

**Descon Oxychem Limited**



**HALF YEARLY REPORT**  
December 31, 2015 (Un-Audited)

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## Company Information

### Board of Directors

Abdul Razak Dawood  
Chairman  
Aamir Niazi  
Chief Executive Officer  
Farooq Nazir  
Taimur Dawood  
Ahmed Razi Ghazali  
Faisal Dawood  
Asif Qadir  
Ali Asrar Hossain Aga

### Chief Financial Officer

Yasir Siddique Sheikh

### Company Secretary

Abdul Sohail

### 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  
Habib Bank Limited  
KASB Bank Limited  
Summit Bank Limited  
Soneri Bank Limited  
Askari 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 Headquarters  
18-KM Ferozepur Road  
Lahore - 53000 Pakistan.  
Tel: +92 42 35923721-9  
Fax: +92 42 35923732

### Plant Site

18-KM Lahore - Sheikhpura Road,  
Lahore, Pakistan.  
Tel: +92 42 3797 1822-243  
Fax: +92 42 3797 1831

### Karachi Office

Business Avenue,  
26/A, 9th Floor, Block 6, PECHS,  
Shahra-e-Faisal, Karachi, Pakistan  
Tel: +92 21 3454 4485-6  
Fax: +92 21 3438 2674

### Web Presence

Updated Company's Information  
can be accessed at Descon's website,  
[www.descon.com](http://www.descon.com)

## DIRECTORS' REPORT TO THE SHAREHOLDERS For the six months ended December 31, 2015

The economy stands to benefit from three tailwinds over the near to medium-term, with average GDP growth of 5% forecast in FY16. The tailwinds include rising investments from China under the China-Pakistan Economic Corridor (CPEC); the anticipated return of Iran to the international economic community; and persistently low international oil prices. Pakistan is also making progress reigning in its budget deficit from 8.4% of GDP in FY13 to 5.3% in FY15, containing inflation at a low level, and providing macro-economic stabilization.

The fiscal space thus created provides an opportunity for long-term structural reforms that would unlock Pakistan's real potential. Now is the time for the country to step-up to a much higher level of ambition for implementing a progressive reform agenda. However the significant slide in exports, especially textiles, which represent about 60% of export revenues are the single largest end-use market for your company's products hence the importance of growth in this sector. There are three primary areas that are driving poor export performance. These include Pakistan's low global competitiveness owing to the over-valued rupee, and stubborn energy shortages. With this economic environment, your company continued to build on its strong fundamentals in the first quarter, closing mid-year with significantly higher quality outcomes.

### Financial Highlights

	Quarter ended		Half year ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	-----Rupees '000'-----			
Sales	396,599	339,996	744,689	679,568
Gross profit	93,947	40,155	157,845	66,946
Profit from operations	56,960	4,717	101,343	919
Profit / (Loss) for the period	15,849	(41,289)	14,523	(104,855)
Earnings/(Loss) per share (Rupees)	0.16	(0.40)	0.14	(1.03)
Production (MT)	8,477	7,571	17,012	15,549

Your company made a net profit of PKR 14.5 million during the six months compared to a loss of PKR 104.8 million in the corresponding period last year, a turnaround of PKR 119 million. Gross profit for the six months has increased by PKR 90.8 million (from 10% to 21%) compared with the same period last year. Increase in gross profit resulted from reductions in power cost both from the grid and own generation due to lower oil prices, increase in sales volume by 8% and increase in sale prices by 2% compared with the same period last year. Stringent controls in administrative and selling expenses has also enabled in turning around the business. Finance cost was reduced by 51%, as the company converted its sponsor's debt to preference share capital, and reduced interest rates. The conversion of sponsor's loan into preference share capital has substantially improved the debt equity position of the company, further strengthening its financial position. The Dec 15 quarter has been turning point for your company, demonstrating material strength in its half year results. The net profit for Dec 15 quarter shows a turnaround of PKR 57 million, compared with same period last year. Average exit selling price for the month of Dec 15 has increased by 5%, compared with the corresponding period last year.

