

PARTNERS IN
PROGRESS



ANNUAL REPORT 2020

Descon Oxychem Limited



VISION

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

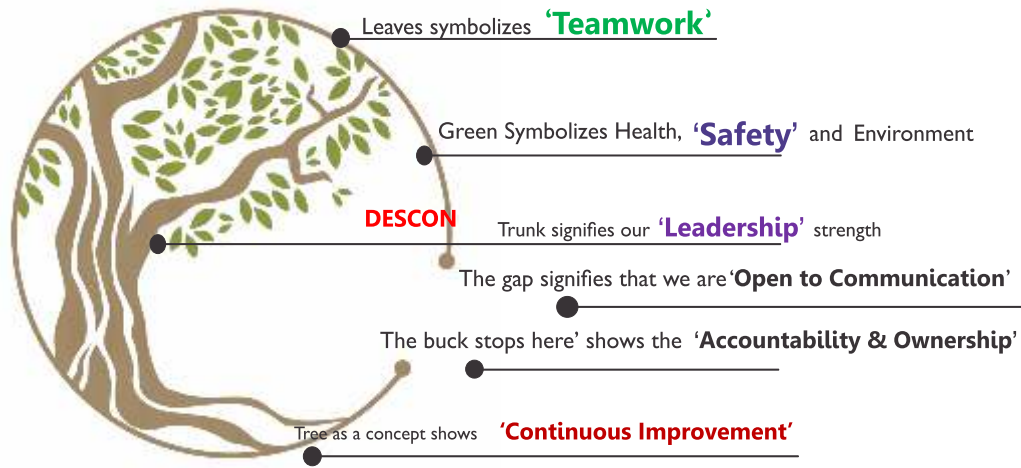


MISSION

We are determined to:

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

Our Core Values



Continuous Improvement

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



Leadership

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



Accountability and Ownership

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



Team Work

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



Open Communication

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



Safety

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

Contents

03	Company Information
04	Board & Management Committees
05	Principal Markets & Application Areas
06	Chairman's Review
07	Directors' Report - English
16	Directors' Report - Urdu
17	Key Operational and Financial Data
18	Auditor's Review Report on the Statement of Compliance
19	Statement of Compliance with the Listed Companies
22	Independent Auditor's Report on the Audit of the Financial Statements
26	Statement of Financial Position
28	Statement of Profit or Loss Account
29	Statement of Comprehensive Income
30	Statement of Changes in Equity
31	Statement of Cash Flows
32	Notes to the Financial Statements
73	Pattern of Shareholding
75	Categories of Shareholders
77	Notice of Annual General Meeting
83	Form of proxy

Company Information

Board of Directors

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

Muhammad Saqib Abbas
Chief Financial Officer

Abdul Sohail
Company Secretary

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

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

Legal Advisors
M/s Hassan & Hassan Advocates

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

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

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

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

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

Board and Management Committees

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 discussion and decisions at its meetings and recommendations in respect of company's operation 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:

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

*Mr. Farooq Nazir was the Chairman of the audit committee until October 15, 2019 who was not an independent director.

On October 15, 2019, Mr. Ali Asrar Hossain Aga Replaced Mr. Farooq Nazir in accordance with the regulations.

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
Mushfiq Hussain	Member
M. Saqib Abbas	Member
Muhammad Farooq	Member
Amir Javed	Member

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, 2019. It comprises of four members, of whom two are non-executive directors, the Chairman of the committee is an independent director:

Haroon Waheed	Chairman
Ali Asrar Hossain Aga	Member
Farooq Nazir	Member
Faisal Dawood	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
Mushfiq Hussain	Member
M. Saqib Abbas	Member
Muhammad Farooq	Member
Amir Javed	Member

Principal Markets & Application Areas



Minning

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-bers derived from cellulose such as cotton, linen and bast-bers. The textile-bers are used as lose 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 & SANIDOL are among 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 consistence performance despite the fact that the later part of the year was severely hit by the Pandemic. The Management has successfully developed & implemented an effective strategy to mitigate the adverse impact of pandemic which significantly helped to deliver the consistence performance. The timely introduction of SaniDol (multipurpose disinfectant & sanitizer) has not only helped the Company's performance but also helped the Country in great deal to combat the challenges imposed by the Covid 19.

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 high standard of corporate governance and compliance, which are reflected through the engagement of a strong out sourced internal audit function.

The board performed its role and responsibilities for setting standards, policies, strategic aims, ensure resources are in place to meet our objectives, monitor and review material strategic issues, financial performance and risk management. In 2019-20, your Company has achieved healthy EPS (PKR 3.42 / Share) despite of increase in number of shares during the year and Covid 19 impact, mainly led by commercial initiatives and execution of Manufacturing Excellence Program leading to cost efficiencies. The Board of Directors have recommended 10% cash dividend and 16% bonus shares for its valuable shareholders, corroborating the consistent performance and healthy cash flow position of the Company. The plant expansion is almost at its tail end and once the enhanced production comes on line the financial performance and market leadership position of your company will further strengthen.

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.

Your Company has made great inroads in different market segments by introducing customized product to cater the needs. The Company aims to enhance its competitive position by 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 and the management during the year under review.

Lahore
September 02, 2020



Taimur Dawood
Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS

For the year ended June 30, 2020

The Directors of the Company are pleased to present the Annual Report along with the Audited Financial Statements for the year ended June 30, 2020.

Economic Review

The COVID-19 pandemic related lock downs adversely affected Pakistan's economy as it did everywhere in the World. While efforts were in place by the government to minimize the pandemic threat and mitigate the financial implication for the economy, significant disruptions were experienced in all sectors of the economy including Chemicals. However, the substantial reduction in discount rates by the State Bank gave the necessary stimulus to the capital markets and restored the economic activity in the Country towards the end of this fiscal year.

Business Results

Your company continued to build on the strong fundamentals. Despite Covid-19, your Company has been able to come out strong by timely identifying the opportunity for disinfectant and the launch of Sanidol, multipurpose, ready to use disinfectant & sanitizer. The performance during last quarter is a reflection of dedicated efforts of the management team along with operational excellence in all areas of the business. The summarized financial performance appears below.

	2020	2019
	Rupees in thousands	
Sales	2,641,615	2,704,957
Gross profit	861,258	830,751
Profit from operations	670,282	657,655
Profit before tax	588,862	578,474
Profit after tax	418,423	394,269
Earnings per share – Basic	3.42	3.87
Sales– MT	35,558	37,166

The company almost maintained its sales volume compared with last year despite the pandemic situation in the last quarter. The topline has gone down slightly mainly due to necessary price adjustments in line with market demand. Gross profit percentage has gone up from 31% to 33%. Despite price reduction, your Company has increased its margins due to reduction in costs by drawing efficiencies and reduction in crude prices. Distribution and selling expenses were up by 34% mainly due to trial fees paid for product approval in food and beverages segment.

The last quarter was the "Quarter of SaniDol". As the pandemic situation pushed back the economy and our major customers were shut down, the management proactively introduced the disinfectant with the brand name of SaniDol. It has not only helped the Company to minimize the impact of the revenue loss during the lock down period but also enabled the Company to serve the nation with an effective product at a very competitive price during challenging times. Your Company also donated large quantities of SaniDol to the Government & law enforcement agencies in particular as part of its Corporate Social Responsibility. Besides Sanidol, another success during the year is our commercial partnership with Tetra Pak Pakistan which has made Aseptox 35 the leading product being used for disinfection of food and beverages packaging by all the major food / beverages players in Pakistan.

Profit after tax has increased from PKR 394million to PKR 418 million. It's the highest profit after tax number achieved by the Company since incorporation. Your Company has maintained a healthy EPS despite increase in ordinary share capital during the period.

Cash Flow Management

Your Company has generated cash of PKR 875 million from operations as compared to PKR 813 million last year by effective working capital management during the year. The investment in stores and stock in trade is mainly due to accumulating materials and finished good inventory for upcoming shut down for expansion. The controls built in the ERP system, which derives efficiencies between marketing, supply chain and finance have also contributed significantly in delivering working capital efficiencies.

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

Safety & Manufacturing

Health, safety, environment and security of our employees and contractors have been a principal focus of the company, and an integral part of Descon's core values. At the close of FY20, the business had operated eleven consecutive years without a single lost time injury (LTI), achieving 6.93 million man-hours without a lost time incident. Total reportable injuries rate (TRIR) remains zero.

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 a lot of training hours in capacity and capability development.

Manufacturing excellence program was developed after brainstorming at gross roots to bring in efficiencies at plant operation and other processes. Multiple energy conservation projects were conceived and implemented which resulted in significant savings.

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 the disinfection segment related to food packaging, commercial, household, poultry and cosmetic segments. The Company continues to pursue a number of opportunities in the areas of product and market development and much progress is expected in the coming year.

Future Outlook

The challenge ahead of Your Company is not only to sustain the strong financial performance, but also find ways to maintain its margins and profits in a cost challenging environment. Your company is consistently working on strategies to ensure these challenges are met effectively. Our continuous efforts to penetrate new segments and markets has paid rich dividends alongside organic growth in Textile and Mining sectors.

Your Company is also taking initiatives to reduce its cost of production which is the most significant part of the cost. Our target is to become the lowest cost producer in the region by implementing the manufacturing excellence program.

The capacity enhancement project is at the tail end and it is expected that enhanced capacity will come online by September 2020. After the completion, the production capacity of the plant will increase to 118 MT per day. Plans are in place to increase our market presence with enhanced production completed with exports to regional markets.

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

Corporate Governance

The Company's Directors and management are fully acquainted with their responsibilities as required by provisions of the Companies Act, 2017 (the "Act"). The Board has adopted best practices of Corporate Governance by ensuring a strong sense of business principles and high standards for compliance in conduct of business. The same have been summarised in the enclosed Statement of Compliance with the listed Companies (Code of Corporate Governance) Regulations, 2019 (the "Regulations") duly reviewed by the external auditors.

The Directors are pleased to report the following:

- a. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cashflows and changes in equity.
- b. Proper books of account of the Company have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards (IFRS), as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- e. The system of internal control is sound in design and have been effectively implemented and monitored.
- f. There are no significant doubts on the Company's ability to continue as a going concern.
- g. All the directors on the Board are fully conversant with their duties and responsibilities as directors of a corporate body.
- h. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.
- i. The key operating and financial data of last six years is attached to the report.

Composition of the Board of Directors

Election of Directors was held on 28th February 2020. The total numbers of directors are eight (8) including Chief Executive (Deemed Director) as per the following:

Male	7 (including Chief Executive)
Female	1

The composition of the board is as follows:

Sr. No.	Category	Name
1	Independent Director	Mr. Ali Asrar Hossain Aga
2		Mr. Asif Qadir
3		Mr. Haroon Waheed
4	Non-Executive Directors	Mr. Taimur Dawood
5		Mr. Farooq Nazir
6		Mr. Faisal Dawood
7		Ms. Mehreen Dawood
8	Executive Director	Mr. Imran Qureshi

Changes to the Board

The same directors are re-elected during the elections held during the year, thereafter, there was no change in the Board.

Meetings of the Board

The Board is legally required to meet at least once in every quarter to monitor the Company's performance aimed at effective and timely accountability of its management. The decisions made by the Board during the meetings were minuted and were duly circulated to all the Directors within the timeline as determined by the Act for endorsement, and were approved in the following Board meetings.

All meetings of the Board were held in compliance with required quorum prescribed by the Act and the Regulations. Agenda of each meeting was circulated in a timely manner. The Chief Financial Officer and Company Secretary also attended all the Board meetings.

During the year under review, six (06) meetings of the Board of Directors were held and the attendance of Directors was as follows:

Name of Director	Remarks	Attended Remarks
Asif Qadir	4/6	Leave of absence was granted in two meetings
Taimur Dawood	6/6	–
Farooq Nazir	6/6	–
Mehreen Dawood	2/6	Leave of absence was granted in four meetings
Faisal Dawood	5/6	Leave of absence was granted in one meeting
Ali Asrar Hossain Aga	6/6	–
Imran Qureshi	6/6	–
Haroon Waheed	5/6	Leave of absence was granted in one meeting

Directors' Training

Four out of eight directors of the Company have been certified as qualified directors under director's training program as prescribed in the Regulations. The remaining four directors will get their exemption or certification as the case maybe in due course.

