

BOOK POST



HALF YEARLY REPORT

DECEMBER 31, 2018

Descon Oxychem Limited

Descon Headquarters, 18 km Ferozepur Road,

Lahore - 54760, Pakistan

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Descon Oxychem Limited

BREATHING LIFE INTO CHEMISTRY



Vision

Our vision is to be the leading Pakistan supplier of oxidative solutions based on hydrogen peroxide, complemented by related technologies to the textile, food safety, environmental and other industrial markets. At Descon Oxychem, we are committed to conducting our business honestly and ethically, complying with all applicable laws – this is our commitment to integrity. Our values exemplify our dedication to high standards of corporate responsibility towards all our stakeholders.

Mission

The mission is underpinned by four principles including safety, innovation, sustainability and customer focus. Our world class safety record is a deep part of our company's heritage, and an incident-free workplace is our first priority and foremost goal. We pride ourselves on quality products and innovative applications that are developed as a result of ingenuity and technical expertise. Industry demands constantly evolve, and we keep pace with this evolution. As an industry leader with an international footprint, we know that progress happens with hard work, a commitment to success and most of all, sustainable practices. The strength and value of our business lies in our people and their commitment to working with customers to provide solutions, technology expertise and unwavering commitment towards all customers' needs.

Our Values

- Continuous Improvement
- Leadership
- Accountability & Ownership
- Teamwork
- Open Communication
- Safety

Contents

Company Information	2
Chairman's Statement	3
Directors Report- English	4
Directors Report- Urdu	5
Auditor's Review Report	6
Condensed Interim Statement of Financial Position	7
Condensed Interim Statement of Profit or Loss Account	8
Condensed Interim Statement of Comprehensive Income	9
Condensed Interim Statement of Changes in Equity	10
Condensed Interim Statement of Cash Flows	11
Notes to and Forming Part of the Condensed Interim Financial Statements	12

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
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

Plant Site

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

Web Presence

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

Chairman's Statement

On behalf of the board, I am pleased to present the half yearly report of the Company for the period ended December 31, 2018. Management has implemented the strategy which restored margins owing mainly to commercial initiatives and cost efficiencies.

Through the oversight of the Directors, the Company ensured the transparency of corporate governance and compliance. The overall performance of the Board of Directors remained good throughout the period. The Board is composed of a mix of Directors in terms of relevant experience and skills and its Committees have been operating efficiently. Current period's financial results are a clear indication of the effective role played by the Board in achieving Company's objectives.

Going forward, the Company aims to enhance its competitive position by extending manufacturing capabilities and delivering growth through an inclusive business model. Despite challenging market conditions and the potential impact of enhanced onshore additional production capacity by various manufacturers will pose its own dynamics. 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 employees of the Company. I also acknowledge the commitment and diligence of my fellow directors during the year under review.

Lahore
February 13, 2019



Taimur Dawood Chairman

Directors' Report to the Shareholders

The Board of Directors of the company are pleased to present the six months report along with the Financial Statements for the period ended December 31, 2018.

Your Company's journey towards consolidation of strong financial position continued during the six months. Despite challenging economic environment, the business has regularly reviewed and aligned its strategy to meet the challenges and enhance the value for the shareholders as evident from the EPS number which has moved up from PKR 1.03 per share to PKR 3.09 per share. The summarized financial performance appears below.

	Three-month period ended		Six-month period ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	(Rupees in thousand)		(Rupees in thousand)	
Sales	667,338	504,525	1,339,513	953,082
Cost of goods sold	(455,785)	(378,543)	(851,453)	(708,051)
Gross profit	211,553	125,982	548,060	245,031
Profit from operations	175,442	85,760	452,678	164,524
Profit before taxation	162,945	84,930	439,437	162,111
Profit for the period	84,453	56,559	315,580	104,572
Earnings per share - Basic	0.83	0.55	3.09	1.03

Your company made a net profit of PKR 315 million during the six months compared with a net profit of PKR 104 million in the corresponding period last year, an increase of PKR 211 million. Gross profit for the six months has increased from PKR 245 million to PKR 548 million (from 26% to 41%) during these six months. Increase in gross profit mainly resulted from rational pricing strategy and focus on cost management. Cost of goods sold has gone up mainly due to increase in gas and imported raw materials prices. Your Company has successfully executed its annual turnaround (for routine maintenance and some critical jobs) in last quarter which is expected to result in production and cost efficiencies in coming months. The preference share capital was redeemed and the sponsors provided a long term loan of Rs.1.1billion to be repaid over 9 years. This will auger well for the ordinary shareholders and will be more tax efficient.