### Future Outlook

With improved product prices, controlled costs, increased productivity, and the successful development of profitable new international markets, your company is expected to further fortify its business and financial fundamentals by close of this year. The company's overarching aims include profitable market leadership, seamless manufacturing, continuous cost reductions, premier product quality and a steadfast commitment to customer service. Further, as part of the diversification strategy, your company is making inroads in the food and disinfectant segments, while maintaining a leadership position in the textile market. The forecast decrease in electricity tariffs, low international crude oil prices and favorable discount rates, will further enable your company in sustaining growth and profitability. Protecting the local industry from international dumping will remain a challenge for which management is evaluating appropriate strategies to mitigate its potentially adverse implications.

We thank all stakeholders for their consistent and unwavering support.

For and on behalf of the Board

  
 Aamir Niazi  
 Chief Executive Officer



## AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Descon Oxychem Limited as at December 31, 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2014 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2015.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

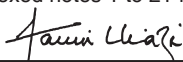
Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2015 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

  
Chartered Accountants

**CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2015 (UN-AUDITED)**

	December 31, 2015	June 30, 2015
Notes	Un-audited ----- Rupees '000'-----	Audited
<b>EQUITY AND LIABILITIES</b>		
<b>SHARE CAPITAL AND RESERVES</b>		
Authorized capital		
110,000,000 (June 2015: 110,000,000) ordinary shares of Rs 10 each	<u>1,100,000</u>	<u>1,100,000</u>
110,000,000 (June 2015: 1,100,000) preference shares of Rs 10 each	<u>1,100,000</u>	<u>1,100,000</u>
Issued, subscribed and paid up capital		
102,000,000 (June 2015: 102,000,000) ordinary shares of Rs 10 each	1,020,000	1,020,000
110,000,000 (June 2015: Nil) preference shares of Rs 10 each	5 1,100,000	-
Accumulated loss	<u>(628,064)</u>	<u>(642,587)</u>
	1,491,936	377,413
<b>NON-CURRENT LIABILITIES</b>		
Long term finances		
- secured	6 224,193	1,046,565
- unsecured	7 -	408,785
Accrued finance cost	-	423,784
	224,193	1,879,134
<b>CURRENT LIABILITIES</b>		
Current portion of long term liabilities		
Finances under markup arrangement - secured	245,570	163,435
Trade and other payables	50,000	52,070
Accrued finance cost	131,359	161,301
	8 467,996	20,494
	894,925	397,300
<b>CONTINGENCIES AND COMMITMENTS</b>		
	9 -	-
	<u>2,611,054</u>	<u>2,653,847</u>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	10 1,693,906	1,771,052
Intangible assets	4,021	4,914
Long term deposits	17,654	16,554
Deferred taxation	<u>200,221</u>	<u>223,004</u>
	1,915,802	2,015,524
<b>CURRENT ASSETS</b>		
Stores and spares	213,553	200,387
Stock-in-trade	11 92,669	103,551
Trade debts - unsecured	87,810	87,365
Advances, deposits, prepayments and other receivables	12 140,612	113,103
Current income tax recoverable	59,160	58,438
Cash and bank balances	<u>101,448</u>	<u>75,479</u>
	695,252	638,323
	<u>2,611,054</u>	<u>2,653,847</u>

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.



Chief Executive



Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT  
FOR THE QUARTER AND HALF ENDED DECEMBER 31, 2015 (UN-AUDITED)**

Note	Quarter ended		Half year ended		
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014	
	-----Rupees '000'-----				
Sales	13	396,599	339,996	744,689	679,568
Cost of sales	14	(302,652)	(299,841)	(586,844)	(612,622)
<b>Gross Profit</b>		93,947	40,155	157,845	66,946
Administrative expenses	15	(18,237)	(21,381)	(32,031)	(34,876)
Distribution and selling cost		(16,849)	(17,252)	(32,903)	(35,183)
Other operating income		4,225	3,195	14,558	5,452
Other expenses		(6,126)	-	(6,126)	(1,420)
<b>Profit from operations</b>		56,960	4,717	101,343	919
Finance cost		(14,194)	(59,016)	(56,260)	(115,287)
<b>Profit / (loss) before taxation</b>		42,766	(54,299)	45,083	(114,368)
Taxation		(26,917)	13,010	(30,560)	9,513
<b>Profit / (loss) for the period</b>		15,849	(41,289)	14,523	(104,855)
<b>Earnings / (loss) per share</b>					
- Basic - Rupees	16.1	0.16	(0.40)	0.14	(1.03)
- Diluted - Rupees	16.2	0.15	(0.40)	0.14	(1.03)

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.