Internal Audit and Control

The Board of Directors has set up an independent audit function outsourced to M/s. KPMG Taseer Hadi & Co. Chartered Accountants who are qualified and experienced for the purpose. Upon recommendation by the Audit Committee, the annual plan of the internal audit function was duly approved by the Board, which involves review of operational, financial and administrative controls.

Adequacy of Internal Financial Controls

The Board of Directors has established an efficient system of internal financial controls, for ensuring effective and efficient conduct of operations, safeguarding of the Company's assets, compliance with applicable laws and regulations and reliable financial reporting.

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 and its committees. For this purpose, a policy for the determining remuneration of directors has been approved and implemented. The Company does not pay remuneration to its non-executive Directors. Only meeting participation fee is being paid to independent directors. Aggregate amount of fee paid to independent Director has been disclosed in Note 36 of these financial statements.

Evaluation of Performance of the Board

As prescribed under the Regulations, during the year Board conducted evaluation of its own performance, 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.) which has issued an Assessment Report (the "Report"). No significant departure from the Act, Regulations and the policies & procedures was found in the Report, however, the Board is improving its performance as per the suggestions of the Report.

Committees of the Board

To assist the smooth operations of the Board and support in sound decision making, the Board has established two committees which are chaired by independent directors. These committees are as follows:

Audit Committee

The committee supports the Board in fulfilling its oversight responsibilities while primarily reviewing financial or non-financial information to the shareholders in compliance with prevailing regulations and accounting standards. The audit committee also ensures that sound systems of internal controls are in place to safeguard Company's assets. The Terms of Reference of the Committee have been defined in light of the guidelines of the Regulations.

The Audit Committee comprises of three (3) members, as follows:

- Mr. Ali Asrar Hossain Aga (Independent Director) – Chairman
- Mr. Farooq Nazir (Non-executive Director) - Member
- Mr. Faisal Dawood (Non-executive Director) - Member

The committee met 4 times during the year and the attendance was as follows:

Name of Member	Meetings Attended
Mr. Farooq Nazir	4/4
Mr. Faisal Dawood	3/4
Mr. Ali Asrar Hossain Aga	4/4

Human Resource & Remuneration Committee

The Human Resources & Remuneration Committee has been established to review and recommend to the Board all elements of compensation and policies and procedures required to be adopted for effective human resource function. The Committee comprises of three members one of whom is independent director.

The Human Resources & Remuneration Committee comprises of four (4) members as follows:

- Mr. Haroon Waheed (Independent Director) – Chairman
- Mr. Farooq Nazir (Non-executive Director)
- Mr. Ali Asrar Hossain Aga (Independent Director)
- Mr. Faisal Dawood (Non-executive Director)

The Committee met once during the year and the attendance of the meeting is as follows:

Name of Member	Meetings Attended
Mr. Haroon Waheed	1/1
Mr. Farooq Nazir	1/1
Mr. Ali Asrar Hossain Aga	1/1
Mr. Faisal Dawood	1/1

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, 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
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

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

Related Party Transactions

The Audit Committee reviewed and recommended the related party transactions to the Board and the Board approved them. All related party transactions were carried out in normal course of business and on an arm's length basis. The Company maintains a complete record of all the related party transactions. The Company has made detailed disclosure of the related party transactions in the financial statements annexed with this annual report. Such disclosure is in line with the requirements of the 4th Schedule of the Act and applicable International Financial Reporting Standards.

Social Investment

The Company continues to focus on Corporate Social Responsibilities. The Company recognizes the importance of being a good corporate citizen in conducting its business as well as delivering its obligations in social welfare of its staff and community in general. Our Product, SaniDol, enabled the Company to serve the nation. Your Company donated large quantities of SaniDol to the Government & law enforcement agencies in particular as part of its Corporate Social Responsibility.

Pattern of Shareholding

In accordance with section 227(2)(f) of the Act, the pattern of shareholding as at June 30, 2020, along with disclosures as required under the Regulations is annexed to the Annual Report.

Cash Dividends

The Board of Directors has recommended final cash dividend @ 10% (Rs.1/- per ordinary share) to the shareholders out of the profits of the Company for the year ended on June 30th 2020. It will be paid subject to the approval of the Shareholders in the forthcoming Annual General Meeting.

Bonus Shares

Further, the Board of Directors has recommended to issue 16% Bonus Shares (16 shares for every 100 shares), to the shareholders from the share premium of the Company for the year ended on June 30th 2020. The bonus shared will be issued subject to the approval of the Shareholders in the forthcoming Annual General Meeting.

Auditors

The financial statements of the Company for the current year 2019-20 were audited by M/s. A. F. Ferguson & Company, Chartered Accounts. The auditors will retire at the end of the Annual General Meeting. Being eligible, they have offered themselves for re-appointment. As recommended by the Audit Committee, the Board has approved the appointment of M/s. A. F. Ferguson & Co. Chartered Accountants as auditors of the Company for the year ending June 30, 2021, subject to the approval of the Shareholders in the forthcoming Annual General Meeting.

Acknowledgements

We would like to thank all stakeholders for their contributions and accomplishments in the past year. The ongoing support of customers and partners makes all the company's 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
September 02, 2020


CHIEF EXECUTIVE


DIRECTOR

پلانٹ آپریشنز اور دیگر کاموں میں کارکردگی لانے کے لئے ابتدائی سطح پر جائزہ کے بعد صنعت کاری میں بہتری کا پروگرام مرتب کیا ہے۔ توانائی کو محفوظ کرنے والے کئی پروجیکٹ قائم اور نافذ کئے گئے ہیں جس سے نمایاں بچت ہوئی ہے۔

سیلز اور مارکیٹنگ

کمپنی صف اول کے پروڈیوسرز، قابل بھروسہ سپلائرز اور معیاری مصنوعات فراہم کرنے والوں میں سرفہرست ہے اور صارفین کو ان کے مسائل کا حل فراہم کرتی ہے۔ ٹیکسٹائل اور کان کنی کے شعبے کمپنی کے اولین صارف ہیں اور کمپنی نے فوڈ پیکجنگ، تجارتی و گھریلو مقاصد، پولٹری اور کاسمیٹنگ کے شعبوں میں بھی اپنی موجودگی کا لوہا منوایا ہے۔ کمپنی پروڈکٹ اور مارکیٹ ڈیولپمنٹ کے شعبے میں مواقع سے بھرپور فائدہ اٹھا رہی ہے اور آئندہ برسوں میں ترقی کی مزید راہیں کھلنے کا امکان ہے۔

مستقبل کا نقطہ نظر

کمپنی کو ٹھوس مالیاتی کارکردگی کے علاوہ لاگت کی مقابلہ جاتی ماحول میں اہداف اور منافع کو برقرار رکھنے جیسے چیلنجز کا سامنا ہے۔ آپ کی کمپنی ان چیلنجز سے نبرد آزما ہونے کے لئے حکمت عملی طے کرنے کے لئے مسلسل کوشاں ہے۔ ٹیکسٹائل اور کان کنی کے شعبوں میں ترقی کے ساتھ ساتھ نئے شعبوں اور منڈیوں میں لگاتار قیام کی کوششوں سے بھاری منافع ہوا ہے۔ آپ کی کمپنی لاگت میں کمی کے لئے اقدامات بھی کر رہی ہے۔ ہمارا ہدف ہے کہ صنعتی عہدگی پروگرام کے نفاذ کے ذریعے اس خطے میں کم از کم لاگت کے ساتھ پیداوار حاصل کی جائے۔

صلاحیت میں اضافہ کا منصوبہ بھی آخری مراحل میں ہے اور توقع کی جاتی ہے کہ اضافی صلاحیت کو ستمبر 2020ء تک فعال کر دیا جائے گا۔ تکمیل کے بعد، پلانٹ کی پیداواری صلاحیت میں 118 ملین ٹن روزانہ کا اضافہ ہو جائے گا۔ اس خطے کی دیگر منڈیوں میں برآمدات کو بڑھا کر منڈی میں اپنی موجودگی کو نمایاں کرنے کے لئے منصوبے زیر غور ہیں۔ کمپنی ایسے شعبوں میں سرمایہ داری جاری رکھے ہوئے ہے جس سے سیفٹی، صنعتی کارکردگی اور اہم خطوں کی مارکیٹ میں نمایاں مقام حاصل ہوگا۔

اعترافات

گذشتہ برس میں ہم اپنے تمام سٹیک ہولڈرز کے تعاون اور کامیابیوں پر ان کا شکریہ ادا کرتے ہیں۔ کمپنی کی تمام تر کامیابیاں صارفین اور شراکت داروں کی مسلسل مدد و تعاون سے ممکن ہو پائی ہے۔ مختصر یہ کہ، حصص داروں کا کمپنی پر مسلسل اعتماد ہی کاروباری ساکھ کی بنیاد ہے۔ ہم یقینی اور روشن مستقبل کے لیے پرامید ہیں۔

برائے اور منجانب بورڈ آف ڈائریکٹرز

Dasaraj
ڈائریکٹر

Haroon Anwar
چیف ایگزیکٹو

02 ستمبر 2020

اپنے منافع میں اضافہ کیا ہے۔ خوراک اور مشروبات کے شعبہ میں مصنوعات کی منظوری کے لئے ٹرائل فیس کی ادائیگی کی وجہ سے نفسی اور فروخت کے اخراجات میں 34 فی صد اضافہ ہوا ہے۔

گذشتہ سہ ماہی سینی ڈول کی سہ ماہی رہی۔ وبا کی وجہ سے معیشت کو دھچکا لگا ہے اور ہمارے زیادہ تر صارفین کے کاروبار مراکز بند رہے۔ انتظامیہ نے سینی ڈول کے نام سے ڈس انفیکٹڈ قبل از وقت متعارف کرا دیا ہے۔ اس سے نہ صرف بندش کے دوران آمدنی کا خسارہ کم کرنے میں مدد ملی ہے بلکہ ان مشکل حالات میں کمپنی رعایتی نرخوں پر قوم کو متاثر کن مصنوعات فراہم کرنے کے قابل ہوئی ہے۔ آپ کی کمپنی نے کاروباری و سماجی ذمہ داری کے تناظر میں حکومت خصوصاً قانون نافذ کرنے والے اداروں کو سینی ڈول کی بھاری مقدار عطیہ کی ہے۔ سینی ڈول کے علاوہ اس سال کے دوران ٹیٹراپاک پاکستان کے ساتھ تجارتی شراکت داری ہماری ایک اور کامیابی ہے۔ جس سے پاکستان کے بڑی خوراک اور مشروبات فراہم کرنے والی کمپنیوں کی پیکیجنگ کو جراثیم سے پاک کرنے کے لئے Aseptox 35 کو بنیادی اہمیت حاصل ہوئی ہے۔

نفع علاوہ ٹیکس میں 394 ملین روپے سے 418 ملین روپے اضافہ ہوا ہے۔ قیام سے لے کے آج تک یہ کمپنی کا سب سے زیادہ نفع علاوہ ٹیکس ہے۔ آپ کی کمپنی نے اس دورانیہ میں عمومی سرمایہ حصص میں اضافہ کے باوجود بہترین فی شیئر آمدنی کو برقرار رکھا ہے۔

کیش فلو مینجمنٹ

آپ کی کمپنی نے رواں برس مؤثر ورکنگ کیپٹل مینجمنٹ کے ذریعے آپریشنز سے گذشتہ برس میں 813 ملین روپے کے مقابلہ میں 875 ملین روپے حاصل کیا ہے۔ آنے والے شٹ ڈاؤن اور پلانٹ کی جاری توسیع کے لئے تجارتی سٹورز اور سٹاک میں سرمایہ داری کی گئی ہے۔ مارکیٹنگ، سپلائی چین اور مالیات کی کارکردگی بہتر کرنے کے لئے ERP سسٹم میں قائم کئے گئے کنٹرولز سے ورکنگ کیپٹل کی کارکردگی میں نمایاں بہتری حاصل ہوئی ہے۔

سال بھر میں کمپنی کے پلانٹ کی جاری توسیع پر اخراجات کی وجہ سے کیپٹل اخراجات میں نمایاں اضافہ ہوا ہے۔

تحفظ اور صنعت کاری

ملازمین اور ٹھیکے داروں کی صحت، تحفظ، موزوں ماحول اور سیکورٹی کی فراہمی کمپنی کی بنیادی ترجیح اور ڈیسکون کی اعلیٰ اقدار کا لازمی جزو ہے۔ مالیاتی سال 2020ء کے اختتام پر کمپنی نے مسلسل 11 سال بغیر کسی حادثہ کے مکمل کیے اور 6.93 ملین گھنٹے کام ہوا۔ رپورٹ کی گئی ضرر کی کل شرح صفر برقرار ہے۔