Your Company has also declared dividend for its ordinary shareholders @ 10% for the first time since inception. We are confident that with the support of the shareholders, this trend will continue in years to come.

During this reporting period, the stellar safety record remained a hallmark of your company's commitment to sustainability. There were no reportable injuries to any employee or to on-site contractors. The business has successfully completed 5.9 million-man hours without a lost time injury (LTI), since operations commenced in December 2008.

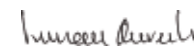
Future Outlook

With the country returning to economic stability which will enable, continual improvements in business strategy, measurably higher operating efficiency and lower cost, your company is positioned to improve its performance further. Your Company is also making progress to diversify the product portfolio covering food / beverage and livestock with specialized products where margins are even better. As you know its , your Company announced expansion some months back, the progress has been robust and key ordering has taken place. We are confident that project will come on stream ahead of timelines.

We sincerely thank all patrons for their unflinching and steadfast support.

Lahore
February 13, 2019

For and on behalf of the Board



Imran Qureshi Chief Executive Officer

ڈائریکٹرز رپورٹ برائے مشیر ہولڈرز

کمپنی کے بورڈ آف ڈائریکٹرز 31 دسمبر 2018 کو اختتام پذیر شدہ ہائیڈروجن گولڈ اسٹارٹ اپ کے ہونے سمیت محسوس کرتے ہیں۔

کمپنی کی مالیاتی کارکردگی کا خلاصہ درج ذیل ہے۔

اختتام ششماہی		اختتام سہ ماہی		
31 دسمبر 2017 (Rs."000")	31 دسمبر 2018 (Rs."000")	31 دسمبر 2017 (Rs."000")	31 دسمبر 2018 (Rs."000")	
953,082	1,339,513	504,525	667,338	فروخت
(708,051)	(851,453)	(378,543)	(455,785)	لاگت فروخت
245,031	548,060	125,982	211,553	مجموعی منافع
164,524	452,678	85,760	175,442	کام سے منافع
162,111	439,437	84,930	162,945	منافع ٹیکس سے پہلے
104,572	315,580	56,559	84,453	خاص منافع
1.03	3.09	0.55	0.83	آمدنی فی حصہ - بنیادی

آپ کی کمپنی نے زیر غور ششماہی میں مجموعی طور پر 315 ملین روپے کا منافع حاصل کیا جبکہ گزشتہ سال اسی مدت میں منافع 104 ملین روپے تھا، جو 211 ملین روپے کا اضافہ ہے۔ مجموعی منافع اس ششماہی 245 ملین سے بڑھ کر 548 ملین روپے (26% سے 41%) ہوا ہے۔ مجموعی منافع میں اس اضافے کی بنیادی وجہ پرائسنگ کی معقول نکتہ عملی اور لاگت کے انتظام پر مرکوز توجہ ہے۔ چینی گنی ایشیا کی قیمت گیس اور درآمدی خام مال کی بڑھی ہوئی قیمتوں کی وجہ سے بڑھی ہے۔ آپ کی کمپنی نے حالیہ سہ ماہی میں اپنا سالانہ نیشن آر او اینڈ کامیابی سے مکمل کیا (معمولی پیمائش اور کچھ اہم نوکریوں کے لئے) جس سے آنے والے مہینوں میں پروڈکشن اور لاگت کے لئے فائدہ مند نتائج نکلیں گے۔ ترقیاتی مشیر کے سر مایہ کو بھی دسمبر 2018 کی سہ ماہی میں انٹر-کمپنی قرض میں تجدید کر لیا گیا ہے۔

آپ کی کمپنی نے اپنے عام مشیر ہولڈرز کے لئے پہلی بار 10% حصہ کا بھی اعلان کیا ہے۔ ہم پر اعتماد ہیں کہ ہمارے مشیر ہولڈرز کی کلاں معاونت سے یہ رحمان آنے والے کئی سالوں تک جاری رہے گا۔

اس رپورٹ کی مدت کے دوران آپ کی کمپنی کا ممتاز اور نمایاں پیش قدمی ریکارڈ رہا۔ کسی بھی ملازم یا آن سائٹ ٹھیکیدار کو قابل بیان ضرر یا نقصان نہیں پہنچا۔ ہمارے بزنس نے دسمبر 2008 میں اپنے آپریٹنگ کے آغاز سے آج تک بنائے لوٹ نامہ (LTD) کے 5.9 ملین مزدوری کے سہ ماہی سے مکمل کر لئے ہیں۔