  
Chief Executive

  
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER AND THE HALF YEAR ENDED DECEMBER 31, 2015  
(UN-AUDITED)**

	Quarter ended		Half year ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	-----Rupees '000'-----			
Profit / (loss) for the period	15,849	(41,289)	14,523	(104,855)
<b>Other comprehensive income</b>				
Fair value gain on 'Available for sale' investments	-	-	168	172
Gain during the period transferred to profit and loss on account of derecognition of investment	-	-	(168)	(892)
Other comprehensive loss for the period	-	-	-	(720)
<b>Total comprehensive income / (loss) for the period</b>	<b>15,849</b>	<b>(41,289)</b>	<b>14,523</b>	<b>(105,575)</b>

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.



Chief Executive



Director



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED DECEMBER 31, 2015 (UN-AUDITED)**

	Share capital		Fair Value Reserve	Accumulated Loss	Total
	Ordinary share capital	Preference share capital			
	-----Rupees '000'-----				
<b>Balance as on July 1, 2014</b>	1,020,000	-	720	(523,738)	496,982
Loss for the period					
Other comprehensive income for the period:					
Fair value loss on 'Available for sale' investments				(104,855)	(104,855)
<b>Total comprehensive loss for the period</b>			(720)		(720)
<b>Total contributions by and distributions to owners of the company recognized directly in equity</b>					
<b>Balance as on December 31, 2014</b>	1,020,000	-	-	(628,593)	391,407
<b>Balance as on July 1, 2015</b>	1,020,000	-	-	(642,587)	377,413
<b>Total contributions by and distributions to owners of the Company recognized directly in equity</b>					
Issuance of 110,000,000 preference shares		1,100,000			1,100,000
Profit for the period					
Other comprehensive income for the period					
<b>Total comprehensive income for the period</b>				14,523	14,523
<b>Balance as on December 31, 2015</b>	1,020,000	1,100,000	-	(628,064)	1,491,936

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

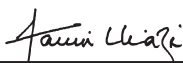
  
Anurag Gupta  
Chief Executive

  
Director


**CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED DECEMBER 31, 2015 (UN-AUDITED)**

	Note	Half year ended	
		December 31, 2015	December 31, 2014
-----Rupees '000'-----			
<b>Cash flows from operating activities</b>			
Cash generated from operations	18	123,375	61,506
Finance cost paid		(32,542)	(44,111)
Profit on deposits received		1,055	396
Income tax paid		(8,499)	(11,373)
<b>Net cash generated from operating activities</b>		<b>83,389</b>	<b>6,418</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(6,030)	(10,153)
Proceeds from sale of fixed assets		634	-
Increase in long term deposits		(1,100)	-
Investments purchased during the period		(39,958)	-
Proceeds from sale of available for sale investments		40,126	16,397
<b>Net cash (used in) / generated from investing activities</b>		<b>(6,328)</b>	<b>6,244</b>
<b>Cash flows from financing activities</b>			
Repayment of long term loan - net		(51,066)	(10,000)
Receipt against issuance of preference shares		2,044	-
<b>Net cash used in financing activities</b>		<b>(49,022)</b>	<b>(10,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>28,039</b>	<b>2,662</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>23,409</b>	<b>(53,994)</b>
<b>Cash and cash equivalents at the end of the period</b>	19	<b>51,448</b>	<b>(51,332)</b>

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.



Chief Executive



Director

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2015 (UN-AUDITED)

### 1. The Company and its operations

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

### 2. Basis of preparation

This condensed interim financial information is un-audited and is being submitted to the members in accordance with section 245 of the Companies Ordinance, 1984. It has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. The figures for the half year ended December 31, 2015 have, however, been subjected to limited scope review by the auditors as required by the Code of Corporate Governance. This condensed interim financial information does not include all the information required for annual financial statements and therefore, should be read in conjunction with the annual financial statements for the year ended June 30, 2015.

### 3. Significant accounting policies

**3.1** The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2015.

#### **3.2 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:

##### **3.2.1 Amendments to published standards effective and relevant in current period**

Following amendment to existing standard and interpretation has been published and is mandatory for accounting periods beginning on or after January 1, 2015 and is considered to be relevant to the Company's operations:

IFRS 13, 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2015. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The application of this standard has no material impact on the Company's financial statements.

##### **3.2.2 Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant**

The new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after January 1, 2015 are considered not to be relevant for Company's financial statements and hence have not been detailed here.