آپ کی کمپنی ISO 9001، OHSAS 18001 اور ISO 14001 کے عالمی معیارات کی مکمل تعمیل کرتی ہے۔ کمپنی قومی مانع اور گیس اخراج کے معیارات پر مسلسل عمل پیرا ہے۔ ورک فورس مکمل طور پر تربیت یافتہ ہے جس کی مکمل مدد اور باقاعدگی سے نگرانی کی جاتی ہے۔ جس کی وجہ سے وہ کم از کم خدشات سے اپنے کام سرانجام دے رہے ہیں۔ سال بھر میں، کمپنی نے صلاحیت اور قابلیت میں اضافہ کے لئے تربیتی اوقات کا صرف کئے ہیں۔

برائے سال اختتام پذیر 30 جون، 2020ء

کمپنی کے ڈائریکٹرز 30 جون 2020ء تک کی سالانہ رپورٹ اور پڑتال شدہ مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

معاشی جائزہ

COVID-19 کی وبا کی وجہ سے عائد کی گئی پابندیوں سے نہ صرف پاکستانی بلکہ دنیا بھر کی معیشت شدید متاثر ہوئی ہے۔ حکومت نے اس وبا کے خطرات اور معیشت پر اثرات کو کم کرنے کے لئے ٹھوس اقدامات کئے ہیں۔ وبا کی وجہ سے معیشت کے تمام شعبوں بشمول کیمیکلز پر نمایاں اثرات مرتب ہوئے ہیں۔ تاہم، اسٹیٹ بینک کی جانب سے شرح سود میں نمایاں کمی نے سرمایہ داری مارکیٹ میں تحریک پیدا کی ہے اور رواں مالیاتی سال کے اختتام پر ملک کی معاشی سرگرمیاں بحال ہونے کی امید ہے۔

کاروباری نتائج

آپ کی کمپنی ٹھوس اقدامات کرنے کے لئے تیار رہی ہے COVID-19 کے باوجود آپ کی کمپنی بروقت سینیڈول، (ڈس انفلیٹنٹ اور سینی ٹائزر) کا مارکیٹ میں اجرا کر کے اپنے سرگرمیوں کی بحالی کے قابل ہوئی ہے۔ گذشتہ سہ ماہی کی کارکردگی تمام کاروباری شعبوں میں عمدہ آپریشنز کے ساتھ ساتھ انتظامیہ کی ولولہ انگیز کاوشوں کی عکاسی کرتی ہے۔ معاشی کارکردگی کا مختصر خلاصہ حسب ذیل ہے۔

2019	2020	
		(روپے ہزاروں میں)
2,704,957	2,641,615	سیلز
830,751	861,258	مجموعی منافع
657,655	670,282	آپریشنز سے منافع
578,474	588,862	نفع بمعہ ٹیکس
394,269	418,423	نفع علاوہ ٹیکس
3.87	3.42	فی شیئر آمدنی - بنیادی
36,166	35,558	سیلز - ایم ٹی

گذشتہ سہ ماہی میں وبائی حالات کے باوجود کمپنی نے گذشتہ برس کے مقابلہ میں اپنی فروخت کا حجم کا برقرار رکھا ہے۔ منڈی کے مطابق قیمت میں ضروری ایڈجسٹمنٹ کی وجہ سے ٹاپ لائن کچھ نیچے آئی ہے۔ مجموعی منافع کی شرح 31 فی صد سے 33 فی صد تک پہنچ گئی ہے۔ قیمت میں کمی کے باوجود کمپنی نے کارکردگی کو بہتر اور خام قیمتوں میں کمی کی وجہ سے لاگت میں کمی کر کے

Key Operating and Financial Data

Particular	2020	2019	2018	2017	2016	2015
	------(Rs '000)-----					
Summary of Profit and Loss						
Sales	2,641,615	2,704,957	2,088,225	1,961,005	1,581,547	1,409,082
Cost of Goods Sold	(1,780,357)	(1,874,206)	(1,471,864)	(1,454,383)		
Gross Profit	861,258	830,751	616,361	506,622	343,334	268,216
Operating profit	670,282	657,655	459,191	345,273	210,240	132,257
Finance Cost	(81,420)	(79,181)	(5,373)	(11,739)	(76,564)	(212,188)
Profit / (loss) before tax	588,862	578,474	453,818	333,534	133,676	(79,931)
Profit / (loss) after tax	418,423	394,269	322,279	204,925	44,989	(118,849)
EBITDA	865,738	835,263	632,862	528,810	381,911	298,563
Financial Position						
Share Capital - Ordinary	1,508,889	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	181,982	(236,441)	(344,272)	(402,551)	(607,476)	(642,587)
Long term borrowings - Current & Non Current Portion	223,131	877,631	-	-	111,822	1,455,350
Property, plant and equipment	2,031,207	1,483,894	1,392,836	1,518,988	1,655,483	1,771,052
Net Current Assets	295,749	263,173	320,986	92,560	(211,114)	241,023
Investor Information						
Gross profit margin (%)	32.60	30.71	29.52	25.83	21.71	19.03
EBITDA margin to sales (%)	32.77	30.88	30.31	26.97	24.15	21.19
Pre tax margin (%)	22.29	21.39	21.73	17.01	8.45	(5.67)
Net profit margin (%)	15.84	14.58	15.43	10.45	2.84	(8.43)
Return on equity (%) - Net	21.62	50.32	18.15	11.93	2.97	(31.49)
Return on equity (%) - Gross	19.76	38.65	15.20	9.67	2.12	(11.65)
Return on capital employed (%) - Net	28.35	36.65	25.86	20.10	12.94	5.86
Return on capital employed (%) - Gross	26.32	32.38	21.66	16.29	9.42	4.56
Current Ratio	1.60	1.58	2.22	1.21	0.77	1.61
Quick Ratio	0.55	0.82	1.32	0.64	0.51	0.84
Debtors turnover (days)	8	11	7	13	12	23
Inventory turnover (days)	38	14	7	12	10	33
Creditors turnover (days)	84	61	52	53	48	52
Operating cycle (no. of days)	(39)	(36)	(38)	(28)	(26)	4
Debt: Equity (Ratio)	10:90	53:47	0:100	0:100	7:93	83:17
Interest cover (Times)	8.23	8.31	85.46	29.41	2.75	0.62
Earnings / (loss) per share (pre tax) (Rupees)	4.80	5.67	4.45	3.27	1.31	(0.78)
Earnings / (loss) per share (after tax) (Rupees) - Basic	3.42	3.87	3.16	2.01	0.44	(1.17)
Earnings / (loss) per share (after tax) (Rupees) - Diluted	3.42	2.70	1.52	0.97	0.21	(1.17)
Share Price	29.85	16.05	19.30	18.35	6.03	4.72
Price Earnings Ratio	8.73	4.15	6.11	9.13	13.67	(4.05)
Breakup Value Per Share (Rupees)	12.83	7.68	6.62	6.05	4.04	3.70
Hydrogen Peroxide Production (MTs)	31,814	30,836	33,293	34,697	32,234	32,098
Hydrogen Peroxide Sales (MTs)	31,412	30,823	34,012	34,295	32,340	31,785
Trading General Sales (MTs)	4,146	6,343	4,696	4,966	1,504	-

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DESCON OXYCHEM LIMITED

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Descon Oxychem Limited for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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.

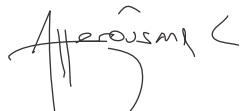
As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control 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. 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.

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, 2020.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance.

Paragraph reference	Description
i) 12	The Chairman of the Audit Committee was not an independent director upto October 15, 2019.
ii) 18	Minutes of the audit committee are not being circulated to the Board of Directors.



A.F. Ferguson & Co.
Chartered Accountants
Lahore
September 30, 2020

*A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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Statement of Compliance

with the Listed Companies (Code of Corporate Governance) Regulations, 2019

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

1. The total numbers of directors are 8 (including the Chief Executive Officer) as per the following:
 - a) Male: 7
 - b) Female: 1

The Composition of the Board is as follows:


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

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
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 Act and the Regulations with respect to frequency, recording and circulating minutes of the Meetings of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with Act and the Regulations;
9. Out of eight, four directors have obtained certificates of Directors' Training program. However, during the year no Directors' Training program was arranged;
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. Chief financial officer and chief executive officer 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
- i. Mr. Ali Asrar Hossain Aga (Independent Director) - Chairman
 - ii. Mr. Farooq Nazir (Non-executive Director) *
 - iii. Mr. Faisal Dawood (Non-executive Director)
- * Mr. Farooq Nazir was the Chairman of the Audit committee upto October 15, 2019 who was not an independent director. On October 15, 2019, Mr. Ali Asrar Hossain Aga replaced Mr. Farooq Nazir in accordance with the Regulations;
- b) Human Resource and Remuneration Committee
- i. Mr. Haroon Waheed (Independent Director) – Chairman
 - ii. Mr. Ali Asrar Hossain Aga (Independent Director)
 - iii. Mr. Farooq Nazir (Non-executive Director)
 - iv. Mr. Faisal Dawood (Non-executive Director)
- c) Risk Management Committee
- i. Mr. Imran Qureshi (Executive Director) – Chairman
 - ii. Mr. Muhammad Saqib Abbas (Chief Financial Officer)
 - iii. Muhammad Farooq (Head shared services)
 - iv. Mushfiq Hussain (Works Manager)
 - v. Mr. Amir Javed (Manager Compliance and Reporting)
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 committee were as per following:
- a) Audit Committee:
Four quarterly meetings were held during the financial year ended June 30, 2020.
- b) Human Resource and Remuneration Committee:
One meeting of Human Resource and Remuneration Committee was held during the financial year ended June 30, 2020.
- c) Risk Management Committee:
Four quarterly meetings of Risk Management Committee were held during the financial year ended June 30, 2020.
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 program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except for the minutes of the audit committee which are not being circulated to the Board of Directors in accordance with regulation 27 (5);
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:
 - a) The draft minutes of Board meeting held on 21 April 2020 were circulated with a delay of three days due to the limitation of access to the office caused by Covid-19.
 - b) Notice for 69th BOD meeting held on February 28, 2020 was issued with a delay of two days, this was an inadvertent act.

Lahore
September 02, 2020


Taimur Dawood
Chairman

INDEPENDENT AUDITOR'S REPORT

To the members of Descon Oxychem Limited

Report on the Audit of the 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, 2020, 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, 2020 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 Matter

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.

Sr No.	Key Audit Matter	How the matter is addressed in our audit
	<p>Capital expenditure</p> <p>(Refer note 16 to the financial statements)</p> <p>The Company undertook capacity enhancement project in the financial year 2019 based on which the Company expects an increase of approximately 25% in its production capacity upon</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - assessed the design, implementation and operative effectiveness of relevant internal controls over the purchase and accounting of the assets; - tested costs capitalised with the relevant underlying documentation;

Sr No.	Key Audit Matter	How the matter is addressed in our audit
	<p>completion. However, a significant amount of capital expenditure including technical fees, plant and machinery and borrowing costs has been incurred during the current year in respect to this project.</p> <p>The recognition of capital expenditure involves determination of cost whether it meets the recognition criteria under the accounting and reporting standards. The capital expenditure is a significant transaction during the year and therefore considered a key audit matter.</p>	<ul style="list-style-type: none"> - assessed the nature of capitalised costs to ensure whether they meet the recognition criteria set out in International Accounting Standard - 16, "Property, plant and Equipment"; - recalculated the capitalisation of borrowing costs based on the relevant criteria set out in International Accounting Standard – 23, "Borrowing costs"; - considered whether capitalisation of costs ceased when the assets are in location and condition necessary for them to be capable of operating in the manner intended by the management; - validated the existence of capitalised assets through physical verification on a sample basis; and - assessed the adequacy and appropriateness of the related disclosures in the financial statements.

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.

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.

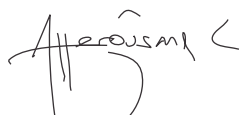
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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.