مستقبل کا منظر نامہ

مستقبل کے قابل قیاس اقتصادی استحکام، بزنس کی نکتہ عملی میں مسلسل بہتری، آپریٹنگ کی نمایاں بہتر کارکردگی اور کم لاگت سے آپ کی کمپنی مستقبل میں اپنی کارکردگی میں مزید بہتر کرنے کی پوزیشن میں ہے۔ آپ کی کمپنی اپنی خصوصی مصنوعات سے اپنے متنوع مصنوعات کے پورٹ فولیو، جو کھانے، مشروبات اور مال موٹوریٹی کی صنعت کو کوکرتا ہے، اس میں بھی ترقی کر رہی ہے۔ جیسا کہ آپ جانتے ہیں کہ آپ کی کمپنی نے کچھ ماہ پہلے تو سنجہ کا اعلان کیا تھا۔ اس تو سنجہ پر کام تیزی سے جاری ہے اور ضروری آرڈر دیے جا چکے ہیں۔ ہم پر اعتماد ہیں کہ یہ منصوبہ جیل از وقت عمل ہو جائے گا۔ ہم اپنے تمام سرپرستوں کا نئے سلسلے اور پر عزم تعاون پر تہ دل سے شکر ادا کرتے ہیں۔

برائے اور محتاج بورڈ آف ڈائریکٹرز

Muneeb Durrani

عمران قریشی چیف ایگزیکٹو آفیسر



A.F.FERGUSON & CO.

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

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Descon Oxychem Limited as at December 31, 2018 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three-month periods ended December 31, 2018 and December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the six-month period ended December 31, 2018.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

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

Chartered Accountants
Lahore
February 27, 2019

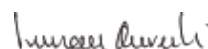
A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
23-C, Aziz Avenue, Canal Bank, Gulberg-V, P.O.Box 39, Lahore-54660, Pakistan
Tel: +92 (42) 3571 5868-71 / 3577 5747-50 Fax: +92 (42) 3577 5754 www.pwc.com/pk

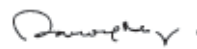
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

as at December, 31 2018 (Un-audited)

Note	December 31, 2018		June 30, 2018	
	Un-audited		Audited	
(Rupees in thousand)				
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized capital				
		1,100,000	1,100,000	
		1,100,000	1,100,000	
Issued, subscribed and paid up capital				
		1,020,000	1,020,000	
	5	-	1,100,000	
		(160,692)	(344,272)	
		859,308	1,775,728	
NON-CURRENT LIABILITIES				
	6	977,778	-	
		70,825	-	
		1,048,603	-	
CURRENT LIABILITIES				
	6	122,222	-	
	7	141,640	-	
		224,514	211,561	
		-	51,715	
		18	10	
		12,130	378	
		500,524	263,664	
CONTINGENCIES AND COMMITMENTS				
	8			
		2,408,435	2,039,392	
ASSETS				
NON-CURRENT ASSETS				
	9	1,331,968	1,392,836	
		32,463	733	
		17,654	17,654	
		-	43,519	
		1,382,085	1,454,742	
CURRENT ASSETS				
	10	250,624	211,484	
		107,483	26,317	
		85,030	39,439	
	11	283,169	194,325	
		28,030	-	
	12	87,000	-	
	13	185,014	113,085	
		1,026,350	584,650	
		2,408,435	2,039,392	

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

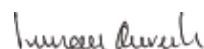

CHIEF EXECUTIVE

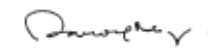
CHIEF FINANCIAL OFFICER

DIRECTOR
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS ACCOUNT

for the Three-Month and Six-Month Period Ended December 31, 2018 (Un-audited)

Note	Three-month period ended		Six-month period ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
(Rupees in thousand)				
Sales				
	14	667,338	504,525	1,399,513
Cost of goods sold				
	15	(455,785)	(378,543)	(851,453)
Gross profit				
		211,553	125,982	548,060
Administrative expenses				
		(19,572)	(20,058)	(43,865)
Distribution and selling costs				
		(16,376)	(16,885)	(32,929)
Other income				
		7,101	6,753	9,083
Other operating expenses				
		(7,264)	(10,032)	(27,671)
Profit from operations				
		175,442	85,760	452,678
Finance cost				
		(12,497)	(830)	(13,241)
Profit before taxation				
		162,945	84,930	439,437
Taxation				
		(78,492)	(28,371)	(123,857)
Profit for the period				
		84,453	56,559	315,580
Earnings per share				
	16.1	0.83	0.55	3.09
	16.2	0.51	0.27	1.67

