HALF YEARLY REPORT
December 31, 2013 (Un-Audited)

# PASSION TO PERFORM...

Descon Oxychem Limited

# CONTENTS

# COMPANY INFORMATION

## Board of Directors
Abdul Razak Dawood
Chairman

Taimur Saeed
Chief Executive Officer

Asif Qadir
Farooq Nazir
Syed Zamanat Abbas
Taimur Dawood
Muhammad Sadiq
Faisal Dawood

## 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
Ph : 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 35923749

## Plant Site
18-KM Lahore - Sheikhupura 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: No. 92-21-34544485-6
Fax: No. 92-21-34382674

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

# DIRECTORS REPORT TO THE SHAREHOLDERS
## For the Six Months Ended December 31, 2013

Ladies and Gentlemen:

The Board presents to you the financial statements for the six months ended December 31, 2013. During this period, the Company produced at optimum production levels which helped substantially in reducing the adverse effects of increased energy shortages. Your Company returned to sustainable profitability in the second quarter of the year despite the biannual turnaround coupled with approx. 60% increase in electricity tariff as compared to the same period last year. In order to remain profitable for the rest of the year, Management's target is to continue producing at 110% of capacity with cost efficient energy inputs.

### Financial Highlights

| | Quarter ended | | Six months ended | |
|---|---|---|---|---|
| | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| | Rupees '000' | | Rupees '000' | |
| Sales | 387,943 | 406,361 | 725,930 | 708,082 |
| Gross profit | 88,778 | 106,791 | 131,055 | 148,913 |
| Operating Profit | 59,723 | 82,303 | 70,780 | 107,033 |
| (Loss) / profit for the period | (9,085) | 19,484 | (60,731) | (36,111) |
| (Loss) / earnings per share (PKR) | (0.09) | 0.19 | (0.60) | (0.35) |
| Production (MT) | 8522 | 7625 | 15540 | 13697 |

Company sales for the six months ended 31 December 2013 increased by PKR 17 million as compared to the same period last year. Despite maintenance related shutdown of plant during August 2013, Company was able to produce 13% more in six months under review as compared to same period last year. Gross profit for the six months ended 31 December 2013 decreased from 21% to 18% mainly due to increase in cost of power, however, alternate power arrangements have allowed us to operate above capacity. Finance cost decreased by 21% due to repayment of long term loans and a favorable change in KIBOR.

### Future Outlook

Your Company has returned to pre-tax profitability after coping with the challenges posed by current energy shortages. Our ability to produce above installed capacity is the basis for future growth. The quality of $H_2O_2$ produced in this plant is comparable to reputed international producers, hence the pull for our product in international and local markets is an opportunity which has been very well capitalized by the sales and marketing colleagues. We thank all our stakeholders and count on their continued support on our way to prosperity.

For and on behalf of the Board

Lahore
February 12, 2014

Taimur Saeed
Chief Executive Officer

pwc

A. F. FERGUSON & CO.

# 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, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity 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 for the quarters ended December 31, 2012 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

## 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, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Chartered Accountants,
Lahore
February 12, 2014