A.F. Ferguson & Co.
Chartered Accountants
Lahore
September 30, 2020

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STATEMENT OF FINANCIAL POSITION

as at June 30, 2020

	Note	2020 (Rupees in thousand)	2019
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
220,000,000 (2019: 110,000,000)			
ordinary shares of Rs 10 each		2,200,000	1,100,000
Issued, subscribed and paid up capital			
150,888,866 (2019: 102,000,000)			
ordinary shares of Rs 10 each	5	1,508,889	1,020,000
Share premium	6	244,444	-
Accumulated profit / (loss)		181,982	(236,441)
		1,935,315	783,559
NON CURRENT LIABILITIES			
Long term finances - secured	7	215,923	877,631
Lease liabilities	8	24,054	-
Deferred taxation	9	189,328	133,254
		429,305	1,010,885
CURRENT LIABILITIES			
Current portion of non current liabilities	10	22,431	-
Finances under mark up arrangements - secured	11	32,283	124,317
Trade and other payables	12	409,043	312,085
Dividend payable	13	1,528	2,396
Accrued finance costs	14	6,780	14,945
		472,065	453,743
CONTINGENCIES AND COMMITMENTS			
	15		
		2,836,685	2,248,187

The annexed notes 1 to 45 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

	Note	2020 (Rupees in thousand)	2019
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	16	2,031,207	1,483,894
Intangible assets	17	27,318	29,723
Long term deposits	18	17,554	17,654
		<u>2,076,079</u>	<u>1,531,271</u>
CURRENT ASSETS			
Stores and spares	19	319,793	271,162
Stock in trade	20	183,058	72,454
Trade debts	21	54,940	80,742
Advances, deposits, prepayments and other receivables	22	121,529	171,507
Income tax recoverable		74,341	90,058
Bank balances	23	6,945	30,993
		760,606	716,916
		<u>2,836,685</u>	<u>2,248,187</u>


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

STATEMENT OF CHANGES IN EQUITY

for the Year Ended June 30, 2020

	(Rupees in thousand)				
	Share capital		Capital reserve	Revenue reserve	Capital and reserves
	Ordinary share capital	Preference share capital	Share premium	Accumulated (loss) / profit	Total
Balance as on June 30, 2018	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	-	-	-	-	-
Total comprehensive income for the year	-	-	-	394,269	394,269
Transactions with owners, recognised directly in equity					
Final preference dividend for the year ended June 30, 2018 of Rs 1.2 per share	-	-	-	(132,000)	(132,000)
Preference dividend upon redemption of Rs 0.477 per share	-	-	-	(52,438)	(52,438)
Redemption during the year	-	(1,100,000)	-	-	(1,100,000)
Interim dividend on ordinary shares of Rs 1 per share	-	-	-	(102,000)	(102,000)
	-	(1,100,000)	-	(286,438)	(1,386,438)
Balance as on June 30, 2019	1,020,000	-	-	(236,441)	783,559
Profit for the year	-	-	-	418,423	418,423
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	418,423	418,423
Transactions with owners, recognised directly in equity					
Issuance of 48,888,866 ordinary shares of Rs 10 each at a premium of Rs 5 per share	488,889	-	244,444	-	733,333
Balance as on June 30, 2020	1,508,889	-	244,444	181,982	1,935,315

The annexed notes 1 to 45 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

STATEMENT OF PROFIT OR LOSS FOR THE YEAR

for the Year Ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019 (Rupees in thousand)
Sales	24	2,641,615	2,704,957
Cost of sales	25	(1,780,357)	(1,874,206)
Gross profit		861,258	830,751
Administrative expenses	26	(102,785)	(89,619)
Distribution and selling costs	27	(50,719)	(37,844)
Other income	28	10,754	21,520
Other operating expenses	29	(48,226)	(67,153)
		(190,976)	(173,096)
Profit from operations		670,282	657,655
Finance costs	30	(81,420)	(79,181)
Profit before taxation		588,862	578,474
Taxation	31	(170,439)	(184,205)
Profit for the year		418,423	394,269
Earnings per share			
- Basic	32.1	3.42	3.87
- Diluted	32.2	3.42	2.70

The annexed notes 1 to 45 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

for the Year Ended June 30, 2020

	2020 (Rupees in thousand)	2019
Profit for the year	418,423	394,269
Other comprehensive income		
- Items that may be reclassified subsequently to profit or loss	-	-
- Items that will not be reclassified subsequently to profit or loss	-	-
Total comprehensive income for the year	<u>418,423</u>	<u>394,269</u>

The annexed notes 1 to 45 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

STATEMENT OF CASH FLOWS

for the Year Ended June 30, 2020

	Note	2020 (Rupees in thousand)	2019
Cash flow from operating activities			
Cash generated from operations	33.1	874,650	813,450
Finance cost paid		(112,646)	(67,594)
Profit on deposits received		5,335	12,629
Taxes paid		(98,648)	(149,205)
Net cash generated from operating activities		668,691	609,280
Cash flow from investing activities			
Fixed capital expenditure		(666,797)	(277,062)
Purchase of intangible assets		(4,569)	(33,014)
Proceeds from disposal of property, plant and equipment		46	808
Net cash used in investing activities		(671,320)	(309,268)
Cash flow from financing activities			
Net proceeds from long term finances - secured		78,833	1,244,298
Repayment of long term finances - secured		-	(366,667)
Principal element of lease payments		(7,350)	-
Redemption of preference shares		-	(1,100,000)
Preference dividend paid		(4)	(184,438)
Ordinary dividend paid		(864)	(99,614)
Net cash generated from / (used in) financing activities		70,615	(506,421)
Net increase / (decrease) in cash and cash equivalents		67,986	(206,409)
Cash and cash equivalents at the beginning of year		(93,324)	113,085
Cash and cash equivalents at the end of year	34	(25,338)	(93,324)

The annexed notes 1 to 45 form an integral part of these financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the Year Ended June 30, 2020

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 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

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

(a) IFRS 16, 'Leases'

The Company has adopted IFRS 16, 'Leases' which replaces existing guidance on accounting for leases, including IAS 17, 'Leases', IFRIC 4, 'Determining whether an arrangement contains a Lease', SIC-15, 'Operating Leases - Incentive and SIC-27, 'Evaluating the substance of transactions involving the legal form of a Lease'. IFRS 16 introduces a single, on-statement of financial position lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right-of-use of the underlying asset and a lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the prior standard i.e. lessors continue to classify leases as finance or operating leases.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- grandfathered the assessment of which transactions are lease on the date of initial application;
- the accounting for operating leases with a remaining lease term of less than 12 months as at July 01, 2019 as short-term leases;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company changed its accounting policies in line with IFRS 16 in its financial statements. As at July 1, 2019, lease contracts had a remaining lease term of less than 12 months and due to the practical expedient permitted by IFRS 16 the Company did not recognise right of use assets and corresponding lease liabilities as on July 1, 2019.

(b) Amendments in Companies Act, 2017

- (i) SECP through its notification dated July 29, 2019 brought certain alterations in Fourth Schedule to the Act with regard to preparation and presentation of financial statements. These alterations resulted in elimination of certain disclosures in these financial statements of the Company as at June 30, 2020.
- (ii) Companies (Amendment) Ordinance, 2020, promulgated on April 30, 2020 brought changes to the Companies Act, 2017 with regard to the inclusion of certain disclosures in the financial statements. The Company has provided the applicable disclosures in its 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, 2020 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

(a) Definition of Material – Amendments to IAS 1 and IAS 8

The IASB has made amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

'The Company is yet to assess the impact of these amendments.

(b) Revised Conceptual Framework for Financial Reporting:

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect.

'Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- 'adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from effective date. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The Company is yet to assess the impact of this amendment.

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.

3.1 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 up to 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

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 statement of financial position date. Deferred tax is charged or credited in the statement of profit or loss, 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. 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 16.1 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, 2020 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.

Right-of-use asset is measured as per note 4.5.1.

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 17. 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

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

- the Company has the right to operate the asset; or
- the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

4.5.1 Lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments include fixed payments, variable lease payment that are based on an index or a rate amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Company is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is re-measured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in statement of profit or loss if the carrying amount of right-to-use asset has been reduced to zero.

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The Company has elected to apply the practical expedient and not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

4.5.2 Lessee

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

4.5.3 Accounting policies applied until June 30, 2019

The Company has applied IFRS 16 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

Leases

The Company is the lessee:

4.5.3.1 Finance leases

The Company is the lessee:

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.

4.5.3.2 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

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 is 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

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 the 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

2020	2019		2020	2019
(Number of shares)			(Rupees in thousand)	
102,000,000	102,000,000	Ordinary shares of Rs 10 each fully paid in cash	1,020,000	1,020,000
		Ordinary shares of Rs 10 each issued as		
		fully paid for consideration other than		
48,888,866	-	cash - note 5.1	488,889	-
<u>150,888,866</u>	<u>102,000,000</u>		<u>1,508,889</u>	<u>1,020,000</u>

5.1 The shareholders of the Company, vide an Extraordinary General Meeting, on November 27, 2019, approved the increase in paid up share capital of the Company from Rs 1,020,000,000 divided into 102,000,000 ordinary shares of Rs 10 each to Rs 1,508,888,660 divided into 150,888,866 ordinary shares of Rs 10 each, by the issuance of additional 48,888,866 ordinary shares of face value of Rs 10 each, by way of otherwise than right shares of at a price of Rs 15 each including Rs 5 as premium per share, against the outstanding loan of Descon Engineering Limited ('DEL') of Rs 733.33 million.

The Securities and Exchange Commission of Pakistan, vide its order dated January 10, 2020, on the basis of special resolution passed by members on November 27, 2019, allowed the Company to issue 48,888,866 ordinary shares of Rs. 10 per share at a premium of Rs. 5 per share to DEL by way of other than right under clause (b) of sub-section(1) of Section 83 of the Companies Act, 2017. The Company issued 48,888,866 ordinary shares of Rs. 10 per share at a premium of Rs. 5 per share to DEL on January 29, 2020, against long term loan of Rs 733.33 million from DEL as referred to in note 7.1. Consequently, the shareholding of DEL Chemicals (Private) Limited in the Company was diluted and it no longer remained the Parent Company.

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

	2020	2019
	(Number of shares)	
DEL Chemicals (Private) Limited	52,033,550	52,033,550
Descon Engineering Limited	48,888,866	-
Descon Corporation (Private) Limited	8,725,250	8,725,250
Descon Holdings (Private) Limited	1,249,300	1,249,300
Interworld Travels (Private) Limited	92,054	92,054
	<u>110,989,020</u>	<u>62,100,154</u>

5.3 The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

6. Share premium

It can be utilised by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

	Note	2020 (Rupees in thousand)	2019
7. Long term finances - secured			
These represent long term finances from:			
- Descon Engineering Limited	7.1	-	733,333
- Syndicate facility	7.2	194,298	144,298
- Long term finance facility (LTFF)	7.3	28,833	-
		<u>223,131</u>	<u>877,631</u>
Current portion shown under current liabilities	10	(7,208)	-
		<u>215,923</u>	<u>877,631</u>

7.1 Descon Engineering Limited

It was obtained from Descon Engineering Limited ('DEL'), a related party, to meet cash flow requirements of the Company. It carried markup at 3 month Karachi Inter Bank Offer Rate ('KIBOR') plus 1.5% per annum. During the current year, the Company issued shares to DEL against outstanding amount as referred to in note 5.1.

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, 2020 the Company has utilised the available limit up to Rs 200 million (2019: Rs 150 million).

Terms of markup

The facility carries mark-up at 3 month KIBOR plus 0.9% per annum (2019: three month KIBOR plus 0.9% per annum). The effective mark-up charged during the year ranges from 11.97% to 14.75% per annum (2019: 12.02% per annum). Mark-up is payable quarterly in arrears.

Terms of repayment

It is repayable in thirteen equal bi-annual installments commencing from October 08, 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 with 25% margin aggregating to Rs 1,466.67 million and corporate guarantee from shareholder of the Company.

7.3 Long term finance facility (LTFF)

This represent disbursement against aggregate facility of Rs 28.8 million from Allied Bank Limited to pay salaries and wages under State Bank of Pakistan's Refinance Scheme for payment of Wages and Salaries. As at June 30, 2020 the Company has utilised the available limit up to Rs 28.8 million.

Terms of markup

The facility carries markup at three month KIBOR plus 0.5% per annum until it is approved by the State Bank of Pakistan ('SBP'). After the approval of SBP, it will carry markup at SBP rate plus 1% per annum. As at June 30, 2020, this loan has not been approved by the SBP. The effective mark-up charged during the year ranges from 7.76% to 8.64% per annum. Mark-up is payable quarterly in arrears.

Terms of repayment

It is repayable in eight equal quarterly installments commencing from January 31, 2021.

Security

It is secured by first pari passu charge over all present and future current assets of the Company with 25% margin. It is also secured by an aggregate sum of Rs 40 million by a ranking charge over all present and future plant and machinery of the Company.

	Note	2020 (Rupees in thousand)	2019
8. Lease liabilities			
Impact of initial application of IFRS 16		-	-
Recognised during the year		44,078	-
Interest accrued	30	2,549	-
Rentals paid during the year		(7,350)	-
Present value of lease payments		39,277	-
Current portion shown under current liabilities	10	(15,223)	-
		<u>24,054</u>	<u>-</u>

8.1 These represents lease liabilities in respect of generators and have an estimated remaining lease term of 2.5 years as at June 30, 2020. These are discounted using the incremental borrowing rate of the Company of 13% per annum.

8.2 The future minimum lease payments to which the Company is committed under the agreements will be due as follows:

	Up to one year	From one to five years	Over five years	Total 2020
	(Rupees in thousand)			
Minimum lease payments	19,110	26,460	-	45,570
Finance cost allocated to future periods	(3,887)	(2,406)	-	(6,293)
Present value of minimum lease payments	<u>15,223</u>	<u>24,054</u>	<u>-</u>	<u>39,277</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

9. Deferred taxation	Balance as at June 30, 2019	(Reversal) / charge during the year	Balance as at June 30, 2020
(Rupees in thousand)			
Taxable Temporary difference			
Accelerated tax depreciation	222,985	(30,617)	192,368
Deductible temporary differences			
Tax credits	(81,334)	81,334	-
Loss allowance against doubtful debts and provision against inventory	(6,172)	3,132	(3,040)
Unused tax losses	(2,225)	2,225	-
	(89,731)	86,691	(3,040)
	<u>133,254</u>	<u>56,074</u>	<u>189,328</u>

The company has recognized deferred tax asset of Nil (2019: Rs 2.23 million) on unused tax losses and Nil (2019: Rs 81.33 million) on carried forward Alternate Corporate Tax.

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

	Note	2020 (Rupees in thousand)	2019
10. Current portion of non current liabilities			
Current portion of long term finances - secured	7	7,208	-
Current portion of lease liabilities	8	15,223	-
		<u>22,431</u>	<u>-</u>

11. Finances under mark up arrangements - secured

These represent the outstanding balance against short term running finance facilities aggregating to Rs 450 million (2019: Rs 550 million) under markup arrangements from various banks to meet the working capital requirements of the Company. These carry markup of three month KIBOR plus 0.75% per annum (2019: three month KIBOR plus 0.75% per annum). The markup charged during the year ranges from Rs 0.0008 to Rs 0.004 per diem per thousand (2019: Rs 0.0280 to Rs 0.0429 per diem per thousand) on the outstanding balance or part thereof. These are secured by first pari passu charge over present and future current assets of the Company and are also secured by way of first pari passu charge over all present and future fixed assets (excluding land and building) of the Company aggregating to Rs 150 million, collectively with the lenders of Syndicate facility and LTFF as referred to in note 7.

Of the aggregate facilities of Rs 325 million (2019: Rs 375 million), Rs 150 million as sub limit of short term running finance facilities (2019: Rs 150 million), 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, 2020 was Rs 105.86 million (2019: Rs 225.47 million).

	Note	2020 (Rupees in thousand)	2019
12. Trade and other payables			
Trade creditors	12.1	200,213	174,746
Bills payable		32,836	15,182
Associated undertakings	12.2	465	2,817
Contract liability	12.3	43,628	19,110
Accrued liabilities		83,696	60,164
Worker's profit participation fund	12.4	31,716	30,791
Worker's welfare fund	12.5	13,555	6,789
Other liabilities		2,934	2,486
		<u>409,043</u>	<u>312,085</u>
12.1	Trade creditors includes interest free amounts due to related parties in the normal course of business as follows:		
	Inspectest (Private) Limited	-	942
	Popular Travels and Tours	15	373
	Interworld Travels (Private) Limited	-	96
	Descon Engineering Limited	17,970	9,782
		<u>17,985</u>	<u>11,193</u>
12.2	These are interest free and represent expenses incurred by related parties on behalf of the Company:		
	Descon Corporation (Private) Limited	-	2,323
	Descon Engineering Limited	-	494
	Inspectest (Private) Limited	465	-
		<u>465</u>	<u>2,817</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

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

	2020 (Rupees in thousand)	2019
Opening balance	19,110	60,619
Receipts during the year	1,984,366	2,066,468
Recognised in sales during the year	(1,959,848)	(2,107,977)
Balance as at June 30	43,628	19,110
12.3.1 Contract liability includes advance received from related parties in the normal course of business as follows:		
Descon Engineering Limited	362	-
Descon Power Solutions	69	-
	431	-
12.4 Workers' profit participation fund		
Opening balance	30,791	23,885
Provision for the year	31,716	30,791
Payments during the year	(30,791)	(23,885)
Closing balance	31,716	30,791
12.5 Worker's welfare fund		
Opening balance	6,789	-
Provision for the year	13,751	6,789
Payments during the year	(6,985)	-
Closing balance	13,555	6,789

13. Dividend payable

This represents unclaimed dividends declared by the Company in prior periods. The Companies (Amendment) Ordinance, 2020 ('CAO'), promulgated on April 30, 2020, prescribed that unclaimed dividend to be deposited in a separate savings account and disclose the particulars of that dividend on the Company's website and include certain disclosures in its financial statements. Based on the advice of the legal counsel, the Company is of the view that these requirements are applicable on dividends declared on or after the promulgation of CAO. As this amount relates to the period before the promulgation of CAO, therefore, the Company has not presented the disclosures as required by CAO in these financial statements.

	2020	2019
	(Rupees in thousand)	
14. Accrued finance costs		
Long term finances - secured	5,615	12,363
Finances under mark up arrangements - secured	1,165	2,582
	<u>6,780</u>	<u>14,945</u>

15. Contingencies and commitments

15.1 Contingencies

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

Guarantee issued to Pakistan State Oil against the performance of a contract of Rs 3.5 million (2019: Rs 3.50 million).

15.2 Commitments

The Company has the following commitments in respect of:

- i) Letters of credit for capital expenditure amounting to Rs 75.57 million (2019: Rs 165.84 million).
- ii) Letters of credit other than capital expenditure amounting to Rs 32.36 million (2019: Rs 15.79 million).

16. Property, plant and equipment

	Note	2020	2019
		(Rupees in thousand)	
Operating assets			
- owned assets	16.1	1,109,058	1,212,314
- right of use assets	16.2	36,732	-
Capital work-in-progress [including in transit of Rs 167.42 million (2019: Nil)]	16.3	823,346	213,388
Major spare parts, catalysts and standby equipment [including in transit of Nil (2019: Rs 17.159 million)]	16.4	62,071	58,192
		<u>2,031,207</u>	<u>1,483,894</u>

16.1 Owned assets

	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	Total
(Rupees in thousand)													
Net Carrying Value Basis													
Year Ended June 30, 2020													
Opening 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
Additions	-	5,649	63,759	-	754	-	6,127	1,740	-	509	32	-	78,570
Disposals / write offs (NBV)	-	-	(677)	-	-	-	-	(13)	-	-	-	-	(690)
Depreciation for the year	-	(15,831)	(156,634)	(1,947)	(1,160)	(61)	(1,631)	(1,883)	(339)	(603)	(291)	(756)	(181,136)
Closing net book value	101,316	145,419	831,854	3,646	6,313	413	12,005	3,133	514	2,751	752	942	1,109,058

Gross Carrying Value Basis

As at June 30, 2020

Cost	101,316	309,663	2,467,096	22,896	16,889	3,347	17,430	11,360	1,989	8,580	7,668	4,456	2,972,690
Accumulated depreciation and impairment	-	(164,244)	(1,635,242)	(19,250)	(10,576)	(2,934)	(5,425)	(8,227)	(1,475)	(5,829)	(6,916)	(3,514)	(1,863,632)
Net book value	101,316	145,419	831,854	3,646	6,313	413	12,005	3,133	514	2,751	752	942	1,109,058

Depreciation Rate % per annum

	5 - 10	6.25 - 33	10 - 50	6.25 - 20	20	6.25 - 33	33.33	20	10 - 20	20	10 - 20	20	
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Net Carrying Value Basis

Year Ended June 30, 2019

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)	(810)	(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

Gross Carrying Value Basis

As at June 30, 2019

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

Depreciation Rate % per annum

	5	6.25 - 33	10 - 50	6.25	20	6.25 - 10	33.33	20	10	20	10	20	
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16.1.1 The cost of fully depreciated assets which are still in use as at June 30, 2020 is Rs 39.28 million (2019: Rs 32.83 million).

	Note	2020 (Rupees in thousand)	2019
16.1.2 The depreciation charge has been allocated as follows:			
Cost of sales	25	179,741	172,263
Administrative expenses	26	1,275	1,192
Distribution and selling costs	27	120	129
		<u>181,136</u>	<u>173,584</u>

16.1.3 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.

16.1.4 All assets are in name of the Company and in Company's possession and control.

	Note	2020 (Rupees in thousand)	2019
16.2 Right of use assets			
Impact of initial application of IFRS 16		-	-
Additions during the year		44,078	-
Depreciation charged during the year	16.2.1	(7,346)	-
Net book value at end of the year		<u>36,732</u>	<u>-</u>

16.2.1 Depreciation expense relating to the right of use assets has been recognised in cost of sales.

16.3 Capital work-in-progress			
Technical fee		323,615	144,490
Plant and machinery		387,716	43,654
Civil works		4,620	-
Others		28,591	2,980
Advances to suppliers and contractors	16.3.3	78,804	22,264
		<u>823,346</u>	<u>213,388</u>

16.3.1 Capital work-in-progress primarily represents significant expenditure incurred by the Company on its capacity expansion project. Post its completion, the production capacity will increase by approximately 25%. The reconciliation of the carrying amount is as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

	2020				Balance as at June 30, 2020
	Balance as at June 30, 2019	Expenditure incurred during the year	Borrowing cost capitalized during the year	Inter classification / transfers to operating assets	
	(Rupees in thousand)				
Technical fee	144,490	179,125	-	-	323,615
Plant and machinery	43,654	354,821	-	(10,759)	387,716
Advances to suppliers and contractors	22,264	87,434	-	(30,894)	78,804
Civil works	-	10,269	-	(5,649)	4,620
Others	2,980	3,112	25,610	(3,111)	28,591
	<u>213,388</u>	<u>634,761</u>	<u>25,610</u>	<u>(50,413)</u>	<u>823,346</u>

	2019				Balance as at June 30, 2019
	Balance as at June 30, 2018	Expenditure incurred during the year	Borrowing cost capitalized during the year	Inter classification / transfers to operating assets	
	(Rupees in thousand)				
Technical fee	-	144,490	-	-	144,490
Plant and machinery	538	104,028	-	(60,912)	43,654
Advances to suppliers and contractors	-	22,264	-	-	22,264
Civil works	-	4,862	-	(4,862)	-
Others	1,800	1,122	2,980	(2,922)	2,980
	<u>2,338</u>	<u>276,766</u>	<u>2,980</u>	<u>(68,696)</u>	<u>213,388</u>

16.3.2 Expenditure incurred during the year includes Rs 281.33 million (2019: Rs 24.41 million) charged by Descon Engineering Limited in connection with the Company's expansion project.

16.3.3 Advances to suppliers and contractors include advance of Rs 21.45 million (2019: Rs 15.73 million) given to Descon Engineering Limited, a related party, in the normal course of business.

16.4 Major spare parts, catalysts and standby equipment	2020	2019
	(Rupees in thousand)	
The reconciliation of the carrying amount is as follows:		
Balance at the beginning of the year	58,192	86,209
Additions during the year	31,528	213,445
Transfers made during the year	(27,649)	(241,462)
Balance at the end of the year	<u>62,071</u>	<u>58,192</u>

17. Intangible assets	Note	2020 (Rupees in thousand)	2019
Net carrying value basis			
Opening net book value (NBV)		29,723	733
Additions (at cost)	17.1	4,569	33,014
Amortization charge	17.2	(6,974)	(4,024)
Closing net book value	17.3	<u>27,318</u>	<u>29,723</u>
Gross carrying value basis			
Cost		44,058	39,489
Accumulated amortization		(16,740)	(9,766)
Net book value		<u>27,318</u>	<u>29,723</u>
Amortization rate % per annum		<u>10% - 33.33%</u>	<u>10% - 33.33%</u>

17.1 This represents expenditure incurred by the Company on the implementation of Oracle Enterprise Asset Management Module and includes Rs 4.17 million (2019: Nil) charged by the statutory auditors for providing assistance during its implementation.

17.2 Amortization charge for the year has been allocated as follows:			
Cost of sales	25	6,873	3,806
Administrative expenses	26	101	218
		<u>6,974</u>	<u>4,024</u>

17.3 Carrying value of Distributed Control System is Rs 22.29 million (2019: Rs 28.82 million) as at June 30, 2020. Its remaining useful life is 3.4 years as at June 30, 2020.

18 Long term deposits

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

19. Stores and spares	Note	2020 (Rupees in thousand)	2019
General stores and spares [including in transit of Rs 3.21 million (2019: Rs 5.79 million)]	19.1	187,039	160,978
Working solution		139,786	117,216
Provision for obsolescence		(7,032)	(7,032)
		<u>319,793</u>	<u>271,162</u>

19.1 General stores and spares include raw material for working solution of Rs 52.27 million (2019: Rs 36.667 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

	Note	2020 (Rupees in thousand)	2019
20. Stock in trade			
Raw materials [including in transit of Rs 13.66 million (2019: Rs 1.61 million)]		67,377	49,587
Work-in-process	20.1	8,702	4,218
Finished goods			
- purchased for resale		7,107	-
- own manufactured [including in transit of Rs 5.88 million (2019: Rs 2.38 million)]	20.2	99,872	18,649
		<u>183,058</u>	<u>72,454</u>

20.1 Work-in-process include unused packing material of Rs 8.72 million (2019: Rs 1.65 million).

20.2 Finished goods include provision for obsolete stock of Rs 1.7 million (2019: Nil).

	Note	2020 (Rupees in thousand)	2019
21. Trade debts			
Considered good	21.1 & 21.2	54,940	80,742
Considered doubtful		877	877
		<u>55,817</u>	<u>81,619</u>
Loss allowance	21.3	(877)	(877)
		<u>54,940</u>	<u>80,742</u>

21.1 These include Rs 2.52 million (2019: Nil) 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 9.61 million (2019: Rs 4.28 million) to Hayleys Fabrics PLC through letter of credit.

21.2 These include Rs 48.97 million (2019: Rs 80.74 million) secured by way of inland letter of credit.

	Note	2020 (Rupees in thousand)	2019
21.3 Loss allowance			
Balance as at July 1		877	3,377
Reversal of loss allowance		-	(2,500)
Balance as at June 30		<u>877</u>	<u>877</u>

	Note	2020 (Rupees in thousand)	2019
22. Advances, deposits, prepayments and other receivables			
Advances to suppliers			
- Considered good	22.1	9,819	11,491
- Considered doubtful		275	275
Sales tax recoverable			
- Considered good		90,795	143,991
- Considered doubtful		-	11,043
		90,795	155,034
Advances to employees and short term loans to employees - considered good		857	140
Security deposits		1,500	2,000
Prepayments		14,011	1,286
Contract asset	22.2	4,493	12,515
Other receivables - considered good		54	84
		121,804	182,825
Loss allowance for doubtful advances	22.3	(275)	(11,318)
		121,529	171,507

22.2 Advances to suppliers include advance given to a Descon Engineering Services and Technology (Private) Limited, a related party, of Nil (2019: Rs 0.35 million) 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 0.35 million (2019: Rs 16.90 million).

	Note	2020 (Rupees in thousand)	2019
22.2 Movement of contract asset against contract with customers is as follows:			
Opening balance		12,515	-
Recognised in sales during the year		662,823	596,980
Receipts during the year		(670,845)	(584,465)
Balance as at June 30	22.2.1	4,493	12,515
22.2.1 These are secured by way of inland letter of credit.			
22.3 Movement of loss allowance for doubtful advances is as follows:			
Opening balance		11,318	275
Recognised during the year		-	11,043
Written off against advances		(11,043)	-
Balance as at June 30		275	11,318

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

	Note	2020 (Rupees in thousand)	2019
23. Bank balances			
At banks on:			
- Current accounts		3,269	870
- Saving accounts	23.1	3,676	30,123
		<u>6,945</u>	<u>30,993</u>
23.1 These carry mark up at the rate of 11.5% to 6.5% (2019: 10.25% to 11.5%) per annum.			
	Note	2020 (Rupees in thousand)	2019
24. Sales			
Gross sales			
- Local		3,111,307	2,860,424
- Export		22,231	11,443
	24.1	<u>3,133,538</u>	<u>2,871,867</u>
Commission on sales		(56,196)	(59,953)
Sales tax		(435,727)	(106,957)
		<u>2,641,615</u>	<u>2,704,957</u>
24.1 Gross sales include following recognised at a point in time:			
Hydrogen peroxide			
- Own manufactured		2,789,943	2,468,500
- Purchase for resale		296,073	361,710
Freight recovered		47,522	41,657
		<u>3,133,538</u>	<u>2,871,867</u>

	Note	2020 (Rupees in thousand)	2019
25. Cost of sales			
Raw material consumed		789,401	759,743
Packing materials		4,226	3,327
Salaries, wages and other benefits	25.1	121,687	113,083
Repair and maintenance		69,609	51,650
Shut down expenses		-	38,596
Fuel and power		289,548	291,989
Quality assurance		1,175	1,108
Services through contractors		53,252	43,032
Traveling		3,268	2,958
Communication		917	679
Rent and rates	25.2	20,081	37,086
Depreciation on property, plant and equipment:			
- owned assets	16.1.2	179,741	172,263
- right of use assets	16.2.1	7,346	-
Amortization of intangible assets	17.2	6,873	3,806
Insurance		13,117	10,733
Safety items consumed		2,329	1,812
Miscellaneous	25.3	8,382	5,966
		<u>1,570,952</u>	<u>1,537,831</u>
Opening work in process		4,218	5,285
Closing work in process		(8,702)	(4,218)
		(4,484)	1,067
Cost of goods produced		<u>1,566,468</u>	<u>1,538,898</u>
Opening finished goods		18,649	3,294
Closing finished goods		(99,872)	(18,649)
		(81,223)	(15,355)
Cost of goods sold - own manufactured		<u>1,485,245</u>	<u>1,523,543</u>
Cost of goods purchased for resale		257,094	317,338
Cost of services		38,018	33,325
		<u>1,780,357</u>	<u>1,874,206</u>

- 25.1 Salaries, wages and other benefits include Rs 4.01 million (2019: Rs 2.69 million) in respect of provident fund contribution by the Company and include Nil (2019: Rs 0.78 million) in respect of accumulating compensated absence.
- 25.2 This represents expense incurred in respect of short term leases not recognised as a lease liability and variable lease payments not included in the measurement of lease liabilities.
- 25.3 This includes Rs 0.6 million charged by the statutory auditor for support services post implementation of Oracle Enterprise Asset Management Module.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

	Note	2020 (Rupees in thousand)	2019
26. Administrative expenses			
Salaries, allowances and other benefits	26.1	52,978	46,014
Vehicle running and maintenance		1,762	1,299
Entertainment		549	267
Communication		1,167	690
Printing and stationery		3,439	3,260
Traveling and conveyance		4,031	3,541
Repair and maintenance		1,981	1,736
Insurance		65	143
Fees and subscriptions		21,333	20,247
Depreciation on property, plant and equipment	16.1.2	1,275	1,192
Amortization of intangible assets	17.2	101	218
Legal and professional fee	26.2	9,869	8,199
Others		4,235	2,813
		<u>102,785</u>	<u>89,619</u>
26.1	Salaries, wages and other benefits include Rs 1.68 million (2019: Rs 1.14 million) in respect of provident fund contribution by the Company.		
26.2	Legal and professional fee		
	The charges for legal and professional services include the following in respect of auditors services for (excluding sales tax):		
	Statutory audit	1,794	1,631
	Half yearly review	674	586
	Certification charges	1,308	1,076
	Out of pocket expenses	181	192
		<u>3,957</u>	<u>3,485</u>
27. Distribution and selling costs			
Salaries, allowances and other benefits	27.1	13,166	13,774
Communication		255	365
Traveling and conveyance		3,881	2,503
Advertisement		2,180	350
Insurance		519	1,097
Freight and forwarding		20,564	17,561
Depreciation on property, plant and equipment	16.1.2	120	129
Fees and subscriptions		7,806	1,314
Others		2,228	751
		<u>50,719</u>	<u>37,844</u>

27.1 Salaries, wages and other benefits include Rs 0.31 million (2019: Rs 0.27 million) in respect of provident fund contribution by the Company.

	Note	2020 (Rupees in thousand)	2019
28. Other income			
Income from financial assets			
Interest on bank deposits		5,335	12,629
Gain on sale of investment		-	900
Income from non-financial assets			
Gain on sale of fixed assets		46	808
Net gain on insurance claim of assets written off		23	-
Reversal of loss allowance for doubtful debts	21.3	-	2,500
Scrap sales		5,350	4,683
		5,419	7,991
		<u>10,754</u>	<u>21,520</u>
29. Other operating expenses			
Fixed assets written off		690	2,617
Worker's profit participation fund	12.4	31,716	30,791
Worker's welfare fund	12.5	13,751	6,789
Impairment loss		-	12,783
Provision against long outstanding advances	22.3	-	11,043
Exchange loss		2,069	884
Others		-	2,246
		<u>48,226</u>	<u>67,153</u>
30. Finance costs			
Interest and mark-up on:			
- long term finances - secured	30.1	89,693	74,044
- finances under markup arrangements - secured		10,548	5,357
- lease liabilities		2,549	-
		<u>102,790</u>	<u>79,401</u>
Amount capitalised	16.3 & 30.2	(25,610)	(2,980)
		<u>77,180</u>	<u>76,421</u>
Bank charges		4,240	2,760
		<u>81,420</u>	<u>79,181</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

- 30.1 Includes interest of Rs 63.98 million (2019: Rs 71.06 million) on long term finance from DEL, a related party.
- 30.2 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 13.81% (2019: 12.02%).

	2020 (Rupees in thousand)	2019
31. Taxation		
Current tax:		
- Current year	113,075	7,432
- Prior year	1,290	-
	114,365	7,432
Deferred tax	56,074	176,773
	170,439	184,205

- 31.1 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' and 'Normal Tax Regime' under section 4 of the Income Tax Ordinance, 2001.

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2020 are Nil (2019: 7.68 million). Details of deferred tax asset recognised on unused losses and carried forward alternate corporate tax has been included in Note 9.