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE

CHIEF FINANCIAL OFFICER

DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the Three-Month and Six-Month Period Ended December 31, 2018 (Un-audited)

	<u>Three-month period ended</u>		<u>Six-month period ended</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
	(Rupees in thousand)			
Profit for the period	84,453	56,559	315,580	104,572
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 period	<u>84,453</u>	<u>56,559</u>	<u>315,580</u>	<u>104,572</u>

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

for the Six-Month Period Ended December 31, 2018 (Un-audited)

	Share Capital		Preference share capital (Rupees in thousand)	Accumulated loss	Total
	Ordinary share capital	Preference share capital			
Balance as on July 1, 2017 (audited)	1,020,000	1,100,000	1,100,000	(402,551)	1,717,449
Profit for the period	-	-	-	104,572	104,572
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	104,572	104,572
Transactions with owners, recognised directly in equity	-	-	-	(132,000)	(132,000)
Preference dividend @ Rs1.2 per share	-	-	-	-	-
Balance as on December 31, 2017 (un-audited)	1,020,000	1,100,000	1,100,000	(429,979)	1,690,021
Balance as on July 1, 2018 (audited)	1,020,000	1,100,000	1,100,000	(344,272)	1,775,728
Profit for the period	-	-	-	315,580	315,580
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	315,580	315,580
Transactions with owners, recognised directly in equity	-	-	-	(132,000)	(132,000)
Preference dividend @ Rs 1.2 per share	-	-	(1,100,000)	-	(1,100,000)
Redemption during the period	-	-	(1,100,000)	(160,692)	(1,232,000)
Balance as on December 31, 2018 (un-audited)	1,020,000	-	-	(160,692)	859,308

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER




DIRECTOR

CONDENSED INTERIM STATEMENT OF CASH FLOWS

for the Six-Month Period Ended December 31, 2018 (Un-audited)

Note	Six-month period ended	
	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
Cash flows from operating activities		
Cash generated from operations	18 289,304	249,276
Finance cost paid	(1,489)	(102,333)
Profit on deposits received	6,824	565
Income tax paid	(89,258)	(22,875)
Net cash generated from operating activities	205,381	124,633
Cash flows from investing activities		
Fixed capital expenditure (including intangibles)	(56,416)	(40,315)
Proceeds from sale of fixed assets	316	-
Net cash used in investing activities	(56,100)	(40,315)
Cash flows from financing activities		
Proceeds from long term finance - unsecured	1,100,000	-
Redemption of preference shares	(1,100,000)	-
Preference dividend paid	(131,992)	(132,000)
Net cash used in financing activities	(131,992)	(132,000)
Net increase / (decrease) in cash and cash equivalents	17,289	(47,682)
Cash and cash equivalents at beginning of the period	113,085	(20,471)
Cash and cash equivalents at the end of the period	19 130,374	(68,153)

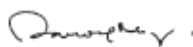
The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the Three-Month and Six-Month Period Ended December 31, 2018 (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

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2018.

2.3 The figures included in the condensed interim statement of profit or loss for the three months ended December 31, 2018 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the six months period ended December 31, 2018.

3. Significant accounting policies

3.1 The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual financial statements of the Company for the year ended June 30, 2018. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2018, except for estimation of provision for taxation as referred to in note 4 and the following changes:

3.2 Change in accounting policies

IFRS 15 'Revenue from contracts with customers' and IFRS 9, 'Financial Instruments' have become effective from accounting periods beginning on or after July 1, 2018. Accordingly, the Company has adopted these standards with effect from July 1, 2018.

The aforementioned changes are considered to be changes in accounting policy in accordance with IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors'. The impact of the same however, are not considered to be material to the condensed interim financial statements of the Company and accordingly comparatives have not been restated in this regard.

3.2.1 Revenue recognition

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

3.2.2 Investments and other financial assets

IFRS 9 - 'Financial instruments', replaces the guidance in IAS 39. Key changes in the new standard include requirements on the classification, measurement and derecognition of financial assets and liabilities. The standard also contains new requirements for hedge accounting and replaces the current incurred loss impairment model with an expected credit loss model.