Name of engagement partner: Asad Aleem Mirza

# CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2013 (UN-AUDITED)

| | Note | Unaudited December 31, 2013 | Audited June 30, 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **EQUITY AND LIABILITIES** | | | |
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized capital | | | |
| 110,000,000 (June 2013: 110,000,000) ordinary shares of Rs 10 each | | 1,100,000 | 1,100,000 |
| Issued, subscribed and paid up capital | | | |
| 102,000,000 (June 2013: 102,000,000) ordinary shares of Rs 10 each | | 1,020,000 | 1,020,000 |
| Reserves | | 579 | 172 |
| Accumulated loss | | (523,178) | (462,447) |
| | | 497,401 | 557,725 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term finances | | | |
| - secured | 5 | 1,326,832 | 1,336,832 |
| - unsecured | 6 | 408,785 | 408,785 |
| Accrued finance cost | | 238,715 | 175,626 |
| | | 1,974,332 | 1,921,243 |
| **CURRENT LIABILITIES** | | | |
| Current portion of long term liabilities | | 20,000 | 102,326 |
| Finances under markup arrangement- secured | | 108,011 | 154,597 |
| Trade and other payables | | 141,497 | 136,433 |
| Accrued finance cost | | 32,533 | 39,629 |
| | | 302,041 | 432,985 |
| **CONTINGENCIES AND COMMITMENTS** | 7 | | |
| | | 2,773,774 | 2,911,953 |
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 8 | 1,977,290 | 2,026,746 |
| Intangible assets | | 2,976 | 11,903 |
| Long term deposits | | 16,554 | 16,554 |
| Deferred taxation | | 235,076 | 245,324 |
| | | 2,231,896 | 2,300,527 |
| **CURRENT ASSETS** | | | |
| Stores and spares | | 183,171 | 169,448 |
| Stock-in-trade | 9 | 71,305 | 63,386 |
| Trade debts - unsecured | | 103,971 | 118,054 |
| Investments - available for sale | 10 | 45,614 | 25,172 |
| Advances, deposits, prepayments and other receivables | | 79,757 | 179,759 |
| Current income tax recoverable | | 51,054 | 49,930 |
| Cash and bank balances | | 7,006 | 5,677 |
| | | 541,878 | 611,426 |
| | | 2,773,774 | 2,911,953 |

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
# FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

| | | Quarter ended | | Half year ended | |
|---|---|---|---|---|---|
| | | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| | Note | (Rupees in thousand) | | | |
| Sales | 11 | 387,943 | 406,361 | 725,930 | 708,082 |
| Cost of sales | 12 | (299,165) | (299,570) | (594,875) | (559,169) |
| Gross profit | | 88,778 | 106,791 | 131,055 | 148,913 |
| Administrative expenses | 13 | (16,372) | (10,347) | (31,697) | (18,903) |
| Distribution and selling cost | | (17,253) | (16,458) | (31,214) | (31,996) |
| Other operating income | | 4,570 | 2,317 | 5,279 | 9,019 |
| Other expenses | | - | - | (2,643) | - |
| Profit from operations | | 59,723 | 82,303 | 70,780 | 107,033 |
| Finance cost | | (54,755) | (65,088) | (113,997) | (143,870) |
| Profit / (loss) before taxation | | 4,968 | 17,215 | (43,217) | (36,837) |
| Taxation | | (14,053) | 2,269 | (17,514) | 726 |
| (Loss)/ profit for the period | | (9,085) | 19,484 | (60,731) | (36,111) |
| (Loss)/ earnings per share - Rupees | 14 | (0.09) | 0.19 | (0.60) | (0.35) |

The annexed notes 1 to 19 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, 2013 (UN-AUDITED)

| | Quarter ended | | Half year ended | |
|---|---|---|---|---|
| | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| | (Rupees in thousand) | | | |
| (Loss) / profit for the period | (9,085) | 19,484 | (60,731) | (36,111) |
| Other comprehensive income | | | | |
| Fair value gain on 'Available for sale' investments | 952 | 2,071 | 952 | 2,071 |
| Gain during the period transferred to profit and loss on account of derecognition of investment | (545) | (5,095) | (545) | (5,095) |
| Other comprehesive income for the period | 407 | (3,024) | 407 | (3,024) |
| Total comprehensive (loss) / income for the period | (8,678) | 16,460 | (60,324) | (39,135) |

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

CHIEF EXECUTIVE

DIRECTOR

## CONDENSED INTERIM CASH FLOW STATEMENT
## FOR THE HALF YEAR ENDED DECEMBER 31, 2013 (UN-AUDITED)

| | Note | Half year ended December 31, 2013 | Half year ended December 31, 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Cash flow from operating activities | | | |
| Cash generated from operations | 16 | 181,859 | 181,690 |
| Finance cost paid | | (58,004) | (126,887) |
| Profit on deposits received | | 292 | 688 |
| Income tax paid | | (8,390) | (8,460) |
| Net cash generated from operating activities | | 115,757 | 47,031 |
| Cash flows from investing activities | | | |
| Fixed capital expenditure | | (19,022) | (13,620) |
| Proceeds from sale of property, plant and equipment | | - | 813 |
| Investments purchased during the period | | (94,005) | (80,004) |
| Proceeds from sale of available for sale investments | | 74,514 | 177,847 |
| Net cash (used in) / generated from investing activities | | (38,513) | 85,036 |
| Cash flows from financing activities | | | |
| Repayment of long term loan | | (10,000) | (102,047) |
| Finance lease liabilities - net | | (19,329) | (15,438) |
| Net cash used in financing activities | | (29,329) | (117,485) |
| Net increase in cash and cash equivalents | | 47,915 | 14,582 |
| Cash and cash equivalents at beginning of the period | | (148,920) | (149,323) |
| Cash and cash equivalents at the end of the period | 17 | (101,005) | (134,741) |

