable value (NRV)	22	-	3,000
	- Reversal of provision against export rebate		-	(568)
	- Provision against long outstanding advances	26	11,043	-
	- Gain on disposal of fixed assets	25	(808)	(6,647)
	- Interest on bank deposits	25	(12,629)	(1,384)
	- Reversal of loss allowance for doubtful debts	25	(2,500)	(9,325)
	- Fixed assets written off	26	2,617	15
	- Net exchange loss / (gain)	26	884	(41)
	- Finance costs	27	79,181	5,373
	Profit before working capital changes		847,432	625,081
	Effect on cash flow due to working capital changes:			
	(Increase)/ decrease in current assets			
	- Stores and spares		(59,678)	(8,411)
	- Stock in trade		(46,137)	18,486
	- Trade debts		(38,803)	41,170
	- Advances, deposits, prepayments and other receivables		11,775	761
	Increase in current liabilities			
	- Trade and other payables		98,861	2,438
			(33,982)	54,444
	Cash generated from operations		813,450	679,525

**30.2 Reconciliation of financial liabilities arising from financing activities**

	2019	2018
	(Rupees in thousand)	
<b>Long term finances - secured</b>		
Opening balance	-	-
Net proceeds during the year	1,244,298	-
Repayments during the year	(366,667)	-
Closing balance	877,631	-

**31. Transactions with related parties**

**31.1** The related parties comprise holding company, key management personnel, post-employment benefit plan and other related parties. The Company in the normal course of business carries out transactions with various related parties. Transactions with related parties are carried out on mutually agreed terms and conditions. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 32. Significant related party transactions have been disclosed in respective notes in these financial statements, other than the following:

Name of the related party	Relationship with the Company	Transactions during the year	2019	2018
			(Rupees in thousand)	
DEL Chemicals (Private) Limited	Holding company	Payment of ordinary dividend	52,034	-
Presson Descon International (Private) Limited	Common directorship	Repayment of preference shares	310,000	-
		Payment of preference dividend	51,978	74,400
Descon Engineering Limited	Common directorship	Purchase of goods and services	20,418	1,574
		Purchase of property, plant and equipment	24,406	33,811
		Sale of goods	23	17
		Share of common expenses charged by the related party	6,537	7,396
		Markup expense against loan obtained from the related party	71,064	-
		Repayment of preference shares	787,956	-
		Payment of preference dividend	132,117	189,109
Descon Corporation (Private) Limited	Common directorship	Share of common expenses charged by the related party	35,072	43,990
		Share of common expenses charged to the related party	1,227	1,474
		Payment of ordinary dividend	8,725	-
Interworld Travels (Private) Limited	Common directorship	Purchase of goods and services	1,560	1,019
		Payment of ordinary dividend	92	-
Popular Travel & Tours	Common directorship	Purchase of goods and services	2,183	966
Inspectest (Private) Limited	Common directorship	Purchase of goods and services	13,999	10,895
Descon Holdings (Private) Limited	Common directorship	Payment of ordinary dividend	1,249	-
Descon Engineering Services and Technology (Private) Limited	Common directorship	Purchase of goods and services	1,131	-
Descon Oxychem Limited - Employees Provident Fund Trust	Provident Fund Trust	Expense charged in respect of provident fund	4,099	2,418

32. Remuneration of Chief Executive, Directors and Executives

	Chief Executive		Non-Executive Directors		Executives	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	( Rupees in thousand )					
Remuneration	17,700	14,804	3,000	3,649	15,925	12,192
Fee	-	-	665	1,250	-	-
Provident Fund	852	-	170	150	351	406
Car Allowance	822	68	-	-	1,262	1,024
Medical facility	132	71	-	-	270	404
Bonus	4,758	1,172	-	-	3,284	2,524
Reimbursable expenses	1,523	16	-	-	399	196
	<u>25,787</u>	<u>16,131</u>	<u>3,835</u>	<u>5,049</u>	<u>21,491</u>	<u>16,746</u>
<b>No. of persons</b>	1	1	4	4	4	3

32.1 Aggregate amount charged in the financial statements for the year for fee to 2 non-executive directors (2018: 2 non-executive directors) is Rs 1.25 million (2018: Rs 1.25 million).