3.3 Standards, amendments and interpretations to published approved accounting standards

3.3.1 Standards, amendments and interpretations to existing standards effective in current period

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2018 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.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after January 01, 2019 or later periods, but the Company has not early adopted them:

Standards or Interpretations	Effective date (accounting periods beginning on or after)
Amendments to IFRS 9; Financial instruments' regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 16, 'Leases'	January 01, 2019
Amendments to IAS 1, 'Presentation of financial statements'; and IAS 8, 'Accounting policies, changes in accounting estimates and errors';	January 01, 2020
Amendments to IAS 19; Employee Benefits' regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019
Annual improvements 2015–2017 - IFRS 3, 'Business combinations' - IFRS 11, 'Joint arrangements' - IAS 12, 'Income taxes' - IAS 23, 'Borrowing costs'	January 01, 2019

4. Taxation

The provision for taxation for the quarter and half year ended December 31, 2018 has been made using the tax rate that would be applicable to expected total annual earnings.

5. Preference shares

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

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

	December 31, 2018 Un-audited	June 30, 2018 Audited
	(Rupees in thousand)	

6. Long term finance - unsecured

Gross proceeds of loan	1,100,000	-
Less : current portion shown under current liabilities	<u>(122,222)</u>	<u>-</u>
	<u>977,778</u>	<u>-</u>

During the period, the Company obtained a loan from Descon Engineering Limited, a related company to meet its cashflow requirements.

Terms of markup

The loan carries markup at 3 month KIBOR + 1.5% per annum.

Terms of repayment

The tenure of the loan is nine years and it is repayable in eighteen bi-annual installments.

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

Subsequent to the period end, the Company early repaid installment of Rs 61.111 million along with the accrued markup of Rs 11.382 million.

	December 31, 2018 Un-audited	June 30, 2018 Audited
	(Rupees in thousand)	

7. Finances under mark up arrangements - secured

Allied Bank Limited	- note 7.1	141,640	-
Bank Al-Habib Limited	- note 7.2	<u>-</u>	<u>-</u>
		<u>141,640</u>	<u>-</u>

7.1 This represents the outstanding balance against short term running finance from Allied bank Limited. It carries markup at 3 month KIBOR plus 0.75% per annum. The mark up charged during the year was Re 0.2485 per diem per thousand on outstanding balance or part thereof. Total facility limit is Rs 150 million (June 30, 2018: Nil). It is secured against hypothecation charge over present and future current assets of Company with 25% margin.

7.2 This represents the outstanding balance against short term running finance from Bank Al-Habib Limited. It carries markup at 3 month KIBOR plus 0.75% (June 30, 2018: 3 month KIBOR plus 0.75%) per annum. The mark up charged during the year ranges from Re 0.2101 to Re 0.2449 per diem per thousand on outstanding balance or part thereof. Total facility limit is Rs 300 million (June 30, 2018: Rs 300 million). It is secured through a first charge over current assets of the Company for Rs 634 million and ranking charge over the land and building and plant and machinery of the Company for Rs 150 million.

8. Contingencies and commitments

8.1 Contingencies

Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract amounting to Rs 48.64 million (June 30, 2018: Rs 48.64 million).

Guarantee issued to Pakistan State Oil against the performance of a contract amount to Rs 3.50 million (June 30, 2018: Rs 3.50 million).

Other shipping guarantees Nil (June 30, 2018: Rs 7.89 million).

8.2 Commitments

i) Letters of credit other than capital expenditure amounting to Rs 45.157 million (June 30, 2018: Rs 69.26 million).

ii) Letters of credit of capital expenditure amounting to Rs 193.762 million (June 30, 2018: Nil).

iii) Cumulative dividend on preference shares of Rs 52.438 million (June 30, 2018: Rs 132 million).