	2020 (Rupees in thousand)	2019
31.2 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	29.00	29.00
Effect of change in tax rate	-	3.95
Effect of Super tax	-	2.35
Effect of prior period charge	0.22	(0.35)
Effect of tax credits and losses	-	(2.91)
Tax effect under presumptive tax regime and others	(0.28)	(0.20)
	(0.06)	2.84
Average effective tax rate charged to statement of profit or loss	28.94	31.84

		2020	2019	
		(Rupees in thousand)		
32.	Earnings per share			
32.1	Basic earnings per share			
	Profit for the year	Rupees in thousand	418,423	394,269
	Weighted average number of ordinary shares	Number in thousand	122,438	102,000
	Earnings per share	Rupees	3.42	3.87
32.2	Diluted earnings per share			
	Profit for the year	Rupees in thousand	418,423	394,269
	Weighted average number of ordinary shares	Number in thousand	122,438	102,000
	Weighted average number of preference shares	Number in thousand	-	44,000
		Number in thousand	122,438	146,000
	Earning per share	Rupees	3.42	2.70
33.	Cash flow information	Note	2020	2019
			(Rupees in thousand)	
33.1	Cash flow from operating activities			
	Profit before taxation		588,862	578,474
	Adjustment for:			
	- Provision for impairment of property, plant and equipment	16.1	-	12,783
	- Depreciation on property, plant and equipment:			
	- owned assets	16.1.2	181,136	173,584
	- right of use assets	16.2	7,346	-
	- Amortization of intangible assets	17	6,974	4,024
	- Provision for accumulating compensated absences		-	779
	- Provision for obsolete stock	20.2	1,700	-
	- Gain on disposal of fixed assets	28	(46)	(808)
	- Interest on bank deposits	28	(5,335)	(12,629)
	- Reversal of loss allowance for doubtful debts	28	-	(2,500)
	- Provision against long outstanding advances	29	-	11,043
	- Fixed assets written off	29	690	2,617
	- Net exchange loss	29	2,069	884
	- Finance costs	30	81,420	79,181

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

	Note	2020 (Rupees in thousand)	2019
Profit before working capital changes		864,816	847,432
Effect on cash flow due to working capital changes:			
(Increase)/ decrease in current assets			
- Stores and spares		(48,631)	(59,678)
- Stock in trade		(112,304)	(46,137)
- Trade debts		25,802	(38,803)
- Advances, deposits, prepayments and other receivables		50,078	11,775
Increase in current liabilities			
- Trade and other payables		94,889	98,861
		9,834	(33,982)
Cash generated from operations		874,650	813,450
33.2 Reconciliation of financial liabilities arising from financing activities			
Long term finances - secured			
Balance at the beginning of year (including current portion shown under current liabilities)		877,631	-
Net proceeds during the year		78,833	1,244,298
Repayments during the year		-	(366,667)
Conversion of long term finances into ordinary shares	7.1	(733,333)	-
Balance at the end of year (including current portion shown under current liabilities)		223,131	877,631
34. Cash and cash equivalents			
Finances under mark up arrangements - secured	11	(32,283)	(124,317)
Bank balances	23	6,945	30,993
		(25,338)	(93,324)

35. Transactions with related parties

35.1 The related parties comprise associated companies, 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 36. 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	2020 (Rupees in thousand)	2019
DEL Chemicals (Private) Limited	Holding Company	Payment of ordinary dividend	-	52,034
DEL Chemicals (Private) Limited	Significant influence over the Company	No transaction during the year	-	-
Presson Descon International (Private) Limited	Common directorship	Repayment of preference shares	-	310,000
		Payment of preferred dividend	-	51,978
Descon Engineering Limited	Significant influence over the Company	Purchase of goods and services	-	20,418
		Services rendered by the related party for capacity enhancement project	281,326	24,406
		Sale of goods	562	23
		Share of common expenses charged by the related party	8,986	6,537
		Share of common expenses charged to the related party	139	-
		Markup expense against loan obtained from the related party	63,977	71,064
		Repayment of preference shares	-	787,956
		Payment of preferred dividend	-	132,117
		Issuance of ordinary shares against long term loan (notes 5.1 & 7.1)	733,333	-
Descon Corporation (Private) Limited	Common directorship	Share of common expenses charged by the related party	16,147	35,072
		Share of common expenses charged to the related party	2,922	1,227
		Purchase of goods and services	2,317	-
		Payment of ordinary dividend	-	8,725
Interworld Travels (Private) Limited	Common directorship	Purchase of goods and services	2,225	1,560
		Payment of ordinary dividend	-	92
Popular Travel & Tours	Common directorship	Purchase of goods and services	1,454	2,183
Inspectest (Private) Limited	Common directorship	Purchase of goods and services	13,178	13,999
		Share of common expenses charged by the related party	212	-
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	1,732	1,131
Descon Oxychem Limited - Employees Provident Fund Trust	Provident Fund Trust	Expense charged in respect of provident fund	6,001	4,099
Descon Power Solutions	Common directorship	Sale of goods	80	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

36. Remuneration of Chief Executive, Directors and Executives

Note	Chief Executive		Non-Executive Directors		Executives	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	(Rupees in thousand)					
Remuneration	19,470	17,700	2,775	3,000	21,739	15,925
Fee 36.1	-	-	2,073	1,915	-	-
Contribution to provident fund	1,254	852	175	170	1,213	351
Car allowance	822	822	-	-	1,890	1,262
Medical facility	128	132	-	-	245	270
Bonus	3,581	4,758	-	-	3,998	3,284
Reimbursable expenses	2,464	1,523	-	-	572	399
	<u>27,719</u>	<u>25,787</u>	<u>5,023</u>	<u>5,085</u>	<u>29,657</u>	<u>21,491</u>
No. of persons	1	1	5	5	5	4

36.1 This includes an aggregate amount of Rs 1.44 million (2019: Rs 1.25 million) in respect of fee to 3 independent directors (2019: 3 independent directors).

37. Capacity and Production

		Production Capacity		Actual production	
		2020	2019	2020	2019
Production of hydrogen peroxide (on 100% concentration and based on 360 working days)	Metric tonnes	14,000	14,000	15,908	15,418
Production of packing material (based on 360 working days)	Number	1,080,000	1,080,000	847,545	754,189

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

38. Financial risk management objectives

38.1 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:

	2020 (FCY in thousand)	2019
Trade debts - US Dollars	16	-
Trade creditors - US Dollars	32	32
The following significant exchange rates were applicable during the year:		
Rupees per USD		
Average rate	158.78	137.67
Reporting date rate	168.05	164.50

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 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)			
2020	10%	(269)	(191)
	-10%	269	191
2019	10%	(526)	(373)
	-10%	526	373

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

(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 statement of financial position date, the interest rate profile of the Company's interest bearing financial instruments was:

	2020 (Rupees in thousand)	2019
Financial assets		
Fixed rate instruments		
Saving accounts	3,676	30,123
Financial liabilities		
Fixed rate instruments		
Lease liabilities	39,277	-
Floating rate instruments		
Long term finances - secured	223,131	877,631
Finances under mark up arrangements - secured	32,283	124,317
	255,414	1,001,948
	294,691	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)				
Financial assets				
	2020	1%	37	26
		-1%	(37)	(26)
	2019	1%	301	214
		-1%	(301)	(214)
Financial liabilities				
	2020	1%	(2,947)	(2,092)
		-1%	2,947	2,092
	2019	1%	(10,019)	(7,113)
		-1%	10,019	7,113

(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, advances 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:

	2020	2019
(Rupees in thousand)		
Trade debts	54,940	80,742
Advances, deposits, prepayments and other receivables	15,866	26,090
Bank balances	6,945	30,993
	77,751	137,825
As of June 30, age analysis of trade debts was as follows:		
Neither past due nor impaired	27,274	11,813
Past due but not impaired:		
- 1 to 30 days	4,652	45,993
- 31 to 60 days	2,023	-
- 61 to 120 days	10,305	16,875
- above 120 days	10,686	6,061
	54,940	80,742

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 Company also holds collateral against credit customers.

The credit quality of 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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

	Short	Rating	Rating	2020	2019
	term	Long term	Agency	(Rupees in thousand)	
Bank balances					
Habib Metropolitan Bank	A1+	AA+	PACRA	4,881	29,273
Allied Bank Limited	A1+	AAA	PACRA	-	-
MCB Bank	A1	A	PACRA	-	26
Bank Al-Habib Limited	A1+	AA+	PACRA	2,064	1,694
				<u>6,945</u>	<u>30,993</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 bank balances and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2020 the Company had borrowing limits available from financial institutions aggregating to Rs 1,100 million (2019: Rs 1,100 million) for long term loans, Rs 450 million (2019: Rs 550 million) for short term borrowings and Rs 6.95 million (2019: Rs 30.99 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, dividend payable and accrued finance cost.

(Rupees in thousand)					
At June 30, 2020	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
Long term finances - secured	223,131	228,833	7,208	175,471	46,154
Lease liabilities	39,277	45,570	19,110	26,460	-
Finances under mark up arrangements - secured	32,283	32,283	32,283	-	-
Trade and other payables	365,415	365,415	365,415	-	-
Dividend payable	1,528	1,528	1,528	-	-
Accrued finance costs	6,780	6,780	6,780	-	-
	<u>668,414</u>	<u>680,409</u>	<u>432,324</u>	<u>201,931</u>	<u>46,154</u>
At June 30, 2019	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
Long term finances - secured	877,631	877,631	-	364,185	513,446
Finances under mark up arrangements - secured	124,317	124,317	124,317	-	-
Trade and other payables	292,975	292,975	292,975	-	-
Dividend payable	2,396	2,396	2,396	-	-
Accrued finance costs	14,945	14,945	14,945	-	-
	<u>1,312,264</u>	<u>1,312,264</u>	<u>434,633</u>	<u>364,185</u>	<u>513,446</u>

38.2 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.

38.3 Financial instruments by categories

	Financial assets at amortised cost	
	2020	2019
Long term deposits	17,554	17,654
Trade debts	54,940	80,742
Advances, deposits, prepayments and other receivables	15,866	26,090
Bank balances	6,945	30,993
	<u>95,305</u>	<u>155,479</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continue)

	Financial liabilities at amortised cost	
	2020 (Rupees in thousand)	2019
Long term finances - secured	223,131	877,631
Lease liabilities	39,277	-
Finances under mark up arrangements - secured	32,283	124,317
Trade and other payables	365,415	292,975
Dividend payable	1,528	2,396
Accrued finance costs	6,780	14,945
	<u>668,414</u>	<u>1,312,264</u>

38.4 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.

38.5 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 7 and 10 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, 2020 and June 30, 2019 are as follows:

		2020	2019
		(Rupees in thousand)	
Debt		223,131	877,631
Total equity		1,935,315	783,559
Total capital		<u>2,158,446</u>	<u>1,661,190</u>
Gearing Ratio	Percentage	10.3%	53%

38.6 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 and the Company is in compliance with the requirements throughout the reporting period.

39. Number of Employees

	2020	2019
Total number of employees as at year end (including contractual)	<u>104</u>	<u>97</u>
Average number of employees during the year (including contractual)	<u>102</u>	<u>99</u>

40. Provident Fund

The investments by the provident fund in collective investment schemes, listed equity and debt securities have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

41. Impact of COVID-19 (Corona virus)

The pandemic of COVID-19 that has rapidly spread all across the world has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Company's operations were not affected as it fell under the exemption provided by the Government of Punjab to providers of essential services. After implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, the Company continued to carry out its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business. Due to this, management has assessed the accounting implications of these developments on these financial statements, however, according to management's assessment, there is no significant accounting impact of the effects of COVID-19 on these financial statements.

42. 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:

- Incurred significant capital expenditure aggregating to Rs 634.76 million mainly in respect of capacity expansion project (refer note 16).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- Issued 48,888,866 ordinary shares of Rs. 10 per share at a premium of Rs. 5 per share to Descon Engineering Limited ('DEL') on January 29, 2020, against long term loan of Rs 733.33 million from DEL (refer note 5.1).

43. Subsequent events

The Board of Directors of the Company have proposed a final cash dividend of Rs 1 per share (2019: Nil) and bonus shares of 16% (2019: Nil) for the year ended June 30, 2020 at their meeting held on September 02, 2020 for approval of members at the Annual General Meeting to be held on October 21, 2020. These financial statements do not include the effect of these appropriations which will be accounted for in the period in which they are approved.

44. Date of authorization for issue

These financial statements were authorized for issue on September 02, 2020 by the Board of Directors of the Company.