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

Standards or Interpretations	Effective date (accounting periods beginning on or after)
Annual improvements 2014	January 01, 2016
IAS 1 - Presentation of financial statements	January 01, 2016
IAS 16 - Property, plant and equipment	January 01, 2016
IAS 27 - Separate financial statements on the equity method	January 01, 2016
IAS 28 - Investments in associates and joint ventures	January 01, 2016
IAS 38 - Intangible assets	January 01, 2016
IAS 41 - Agriculture	January 01, 2016
IFRS 9 - Financial instruments	January 01, 2018
IFRS 10 - Consolidated financial statements	January 01, 2016
IFRS 11 - Joint arrangements on acquisition of an interest in a joint operation	January 01, 2016
IFRS 14 - Regulatory deferral accounts	January 01, 2016
IFRS 15 - Revenue from contracts with customers	January 01, 2018

#### 4. Taxation

The provision for taxation for the half year ended December 31, 2015 has been made using the tax rate that would be applicable to expected total annual earnings.

#### 5. Preference shares

During the year, the company with the approval of Securities and Exchange Commission of Pakistan (SECP), under rule 5 of the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000 offered 110,000,000 preference shares of Rs 10 each to existing members of the company in equal proportion to their existing shareholding pursuant to section 86(1) of the Companies Ordinance 1984 (the "Ordinance"). The rights so offered were under subscribed by Rs 1,097,956,110, which, based on the decision of the Board of the company in the meeting dated December 29, 2015 and undertaking of the associated companies, M/s Descon Engineering Limited (DEL) and Presson Descon International (Private) Limited (PDIL), was subscribed by DEL and PDIL against adjustment of the principal balance of loans provided by them as referred to in note 6.2, 7.1 and 7.2. The allotment of preference shares was done on December 29, 2015.

	Number of shares	Amount Rupees in thousand
Cumulative convertible redeemable preference shares offered as rights	110,000,000	1,100,000
Preference shares subscribed:		
- In cash	204,389	2,044
- Against adjustment of loans:		
Descon Engineering Limited - note 5.1	78,795,611	787,956
Presson Descon International (Private) Limited - note 6.2	31,000,000	310,000
	109,795,611	1,097,956
<b>Total preference shares issued</b>	<b>110,000,000</b>	<b>1,100,000</b>

#### 5.1 Subscription by Descon Engineering Limited

Loan 1 - Secured loan	- note 6.2	400,000
Loan 2 - Unsecured subordinated loan 1	- note 7.1	275,956
Loan 3 - Unsecured subordinated loan 2	- note 7.2	112,000
		787,956

## 5.2 Key Terms of the preference shares

Preference shares to be issued are non-voting, cumulative, convertible, redeemable preference shares (referred to as Preference Shares) with no specified maturity date. The key terms of the preference shares are as follows:

- The preference shares shall be cumulative, and shall carry entitlement of a fixed annual cumulative dividend of 12% to be paid out of the normal profits of the company in each financial year. Any dividend not paid in a financial year shall cumulate towards entitlement of dividend in future years.
- The preference shares shall not carry any entitlement of ordinary dividend, right shares or bonus shares, or have any right to participate in the profits of the company.
- The preference shares shall be redeemable at par value solely at the option of the company, only through a sinking fund created out of the profits of the company.
- The preference shares shall be convertible into ordinary shares at the ratio of one preference share to one ordinary share at the option of either of the company or the preference share holder, any time and from time to time after expiry of five years from the date of allotment of the relevant preference shares. The outstanding dividend on the preference shares will not be converted into ordinary shares.

**5.3** Under the International Financial Reporting Standards (IFRS), the preference shares represent a compound financial instrument with a liability component representing the contractual stream of preference dividend required to be paid by the company. However, in these financial statements, the preference shares have been treated as part of equity on the following basis:

- The preference shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000;
- The issue of the shares was duly approved by the members of the Company at the Annual General Meeting held on October 30, 2014; and
- The requirements of the Ordinance takes precedence over the requirements of International Financial Reporting Standards.

The company is in the process of determining the liability component as prescribed under IFRS and shall disclose the impact in its annual financial statements for the year ending June 30, 2016.

		<b>December 31,</b>	<b>June 30,</b>
		<b>2015</b>	<b>2015</b>
		<b>Un-audited</b>	<b>Audited</b>
		<b>-----Rupees '000'-----</b>	
<b>6. Long term loans - secured</b>			
From Financial Institutions	- note 6.1	448,935	500,000
From Associated Companies	- note 6.2	-	710,000
		<u>448,935</u>	<u>1,210,000</u>
Less: Current portion shown under current liabilities		<u>(224,742)</u>	<u>(163,435)</u>
		<u>224,193</u>	<u>1,046,565</u>
<b>6.1 From Financial Institutions</b>			
Loan - 1	- note 6.1.1	326,208	363,636
Loan - 2	- note 6.1.2	122,727	136,364
		<u>448,935</u>	<u>500,000</u>
Less: Current portion shown under current liabilities		<u>(224,742)</u>	<u>(163,435)</u>
		<u>224,193</u>	<u>336,565</u>

**6.1.1** This loan has been obtained from a consortium of financial institutions led by Allied Bank Limited to finance the capital expenditure in relation to the hydrogen peroxide plant installation, construction and fabrication project. It is secured by way of hypothecation charge over all present and future fixed assets, wherever situated other than the immovable property and first pari passu mortgage charge over immovable property. It carries markup at six month KIBOR plus 2% per annum and is payable semi annually.

The balance is repayable in 4 unequal six monthly installments ending on August 24, 2017.

**6.1.2** This loan has been obtained from NIB Bank Limited during the year ended June 2015 and is secured by a way of pari passu charge over present and future fixed assets of the Company for Rs. 266.6 million. It carries markup at six month KIBOR plus 2% per annum and is payable on quarterly basis.

The balance is repayable in 4 equal six monthly installments ending on August 24, 2017.

**6.2** Loans of Rs 400 million from Descon Engineering Limited and that of Rs 310 million from Presson Descon International (Private) Limited have been adjusted against subscription towards preference shares as referred to in note 5.1 and note 5 respectively.

<b>December 31, 2015</b>	<b>June 30, 2015</b>
<b>Un-audited</b>	<b>Audited</b>
-----Rupees '000'-----	

**7. Subordinated loans from associated companies - unsecured**

- Descon Engineering Limited - Loan 1	- note 7.1	-	276,785
- Descon Engineering Limited - Loan 2	- note 7.2	-	112,000
- Interworld Travels (Private) Limited - Loan 3	- note 7.3	-	20,000
		<u>-</u>	<u>408,785</u>

**7.1** Out of the total outstanding balance of Rs 276,785 thousand, an amount of Rs 275,976 has been adjusted against subscription towards issuance of preference shares as referred to in note 5.1. The balance loan of Rs 829 thousand is included in current liabilities.

**7.2** The entire balance of loan has been adjusted against subscription towards issuance of preference shares as referred to in note 5.1.

**7.3** This loan was extended by Interworld Travels (Private) Limited, an associated company on June 30, 2010. The principal and markup accrued thereon are repayable only after the repayment of 50% of the facility referred to in note 6.1.1 and further subject to compliance with covenants contained in the agreement for loan referred to in note 6.1.1. Mark-up is accruable for the period at six months Kibor plus 1%. The entire amount of the loan along with the interest is payable on demand as at December 31, 2015 and consequently included in current liabilities.

<b>December 31, 2015</b>	<b>June 30, 2015</b>
<b>Un-audited</b>	<b>Audited</b>
-----Rupees '000'-----	

**8. Accrued Finance Cost**

Long term finances - secured			
- Financial institutions		13,447	19,718
- Associated companies	- note 8.1	187,381	-
Long Term Loans - unsecured	- note 8.1	266,601	-
Finances under markup arrangements - secured		<u>567</u>	<u>776</u>
		<u>467,996</u>	<u>20,494</u>

**8.1** Pursuant to settlement of the loans referred to in note 6.2 and note 7 as subscription towards preference shares referred to in note 5, the entire amount of the accrued finance cost is now payable on demand.

## 9. Contingencies and commitments

### 9.1 Contingencies

Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract amounting to Rs. 48.64 million (June 2015: Rs. 48.64 million).

A post dated cheque has been furnished by the company in favour of National Tariff Commission as a fee for anti dumping case filed against the Bangladesh amounting Rs 0.120 million (June 2015: Rs. 0.240 million)

### 9.2 Commitments

The company has commitments in respect of letters of credit other than capital expenditure amounting to Rs. 44.162 million (June 2015: Rs. 90.814 million) and in respect of agreement with Descon Power Solutions (Private) Limited amounting to Rs. 2.259 million (June 2015: Rs. 6.705 million) for installation of power auxiliary equipment at Descon Oxychem Limited site for a period of 3 years commencing from April 2013.

		December 31, 2015 Un-audited -----Rupees '000'-----	June 30, 2015 Audited
<b>10. Property, plant and equipment</b>			
Operating assets	- note 10.1	1,673,795	1,752,421
Capital work-in-progress		6,866	5,386
Major spare parts, catalysts and standby equipment		13,245	13,245
		<u>1,693,906</u>	<u>1,771,052</u>
<b>10.1 Operating assets - at net book value</b>			
Opening book value		1,752,421	1,899,701
Add: Additions during the period	- note 10.1.1	5,736	31,369
		1,758,157	1,931,070
Less: Disposals during the period (at book value) - note 10.1.2		183	12,790
Less: Depreciation charged during the period		84,179	165,859
Closing book value		<u>1,673,795</u>	<u>1,752,421</u>
<b>10.1.1 Additions during the period</b>			
Buildings on freehold land		462	998
Plant, machinery and equipment		3,660	12,726
Plant, machinery and equipment - catalyst		-	12,749
Material Handling		-	477
Tools and Equipment		400	-
Computer equipment		282	971
Electrical equipment		891	-
Office equipment		41	782
Furniture and fixture		-	161
Vehicles		-	2,505
		<u>5,736</u>	<u>31,369</u>
<b>10.1.2 Disposals during the period</b>			
Plant, machinery and equipment		154	10,694
Plant, machinery and equipment - catalyst		-	2,096
Computer equipment		29	-
		<u>183</u>	<u>12,790</u>

December 31,  
2015  
Un-audited  
-----Rupees '000'-----  
June 30,  
2015  
Audited

**11. Stock in trade**

Raw material [including in transit of Rs 33.063 million (June 2015: Rs 67.900 million)]	70,150	96,424
Work-in-process	249	291
Finished goods	22,270	6,836
	92,669	103,551

11.1 Finished goods include unused packing material of Rs. 1.487 million (2015: Rs 1.768 million).

12. These include sales tax receivable of Rs 116.14 million (June 2015: Rs 97.86 million).

Quarter ended		Half year ended	
December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
-----Rupees '000'-----			

**13. Sales**

Gross sales:				
- Local	390,362	309,541	727,267	597,738
- Export	38,137	54,806	81,701	125,505
	428,499	364,347	808,968	723,243
Less: Commission & discount on sales	(15,746)	(12,230)	(30,771)	(22,393)
Less: Sales Tax	(16,154)	(12,121)	(33,508)	(21,282)
Net Sales	396,599	339,996	744,689	679,568

**14. Cost of goods sold**

Raw material consumed	148,322	122,877	295,926	265,821
Salaries, wages and other benefits	18,167	17,545	36,193	34,153
Repair and maintenance	8,477	10,224	15,082	17,983
Fuel and power	56,435	78,991	126,863	171,763
Printing and stationery	-	156	-	156
Services through contractors	9,855	9,721	19,099	17,882
Travelling	854	1,296	854	1,296
Annual shutdown expenses	975	-	975	-
Communication	188	191	188	191
Rent & rates	8,985	7,632	18,087	18,250
Depreciation on property, plant and equipment	44,079	39,743	83,507	82,465
Insurance	1,986	1,995	3,972	3,990
Safety items consumed	680	423	680	423
Miscellaneous	194	450	1,101	709
	299,197	291,244	602,527	615,082
Add: Opening work in process	982	4,685	-	259
Less: Closing work in process	(249)	-	(249)	-
	733	4,685	(249)	259
Cost of goods produced	299,930	295,929	602,278	615,341
Add: Opening finished goods	24,992	17,991	6,836	11,360
Less: Closing finished goods	(22,270)	(14,079)	(22,270)	(14,079)
	2,722	3,912	(15,434)	(2,719)
Cost of goods sold	302,652	299,841	586,844	612,622



15. Administrative expenses include legal and professional charges amounting to Rs. 9.345 million and Rs 4.789 million for the half year ended December 31, 2015 and the quarter ended December 31, 2015 respectively (2014: Rs. 8.193 million and Rs. 2.801 million respectively).

	Quarter ended		Half year ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	-----Rupees '000'-----			

## 16. Earnings / (loss) per share

### 16.1 Basic earnings / (loss) per share

Profit/(loss) for the period	<b>Rupees</b>	15,849	(41,289)	14,523	(104,855)
Weighted average number of ordinary shares	<b>Number</b>	102,000	102,000	102,000	102,000
Earnings / (loss) per share	<b>Rupees</b>	0.16	(0.40)	0.14	(1.03)

### 16.2 Diluted earnings / (loss) per share

Profit/(loss) for the period	<b>Rupees</b>	15,849	(41,289)	14,523	(104,855)
Weighted average number of ordinary shares	<b>Number</b>	102,000	102,000	102,000	102,000
Add: Weighted average number of preference shares	<b>Number</b>	1,202	-	1,202	-
Weighted average number of outstanding shares	<b>Number</b>	103,202	102,000	103,202	102,000
Diluted earning/(loss) per share	<b>Rupees</b>	0.15	(0.40)	0.14	(1.03)

## 17. Transactions with related parties

Relationship with the company	Nature of transaction	Half year ended	
		December 31, 2015	December 31, 2014
		-----Rupees '000'-----	
i. Associated undertakings	Purchase of goods and services	8,946	9,324
	Sale of goods	520	140
	Share of common expenses charged from associated companies	17,927	19,817
	Share of common expenses charged to associated companies	5,925	4,961
	Mark-up expense	30,189	73,295
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	949	1,055
iii. Key management personnel	Salaries and other employee benefits	16,192	12,698
		<b>December 31, 2015</b>	<b>June 30, 2015</b>
		<b>Un-audited</b>	<b>Audited</b>
		-----Rupees '000'-----	
<b>Period-end balances</b>			
Associated undertakings	Payable to related parties	8,307	6,929
	Receivable from related parties	514	185
	Advances to related parties	1,709	1,680
	Accrued finance cost	453,982	423,785
	Long term loans - unsecured	20,829	1,118,785

	<b>Half year ended</b>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	<b>-----Rupees '000'-----</b>	
<b>18. Cash generated from operations</b>		
Profit/(loss) before taxation	45,083	(114,368)
Adjustments for:		
- Depreciation on property, plant and equipment	84,179	82,671
- Amortization of intangible assets	893	-
- Finance cost	56,260	115,287
- Interest on bank deposits	(1,055)	(396)
- Provision/(reversal) for accumulating compensated absences	1,088	(720)
- Reversal of provision for bad debts	(303)	-
- Exchange gain	(977)	(313)
- Gain on sale of property, plant and equipment	(451)	-
- Gain on sale of available for sale investments	(168)	(892)
<b>Profit before working capital changes</b>	<b>184,549</b>	<b>81,269</b>
<b>Effect on cash flow due to working capital changes</b>		
- Increase in stores and spares	(14,352)	(4,582)
- Decrease / (increase) in stock-in-trade	10,882	(13,954)
- Decrease in trade debts	835	1,440
- Increase in advances, deposits, prepayments and other receivables	(27,509)	(21,270)
- (Decrease) / increase in trade and other payables	(31,030)	18,603
	<b>(61,174)</b>	<b>(19,763)</b>
Cash generated from operations	<b>123,375</b>	<b>61,506</b>
	<b>December 31, 2015</b>	<b>June 30, 2015</b>
	<b>Un-audited</b>	<b>Audited</b>
	<b>-----Rupees '000'-----</b>	

**19. Cash and cash equivalents**

Cash and bank balances	101,448	75,479
Finances under markup arrangement - secured	(50,000)	(52,070)
	<b>51,448</b>	<b>23,409</b>

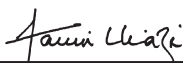
**20. Date of authorization for issue**

This condensed interim financial information was authorised for issue on February 19, 2016 by the Board of Directors of the Company.


**21. Corresponding figures**

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework.

In order to comply with the requirements of International Accounting Standard 34 - 'Interim Financial Reporting', the condensed interim balance sheet and condensed interim statement of changes in equity have been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim profit and loss account, condensed interim statement of comprehensive income and condensed interim cash flow statement have been compared with the balances of comparable period of immediately preceding financial year.



**Chief Executive**



**Director**