2019  
2018  
(Rupees in thousand)

33. Cash and cash equivalents

Finances under mark up arrangements - secured	9	(124,317)	-
Bank balances	20	30,993	113,085
		<u>(93,324)</u>	<u>113,085</u>

34. Capacity and Production

		Actual production 2019	Actual production 2018
Production of hydrogen peroxide	<b>Metric tonnes</b>	14,000	15,418
(on 100% concentration and based on 360 working days)			
Production of packing material	<b>Number</b>	1,080,000	883,301
(based on 360 working days)			

Production of packing material remained below capacity owing to lower production of packaged hydrogen peroxide.

35. Financial risk management objectives

35.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board).

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to foreign currency exchange risk in respect of commitments against letters of credit in foreign currency. The management does not view hedging as being financially feasible.

The Company is exposed to currency risk arising only with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from/payable to the foreign entities. The Company's exposure to currency risk is as follows:

	2019	2018
	(FCY in thousand)	
Trade debts - US Dollars	-	12
Trade creditors - US Dollars	32	-

The following significant exchange rates were applicable during the year:

**Rupees per USD**

Average rate	137.67	109.95
Reporting date rate	164.50	121.40

**Foreign currency sensitivity analysis**

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Company's Profit/(loss) before tax and equity. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in Exchange Rate	Effect on Profit before tax	Effect on Equity
	(Rupees in thousand)		
<b>2019</b>	10%	526	373
	-10%	(526)	(373)
<b>2018</b>	10%	146	102
	-10%	(146)	(102)

**(ii) Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk as it does not have any exposure in equity securities.

**(iii) Interest rate risk**

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2019	2018
	(Rupees in thousand)	
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Saving accounts	30,123	106,125
<b>Floating rate instruments</b>		
<b>Financial liabilities</b>		
Long term finances - secured	877,631	-
Finances under mark up arrangements - secured	124,317	-
	1,001,948	-

**Fair value sensitivity analysis for fixed rate instruments**

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company. The impact of changes in average effective interest rate for the year is given below:

**Interest rate sensitivity analysis**

	Increase/decrease in rate	Effect on profit before tax	Effect on Equity
	(Rupees in thousand)		
<b>Financial assets</b>			
2019	1%	301	214
	-1%	(301)	(214)
2018	1%	1,061	743
	-1%	(1,061)	(743)
<b>Financial liabilities</b>			
2019	1%	(10,019)	(7,113)
	-1%	10,019	7,113
2018	1%	0	0
	-1%	0	0

**(b) Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its trade debts, its short term investments in open ended mutual funds and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2019	2018
	(Rupees in thousand)	
Trade debts	80,742	39,439
Advances, deposits, prepayments and other receivables	11,715	15,117
Bank balances	30,993	113,085
	<u>123,450</u>	<u>167,641</u>

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade debts are subject to specific credit ceilings.

The credit quality of cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating Agency	2019	2018
	Short term	Long term			
	(Rupees in thousand)				
<b>Bank balances</b>					
Habib Metropolitan Bank	A1+	AA+	PACRA	29,273	43,785
Allied Bank Limited	A1+	AAA	PACRA	-	2,976
MCB Bank	A1	A	PACRA	26	26
Bank Al-Habib Limited	A1+	AA+	PACRA	1,694	66,298
				<u>30,993</u>	<u>113,085</u>

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2019 the Company had borrowing limits available from financial institutions aggregating to Rs 1,100 million (2018: Rs 300 million) and Rs 30.99 million (2018: Rs 113.08 million) in bank balances. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

All of the following financial liabilities are exposed to profit / mark-up rate risk except trade and other payables.

	Carrying amount	Less than one year	More than one year	More than five years
	(Rupees in thousand)			

The following are the contractual maturities of financial liabilities as at June 30, 2019:

Long term finances - secured	877,631	-	364,185	513,446
Finances under mark up arrangements - secured	124,317	124,317	-	-
Trade and other payables	312,085	312,085	-	-
Dividend payable	2,396	2,396	-	-
Accrued finance costs	14,945	14,945	-	-
	<u>1,331,374</u>	<u>453,743</u>	<u>364,185</u>	<u>513,446</u>

The following were the contractual maturities of financial liabilities as at June 30, 2018:

Trade and other payables	211,561	211,561	-	-
Income tax payable	51,715	51,715	-	-
Dividend payable	10	10	-	-
Accrued finance costs	378	378	-	-
	<u>263,664</u>	<u>263,664</u>	<u>-</u>	<u>-</u>

**35.2 Fair values of financial assets and liabilities**

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

**35.3 Financial instruments by categories**

	Financial assets at amortised cost	
	2019	2018
	(Rupees in thousand)	
Long term deposits	17,654	17,654
Trade debts	80,742	39,439
Advances, deposits, prepayments and other receivables	11,491	10,597
Bank balances	30,993	113,085
	<u>140,880</u>	<u>180,775</u>

	Financial liabilities at amortised cost	
	2019	2018
	(Rupees in thousand)	
Long term finances - secured	877,631	-
Finances under mark up arrangements - secured	124,317	-
Trade and other payables	312,085	211,561
Accrued finance costs	14,945	378
	<u>1,328,978</u>	<u>211,939</u>

**35.4 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 year.

### 35.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio.

This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 8 and 7 respectively. Total capital is calculated as 'equity' shown in the statement of financial position plus debt. The gearing ratio as at year ended June 30, 2019 and June 30, 2018 are as follows:

	2019	2018
	(Rupees in thousand)	
Debt	877,631	-
Total equity	783,559	1,775,728
Total capital	1,661,190	1,775,728
Gearing Ratio	Percentage	52.8% 0%

### 35.6 Compliance with debt covenants

The Company is subject to the compliance of certain financial covenants as per the long term financing agreements with financial institutions referred to in note 7.2 and the Company is in compliance with the requirements throughout the reporting period.

### 36. Number of Employees

	2019	2018
Total number of employees as at year end (including contractual)	97	101
Total number of factory employees as at year end (including contractual)	89	92
Average number of employees during the year (including contractual)	99	100
Average number of factory employees during the year (including contractual)	90	91

### 37. Provident Fund

	Note	2019	2018
(Rupees in thousand)			
Size of the fund		21,557	22,859
Cost of investments made		19,891	21,786
Percentage of investments made		92%	95%
Fair value of investments	37.1	19,806	21,719

### 37.1 The breakup of fair value of investments is:

Break up of investments	2019 (Rs in '000)	% of Investment	2018 (Rs in '000)	% of Investment
Investment in term finance certificates	1,070	5.40%	1,574	7.25%
Investment in listed shares	1,422	7.18%	5,390	24.82%
Investment in term deposit receipts	13,485	68.09%	11,278	51.93%
Cash at banks - saving accounts	3,829	19.33%	3,477	16.01%
	19,806	100%	21,719	100%

The figures for 2019 are based on the unaudited financial statements of the employees' provident fund. The investments in collective investment schemes, listed equity and listed debt securities out of aforementioned fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

### 38. Summary of significant transactions and events

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Obtained long term finances (net of transaction costs) of Rs 1,244 million and repaid Rs 366.67 million (refer statement of cash flows and notes 7 and 30.2).

- Redeemed preference shares of Rs 1,100 million (refer statement of cash flows and note 6).

- Declared interim dividend on ordinary shares of Rs 102 million and dividends on preference shares aggregating to Rs 184.44 million (refer statement of changes in equity).

- Incurred capital expenditure of Rs 310.08 million mainly in respect of capacity expansion project and upgradation of existing property, plant and equipment (refer statement of cash flows and notes 13 and 14).

**39. Subsequent events**

There has been no significant event after the statement of financial position date.

**40. Date of authorization for issue**

These financial statements were authorized for issue on August 27, 2019 by the Board of Directors.

**41. Corresponding figures**

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.