The annexed notes 1 to 19 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, 2013 (UN-AUDITED)

| | Share Capital | Fair Value Reserve | Accumulated Loss | Total |
|---|---|---|---|---|
| | ...................... (Rupees in thousand) ...................... | | | |
| **Balance as on July 1, 2012** | **1,020,000** | **3,279** | **(411,221)** | **612,058** |
| **Total comprehensive income / (loss) for the half year ended December 31, 2012** | | | | |
| Loss for the period | - | - | (36,111) | (36,111) |
| Other comprehensive income for the period: | | | | |
| Fair value loss on 'Available for sale' investments | - | (3,024) | - | (3,024) |
| **Total comprehensive income / (loss) for the period** | - | (3,024) | (36,111) | (39,135) |
| **Total contributions by and distributions to owners of the Company recognised directly in equity** | - | - | - | - |
| **Balance as on December 31, 2012** | **1,020,000** | **255** | **(447,332)** | **572,923** |
| **Balance as on July 1, 2013** | **1,020,000** | **172** | **(462,447)** | **557,725** |
| **Total comprehensive loss for the half year ended December 31, 2013** | | | | |
| Loss for the period | - | - | (60,731) | (60,731) |
| Other comprehensive income for the period: | | | | |
| Fair value gain on 'Available for sale' investments | - | 407 | - | 407 |
| **Total comprehensive loss for the period** | - | 407 | (60,731) | (60,324) |
| **Total contributions by and distributions to owners of the Company recognised directly in equity** | - | - | - | - |
| **Balance as on December 31, 2013** | **1,020,000** | **579** | **(523,178)** | **497,401** |

The annexed notes 1 to 19 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, 2013 (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. The registered office of the company is situated at 18-KM Ferozepur Road, Lahore and the factory is situated at 18-KM Lahore-Sheikhupura Road, Lahore. 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, 2013 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, 2013.

## 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, 2013.

### 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 in current period

New and amended standards, and interpretations mandatory for the first time for the financial year beginning January 01, 2013:

- Annual improvements to IFRSs 2011 are applicable on accounting periods beginning on or after January 1, 2013. This set of amendments includes changes to five standards: IFRS 1, ‘First time adoption’, IAS 1, ‘Financial statement presentation’, IAS 16, ‘Property plant and equipment’, IAS 32, ‘Financial instruments; Presentation’ and IAS 34, ‘Interim financial reporting’. The application of these amendments have no material impact on the Company's financial statements.

- IFRS 7 (Amendments), ‘Financial instruments: Disclosures’, on offsetting financial assets and financial liabilities is applicable on accounting periods beginning on or after January 01, 2013. The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The application of this amendment has no impact on the Company's financial statements.

- IFRS 13 - ‘Fair value measurement’. This is applicable on accounting periods beginning on or after January 01, 2013. 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 IFRSs. The requirements, which are largely aligned between IFRSs 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 IFRSs or US GAAP. This IFRS is under consideration of the relevant Committee of the Institute of Chartered Accountants of Pakistan. Application of this standard has no material impact on the Company's financial statements.

- IAS 12 (Amendments), ‘Income Taxes’ on deferred tax. This is applicable on accounting periods beginning on or after January 01, 2013. The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, ‘Income taxes –recovery of revalued non-depreciable assets’, would no longer apply to investment properties measured at fair value. The application of this amendment has no material impact on the Company's financial statements.

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

| Standards or Interpretations | Effective date (accounting periods beginning on or after) |
|---|---|
| IAS 32 - Financial instruments: Presentation | January 01, 2014 |
| IFRS 9 - Financial instruments | January 01, 2015 |
| IAS 36 - Impairment of assets | January 01, 2014 |
| IAS 19 - Employee benefits | July 01, 2014 |

4. Taxation

The provision for taxation for the half year ended December 31, 2013 has been made using the tax rate that would be applicable to expected total annual earnings.

| | | Unaudited December 31, 2013 | Audited June 30, 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **5. Long term loans - secured** | | | |
| From Financial Institutions | - note 5.1 | 636,832 | 646,832 |
| From Associated Companies | - note 5.2 | 710,000 | 710,000 |
| | | 1,346,832 | 1,356,832 |
| Less: Current portion shown under current liabilities | | (20,000) | (20,000) |
| | | 1,326,832 | 1,336,832 |
| **5.1 From Financial Institutions** | | | |
| Loan - 1 | - note 5.1.1 | 566,832 | 566,832 |
| Loan - 2 | - note 5.1.2 | 70,000 | 80,000 |
| | | 636,832 | 646,832 |
| Less: Current portion shown under current liabilities | | (20,000) | (20,000) |
| | | 616,832 | 626,832 |

5.1.1 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 2.75% per annum and is payable semi annually. The markup charged during the period ranges from Re 0.3356 to Re 0.3279 (June 2013: Re 0.4041 to Re 0.3356) per diem per thousand. The loan was initially repayable in 12 six monthly installments commencing on February 24, 2012. However, after payment of 3 installments, an early repayment has been made during the year ended June 30, 2013. As on December 31, 2013, 6 installments are outstanding ending on August 2017.

5.1.2 This represents the loan obtained from KASB Bank Limited and is secured by a way of pari passu charge over present and future fixed assets (including land, building, plant and machinery) of the company for Rs 134 million. It carries markup at six month KIBOR plus 2.50% per annum and is payable semi annually. The markup charged during the period ranges from Re 0.39726 to Re 0.329041 (June 2013: Re 0.39726 to Re 0.329041) per diem per thousand. The loan is repayable in 10 equal semi annual installments ending on December 01, 2017.

| | | | |
|---|---|---|---|
| **5.2 From Associated Companies** | | | |
| - Descon Engineering Limited | - note 5.2.1 | 400,000 | 400,000 |
| - Presson Descon International (Private) Limited | - note 5.2.2 | 310,000 | 310,000 |
| | | 710,000 | 710,000 |

5.2.1 This loan has been extended by Descon Engineering Limited, an associated company on April 15, 2013. Markup is accruable at six months KIBOR plus 4.00%. Markup accrued is repayable in unequal installments beginning in April 2016 whereas Principal amount is repayable in unequal installments beginning in October

2017. It carries markup at six month KIBOR plus 4.00% per annum and is payable semi annually. Effective rate charged during the period was Re 0.3316 (June 2013: Re 0.3316) per diem per thousand. As per the terms of the borrowing agreement, the loan is secured against a ranking charge on all present and future assets and fixed assets of the Company. The above encumbarance, however, till the date of authorization of these financial statements, has not been registered with the Securities and Exchange Commission of Pakistan through the instrument evidencing the charge.

5.2.2 This loan has been extended by Presson Descon International (Private) Limited, an associated company on April 15, 2013. Markup is accruable at six months KIBOR. Markup accrued is repayable in unequal installments beginning in April 2016 whereas Principal amount is repayable in unequal installments beginning in April 2017. It carries markup at six month KIBOR per annum and is payable semi annually. Effective rate charged during the period was Re 0.2440 (June 2013: Re 0.2440) per diem per thousand. As per the terms of the borrowing agreement, the loan is secured against a ranking charge on all present and future assets and fixed assets of the Company. The above encumbarance, however, till the date of authorization of these financial statements, has not been registered with the Securities and Exchange Commission of Pakistan through the instrument evidencing the charge.

## 6. Subordinated loans from associated companies - unsecured

| | | Unaudited December 31, 2013 | Audited June 30, 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| - Descon Engineering Limited - Loan 1 | - note 6.2 | 276,785 | 276,785 |
| - Descon Engineering Limited - Loan 2 | - note 6.3 | 112,000 | 112,000 |
| - Interworld Travels (Private) Limited - Loan 3 | - note 6.4 | 20,000 | 20,000 |
| | | 408,785 | 408,785 |

6.1 The Company signed the 'Subordination Agreement' with Descon Engineering Limited, Interworld Travels (Private) Limited and Allied Bank Limited dated November 15, 2010, through which the repayment of both the principal and interest has been subordinated to the repayment of the syndicate loan as referred to in note 5.1.1. As per the terms of the 'Subordination Agreements', the Company may repay loan 2 and 3 aggregating to Rs 132 million and markup accrued on the entire balance of subordinated loans only after the principal of the syndicate loan has been repaid. Loan 1 of Rs 276.785 million may be repaid only after entire syndicate loan and related markup has been settled by the Company.

6.2 This loan was granted by Descon Engineering Limited, an associated company on June 30, 2010 by converting its short term non-interest bearing receivables of Rs 276.78 million into an un-secured interest bearing long term loan. The principal is repayable only after the repayment of the entire facility referred to in note 5.1.1. The markup is payable only after 50% of the facility under note 5.1.1 has been repaid. Mark-up is accruable for the period at six months Kibor plus 2.75 %. Effective rate charged during the period was Re 0.2281 (June 2013: Re 0.2281) per diem per thousand.

6.3 The loan was granted by Descon Engineering Limited, an associated company on May 19, 2010. The principal and markup accrued thereon are repayable only after the repayment of 50% of the facility referred to in note 5.1.1. Mark-up is accruable for the period at six months Kibor plus 2%. Effective rate charged during the period was Re 0.2779 (June 2013: Re 0.2779) per diem per thousand.

6.4 This loan was granted 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 5.1.1. Mark-up is accruable for the period at six months Kibor plus 1 %. Effective rate charged during the period was Re 0.2528 (June 2013: Re 0.2528) per diem per thousand.

## 7. Contingencies and commitments

### 7.1 Contingencies

(i) Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract amounting to Rs 48.64 million (June 2013: Rs 48.64 million).

(i) Shipment guarantee issued to Bank Al-Habib against outstading letters of credit amounting to Rs 12.786 million (June 2013: Nil).

### 7.2 Commitments

The company has commitments in respect of letters of credit other than capital expenditure amounting to Rs 20.885 million (June 2013: Rs 72.920 million) and in respect of capital expenditure amounting to Rs 1.5 million (June 2013: 8.370 million).

## 8. Property, plant and equipment

| | | Unaudited December 31, 2013 | Audited June 30, 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Operating assets | - note 8.1 | 1,955,104 | 2,024,098 |
| Capital work-in-progress | | 22,186 | 2,648 |
| | | 1,977,290 | 2,026,746 |

### 8.1 Operating assets

| | | | |
|---|---|---|---|
| Operating assets - at net book value | | | |
| - Owned assets | | 1,955,104 | 1,913,747 |
| - Leased assets | | - | 110,351 |
| | - note 8.1.1 | 1,955,104 | 2,024,098 |

### 8.1.1 Operating assets - at net book value

| | | | |
|---|---|---|---|
| Opening book value | | 2,024,098 | 2,176,729 |
| Add: Additions during the period | - note 8.1.1.1 | 13,243 | 8,357 |
| | | 2,037,341 | 2,185,086 |
| Less: Disposals during the period (at book value) | | - | 647 |
| Less: Depreciation charged during the period | | 82,237 | 160,341 |
| | | 82,237 | 160,988 |
| Closing book value | | 1,955,104 | 2,024,098 |

### 8.1.1.1 Additions during the period

| | | |
|---|---|---|
| Buildings on freehold land | 60 | - |
| Plant, machinery and equipment | 11,410 | 5,308 |
| Laboratory equipment | - | 165 |
| Material Handling | 71 | 7 |
| Tools and Equipment | 57 | 1,370 |
| Computer equipment | - | 506 |
| Office equipment | 65 | - |
| Vehicles | 1,580 | 1,001 |
| | 13,243 | 8,357 |

## 9. Stock in trade

| | Unaudited December 31, 2013 | Audited June 30, 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| Raw materials [including in transit of Rs 25.863 million (June 2013: Rs 26.849 million)] | 52,359 | 44,512 |
| Packing material | 888 | 103 |
| Work-in-process | 277 | 225 |
| Finished goods [including in transit of Nil (June 2013: Rs 1.334 million)] | 17,781 | 18,546 |
| | 71,305 | 63,386 |

## 10. Investments - available for sale

| | | | |
|---|---|---|---|
| Available for sale - at cost | | | |
| Investment in 202,812 units (June 2013: 69,768 units) of MCB Cash Optimizer Fund | | 20,015 | 7,000 |
| Investment in 1,526,965 units (June 2013: 905,949 units) of ABL Cash Fund | | 15,020 | 9,000 |
| Investment in 99,367 units (June 2013: 89,502 units) of HBL Money Market Fund | | 10,000 | 9,000 |
| | | 45,035 | 25,000 |
| Add: Cumulative fair value gain | - note 10.2 | 579 | 172 |
| | | 45,614 | 25,172 |

10.1 The investments have been made in open ended money market mutual funds which makes investments in fixed income instruments with a maximum maturity of 180 days and weighted average maturity up to 90 days. The return on the fund is in form of bonus units and cash dividend.

| 10.2 Cumulative fair value gain | Unaudited December 31, 2013 | Audited June 30, 2013 |
|---|---|---|
| | (Rupees in thousand) | |
| As at July 1 | 172 | 3,279 |
| Fair value gain during the period | 952 | 2,829 |
| Transferred to profit and loss account on derecognition of investments | (545) | (5,936) |
| | 579 | 172 |

| 11. Sales | Quarter ended | | Half year ended | |
|---|---|---|---|---|
| | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| | (Rupees in thousand) | | (Rupees in thousand) | |
| Gross sales: | | | | |
| - Local | 292,404 | 353,436 | 557,744 | 610,557 |
| - Export | 103,201 | 62,452 | 184,017 | 113,635 |
| | 395,605 | 415,888 | 741,761 | 724,192 |
| Less: Commission on sales | (7,662) | (9,527) | (15,831) | (16,110) |
| | 387,943 | 406,361 | 725,930 | 708,082 |

| 12. Cost of goods sold | Quarter ended | | Half year ended | |
|---|---|---|---|---|
| | December 31, 2013 | December 31, 2012 | December 31, 2013 | December 31, 2012 |
| | (Rupees in thousand) | | (Rupees in thousand) | |
| Raw and packing materials consumed | 127,887 | 116,108 | 236,587 | 220,261 |
| Salaries, wages and other benefits | 10,402 | 11,761 | 26,004 | 22,557 |
| Repairs and maintenance | 7,450 | 6,384 | 14,022 | 12,452 |
| Production supplies | - | 5 | - | 13 |
| Fuel and power | 81,103 | 48,407 | 167,300 | 95,086 |
| Printing and stationery | 233 | 128 | 233 | 205 |
| Services through contractors | 14,075 | 10,692 | 22,117 | 21,034 |
| Traveling | 598 | 127 | 598 | 563 |
| Communication | 113 | 85 | 113 | 192 |
| Depreciation on property, plant and equipment | 41,922 | 39,906 | 81,885 | 79,845 |
| Amortization on intangible assets | 4,464 | 4,464 | 8,928 | 8,928 |
| Insurance | 2,055 | 1,417 | 4,106 | 2,829 |
| Safety items consumed | 296 | 105 | 296 | 367 |
| Miscellaneous | (389) | 2,016 | 296 | 4,297 |
| Annual shutdown expenses | 1,479 | - | 14,207 | - |
| Rent & rates | 11,047 | - | 19,891 | - |
| | 302,735 | 241,605 | 596,583 | 468,629 |
| Add: Opening work in process | - | - | 225 | 2,308 |
| Less: Closing work in process | (277) | (2,523) | (277) | (2,523) |
| | (277) | (2,523) | (52) | (215) |
| Cost of goods produced | 302,458 | 239,082 | 596,531 | 468,414 |
| Add: Opening finished goods | - | - | 10,970 | 15,554 |
| Less: Closing finished goods | (9,336) | (3,716) | (18,669) | (9,929) |
| | (9,336) | (3,716) | (7,699) | 5,625 |
| Cost of goods sold - own manufactured | 293,122 | 235,366 | 588,832 | 474,039 |
| Cost of goods sold - purchased for resale | 6,043 | 64,204 | 6,043 | 85,130 |
| | 299,165 | 299,570 | 594,875 | 559,169 |

13. Administrative expenses include legal and professional charges amounting to Rs 9,161 thousand and Rs 4,928 thousand for the half year ended December 31, 2013 and the quarter ended December 31, 2013 respectively (2012: Rs 2,461 thousand and Rs 1,425 thousand respectively).