45. 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.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

PATTERN OF SHAREHOLDING

As on June 30, 2020

-----Shareholdings-----			
No. of Shareholders	From	To	Total Shares Held
205	1	100	4,648
1,868	101	500	919,101
491	501	1,000	484,726
758	1,001	5,000	2,196,213
241	5,001	10,000	1,935,929
74	10,001	15,000	947,549
59	15,001	20,000	1,104,500
27	20,001	25,000	640,000
16	25,001	30,000	450,900
12	30,001	35,000	400,500
7	35,001	40,000	260,500
4	40,001	45,000	165,000
17	45,001	50,000	831,566
8	50,001	55,000	430,000
4	55,001	60,000	232,599
1	60,001	65,000	61,000
1	65,001	70,000	70,000
1	70,001	75,000	75,000
1	75,001	80,000	77,000
1	80,001	85,000	84,500
3	85,001	90,000	262,000
2	90,001	95,000	186,183
7	95,001	100,000	697,000
4	100,001	105,000	405,000
2	105,001	110,000	220,000
1	115,001	120,000	120,000
3	120,001	125,000	372,500
1	125,001	130,000	126,500
1	130,001	135,000	133,000
1	135,001	140,000	138,000
2	140,001	145,000	285,986
2	145,001	150,000	300,000
2	150,001	155,000	310,000
1	160,001	165,000	160,500
2	165,001	170,000	332,500
2	180,001	185,000	364,000
1	195,001	200,000	200,000
3	205,001	210,000	624,500
1	215,001	220,000	216,500
1	220,001	225,000	223,500

-----Shareholdings-----

No. of Shareholders	From	To	Total Shares Held
1	235,001	240,000	238,000
2	245,001	250,000	495,500
1	250,001	255,000	251,500
1	290,001	295,000	295,000
1	300,001	305,000	300,500
1	325,001	330,000	325,500
1	360,001	365,000	363,500
1	500,001	505,000	501,000
1	570,001	575,000	575,000
1	590,001	595,000	593,500
1	635,001	640,000	640,000
1	1,050,001	1,055,000	1,052,500
1	1,175,001	1,180,000	1,176,000
1	1,245,001	1,250,000	1,249,300
1	2,400,001	2,405,000	2,402,000
1	3,805,001	3,810,000	3,806,500
1	7,435,001	7,440,000	7,439,800
1	8,725,001	8,730,000	8,725,250
1	9,925,001	9,930,000	9,927,000
1	44,590,001	44,595,000	44,593,750
1	48,885,001	48,890,000	48,888,866
3,860			150,888,866

Categories of Shareholding required under Code of Corporate Governance (CCG)

2.3 Categories of Shareholders	Shares Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children	3,500	0.0023%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	110,989,020	73.5568%
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	159,900	0.1060%
2.3.6 Modarabas and Mutual Funds	3,811,500	2.5260%
2.3.7 Shareholders holding 10% or more	100,922,416	66.8853%
2.3.8 General Public		
a. Local	22,482,057	14.8997%
b. Foreign	1,000	0.0007%
2.3.9 Others (to be specified)		
1- Pension Funds	7,500	0.0050%
2- Joint Stock Companies	3,406,100	2.2574%
3- Foreign Companies	9,927,000	6.5790%
4- Others	101,289	0.0671%

Categories of Shareholding required under Code of Corporate Governance (CCG)

As on June 30, 2020

Name	Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):		
1 DESCON CORPORATION (PVT.) LIMITED	8,725,250	5.7826
2 DESCON HOLDING (PVT.) LIMITED	1,249,300	0.8280
3 INTERWORLD TRAVELS (PVT) LIMITED	92,054	0.0610
4 DESCON ENGINEERING LIMITED	48,888,866	32.4006
5 DEL CHEMICALS (PRIVATE) LIMITED (CDC)	52,033,550	34.4847
Mutual Funds (Name Wise Detail)		
1 CDC - TRUSTEE ABL STOCK FUND (CDC)	6,500	0.00431
2 CDC - TRUSTEE ALFALAH GHP ALPHA FUND (CDC)	165,500	0.10968
3 CDC - TRUSTEE ALFALAH GHP STOCK FUND (CDC)	245,500	0.16270
4 CDC - TRUSTEE ALFALAH GHP VALUE FUND (CDC)	88,000	0.05832
5 CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND (CDC)	100,000	0.06627
6 CDC - TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND (CDC)	1,176,000	0.77938
7 CDC - TRUSTEE FAYSAL MTS FUND - MT (CDC)	160,500	0.10637
8 CDC - TRUSTEE FAYSAL STOCK FUND (CDC)	223,500	0.14812
9 CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND (CDC)	10,000	0.00663
10 CDC - TRUSTEE LAKSON EQUITY FUND (CDC)	1,052,500	0.69753
11 CDC - TRUSTEE LAKSON TACTICAL FUND (CDC)	126,500	0.08384
12 CDC - TRUSTEE NBP INCOME OPPORTUNITY FUND - MT (CDC)	52,000	0.03446
13 CDC - TRUSTEE NBP MAHANA AMDANI FUND - MT (CDC)	167,000	0.11068
14 CDC - TRUSTEE NBP SAVINGS FUND - MT (CDC)	238,000	0.15773
Directors and their Spouse and Minor Children (Name Wise Detail):		
1 MR. TAIMUR DAWOOD (CDC)	500	0.00033
2 MR. FAISAL DAWOOD (CDC)	500	0.00033
3 MR. FAROOQ NAZIR (CDC)	500	0.00033
4 MRS. MEHREEN DAWOOD (CDC)	500	0.00033
5 MR. ASIF QADIR	500	0.00033
6 MR. ALI ASRAR HOSSAIN AGA	500	0.00033
7 MR. HAROON WAHEED	500	0.00033
Executives:	-	0.0000
Public Sector Companies & Corporations:	-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:	167,400	0.1109
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)		
1 DEL CHEMICALS (PRIVATE) LIMITED (CDC)	52,033,550	34.4847
2 DESCON ENGINEERING LIMITED	48,888,866	32.4006
3 EVLI EMERGING FRONTIER FUND (CDC)	9,927,000	6.5790
4 DESCON CORPORATION (PVT.) LIMITED	8,725,250	5.7826

Notice of Annual General Meeting

Notice is hereby given that the 16th Annual General Meeting ("AGM") of Descon Oxychem Limited (the 'Company') will be held on Wednesday, October 21, 2020 at 10:00 a.m. at the registered office of the Company at Descon Headquarters 18-Km Ferozepur Road Lahore:

To transact the following business:

Ordinary Business:

1. To confirm minutes of the last Extra Ordinary General Meeting of the Company held on February 28, 2020.
2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30th June 2020 together with the reports of Directors' and Auditors' thereon.
3. To appoint the External Auditors of the Company for the ensuing year and fix their remuneration. (The present auditors M/s. A.F. Ferguson & Co., Chartered Accountants, have retired and being eligible have offered themselves for re-appointment).
4. To approve, as recommended by the Board of Directors, the payment of Final Cash Dividend @ 10.00% (i.e. PKR 1.00 per ordinary share) for the year ended June 30, 2020.
5. To transact any other business with the permission of the Chair.

Special Business:

6. To approve the issuance of bonus shares in proportion of 16 Ordinary Shares for every 100 Ordinary Shares held by the Members (i.e. @ 16.00%), as recommended by the Board of Directors in their meeting held on 02 September 2020, and if thought fit, to pass the following resolutions:

Resolved that a sum of Rs. 241,422,190/- (Rs. two forty-one million four hundred twenty- two thousand one hundred and ninety only) out of the share premium of the Company be capitalized and applied towards issue of 24,142,219 Ordinary Shares of Rs. 10 each as fully paid bonus shares in the proportion of 16 Ordinary Shares for every 100 Ordinary Shares (i.e. @16%) held by every Member whose name appears on the Member's register at the close of business on 12-10-2020.

Further Resolved that these bonus shares shall rank pari passu in all respects with the existing shares but shall not be eligible for the final cash dividend declared for the year ended 30 June 2020.

Further Resolved that Members entitled to fractions of shares shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Pakistan Stock Exchange Limited.

Further Resolved that the Company Secretary of the Company be and is hereby authorized to give effect to these resolutions and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares, sale of fractions and payment of the sale proceeds of the fractional shares.

A statement of material facts under Section 134(3) of the Companies Act, 2017 pertaining to the Special Business referred above is annexed to this Notice.

By order of the Board



Abdul Sohail
Company Secretary

Lahore
September 30, 2020

NOTES:

1. The Share Transfer Books of the Company will remain closed from October 13, 2020 to October 21, 2020 (both days inclusive). Transfers received in order by our Shares Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore by the close of business on October 12, 2020 will be considered in time for the purpose of entitlement of final cash dividend and bonus shares to the transferees and to attend and vote at the AGM.

2. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint another member as his / her proxy to attend and vote in place of him / her at the meeting. The proxies in order to be effective must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the time of meeting. A proxy must be a member of the Company.

3. In view of the recent spike of Covid-19, gravity of the Coronavirus Pandemic on public health and instructions of the Government / institutions to consider the provision of video link facility for conducting meetings, the Annual General Meeting will be held virtually via video-link for the safety and wellbeing of our valued shareholders and general public.

To attend the AGM through video link, members are requested to register their following particulars by sending an e-mail at shareholders@descon.com.

Folio / CDC Account No.	No. of share held	Name	CNIC No.	Cell No.	Email address

The video link and login credentials will be shared with the shareholders whose e-mails, containing all the requested particulars, are received at the given e-mail address by or before the close of business hours (5:00 p.m.) on October 12, 2020. The shareholders are also encouraged to send their comments / suggestions, related to the agenda items of the AGM on the abovementioned e-mail address or WhatsApp Number 0300-4536102 by the close of business hours (5:00 p.m.) October 12, 2020. For any query, the members may please contact at below mentioned email.

4. In accordance with the provisions of Section 242 of the Companies Act, 2017, it is mandatory for a listed Company to pay cash dividend to its shareholders only through electronic mode directly into bank account designated by the entitled shareholders. In order to receive dividends directly into their bank account, shareholders are requested to fill in Electronic Credit Mandate Form available on Company's website www.desconoxychem.com and send it duly signed along with a copy of CNIC to the Shares Registrar of the Company, Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore in case of physical shares. In case shares are held in CDC then Electronic Credit Mandate Form must be submitted directly to shareholder's Broker/Participant/CDC Account Services.

5. The Government of Pakistan has made certain amendments in the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These rates are as follows:

For filers of income tax returns 15%

For non-filers of income tax returns 30%

6. To enable the Company to make tax deduction on the amount of cash dividend @15% instead of 30% all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of the cash dividend, otherwise tax on their cash dividend will be deducted @30% instead of 15%.

7. In the case of shares registered in the name of two or more shareholders, each joint-holder is to be treated individually as either a filer or non-filer and tax will be deducted by the Company on the basis of shareholding of each joint-holder as may be notified to the Company in writing. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the Share Registrar of the Company latest by the AGM date:

Folio / CDC Account No.	Name of shareholder	CNIC	Shareholding	Total Shares	Principal/Joint Shareholders

8. The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or the Shares Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

9. A valid tax exemption certificate is necessary for exemption from the deduction of withholding tax under Section 150 of the Income Tax Ordinance, 2001. Members who qualify under Income Tax Ordinance, 2001 and wish to seek an exemption must provide a copy of their valid tax exemption certificate to the Shares Registrar prior to the date of book closure otherwise tax will be deducted according to applicable law.

10. The Company has placed the Audited Annual Financial Statements for the year ended 30 June 2020 along with Auditors and Directors Reports thereon and Chairman's Review Report on its website: www.desconoxychem.com

11. Members having physical shares are requested to immediately notify the change in their addresses, if any to our Shares Registrar, whereas CDC account holders are requested to contact their CDC Participant / CDC Account Services.

12. For any query / problem / information, the investors may contact the Shares Registrar, Corplink (Pvt.) Limited, Phone No. 042-35839182, 35916714, 35916719, e-mail address: corplink786@gmail.com.

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 CONCERNING THE SPECIAL BUSINESS TO BE TRANSACTED AT THE ANNUAL GENERAL MEETING:

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on October 21, 2020.

Issue of Bonus Shares to Members

a. The Board of Directors in their meeting held on September 02, 2020 has recommended to issue bonus shares in proportion of 16 Ordinary Shares for every 100 Ordinary Shares held by the Members (i.e. 16%) and decided that a sum of Rs. 241,142,190/- be appropriated from the shares premium amount for the issuance of 24,114,219 Bonus Shares. After the issue of bonus shares, the paid-up capital of the Company will increase to Rs. 1,750,310,850/-.

b. The following resolutions are proposed to be passed as special resolution, with or without modification:

Resolved that a sum of Rs. 241,422,190/- (Rs. two forty-one million four hundred twenty-two thousand one hundred and ninety only) out of the share premium of the Company be capitalized and applied towards issue of 24,142,219 Ordinary Shares of Rs. 10 each as fully paid bonus shares in the proportion of 16 Ordinary Shares for every 100 Ordinary Shares (i.e. @16%) held by every Member whose name appears on the Member's register at the close of business on 12-10-2020.

Further Resolved that these bonus shares shall rank pari passu in all respects with the existing shares but shall not be eligible for the final cash dividend declared for the year ended 30 June 2020.

Further Resolved that Members entitled to fractions of shares shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Pakistan Stock Exchange Limited.

Further Resolved that the Company Secretary of the Company be and is hereby authorized to give effect to these resolutions and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares, sale of fractions and payment of the sale proceeds of the fractional shares.








c. The Directors of the Company are not directly or indirectly interested in this special business except to the extent of entitlements of bonus shares on their shareholdings.










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Form of Proxy

Descon Oxchem 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 Oxchem 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 16th Annual General Meeting of the Company to be held at Descon Headquarters, 18-Km, Ferozpur Road, Lahore on Wednesday October 21, 2020 at 10:00 am and at any adjournment thereof.

As witness my / Our hand this _____ day of _____ 2020.

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

BOOK POST



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Lahore - 54760, Pakistan

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F: +92 42 3 7971834

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