No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
185	1	100	4,076
2,023	101	500	998,830
718	501	1,000	714,016
1,229	1,001	5,000	3,640,159
420	5,001	10,000	3,419,166
156	10,001	15,000	2,018,571
115	15,001	20,000	2,119,525
62	20,001	25,000	1,485,750
29	25,001	30,000	830,000
26	30,001	35,000	874,500
12	35,001	40,000	466,500
9	40,001	45,000	387,000
26	45,001	50,000	1,280,566
15	50,001	55,000	803,500
6	55,001	60,000	356,599
2	60,001	65,000	124,000
7	65,001	70,000	482,000
10	70,001	75,000	742,500
4	75,001	80,000	313,000
2	80,001	85,000	168,473
2	85,001	90,000	176,000
5	90,001	95,000	471,183
15	95,001	100,000	1,494,500
1	100,001	105,000	102,000
3	105,001	110,000	330,000
1	110,001	115,000	114,000
1	115,001	120,000	120,000
3	120,001	125,000	372,500
2	125,001	130,000	257,500
1	130,001	135,000	131,000
1	135,001	140,000	138,000
2	140,001	145,000	282,486
5	145,001	150,000	746,500
2	160,001	165,000	326,000
3	180,001	185,000	548,500
1	185,001	190,000	188,000
1	190,001	195,000	190,500
4	195,001	200,000	799,500
1	215,001	220,000	219,500
2	220,001	225,000	450,000
1	245,001	250,000	250,000
1	300,001	305,000	302,500
1	325,001	330,000	325,500
1	345,001	350,000	345,500
1	350,001	355,000	354,500
1	395,001	400,000	400,000

  
CHIEF EXECUTIVE

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

**Pattern of Shareholding**  
as on June 30th, 2019

No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
1	420,001	425,000	420,500
1	460,001	465,000	465,000
1	480,001	485,000	483,000
1	635,001	640,000	640,000
1	1,245,001	1,250,000	1,249,300
1	1,510,001	1,515,000	1,510,500
1	2,400,001	2,405,000	2,402,000
1	3,405,001	3,410,000	3,406,500
1	7,435,001	7,440,000	7,439,800
1	8,725,001	8,730,000	8,725,250
1	44,590,001	44,595,000	44,593,750
<b>5,129</b>			<b>102,000,000</b>

**Categories of Shareholding required under Listed Companies  
(Code of Corporate Governance) Regulations, 2017 (CCG)**  
as on June 30th, 2019

Categories of shareholders	Share held	Percentage
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	3,500	0.0034%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	62,100,154	60.8825%
2.3.3 NIT and ICP	0	0.0000%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
2.3.5 Insurance Companies	200,000	0.1961%
2.3.6 Modarabas and Mutual Funds	425,000	0.4167%
2.3.7 Share holders holding 10% or more	52,033,550	51.0133%
2.3.8 General Public		
a. Local	34,006,627	33.3398%
b. Foreign	2,000	0.0020%
2.3.9 Others (to be specified)		
1- Joint Stock Companies	5,087,600	4.9878%
2- Foreign Companies	0	0.0000%
3- Others	175,119	0.1717%

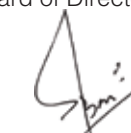
Sr. No.	Name	No. of Shares Held	Percentage
<b>Associated Companies, Undertakings and Related Parties (Name Wise Detail):</b>			
1	DESCON CORPORATION (PVT.) LIMITED	8,725,250	8.5542
2	DESCON HOLDING (PVT.) LIMITED	1,249,300	1.2248
3	INTERWORLD TRAVELS (PVT) LIMITED	92,054	0.0902
4	DEL CHEMICALS (PRIVATE) LIMITED (CDC)	52,033,550	51.0133
<b>Mutual Funds (Name Wise Detail)</b>			
1	CDC - TRUSTEE ABL STOCK FUND (CDC)	49,500	0.04853
2	CDC - TRUSTEE ALFALAH CAPITAL PRESERVATIO FUND II (CDC)	40,500	0.03971
3	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND (CDC)	30,000	0.02941
4	CDC - TRUSTEE FAYSALN MTS FUND - MT (CDC)	22,500	0.02206
5	CDC - TRUSTEE FAYSALN STOCK FUND (CDC)	110,000	0.10784
6	CDC - TRUSTEE FIRST HABIB INCOME FUND (CDC)	18,000	0.01765
7	CDC - TRUSTEE FIRST HABIB INCOME FUND - MT (CDC)	74,500	0.07304
8	CDC - TRUSTEE MCB DCF INCOME FUND (CDC)	500	0.00049
9	CDC - TRUSTEE NIT INCOME FUND - MT (CDC)	4,500	0.00441
10	MC FSL TRUSTEE JS - INCOME FUND (CDC)	75,000	0.07353
<b>Directors and their Spouse and Minor Children (Name Wise Detail):</b>			
1	MR. TAIMUR DA WOOD (CDC)	500	0.00049
2	MR. FAISAL DA WOOD (CDC)	500	0.00049
3	MR. FAROOQ NAZIR (CDC)	500	0.00049
4	MRS. MEHREEN DA WOOD (CDC)	500	0.00049
5	MR. ASIF QADIR	500	0.00049
6	MR. ALI ASRAR HOSSAIN AGA	500	0.00049
7	MR. HAROON WAHEED	500	0.00049
<b>Executives:</b>		-	0.0000
<b>Public Sector Companies &amp; Corporations:</b>		-	-
<b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:</b>		200,000	0.1961
<b>Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)</b>			
1	DEL CHEMICALS (PRIVATE) LIMITED (CDC)	52,033,550	51.0133
5	DESCON CORPORATION (PVT.) LIMITED	8,725,250	8.5542
<b>All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:</b>			
<b>Sr. No.</b>	<b>Name</b>	<b>Sale</b>	<b>Purchase</b>
	HAROON WAHEED		500