		December 31, 2018 Un-audited	June 30, 2018 Audited
	Note	(Rupees in thousand)	
9. Property, plant and equipment			
Operating assets	- note 9.1	1,288,995	1,304,289
Capital work-in-progress		26,820	2,338
Major spare parts, catalysts and standby equipment [including in transit of Rs 5.252 million (June 30, 2018: Nil)]		16,153	86,209
		<u>1,331,968</u>	<u>1,392,836</u>
9.1 Operating assets			
Opening book value		1,304,289	1,452,260
Add: Additions during the period / year	- note 9.1.1	69,863	31,551
		<u>1,374,152</u>	<u>1,483,811</u>
Less: Disposals during the period / year (at book value)	- note 9.1.2	-	(7,414)
Less: Depreciation charged during the period / year		(85,157)	(172,108)
Closing book value		<u>1,288,995</u>	<u>1,304,289</u>

9.1.1 Additions during the period / year

	December 31, 2018 Un-audited	June 30, 2018 Audited
	(Rupees in thousand)	
Buildings on freehold land	3,811	2,266
Plant, machinery and equipment	54,996	24,991
Plant, machinery and equipment - catalyst	6,861	-
Laboratory equipment	-	600
Material handling	108	-
Tools and equipment	755	1,179
Computer equipment	1,208	1,323
Electrical equipment	571	-
Office equipment	118	857
Furniture and fixture	186	335
Vehicles	1,249	-
	<u>69,863</u>	<u>31,551</u>

9.1.2 Disposals during the period / year

	December 31, 2018 Un-audited	June 30, 2018 Audited
Plant, machinery and equipment	-	7,399
Computer equipment	-	15
	<u>-</u>	<u>7,414</u>

10. Stock in trade

	December 31, 2018 Un-audited	June 30, 2018 Audited
Raw material [including in transit of Rs 39.618 million (June 30, 2018: Rs 1.276 million)]	63,113	17,738
Work-in-process	7,711	5,285
Finished goods	36,659	3,294
	<u>107,483</u>	<u>26,317</u>

11. These include sales tax recoverable of Rs 114.775 million (June 30, 2018: Rs 178.287 million) and LC margin of Rs 141.760 million (June 30, 2018: Nil) with Allied Bank Limited ('ABL'). ABL refunded the entire amount of the margin to the Company subsequent to the period end.

12. These represents Term Deposit Receipts with Allied Bank Limited which matured on January 31, 2019.

13. Cash and bank balances

	December 31, 2018 Un-audited	June 30, 2018 Audited
At banks on:		
- Current accounts	1,490	6,960
- Saving accounts	183,524	106,125
	<u>185,014</u>	<u>113,085</u>

	Three-month period ended Un-audited		Six-month period ended Un-audited	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
14. Sales	(Rupees in thousand)			
Gross sales:				
- Local	705,819	533,101	1,474,429	1,008,360
- Export	1,618	2,449	3,127	4,907
	<u>707,437</u>	<u>535,550</u>	<u>1,477,556</u>	<u>1,013,267</u>
Less: Commission and discount on sales	(15,519)	(11,838)	(32,670)	(22,068)
Less: Sales tax	(24,580)	(19,187)	(45,373)	(38,117)
	<u>667,338</u>	<u>504,525</u>	<u>1,399,513</u>	<u>953,082</u>
15. Cost of goods sold				
Raw material consumed	176,007	131,739	350,860	267,200
Salaries, wages and other benefits	25,709	20,833	50,621	43,102
Repair and maintenance	12,951	11,196	30,878	19,260
Fuel and power	60,495	72,498	136,843	135,225
Packing material	780	1,105	1,630	2,280
Quality assurance	270	219	702	703
Services through contractors	10,908	11,643	21,176	23,000
Travelling	734	759	734	759
Annual shutdown expenses	38,807	-	38,807	-
Communication	203	359	388	359
Rent & rates	9,868	6,292	14,743	11,222
Depreciation on property, plant and equipment	42,862	43,439	84,770	86,971
Insurance	2,683	2,090	5,367	4,180
Safety items consumed	698	863	1,243	863
Miscellaneous	1,318	553	2,067	837
	<u>384,293</u>	<u>303,588</u>	<u>740,829</u>	<u>595,961</u>
Add: Opening work in process	5,505	1,552	5,285	2,680
Less: Closing work in process	(7,711)	(2,410)	(7,711)	(2,410)
	<u>(2,206)</u>	<u>(858)</u>	<u>(2,426)</u>	<u>270</u>
Cost of goods produced	<u>382,087</u>	<u>302,730</u>	<u>738,403</u>	<u>596,231</u>
Add: Opening finished goods	27,399	29,032	3,294	29,099
Less: Closing finished goods	(36,659)	(1,969)	(36,659)	(1,969)
	<u>(9,260)</u>	<u>27,063</u>	<u>(33,365)</u>	<u>27,130</u>
Cost of goods sold - own manufactured	<u>372,827</u>	<u>329,793</u>	<u>705,038</u>	<u>623,361</u>
Cost of goods sold - purchase for resale	82,958	48,750	146,415	84,690
	<u>455,785</u>	<u>378,543</u>	<u>851,453</u>	<u>708,051</u>