14. Earnings / (loss) per share

14.1 Basic earnings / (loss) per share

| | | | | | |
|---|---|---|---|---|---|
| Earnings / (loss) for the period | Rupees in thousand | (9,085) | 19,484 | (60,731) | (36,111) |
| Weighted average number of ordinary shares | Number | 102,000 | 102,000 | 102,000 | 102,000 |
| Earnings / (loss) per share | Rupees | (0.09) | 0.19 | (0.60) | (0.35) |

14.2 Diluted earnings per share

Diluted earnings per share has not been presented as the company does not have any convertible instrument in issue as at December 31, 2013 and December 31, 2012 which would have any effect on the earnings per share if the option to convert is exercised.

15. Transactions with related parties

| Relationship with the company | Nature of transaction | Half year ended December 31, 2013 | December 31, 2012 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| i. Associated undertakings | Purchase of goods and services | 10,058 | 2,922 |
| | Purchases in respect of capital expenditures | 57 | 435 |
| | Sale of goods/scrap | 275 | 424 |
| | Disposal of assets | - | 940 |
| | Share of common expenses charged from associated companies | 17,989 | 11,873 |
| | Share of common expenses charged to associated companies | 7,582 | 4,325 |
| | Mark-up expense | 63,089 | 28,699 |
| ii. Post employment benefit plans | Expense charged in respect of retirement benefit plans | 958 | - |
| iii. Key management personnel | Salaries and other employee benefits | 9,856 | 9,081 |

| Relationship with the company | Nature of transaction | Unaudited December 31, 2013 | Audited June 30, 2013 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Period-end balances | | | |
| Associated undertakings | | | |
| | Payable to related parties | 6,478 | 2,618 |
| | Receivable from related parties | 454 | 15 |
| | Advance to related parties | 33 | 4,746 |
| | Accrued finance cost | 238,715 | 142,347 |
| | Long term loan | 1,118,785 | 1,118,785 |

| | Half year ended | |
|---|---|---|
| | December 31, 2013 | December 31, 2012 |
| **16. Cash generated from operations** | (Rupees in thousand) | |
| Loss before taxation | (43,217) | (36,837) |
| Adjustments for: | | |
| - Depreciation on property, plant and equipment | 82,237 | 80,131 |
| - Amortization of intangible assets | 8,928 | 8,926 |
| - Gain on disposal of non-current assets | - | (165) |
| - Finance cost | 113,997 | 143,870 |
| - Interest from bank deposits | (292) | (688) |
| - (Reversal)/charge of provision for accumulating leave balances | (2,202) | 456 |
| - (Reversal)/charge of Provision for bad debts | (535) | 817 |
| - Net exchange loss/(gain) | 2,643 | (929) |
| - Gain on sale of investment | (545) | (5,117) |
| Profit before working capital changes | 161,014 | 190,464 |
| Effect on cash flow due to working capital changes | | |
| Effect on cash flow due to working capital changes | | |
| - (Increase)/Decrease in stores and spares | (27,482) | 6,857 |
| - (Increase)/Decrease in stock-in-trade | (7,919) | 22,817 |
| - Decrease/(Increase) in trade debts | 11,975 | (24,697) |
| - Decrease/(Increase) in advances, deposits, prepayments and other receivables | 37,005 | (14,923) |
| - Increase in trade and other payables | 7,266 | 1,172 |
| | 20,845 | (8,774) |
| Cash generated from operations | 181,859 | 181,690 |

| | Unaudited December 31, 2013 | Audited June 30, 2013 |
|---|---|---|
| **17. Cash and cash equivalents** | (Rupees in thousand) | |
| Cash and bank balances | 7,006 | 5,677 |
| Finances under markup arrangement - secured | (108,011) | (154,597) |
| | (101,005) | (148,920) |

## 18. Date of authorization for issue

This condensed interim financial information was authorised for issue on February 12, 2014 by the Board of Directors of the Company.

## 19. 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

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