Notice is hereby given that 15th Annual General Meeting of Descon Oxychem Limited (the "Company") will be held on Tuesday, October 15th 2019 at 10:00 am at Descon Headquarters, 18-K.M, Ferozepur Road Lahore – 54760 to transacted the following business:

**Ordinary Business:**

1. To confirm minutes of the last Annual General Meeting of the Company held on Tuesday, October 23, 2018.
2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended 30th June 2019 together with the reports of Directors' and Auditors' thereon.
3. To appoint External Auditors for the ensuing year and fix their remuneration (The present auditors M/s. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.)
4. To transact any other business with the permission of the Chair.

By Order of the Board of Directors



**Abdul Sohail**  
Company Secretary

Lahore  
September 19, 2019

**NOTES:**

- a. The Share Transfer Books of the Company will be closed from 07-10-2019 to 15-10-2019 (both days inclusive). Transfers received at the Corplink (Pvt) Limited, 1-K, Commercial Model Town Lahore the close of business on 06-10-2019 will be treated in time for the purpose of above entitlement to the transferees.
- b. In pursuance of Section 242 of the companies Act, 2017 and Circular No. 18/2017 dated August 1, 2017, it is mandatory for all listed companies to pay dividend only by way of electronic mode, directly into the bank accounts of entitled shareholders. Keeping in view the same, all cash dividend, if declared by the Company in future will be directly transferred in bank account of the shareholders, you are requested to provide/update your IBAN to our Share Registrar. Accordingly, all CDC shareholders are requested to send their IBAN details directly to their concerned Stock Broker / Central Depository Company of Pakistan.
- c. Members are requested to attend in person along with Computerized National Identity Card ("CNIC") or appoint some other member as proxy and send their proxy duly witnessed so as to reach the registered office of the Company not later than 48 hours before the time of holding the meeting.
- d. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or passport, Account and participant's I.D. Numbers to prove his/her identity, and in case of proxy it must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
- e. Shareholders are requested to immediately notify change in address, if any, to the Company's Share Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and also furnish attested photocopy of their CNIC as per Listing Regulations, if not provided earlier.



# Form of Proxy Descon Oxychem Limited

## IMPORTANT

This form of proxy, in order to be effective, must be deposited duly completed, at the Company's Registered Office at Descon Headquarters, 18-KM, Ferozpur Road, Lahore not less than 48 hours before the time of holding the meeting. A Proxy must be member of the Company. Signature should agree with the specimen register with the Company. Please quote registered Folio / CDC Account numbers

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of Descon Oxychem Limited entitled to vote and holder of \_\_\_\_\_

ordinary shares, hereby appoint Mr./Mrs./Mst. \_\_\_\_\_

of \_\_\_\_\_

who is also a member of the Company, as my/our proxy in my / our absence to attend and vote for me / us on my / our behalf at the 15th Annual General Meeting of the Company to be held at Descon Headquarters, 18-Km, Ferozpur Road, Lahore on Tuesday October 15, 2019 at 10am and at any adjournment thereof.

As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2019

Signed by the said \_\_\_\_\_ in the presence of \_\_\_\_\_

\_\_\_\_\_  
(Member's Signature)

Place \_\_\_\_\_

Date \_\_\_\_\_

\_\_\_\_\_  
(Witness's Signature)

Affix Rs. 5/-  
Revenue Stamp which  
must be cancelled  
either by signature  
over it or by some  
other means