	Three-month period ended Un-audited		Six-month period ended Un-audited	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
16. Earnings per share	(Rupees in thousand)			
16.1 Basic earnings per share				
Profit for the period	Rupees in thousand 84,453	56,559	315,580	104,572
Weighted average number of ordinary shares	Number in thousand 102,000	102,000	102,000	102,000
Earnings per share	Rupees 0.83	0.55	3.09	1.03
16.2 Diluted earnings per share				
Profit for the period	Rupees in thousand 84,453	56,559	315,580	104,572
Weighted average number of ordinary shares	Number in thousand 102,000	102,000	102,000	102,000
Add: Weighted average number of preference shares	Number in thousand 64,066	110,000	87,158	110,000
Weighted average number of outstanding shares	Number in thousand 166,066	212,000	189,158	212,000
Diluted earning per share	Rupees 0.51	0.27	1.67	0.49
17. Transactions with related parties			Six-month period ended Un-audited	
Relationship with the company	Nature of transaction		December 31, 2018	December 31, 2017
			(Rupees in thousand)	
i. Related parties other than holding company	Purchase of goods and services		30,071	38,215
	Sale of goods		23	12
	Share of common expenses charged to the Company		21,433	24,800
	Share of common expenses charged by the Company		636	568
	Mark-up expense on long term loan		11,382	-
	Payment of preference dividend		131,755	-
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans		1,518	1,179
iii. Key management personnel	Salaries and other employee benefits		18,714	27,273
	Sale of fixed asset		316	-
			December 31, 2018	June 30, 2018
			Un-audited Audited	
			(Rupees in thousand)	
Period-end balances				
Payable to related parties			11,465	1,903
Advances to related parties			1,162	1,162
Accrued finance cost			11,382	-

	Six-month period ended Un-audited	
	December 31, 2018	December 31, 2017
	(Rupees in thousand)	
18. Cash generated from operations		
Profit before taxation	439,437	162,111
Adjustments for:		
- Depreciation on property, plant and equipment	85,157	87,605
- Amortization of intangible assets	397	998
- Finance cost	13,241	2,413
- Interest on bank deposits	(6,824)	(565)
- Provision / (reversal) for accumulating compensated absences	779	(366)
- Provision for slow moving stocks	-	1,500
- Provision for bad debts	-	1,500
- Exchange (gain) / loss	(16)	855
- (Gain) / loss on sale of property, plant and equipment	(316)	15
Cashflows before working capital changes	<u>531,855</u>	<u>256,066</u>
Effect on cash flow due to working capital changes		
- Increase in stores and spares	(39,140)	(4,797)
- (Increase) / decrease in stock-in-trade	(81,166)	6,003
- Increase in trade debts	(45,591)	(7,126)
- Increase in advances, deposits, prepayments and other receivables	(88,844)	(6,592)
- Increase in trade and other payables	12,190	5,722
Cash generated from operations	<u>(242,551)</u>	<u>(6,790)</u>
	<u>289,304</u>	<u>249,276</u>
	December 31, 2018	December 31, 2017
	Un-audited	Un-audited
	(Rupees in thousand)	
19. Cash and cash equivalents		
Short term investments	- note 12 87,000	-
Cash and bank balances	- note 13 185,014	20,412
Finances under mark up arrangement - secured	- note 7 (141,640)	(88,565)
	<u>130,374</u>	<u>(68,153)</u>
20. 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 period.

21. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at June 30, 2018.

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

22. Date of authorization for issue

These condensed interim financial statements were authorized for issue on February 13, 2019 by the Board of Directors of the Company.

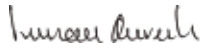
23. Subsequent events

The Board of Directors of the Company have proposed an interim cash dividend pertaining to ordinary shareholders for the six months ended December 31, 2018 of Rs 1 per share amounting to Rs 102 million at their meeting held on February 13, 2019. These condensed interim financial statements do not reflect this dividend payable.

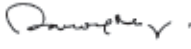
24. Corresponding figures

In order to comply with the requirements of IAS 34, the condensed interim statement of financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework. However no significant rearrangements have been made.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR