

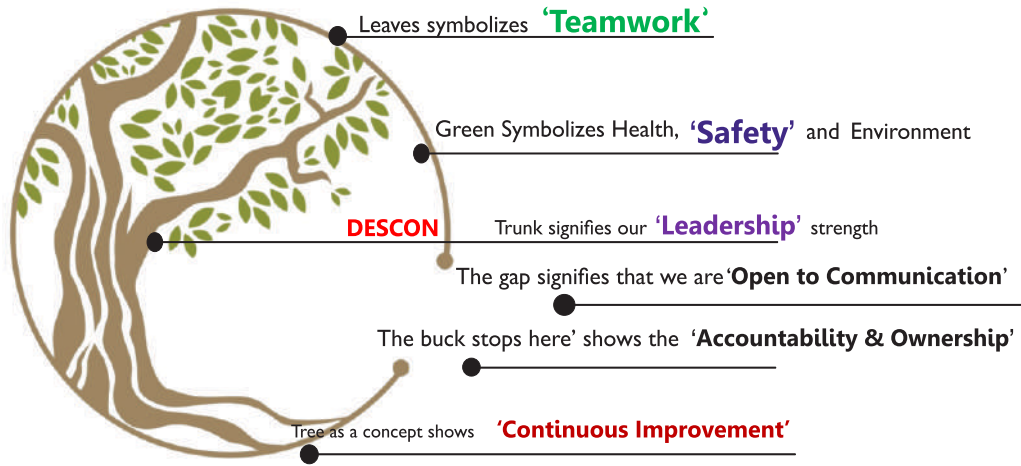
PARTNERS IN
PROGRESS



ANNUAL REPORT 2024

Descon Oxychem Limited

Our Core Values



Continuous Improvement

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



Leadership

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



Accountability and Ownership

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



Team Work

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



Open Communication

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



Safety

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

CHAIRMAN'S STATEMENT

The Company has had another good year despite the extra-ordinary challenges related to the significant increase in energy cost and decrease in the underlying price of the commodity. The Management has implemented an effective strategy to partially mitigate the adverse impacts of supply chain disruptions and decrease in commodity prices through improved product placement. The company has continued to strengthen its market position as a market leader.

The Board has been playing a pivotal role in directing the company through regular reviews of the business and its performance. The Directors have mandated strict compliance to the code of corporate governance, for which they get regular updates from a well entrenched independent internal audit function.

The board performed its role and responsibilities for setting standards, policies, strategic aims and made resources available to achieve our objectives. Board Members also monitor and review material strategic issues, financial performance, and risk management at quarterly intervals. In 2023-24, your Company has achieved an EPS of (PKR 2.90 / Share) despite significant increase in the cost of utilities. The Board of Directors have recommended 20% cash dividend for its shareholders, signifying the strong and healthy cash flow of the Company.

It's important to highlight the key role played by the Committees (Audit Committee, Human Resource and Remuneration Committee) in directing management towards areas of improvements.

Your Company has made significant inroads in the domestic/international market segments in order to profitably absorb the additional production capacity. The company has also expanded its international reach by exporting to multiple new markets and segments in order to mitigate any disruption in the domestic market. Despite the uncertain business conditions, the Company is in a position to steer through the rapidly changing business environment.

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

Lahore
September 06, 2024


Faisal Dawood
Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS

For the year ended June 30, 2024

The Directors of the company are pleased to present the Annual Report along with the Audited Financial Statements for the year ended June 30, 2024.

Economic Review

The year has been challenging for most of the businesses with high energy costs leading to high inflation and increased production costs coupled with the high interest rates, leading to slowdown in demand. The economic environment worldwide has been pushing the central banks to keep interest rates high to keep inflation under control. Despite these challenges, the capacity expansion implemented by your company during the previous years has helped us to operate profitably during this uncertain period.

Business Results

Your company continuously strives to sustain its consistent performance despite adverse movement in the electricity costs and high taxes. During the year the management focused on sustaining margins despite cost challenges through improved pricing while capitalizing on economies of scale generated by capacity expansion. The expansion also provided the much-needed additional volumes for improving exports and developing new markets while supporting our goal of import substitution. However, the excess supply of imported product at significantly lower price led to a reduction in price in the local market which was partially hedged by the company's strategy to develop export market. The results below show the management's focus on efficient production, sustaining profitability and market development while leveraging its strength as the significant player in the hydrogen per oxide national market and entering the international market. These efforts have led your company to achieve improved results. The summarized financial performance appears below.

	2024	2023	2022	%age
	Rupees in thousands			2024 vs 2023
Sales	5,738,033	6,721,346	4,250,493	▲ -15%
Gross profit	1,154,113	2,756,429	1,101,805	▲ -58%
Profit from operations	770,104	2,372,931	901,271	▲ -68%
Finance cost	(23,837)	(25,929)	(52,568)	▼ -8%
Profit before tax	854,256	2,223,700	802,446	▲ -62%
Profit after tax	507,014	1,400,392	470,877	▲ -64%
Earnings per share – Basic	2.90	8.00	2.69	▲ -64%

Despite a very difficult pricing scenario the company has been able to be profitable through sustainable operations of the site and better product placement. Borrowing cost is low owing to efficient working capital management and long-term debt prepayment in previous years linked with company's strategy to minimize the impact of interest rate hikes.

Profit after tax is PKR 507 million as compared to PKR 1,400 million in previous year due to increases in electricity cost and dumping of product by international players. The management has kept a tight control over costs leading to efficient deployment of resources to manage the business. The company expects to consistently deliver profitability creating value for the shareholders.

Cash Flow Management

Your company has generated cash flow from operations of PKR 998 million in FY-24 as compared to PKR 2.3 billion in FY-23 owing to a reduction in profitability. Despite significant increase in raw material costs and supply chain disruptions the company has optimized working capital utilization therefore zero working capital borrowing. The company plans to continue the same in future.

Safety & Manufacturing

Health, safety, environment and security of our employees/contractors is a high priority in the company, and it is an integral part of Descon's core values. At the closure of FY24, the business had operated thirteen consecutive years without a single lost time injury (LTI) & successfully achieved 10+ million man-hours & 7+ Million safe kilometers. Total recordable injuries rate (TRIR) is still zero, same as last year.

The company remained fully compliant with all global accreditation requirements for ISO 9001, ISO 45001 and ISO 14001. The business consistently complied with national liquid and gaseous emissions standards. The entire workforce is trained, supported and regularly assessed, which enables them to perform their jobs with minimal risk. During the year, the company invested in training to build capacity and capability. Further, it continues to take measures that build institutional memory.

The company took sustainability initiatives in line with the United Nations Sustainability Development goals & good progress achieved against the set targets. Some of the key updates are,

- UN certification for packing
- ZDHC (Zero Discharge of Hazardous Chemicals) certification
- Solar project for 284 kW
- Addition of female workforce at all levels

This year, the company has safely & successfully concluded a Plant Turnaround where inspections of critical equipment were carried out. Considerable efforts were made on reduction of energy & chemical consumptions which has led to significant savings for the company. Special focus was given to the Manufacturing excellence program to bring in efficiencies at plant operations and other processes. The drive has also resulted in the reduction of controllable losses to 0.55% vs 1% industry benchmark.

Sales & Marketing

The company continues to be the market leader, preferred supplier and provider of consistent quality product to the customers. While the textile sector is seeing a downturn your company has been working on diversifying its customer portfolio by addition of international customers, adding precious foreign exchange to the national exchequer.

The company is expecting significant improvement in profitable market share based on stronger push and market intelligence-based approach.

Entity Credit Rating

By the Pakistan Credit Rating Agency Limited (PACRA) as on June 30, 2024.

Rating Type	Rating
Long-term	A+ (A Plus)
Short-term	A1 (A One).

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

Future Outlook

The company plans to keep tight control on its fixed costs while making significant efforts to enter into diversified market segments and exports creating opportunities to further improve margins despite cost challenges. Your company is consistently working on strategies to mitigate risks while capitalizing on opportunities to maximize shareholder's value.

Building blocks are in place for further exploring profitable export markets and business segments creating a mitigant against adverse price movements.

The business wishes to sustain its best-in-class position in safety, production efficiency and market intelligence through investment in continuous improvement and data driven decision making.

Corporate Governance

The Board of Directors of the company and the Management are fully conversant with their key responsibilities as required by the provisions of the Companies Act, 2017 (the "Act"). The Board has adopted best practices of Corporate Governance by ensuring a strong sense of business principles and high standards for compliance in business activities. The same has been summarised in the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "Regulations") duly reviewed by the external auditors.

The Directors are pleased to report the following:

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

Composition of the Board of Directors

The total numbers of directors are eight (8) including Chief Executive (deemed Director) as follows:

- a) Male 7 (including Chief Executive)
- b) Female 1

The composition of the Board is as follows:

Sr. No.	Category	Name
1	Independent Directors	Mr. Muhammad Zahir
2		Mr. Jehanzeb Khan
3	Non-executive Directors	Mr. Faisal Dawood (Chairman)
4		Mr. Taimur Dawood
5		Mr. Farooq Nazir
6		Mrs. Mehreen Dawood
7		Mr. Asif Qadir
8	Executive Directors	Mr. Muhammad Mohsin Zia (CEO)

Changes to the Board

During the financial year under review no changes were made on the Board.

Meetings of the Board

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

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

During the year under review, five (05) meetings of the Board of Directors were held. The attendance of the Directors was as follows:

Name of Director	Meetings Attended	Remarks
Mr. Taimur Dawood	5/5	–
Mr. Faisal Dawood	5/5	–
Mrs. Mehreen Dawood	5/5	–
Mr. Farooq Nazir	5/5	–
Mr. Asif Qadir	3/5	Leave of absence was granted in 2 meetings.
Mr. Muhammad Zahir	5/5	–
Mr. Jehanzeb Khan	5/5	–
Mr. M. Mohsin Zia	5/5	–

Directors Training

Six (06) of the Directors have obtained certificates of Directors' Training program, whereas one of the Directors is exempt from training. The remaining Director will undertake a training program in due course.

Internal Audit and Control

The Board of Directors has employed an effective system of operational and financial controls. The company promotes a culture of moral conduct and ethical obligation at all levels within the company. The Audit Committee reviews the effectiveness of the internal controls framework on a quarterly basis, whereas, the Internal Audit function provides independent and objective evaluations and reports to the Audit Committee on the effectiveness of governance, risk management and control processes.

In order to ensure transparency and independence of the Internal Audit function, the Head of Internal Audit and outsourced Internal audit service providers M/s. KPMG Taseer Hadi & Co. Chartered Accountants report directly to the Audit Committee. The risk-based annual internal audit plan of the company is also approved by the Board and its progress is reviewed on a quarterly basis by the Audit Committee. The Audit Committee has also reviewed material Internal Audit findings, taken appropriate actions where necessary, or brought the matters to the Board's attention, where required. Adequate remedial and mitigating measures are applied, where necessary.

Adequacy of Internal Financial Controls

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

Directors' Remuneration

The remuneration of Board members is decided by the committee of the Board. The Board seeks to ensure that there is a transparent and fair mechanism in place for determining the remuneration of directors for participation in the meetings of the Board and its committees. For this purpose, a policy for determining the remuneration of directors has been approved and implemented pursuant to which a reasonable meeting participation fee is being paid to Independent Directors. The aggregate amount of fees paid to independent Directors has been disclosed in Note 39 of these financial statements.

Evaluation of Performance of the Board

The Chairman of the Board, in consultation with the Board members, has developed an evaluation plan for the Board and its Committees to ensure that the Board and its committees are fully conversant with their roles and responsibilities. The Board reviews its own performance and the performance of its members and committees on a regular basis. As prescribed under the Regulations, Board has conducted an evaluation of its own performance, its members and its committees through a specially designed survey by the internal team of the Corporate Affairs Department. The survey was well received by the participants and they showed satisfaction and gave valuable feedback. A detailed report was compiled on the basis of the survey and shared with the Chairman. There was no significant departure from the Act, the Regulations and the policies & procedures found in the said evaluation report.

Committees of the Board

To assist the smooth operations of the Board and support sound decision-making, the Board has established four committees. Further, in compliance with the Regulations, the Audit Committee is chaired by an Independent Director.

Audit Committee

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

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

- Mr. Muhammad Zahir (Independent Director) – Chairman
- Mr. Jehanzeb Khan (Independent Director) – Member
- Mr. Farooq Nazir (Non-executive Director) – Member

The Audit Committee met 4 times in total. The attendance of the members were as follows:

AUDIT COMMITTEE ATTENDANCE	
Name of Member	Meetings Attended
Mr. Muhammad Zahir	4/4
Mr. Jehanzeb Khan	4/4
Mr. Farooq Nazir	4/4

Human Resource & Remuneration Committee

The Human Resource & Remuneration Committee has been established to review and recommend to the Board all elements of compensation and policies and procedures required to be adopted for an effective human resource function.

The Human Resource and Remuneration Committee comprises three (03) members, as follows:

Mr. Farooq Nazir (Non-executive Director) – Chairman
 Mr. Faisal Dawood (Non-executive Director) – Member
 Mr. Muhammad Zahir (Independent Director) – Member

The Human Resource and Remuneration Committee met 4 times in total.

HRRC ATTENDANCE	
Name of Member	Meetings Attended
Mr. Farooq Nazir	4/4
Mr. Faisal Dawood	4/4
Mr. Muhammad Zahir	4/4

Enterprise Risk Management Committee:

The Risk Management Committee was constituted to assist the Audit Committee of the Board of Directors in overseeing and reviewing information regarding the enterprise risk management framework, and practices employed to manage all risks affecting the company. The Enterprise Risk Management Committee comprises four (04) members, as follows:

Mr. Muhammad Mohsin Zia (Executive Director) – Chairman
 Mr. Muhammad Rizwan Qaiser (Chief Financial Officer) – Member
 Mr. Mushfiq Hussain (Works Manager) – Member
 Mrs. Noor Shuja (Head Shared Services) – Member

Compliance Committee:

Compliance Committee was constituted to oversee the company's compliance with applicable legal and regulatory requirements, industry standards and the company's code of ethics and business conduct. The Compliance Committee comprises four (04) members, as follows:

Mr. Muhammad Mohsin Zia (Executive Director) – Chairman
 Mr. Muhammad Rizwan Qaiser (Chief Financial Officer) – Member
 Mr. Mushfiq Hussain (Works Manager) – Member
 Mrs. Noor Shuja (Head Shared Services) – Member

Related Party Transactions

The Audit Committee reviewed and recommended all the related party transactions to the Board and the Board approved them. All related party transactions were carried out in the normal course of business and on an arm's length basis. The company maintains a complete record of all the related party transactions as prescribed in the Companies (Related Party Transactions and Maintenance of Related Records) Regulations, 2018. The company has made a detailed disclosure of the related party transactions in the financial statements annexed with this annual report. Such disclosure is in line with the requirements of the 4th Schedule of the Act and applicable International Financial Reporting Standards.

Social Investment

Over the past year, the company has taken significant strides in fulfilling its commitment to Corporate and Social Responsibility. The company's dedication to sustainability, community engagement, and ethical practices has created an impact that resonates with the values and the betterment of society. Through energy-efficient measures and waste reduction strategies, the company has achieved a substantial decrease in our carbon emissions.

The company's commitment to community welfare remains unwavering. Over the last year, it has actively engaged with local communities through various outreach programs. Ethical business practices continue to be a cornerstone of our CSR initiatives. The company maintained a transparent and inclusive approach in all our operations, fostering trust among stakeholders. As the company reflects on the accomplishments of the past year, it is reminded that its CSR journey is an ongoing one.

Looking ahead, the company remains committed to fostering positive change, embracing innovation, and contributing to a more sustainable and equitable world.

Environment, Social, and Governance

The company is committed to ensure environmental, social, and governance (ESG) compliance through responsible business practices. Throughout the fiscal year, the company has prioritized environmental stewardship by implementing initiatives to reduce our carbon footprint and protect the environment by tree plantation and energy conservation. Socially, we have invested in community development programs, aiming to enhance the welfare of local populations and promote inclusivity amongst the employees. Our governance framework ensures transparency, accountability, and ethical conduct across all operations, fostering trust among stakeholders. By adhering to rigorous ESG standards, we not only mitigate risks for the community but also create long-term value for our shareholders and contribute positively to Pakistan's socio-economic landscape.

Pattern of Shareholding

In accordance with section 227(2)(f) of the Act, the pattern of shareholding as of June 30, 2024, along with disclosures as required under the Regulations is annexed to the Annual Report.

Cash Dividends

The Board of Directors has recommended an annual cash dividend @ 20% (Rs. 2 per ordinary share) to the company's members whose names appear on the register of members as of October 16, 2024 out of the profits of the company for the year ended on June 30, 2024. It will be paid subject to the approval from the shareholders in the forthcoming Annual General Meeting.

Auditors

The financial statements of the company for the year 2023-2024 were audited by M/s. Crowe Hussain Chaudhury & Co., Chartered Accountants. Being eligible they have offered themselves for reappointment. As recommended by the Audit Committee, the Board has approved the appointment of M/s. Crowe Hussain Chaudhury and Co., Chartered Accountants, as auditors of the Company for the year ending June 30, 2025, subject to the approval of the Shareholders in the forthcoming Annual General Meeting.

Acknowledgments

We would like to thank all stakeholders for their contributions in the past year. It is our stakeholder's support that makes all the company's achievements possible while helping us create a sustainable business. We look forward to a promising and strong performance in the future.

For and on behalf of the Board

Lahore
September 06, 2024


CHIEF EXECUTIVE


DIRECTOR

Statement of Compliance

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

Name of company: **Descon Oxychem Limited**

Year ending: June 30, 2024

The company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the "Regulations") in the following manner:

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

- a) Male: 7
- b) Female: 1

2. The Composition of the Board is as follows:

Category	Names
Independent Directors*	Mr. Muhammad Zahir
	Mr. Jehanzeb Khan
Non-Executive Directors	Mr. Taimur Dawood
	Mr. Faisal Dawood
	Mr. Farooq Nazir
	Mrs. Mehreen Dawood
	Mr. Asif Qadir
Executive Director	Mr. Muhammad Mohsin Zia (CEO)

*In respect of Independent Directors, the Company believes it has sufficient impartiality and is able to exercise independence in decision-making within the Board and hence, does not require to round up the fraction to 3 independent directors.

3. The directors have confirmed that none of them is serving as a director on more than seven (7) listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/shareholders as empowered by the relevant provisions of the Act and the Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Companies Act 2017 (the "Act") and the Regulations with respect to frequency, recording and circulating minutes of the Meetings of the Board;
8. The Board of Directors has a formal policy and transparent procedures for the remuneration of directors in accordance with Act and these Regulations;
9. Six (06) of the Directors have obtained certificates of Directors' Training program; whereas two (02) Directors are exempted from Directors' Training program by virtue of their requisite qualification and required experience of serving on the board of listed companies.

10. The Board has approved the appointment of the Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed three committees comprising the members given below:
 - a) **Audit Committee**
 - i. Mr. Muhammad Zahir (Independent Director) - Chairman
 - ii. Mr. Farooq Nazir (Non-executive Director)
 - iii. Mr. Faisal Dawood (Non-executive Director)
 - b) **Human Resource and Remuneration Committee**
 - i. Mr. Farooq Nazir (Non-executive Director) – Chairman*
 - ii. Mr. Faisal Dawood (Non-executive Director) – Member
 - iii. Mr. Muhammad Zahir (Independent Director) – Member
 - c) **Enterprise Risk Management Committee**
 - i. Mr. Muhammad Mohsin Zia (Executive Director) – Chairman
 - ii. Mr. Muhammad Rizwan Qaiser (Chief Financial Officer)
 - iii. Mr. Mushfiq Hussain (Works Manager)
 - iv. Mrs. Noor Shuja (Head Shared Services)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;
14. The frequency of meetings of the committees were as per following:
 - a) **Audit Committee:**

Four quarterly meetings were held during the financial year ended June 30, 2024.
 - b) **Human Resource and Remuneration Committee:**

Four meetings of Human Resource and Remuneration Committee were held during the financial year ended June 30, 2024.
 - c) **Enterprise Risk Management Committee:**

Four meetings of the Enterprise Risk Management Committee were held during the financial year ended June 30, 2024.
15. The Board has outsourced the internal audit function to M/s. KPMG Taseer Hadi and Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27,32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27,32, 33 and 36 are given below:

Sr. No.	Regulation No.	Description	Explanation
1	28 (2)	The chairman of the Human Resource and Remuneration Committee shall be an independent director and the chief executive officer may be included as a member of the committee.	The present Chairman Human Resource & Remuneration Committee is appointed due to his extensive experience as Board and Human Resource & Remuneration Committee member.

Lahore
September 06, 2024


Faisal Dawood
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TO THE MEMBERS OF DESCON OXYCHEM LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the annexed financial statements of **Descon Oxychem Limited (the Company)**, which comprise the statement of financial position as at June 30, 2024 and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2024 and of the profit, its comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Key Audit Matters	How the Matter was Addressed in our Report
1. Revenue	
<p>Refer to notes 3.14 & 28 to the financial statements.</p> <p>Revenue of the Company for the year ended June 30, 2024 amounted to Rs.5,694 million</p> <p>The Company is primarily engaged in the manufacturing and sale of hydrogen peroxide at different concentrations. We identified recognition of revenue as a key audit matter due to revenue being one of the key performance indicators of the Company and decrease in revenue from last year.</p>	<p>Our key audit procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the Company's processes and related internal controls for revenue recognition and on a sample basis, testing the operating effectiveness of those controls. • Assessing the appropriateness of the Company's revenue recognition policies and their compliance with applicable accounting and reporting standards. • Comparing a sample of revenue transactions recorded during the year with customers' orders, sales invoices, delivery orders and other relevant underlying documents. • Performing cut-off procedures on sales to ensure revenue has been recorded in the correct period. • Checking receipts from customers to whom sales were made. • Assessing the appropriateness and adequacy of disclosed information in the financial statements in accordance with the relevant accounting and reporting standards.
2. Stock in trade	
<p>Refer to note 3.11 & 23 to the financial statements which reflect stock in trade at the reporting date. Stock in trade amounts to Rs. 631.425 million.</p> <p>We identified this area as a key audit matter because stock in trade constitute a significant portion of the total assets of the Company.</p> <p>Further, determining an appropriate write-down as a result of net realizable value (NRV) and provision for slow-moving stock in trade involves management judgment and estimation.</p>	<p>Our key audit procedures included:</p> <ul style="list-style-type: none"> • Inquired and assessed the design and operating effectiveness of the Company's internal controls over inventories. • Observed physical inventory count procedures as at the year end and compared physically counted inventories with closing inventory reports provided by the management. • Inspected purchase documents on sample basis to check quantity and value of certain closing stock. • Checked and evaluated the accuracy of valuation of closing stock.

Key Audit Matters	How the Matter was Addressed in our Report
	<ul style="list-style-type: none"> • Compared the net realizable value, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value stocks in accordance with applicable accounting and reporting standards. • Assessed the provision for slow moving stocks as at the reporting date and assessed whether it is in accordance with the Company's policy and relevant accounting and reporting standards. • Considered adequacy of the related disclosures and assessed whether these are in accordance with the applicable accounting and reporting standards.

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

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore

the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

Other Matter

The financial statements of the Company for the year ended June 30, 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on September 25, 2023.

The engagement partner on the audit resulting in this independent auditor's report is Amin Ali.

Lahore
Dated: September 06, 2024
UDIN: AR2024100519SOqcUvDt



CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

DESCON OXYCHEM LIMITED
STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2024

	2024	2023		2024	2023
Note	---- Rupees in Thousands ----		Note	---- Rupees in Thousands ----	
EQUITY AND LIABILITIES			ASSETS		
Share Capital and Reserves			Non Current Assets		
Authorized share capital 300,000,000 (2023: 300,000,000) Ordinary shares of Rs. 10 each	<u>3,000,000</u>	<u>3,000,000</u>	Property, plant and equipment	17	1,992,978
			Intangible assets	18	16,404
			Long term investment	19	1,964
			Long term loans	20	4,483
			Long term deposits and prepayments	21	20,204
Issued, subscribed and paid up share capital	5	1,750,311			
Share premium	6	3,022			
Unappropriated profit		1,427,127			
					2,036,033
	3,180,460	3,059,483			2,351,035
Non Current Liabilities			Current Assets		
Long term financing	7	86,405	Stores and spares	22	523,937
Deferred grant	8	10,814	Stock in trade	23	631,425
Lease liabilities	9	-	Trade debts	24	321,461
Deferred tax liability	10	204,072	Loans, advances, deposits, prepayments and other receivables	25	53,209
			Short term investments	26	140,055
			Tax refund due from the government	15	127,530
			Bank balances	27	275,315
	301,291	309,344			
					2,072,932
					2,684,795
Current Liabilities					
Trade and other payables	11	585,834			
Accrued finance costs	12	1,241			
Finances under mark up arrangements - secured	13	-			
Current portion of non current liabilities	14	28,896			
Dividend payable	15	11,243			
Income tax payable		-			
		576,675			
	627,214	1,667,003			
Contingencies and Commitments					
	16	-			
Total Equity and Liabilities	<u>4,108,965</u>	<u>5,035,830</u>	Total Assets:	<u>4,108,965</u>	<u>5,035,830</u>

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

DESCON OXYCHEM LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024	2023
		---- Rupees in Thousands ----	
Sales	28	5,694,089	6,721,346
Cost of sales	29	<u>(4,581,139)</u>	<u>(3,964,917)</u>
Gross Profit		1,112,950	2,756,429
Administrative expenses	30	<u>(189,921)</u>	<u>(172,669)</u>
Distribution and selling costs	31	<u>(190,576)</u>	<u>(210,600)</u>
		<u>(380,497)</u>	<u>(383,269)</u>
Operating Profit		732,453	2,373,160
Other operating expenses	32	(64,624)	(241,604)
Finance cost	33	(23,807)	(25,929)
Other income	34	<u>172,613</u>	<u>118,315</u>
Profit before Levy and Taxation		816,635	2,223,942
Levy / final taxation		<u>(29,280)</u>	<u>(36,805)</u>
Profit before Taxation		787,355	2,187,137
Taxation	35		
- Income tax		<u>(304,345)</u>	<u>(834,773)</u>
- Deferred tax		<u>(11,971)</u>	<u>48,270</u>
		<u>(316,316)</u>	<u>(786,503)</u>
Net Profit for the Year		<u><u>471,039</u></u>	<u><u>1,400,634</u></u>
Earnings per Share - Basic and Diluted	36	<u><u>2.69</u></u>	<u><u>8.00</u></u>

The annexed notes from 1 to 49 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



CHIEF FINANCIAL OFFICER



DIRECTOR

DESCON OXYCHEM LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023
	---- Rupees in Thousands ----	
Net Profit for the Year	471,039	1,400,634
Other comprehensive income		
<i>Items that will not be re-classified subsequently to profit or loss</i>	-	-
<i>Items that may be re-classified subsequently to profit or loss</i>	-	-
Total Comprehensive Income for the Year	471,039	1,400,634

The annexed notes from 1 to 49 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

DESCON OXYCHEM LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2024

Particulars	Share Capital	Capital Reserve	Revenue Reserve	Total
		Share Premium	Unappropriated Profit	
---- Rupees in Thousands ----				
Balance as at June 30, 2022	1,750,311	3,022	605,642	2,358,975
Net profit for the year	-	-	1,400,634	1,400,634
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,400,634	1,400,634
Transactions with owners				
Final dividend for the year ended June 30, 2022 @ 20% (Rs. 2 per share)	-	-	(350,063)	(350,063)
Interim dividend for the period ended December 31, 2022 @ 20% (Rs. 2 per share)	-	-	(350,063)	(350,063)
			(700,126)	(700,126)
Balance as at June 30, 2023	1,750,311	3,022	1,306,150	3,059,483
Net profit for the year	-	-	471,039	471,039
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	471,039	471,039
Transactions with owners				
Final dividend for the year ended June 30, 2023 @ 20% (Rs. 2 per share)	-	-	(350,062)	(350,062)
Balance as at June 30, 2024	<u>1,750,311</u>	<u>3,022</u>	<u>1,427,127</u>	<u>3,180,460</u>

The annexed notes from 1 to 49 form an integral part of these financial statements.

am


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

DESCON OXYCHEM LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024	2023
		---- Rupees in Thousands ----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Generated from Operations	37	811,710	2,297,689
Finance cost paid		(19,864)	(28,386)
Income tax paid		(1,037,830)	(422,988)
Profit on deposits received		29,998	33,571
Long term deposit		2,000	-
Long term loan to employees - net		3,208	(3,000)
		<u>(1,022,488)</u>	<u>(420,803)</u>
Net Cash (Used in) / Generated from Operating Activities		(210,778)	1,876,886
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(100,352)	(22,549)
Intangible assets purchased		-	(9,666)
Proceeds from disposal of property, plant and equipment		94	159
Short term investments purchased		(492,799)	(1,533,532)
Short term investments redeemed		1,249,778	790,843
Dividend received		91,557	70,461
Net Cash Generated from / (Used in) Investing Activities		748,278	(905,284)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing repaid		(27,374)	(207,823)
Lease liabilities	9	(24,789)	(23,170)
Finances under mark up arrangements - net		(110,383)	95,763
Dividends paid		(347,996)	(694,186)
Net Cash Used in Financing Activities	38	<u>(510,542)</u>	<u>(829,416)</u>
Net Increase in Cash and Cash Equivalents		26,958	142,186
Cash and cash equivalents at the beginning of the year		248,357	106,171
Cash and Cash Equivalents at the End of the Year		<u><u>275,315</u></u>	<u><u>248,357</u></u>

The annexed notes from 1 to 49 form an integral part of these financial statements.

cm


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

DESCON OXYCHEM LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Note 1

The Company and its Operations

- 1.1** Descon Oxychem Limited (the Company) was incorporated in Pakistan as a private limited Company on November 12, 2004 under the Companies Ordinance, 1984 (now the Companies Act, 2017) and was later converted into a public limited company. On September 15, 2008, the Company was listed on Pakistan Stock Exchange.
- 1.2** The Company is a subsidiary of DEL Chemicals (Private) Limited (the parent company) an unlisted private company incorporated in Pakistan and is principally engaged in manufacturing, procurement and sale of hydrogen peroxide and allied products.
- 1.3** The Company has incorporated a wholly owned subsidiary "Descon Oxychem FZE" in Hamriyah Free Zone, Sharjah, UAE that is engaged in import, export and trading of chemicals & related products, detergents & disinfectants, water treatment & purification chemicals and raw materials.
- 1.4** The Company is domiciled in Pakistan and its geographical location and addresses are as under:

Business Unit	Geographical Location
Head office / Registered Office	18-KM Ferozepur Road, Lahore
Production Plant / Factory	18- KM, Lahore-Sheikhupura Road, Lahore

Note 2

Basis of Preparation

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except to the extent of the following:

Deferred grant	Note 8	(stated at Present value)
Lease liabilities	Note 9	(stated at Present value)
Short term investments	Note 26	(stated at Fair value)

2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees (Rs.) which is the Company's functional and presentation currency. All the figures have been rounded off to the nearest Rupees in thousands, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting and reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

cm

Note 2, Basis of Preparation - Continued...

These estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made. Significant management estimates in these financial statements relate primarily to:

- Useful lives, residual values and depreciation method of property, plant and equipment – Note 3.8 & 17
- Useful lives, residual values and amortization method of intangible assets – Note 4.4 & 18
- Provision for obsolescence of inventories - Note 3.10, 3.11, 22 & 23
- Revenue from contract with customers - Note 3.14 & 28
- Impairment loss of non-financial assets other than inventories – Note 3.17
- Provision for expected credit losses – Note 3.6.1, 24
- Estimation of provisions - Note 3.1
- Estimation of contingent liabilities - Note 3.7 & 16
- Current income tax expense, provision for current tax and recognition of deferred tax asset / liabilities - Note 3.3, 10, 15 & 35

However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

2.5 Changes in accounting standards, interpretations and pronouncements

2.5.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

The following standards, amendments, and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either irrelevant to the Company's operations or are not expected to significantly impact the Company's financial statements other than certain additional disclosures.

Standard or Interpretation		Effective Date - Annual Periods
		Beginning on or After
IAS 01	Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting Policies	January 01, 2023
IAS 08	Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
IAS 12	Amendments to IAS 12 'Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
IAS 12	Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction	January 01, 2023
IFRS 17	Initial Application of 'IFRS 17 Insurance Contracts and IFRS 9 - Comparative Information'	January 01, 2023

2.5.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Standard or Interpretation		Effective Date - Annual Periods
		Beginning on or After
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2024
IAS 7	Amendments to IAS 7 "Statement of Cash Flows"	January 1, 2024
IAS 21	The Effects of Changes in Foreign Exchange Rates (Amendments)	January 1, 2024
IFRS 7	Amendments to IFRS 7 "Financial Instruments Disclosures"- Supplier Finance Arrangements	January 1, 2024
IFRS 7 & 9	Amendments to Classification and Measurement of Financial Instruments - Amendments to IFRS 7 and IFRS 9	January 1, 2024
IFRS 16	Amendments to IFRS 16 "Leases" - Clarification on how seller-lessee subsequently measures sale and lease back transaction	January 1, 2024

Note 2, Basis of Preparation - Continued...

Other than the aforementioned standards, interpretations, and amendments, IASB has also issued the following standards, which have not been notified locally, in relation to the Company, by the Securities and Exchange Commission of Pakistan (SECP) as at January 31, 2024:

IFRS 18	Presentation and Disclosure in Financial Statements
IFRS 19	IFRS 19 'Subsidiaries Without Public Accountability: Disclosures'
IFRS 1	First Time Adoption of IFRS
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	Climate-Related Disclosures

Note 3

Material Accounting Policy Information

Material accounting policy information adopted in the preparation of these financial statements is set out below. These policies have been consistently applied to all the periods presented.

3.1 Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are not recognized for future operating losses.

3.2 Leases

At inception of a contract, the Company assesses whether a contract is, or contains a lease. The Company reassesses whether a contract is, or contains, a lease further when the terms and conditions of the contract are modified. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

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

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

The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in the determination of the lease term.

The Company revises the lease term if there is a change in the non-cancellable period of a lease.

3.2.1 Company as a lessee

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of all underlying assets that have a lease term of 12 months or less and leases for which the underlying asset, when new, is of low-value. The Company recognizes the lease payments associated with these leases as an expense on straight-line basis over the lease term.

CM

Note 3, Material Accounting Policy Information - Continued...

3.2.1.1 Initial measurement

Lease liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid. The lease payments are discounted using the interest rate implicit in the lease, or the Company's incremental borrowing rate if the implicit rate is not readily available. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments comprise fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Right-of-use asset

The Company initially measures the right-of-use asset at cost. This cost comprises the amount of lease liability as initially measured, plus any lease payments made on or before the commencement date, less lease incentives received, initial direct costs and estimated terminal costs (i.e. dismantling or other site restoration costs required by the terms and conditions of the lease contract).

3.2.1.2 Subsequent measurement

Lease liability

After the commencement date, the Company re-measures the lease liability to reflect the affect of interest on outstanding lease liability, lease payments made, reassessments and lease modifications etc. Variable lease payments not included in the measurement of the lease liability and interest on lease liability are recognized in the statement of profit or loss account, unless these are included in the carrying amount of another asset.

Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability.

Right-of-use asset

After the commencement date, the Company measures the right-of-use asset at cost less accumulated depreciation and accumulated identified impairment losses, if any, adjusted for any remeasurement of the lease liability.

The Company depreciates the cost of right-of-use asset, net of residual value, from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. However, if the lease contract transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise the purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

Depreciation is charged to the statement profit or loss at rates given in note 17.2.

3.3 Taxation

Income tax expense for the year comprises current and deferred tax and is recognized in the statement of profit or loss except to the extent that relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity.

Current

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the year end of the reporting date.

The charge for current tax is higher of corporate tax (higher of tax based on taxable income and minimum tax) and alternative corporate tax. Super tax applicable on the Company is also as per the applicable rates as per the Income Tax Ordinance, 2001. However, in case of loss for the year, income tax expense is recognized as minimum tax liability on turnover of the Company in accordance with the provisions of the Income Tax Ordinance, 2001.

Corporate tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

CM

Note 3, Material Accounting Policy Information - Continued...

Alternative corporate tax is calculated at 17% of accounting profit, after taking into account the required adjustments. Current tax for current and prior periods, to the extent unpaid is recognized as a liability. If the amount already paid irrespective of current and prior period exceeds the amount due to those periods the excess recognized as an asset.

The Company offsets current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The management periodically evaluates positions taken in the tax returns with respect to situation in which applicable tax regulations are subject to interpretation and establishes provision where appropriate.

When minimum tax is higher than tax calculated on taxable profits, excess amount is recognized as levy under IFRIC 21. Further, the Company shall also charged tax expense under levy when tax is calculated under final tax regime.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from the difference between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss.

Deferred tax liabilities are recognized for all major taxable temporary differences.

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

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit (tax loss) of the periods in which temporary differences are expected to reverse.

3.4 Post employment benefits

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

3.4.1 Defined contribution scheme

A recognized voluntary contributory provident fund scheme is in operation covering all permanent employees. Equal monthly contributions are made by the Company and employees in accordance with the rules of the scheme at 6.3% of the gross pay.

3.4.2 Compensated absences

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

3.5 Trade and other payables

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

3.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

CMV

Note 3, Material Accounting Policy Information - Continued...

3.6.1 Financial assets

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.

Classification

Financial assets are classified in either of the three categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Currently, the Company classifies its financial assets at amortized cost and fair value through profit or loss. This classification is based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Initial recognition and measurement

All financial assets are initially measured at fair value plus transaction costs that are directly attributable to its acquisition except for trade receivable. Trade receivables are initially measured at transaction price. Trade receivables are initially measured at the transaction price if these do not contain a significant financing component in accordance with IFRS 15.

Subsequent measurement

Financial assets measured at amortized cost are subsequently measured using the effective interest rate method (EIR). The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss.

Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from assets have expired. The difference between the carrying amount and the consideration received is recognized in the statement of profit or loss.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all financial assets which are measured at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

3.6.2 Financial liabilities

a) Initial recognition and measurement

Financial liabilities are initially classified at amortized cost. Such liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and include trade and other payables, loans or borrowings and accrued mark up etc. The Company does not reclassify any of its financial liabilities.

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are credited in profit or loss.

b) Subsequent measurement

The Company measures its financial liabilities subsequently at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. EIR amortization is included as finance costs profit or loss. Difference between carrying amount and consideration paid is recognized in the profit or loss account when the liabilities are derecognized.

CMM

Note 3, Material Accounting Policy Information - Continued..

3.6.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.7 Contingent liabilities

A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent liability is also disclosed when there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.8 Property, plant and equipment

Owned

Property, plant and equipment except freehold land is stated at cost less accumulated depreciation and identified impairment losses, if any. Freehold land is stated at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable costs of bringing assets to their working condition. Subsequently assets are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation is charged to statement of profit or loss using straight line method so as to write off the historical cost of an asset over its estimated useful life at the rates specified in Note 17 without taking into account any residual value which is considered insignificant. Depreciation on assets is charged from the month of additions (i.e., the month when the asset is ready for use) up till the month of disposal.

Depreciation method, residual value and useful lives of assets are reviewed at least at each reporting date and adjusted if impact on depreciation is significant.

Subsequent cost is included in the carrying amount of an asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Day to day maintenance and normal repairs are charged to profit or loss as and when incurred. Gains or losses on disposal of property, plant and equipment are included in the current year's profit or loss.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. Cost may also include borrowing costs, if any. These are transferred to operating fixed assets as and when these are available for use.

Major spare parts, catalyst and standby

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

3.9 Investments in subsidiaries

Investments in subsidiaries where the Company has control over the subsidiary is measured at cost in the Company's separate financial statements in accordance with IAS-27 'Consolidated and separate financial statements'

The Company is required to publish consolidated financial statements along with its separate financial statements, in accordance with the requirements of IFRS 10 'Consolidated Financial Statements' and IAS 27 'Consolidated and separate financial statements'.

3.10 Stores and spares

These are valued at lower of moving average cost and net realizable value while items considered obsolete, if any, are carried at nil value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made for obsolete and slow moving stores and spares based on management's best estimate.

CWV

Note 3, Material Accounting Policy Information - Continued...

3.11 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw materials	- Moving average cost
Material in transit	- Cost comprising invoice value plus incidental charges paid thereon
Work in process	- Estimated average manufacturing cost
Finished goods	- Average manufacturing cost

Manufacturing cost in relation to finished goods comprises cost of materials, labor and appropriate manufacturing overheads. Net realizable value signifies estimated selling price in the ordinary course of business less necessary costs to make the sale.

3.12 Balances from contract with customers

Contract assets

A contract asset is the right to consideration in exchange for goods transferred to the customer. The Company recognizes a contract asset for the earned consideration that is conditional if the Company performs by transferring goods to a customer before the customer pays consideration or before payment is due.

Trade receivables

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables are carried at original invoice amount less expected credit loss based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Company has received consideration from the customer. A contract liability is recognized at earlier of when the payment is made or the payment is due if a customer pays consideration before the Company transfers goods to the customer.

3.13 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of statement of cash flows, cash and cash equivalents comprises cash in hand and cash at banks in current and savings accounts.

3.14 Revenue recognition

Revenue is recognized when the performance obligation is satisfied by applying the following five steps of revenue recognition:

- a) Identify the contract with a customer
- b) Identify the performance obligation in the contract
- c) Determine the transaction price of the contract
- d) Allocate the transaction price to each of the separate performance obligations in the contract
- e) Recognize the revenue as the Company satisfies a performance obligation

Revenue is recognized at a point in time, when the Company satisfies performance obligations by transferring goods to its customers and when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Control is transferred when the goods are dispatched to the customers in case of local sales and when goods are shipped to the customers and loaded on vessel or delivered at port in case of export sales. The transaction price is fixed and decided mostly through internal and external factors. The contracts do not contain the right of return as the goods are dispatched to the customer after their inspection and acceptance.

3.15 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party or between two or more segments of the Company are at arm's length basis determined using the comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

MM

Note 3, Material Accounting Policy Information - Continued...

3.16 Earnings per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, if any.

3.17 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on such assets are charged to the statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date. Where impairment loss is recognized, the depreciation / amortization charge is adjusted in future periods to allocate the asset's revised carrying amount over its remaining useful life.

3.18 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components. All operating segments' operating results are reviewed regularly by the Chief Operating Decision Maker (the Chief Executive Officer of the Company) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly administrative and other operating expenses, and income tax assets and liabilities.

Note 4

Other Accounting Policies

Other accounting policies adopted in the preparation of these financial statements is set out below. These policies have been consistently applied to all the periods presented.

4.1 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment, if any, are included in non current liabilities as deferred income and are credited to the statement of profit or loss on a straight-line basis over the expected lives of the related assets.

4.2 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are charged to the statement profit or loss in the period in which they are incurred.

4.3 Dividend distributions

Dividends to shareholders of the Company are recognized as a liability in the period in which these are approved.

CMW

Note 4, Other Accounting Policies - Continued...

4.4 Intangible asset

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the Company and the cost of such asset can be measured reliably. Cost of intangible assets i.e. ERP software includes purchase cost and directly attributable expenses incidental to bring the software to its intended use.

Costs that are directly associated with identifiable software and have probable economic benefits beyond one year, are recognized as an intangible asset. However, costs associated with the maintenance of software are recognized as an expense in the statement of profit and loss.

All intangibles are measured initially at cost and subsequently stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income using the straight line method so as to write off the cost of an asset over its estimated useful life. Amortization is charged from the date the asset is acquired or capitalized until the date the asset is disposed for impairment. The amortization period and the amortization method for intangible assets are reviewed, at each reporting date, and adjusted if impact on amortization is significant. Intangible assets are amortized at the rates specified in Note 18.

4.5 Interest free loans to employees

The Company provides interest free loans to its employees for various purposes. The loans are initially recognized at fair value which is the present value of future deductions to be made from employees' salaries, discounted at the market interest rate. The difference between fair value of the interest free loan and principal amount at initial recognition is recorded as expense in profit or loss. The loan is subsequently measured at amortized cost with respective finance income to be recorded in profit or loss. In addition, the deferred employee benefit is amortized equally over the life of the loan and the amortization is recorded in profit or loss.

4.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Company has access at that date. There are three levels which are as under:

The Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Company determines transaction price by applying valuation techniques. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received.

If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is credited or charged to the profit or loss account on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

4.7 Foreign currency transactions and translations

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

CW

Note 5

Issued, Subscribed and Paid up Share Capital

2024	2023		2024	2023
Number of Shares			---- Rupees in Thousands ----	
102,000,000	102,000,000	Ordinary shares of Rs. 10 each fully paid in cash	1,020,000	1,020,000
48,888,866	48,888,866	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash (note 5.2)	488,889	488,889
24,142,218	24,142,218	Ordinary shares of Rs. 10 each fully paid as bonus shares (note 5.3)	241,422	241,422
<u>175,031,084</u>	<u>175,031,084</u>		<u>1,750,311</u>	<u>1,750,311</u>

5.1 As at the reporting date, the shares of the Company as held by its holding company and associated companies are as under:

	2024	2023	2024	2023
	Shareholding %		Number of shares	
DEL Chemicals (Private) Limited (the holding company)	34.48%	34.48%	60,358,918	60,358,918
Descon Engineering Limited (DEL)	32.40%	32.40%	56,711,084	56,711,084
Descon Corporation (Private) Limited	5.74%	5.74%	10,051,697	10,051,697
	<u>72.62%</u>	<u>72.62%</u>	<u>127,121,699</u>	<u>127,121,699</u>

5.2 The Company, vide an Extraordinary General Meeting, on November 27, 2019, issued 48,888,866 ordinary shares as right shares against the outstanding loan of Descon Engineering Limited ('DEL') of Rs. 733.33 million. These share were issued at a premium of Rs. 5 per share on January 29, 2020 to DEL.

5.3 The Company in the year 2021 issued 24,142,218 bonus shares of Rs. 10 each against share premium of Rs. 241.422 million on the basis that 16 shares were issued for every 100 shares held by the shareholders.

5.4 All ordinary shares rank equally with regard to residual assets of the Company. Ordinary shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Company. Voting and other rights are in proportion to the shareholding.

5.5 No shares of the Company were cancelled or further issued during the year.

Note 6

Share Premium

The Company issued 24,142,218 ordinary shares of Rs. 10 as bonus shares as referred to in note 5.3 against the share premium of Rs. 241.422 million in terms of section 81 of the Companies Act, 2017. The outstanding amount of Rs. 3.022 million (2023: Rs. 3.022 million) can be utilized by the Company only for the purposes as specified in section 81 of the Companies Act, 2017.

Ent

Note 7

Long Term Financing

		2024	2023
	Note	---- Rupees in Thousands ----	
Allied Bank Limited	7.1	126,115	153,489
Less: Deferred grant		<u>(16,944)</u>	<u>(24,293)</u>
		109,171	129,196
Less: Current portion shown under current liabilities		<u>(22,766)</u>	<u>(28,896)</u>
		<u>86,405</u>	<u>100,300</u>

7.1 Temporary Economic Refinance Facility (TERF)

This represents the outstanding balance of the SBP's Temporary Economic Refinance Facility (TERF) obtained from Allied Bank Limited for capacity expansion of the Company's existing Hydrogen Peroxide plant. Out of the available limit of Rs. 487 million as at June 30, 2024, the Company had utilized Rs. 174.84 million. The recognized portion as at the reporting date is exclusive of grant of Rs. 16.944 million (2023: Rs. 24.293 million). This loan is secured against first pari passu charge over all present and future fixed assets (plant and machinery) of the Company amounting to Rs. 880 million and ranking charge over present and future fixed assets (plant and machinery) of the Company amounting to Rs. 22 million.

Terms of markup

The facility carries markup at SBP rate plus 1% per annum payable quarterly in arrears.

Terms of repayment

Temporary Economic Refinance Facility (TERF) is repayable in twenty equal quarterly installments till May 16, 2029.

Note 8

Deferred Grant

		2024	2023
	Note	---- Rupees in Thousands ----	
Deferred grant	8.1	16,944	24,293
Less: Current portion		<u>(6,130)</u>	<u>(7,349)</u>
		<u>10,814</u>	<u>16,944</u>

8.1 This represents the value of benefit of below market interest rate which has been accounted for as government grant under IAS 20, "Accounting for Government Grant and Disclosure for Government Assistance".

8.2 The grant is amortized in line with the terms of long term financing. During the year, deferred grant of Rs. 7.349 million (2023: Rs. 8.462 million) has been amortized and charged to the finance cost (refer to Note 33).

Note 9

Lease Liabilities

		2024	2023
		---- Rupees in Thousands ----	
Opening balance		21,742	26,603
Add: Additions during the year		-	-
Add: Unwinding of lease liability		3,047	2,559
Add: Re-assessment / modification during the year		-	15,750
		<u>24,789</u>	<u>44,912</u>
Less: Repayments during the year		<u>(24,789)</u>	<u>(23,170)</u>
Gross liability		-	21,742
Less: Current portion		-	<u>(21,742)</u>
Closing balance		<u>-</u>	<u>-</u>

9.1 Summary of amounts relating to leases charged in different line items of the financial statements is as follows:

	Included in		2024	2023
		Note	---- Rupees in Thousands ----	
Carrying amount of ROU assets	Statement of financial position	17.2	-	18,717
Depreciation charge	Cost of sales	29	18,717	20,125
Interest expense	Finance cost	33	3,047	2,559
Payment	Statement of cashflows		24,789	23,170

Note 9, Lease Liabilities Continued...

9.2 There are no further future cash outflows related to leases.

9.3 Nature of leasing activities

9.3.1 These liabilities represented lease arrangements in respect of generators that had been discounted using incremental borrowing rates ranging from 11% to 25% per annum.

9.3.2 There were neither any variable lease payment in the lease contract nor any leases with residual value guarantees or leases not yet commenced to which the Company is committed.

9.3.3 Remaining lease term as at reporting date is Nil (2023: 1 year).

9.3.4 The Company has no lease contracts that includes extension or termination option.

Note 10

Deferred Tax Liability

	2024	2023
	---- Rupees in Thousands ----	
Taxable temporary differences		
Accelerated tax depreciation	210,092	258,420
Unrealized gain on investments	46	1,425
	210,138	259,845
Deductible temporary differences		
Provision for obsolescence of inventories	(1,344)	(36,932)
Impairment of capital stores and spares	-	(19,901)
Loss allowance for doubtful advances	(1,499)	-
Lease liability	-	(7,962)
Loss allowance against doubtful debts	(2,420)	(2,950)
Other	(803)	-
	(6,066)	(67,745)
	<u>204,072</u>	<u>192,100</u>

10.1 Reconciliation of deferred tax liabilities

Opening balance	192,100	240,371
Deferred tax charged during the year recognized in profit or loss	11,972	(48,271)
Deferred tax recognized in other comprehensive income	-	-
Closing balance	<u>204,072</u>	<u>192,100</u>

10.2 Deferred tax assets / liabilities on temporary differences are measured at effective rate of 39% (2023: 36.66%).

10.3 Analysis of change in deferred tax

	Statement of Financial Position		Statement of Profit or Loss	
	2024	2023	2024	2023
	---- Rupees in Thousands ----			
Accelerated tax depreciation	210,092	258,420	(48,328)	4,515
Unrealized gain on investments	46	1,425	(1,379)	1,425
Provision for obsolescence of inventories	(1,344)	(36,932)	35,588	(34,413)
Impairment of capital stores and spares	-	(19,901)	19,901	(19,901)
Loss allowance for doubtful advances	(1,499)	-	(1,499)	-
Lease liability	-	(7,962)	7,962	624
Loss allowance against doubtful debts	(2,420)	(2,950)	530	(521)
Other	(803)	-	(803)	-
<i>cm</i>	<u>204,072</u>	<u>192,100</u>	<u>11,972</u>	<u>(48,271)</u>

Note 11

Trade and Other Payables

	Note	2024	2023
		---- Rupees in Thousands ----	
Trade creditors	11.1	129,057	191,058
Bills payable		-	173,316
Contract liabilities	11.2	85,724	131,988
Accrued liabilities	11.3	294,706	247,383
Worker's (profit) participation fund	11.4	43,963	120,942
Worker's welfare fund	11.5	18,666	44,239
Other liabilities		11,947	2,099
Provident fund payable	11.6	1,771	1,411
		<u>585,834</u>	<u>912,436</u>

11.1 Trade creditors includes interest free amounts due to related parties in the normal course of business as follows:

Descon Engineering Limited	10,098	3,468
Descon Corporation (Private) Limited	4,359	3,415
Descon (Private) Limited	-	17,422
Inspectest (Private) Limited	-	1,362
	<u>14,457</u>	<u>25,667</u>

11.2 These contract liabilities are expected to be satisfied during the year ended June 30, 2025 (2023: June 30, 2024).

11.3 This includes payable to Descon (Private) Limited of Rs. 20.951 million (2023: Rs. 7.684 million) against royalty, for inspection service to Inspectest (Private) Limited amounting to Rs. 3.195 million (2023: Nil), and for engineering services to Descon Engineering Limited amounting to Rs. 5.168 million (2023: Rs. 5.901 million).

11.4 Workers' (profit) participation fund

Opening balance	120,942	42,740
Add: Provision for the year	43,963	118,499
Add: Interest for the year	-	2,443
Less: Payments made to the fund during the year	(120,942)	(42,740)
Closing balance	<u>43,963</u>	<u>120,942</u>

11.5 Worker's welfare fund

Opening balance	44,239	25,787
Add: Provision for the year	18,666	44,239
Less: Payments made during the year	(44,239)	(25,787)
Closing balance	<u>18,666</u>	<u>44,239</u>

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

Note 12

Accrued Finance Costs

	Note	2024	2023
		---- Rupees in Thousands ----	
Long term financing		647	-
Finances under mark up arrangements - secured		594	345
	12.1	<u>1,241</u>	<u>345</u>

12.1 This represents the markup accrued from conventional banks against borrowings utilised during the year.

Note 13

Finances Under Mark up Arrangements

	2024	2023
	---- Rupees in Thousands ----	
Banking companies - Secured		
Running finance	-	110,383

13.1 Terms and conditions of borrowings

Purpose

The Company has obtained various funded and unfunded financial facilities from different banks for a total sanctioned limit of Rs. 2,475 million (2023: Rs. 1,649 million) including running finance facilities amounting to Rs. 1,650 million (2023: Rs. 1,300 million), to meet the working capital requirements, retirement of local and foreign LCs, discounting local bills / receivables and loan against trust receipts etc.

Markup

Mark-up on these facilities is charged using 1 to 3 months KIBOR+ spread of 0.25% to 0.75% (2023: 1 to 3 Months KIBOR + spread of 0.25% to 0.75%) per annum, payable on quarterly basis in arrears.

Securities

These facilities are secured by way of joint pari passu charge and ranking hypothecation charge over present and future, current assets of the Company and lien over title of imported goods.

13.2 Shariah Compliant

This includes shariah compliant borrowings utilised from Meezan Bank Limited amounting to Rs. Nil (2023: Rs. 110.383 million) out of the total sanction limit of Rs. 400 million (2023: Rs. 400 million).

Note 14

Current Portion of Non Current Liabilities

		2024	2023
	Note	---- Rupees in Thousands ----	
Long term financing	7	22,766	28,896
Deferred grant	8	6,130	7,349
Lease liabilities	9	-	21,742
		<u>28,896</u>	<u>57,987</u>

Note 15

Provision for Taxation/ (Tax Refund Due from the Government)

	2024	2023
	---- Rupees in Thousands ----	
Opening balance	576,675	128,084
Add: Charge for the year	275,389	865,954
Add: Prior year adjustment	28,956	5,625
	<u>881,020</u>	<u>999,663</u>
Less: Payment / adjustments	<u>(1,008,550)</u>	<u>(422,988)</u>
(Tax Refund Due from the Government) / Provision for Taxation	<u>(127,530)</u>	<u>576,675</u>

15.1 The provision for current year tax represents corporate tax at 29% (2023: 29%) and super tax at the rate of 10% (2023: 10%) as per the Income Tax Ordinance, 2001.

15.2 Income tax assessments are deemed finalized by the management up to the Tax Year 2023 as tax returns were filed under the self assessment scheme.

CM

Note 16

Contingencies and Commitments

16.1 Contingencies

The Honorable Supreme Court of Pakistan ('HSCP') in its decision dated August 13, 2020 held that Gas Infrastructure Development Cess (GIDC), as initially levied through Gas Infrastructure Development Cess Act, 2011 and modified via different notifications issued from time to time and thereafter re-levied through the Gas Infrastructure Development Cess Ordinance, 2014, stands payable to SNGPL in twenty four (24) equal monthly installments with immediate effect.

Pursuant to the order of the HSCP, Sui Northern Gas Pipelines Limited ('SNGPL') raised a demand for the collection of the GIDC arrears. The Company filed a writ petition under article 199 of the Constitution of Islamic Republic of Pakistan, 1973 in the Honorable Lahore High Court ('HLHC') against the demand raised, pleading that demanding arrears of GIDC are illegal, unlawful and ultra vires to the first proviso to section 8 (2) of the Gas Infrastructure Development Cess Act, 2015. The writ petition was decided in favor of the Company by HLHC vide its order dated June 17, 2021. SNGPL filed an intra court appeal in HLHC which was decided against SNGPL vide order of HLHC dated September 21, 2022.

The Company's legal advisor is of the opinion that the judgement does not apply to arrears under the Gas Infrastructure Development Cess Act, 2011 and Gas Infrastructure Development Ordinance 2014 that are, in terms of first proviso of section 8 (2) of the Gas Infrastructure Development Cess Act, 2015, not to be collected. The applicability of first provision of section 8 (2) is subject to the determination by High Level Committee ('Committee') of SNGPL. The decision has not been made by the Committee on its applicability and the amount to be paid by the Company. Accordingly, the Company has not recognized the estimated provision of Rs. 55.32 million (June 30, 2023: Rs. 55.32 million) in these financial statements. However, the Company has provided guarantee of Rs. 55.32 million (June 30, 2023: Rs. 55.32 million) to SNGPL.

16.2 Guarantees

The Company has issued guarantees to the following parties:

	2024	2023
	---- Rupees in Thousands ----	
Against performance of contracts:		
Sui Northern Gas Pipelines Limited	151,286	144,371
Pakistan State Oil Company Limited	3,500	3,500
Al-Technique Corporation of Pakistan	28,407	28,407
	<u>183,193</u>	<u>176,278</u>

Post dated cheques issued in favor of National Tariff Commission of Pakistan and Collector of Customs aggregate to Rs. 42.14 million (2023: Rs. 42.14 million).

16.3 Commitments

The Company has the following commitments in respect of:

Letters of credits <i>um</i>	<u>158,549</u>	<u>296,400</u>
---------------------------------	----------------	----------------

Note 17
Property, Plant and Equipment

	Note	2024	2023
		---- Rupees in Thousands ----	
Operating fixed assets			
- owned assets	17.1	1,843,325	2,068,782
- right of use assets	17.2	-	18,717
Capital work in progress	17.3	58,447	114,196
Major spare parts, catalysts and standby equipment	17.4	91,206	91,592
		<u>1,992,978</u>	<u>2,293,287</u>

17.1 Operating fixed assets

Year Ended June 30, 2024

Description	Freehold Land	Buildings on Freehold Land	Plant, Machinery and Equipment	Plant, Machinery and Equipment - Catalyst	Laboratory Equipment	Material Handling	Tools and Equipment	Computer Equipment	Electrical Equipment	Office Equipment	Furniture and Fixture	Vehicles	Total
	---- Rupees in Thousands ----												
Cost													
Balance as at July 01, 2023	101,316	361,531	4,294,619	27,197	17,575	4,016	31,323	25,096	1,989	17,686	13,676	16,622	4,912,646
Additions	-	59,116	63,094	3,208	-	158	13,783	6,082	-	4,842	6,204	-	156,487
Disposal	-	-	-	-	-	-	-	(865)	-	(70)	(50)	-	(985)
Balance as at June 30, 2024	<u>101,316</u>	<u>420,647</u>	<u>4,357,713</u>	<u>30,405</u>	<u>17,575</u>	<u>4,174</u>	<u>45,106</u>	<u>30,313</u>	<u>1,989</u>	<u>22,458</u>	<u>19,830</u>	<u>16,622</u>	<u>5,068,148</u>
Accumulated depreciation													
Balance as at July 01, 2023	-	217,729	2,531,109	23,142	14,439	3,036	13,870	15,994	1,975	8,500	9,342	4,728	2,843,864
Charge for the year	-	23,283	332,432	4,623	1,285	156	7,146	6,167	14	2,457	1,831	2,516	381,910
Disposals during the year	-	-	-	-	-	-	-	(831)	-	(70)	(50)	-	(951)
Balance as at June 30, 2024	<u>-</u>	<u>241,012</u>	<u>2,863,541</u>	<u>27,765</u>	<u>15,724</u>	<u>3,192</u>	<u>21,016</u>	<u>21,330</u>	<u>1,989</u>	<u>10,887</u>	<u>11,123</u>	<u>7,244</u>	<u>3,224,823</u>
Balance as at June 30, 2024	<u>101,316</u>	<u>179,635</u>	<u>1,494,172</u>	<u>2,640</u>	<u>1,851</u>	<u>982</u>	<u>24,090</u>	<u>8,983</u>	<u>-</u>	<u>11,571</u>	<u>8,707</u>	<u>9,378</u>	<u>1,843,325</u>
Depreciation rates	-	5% to 10%	6.25% to 33%	10% to 50%	6.25% to 20%	20%	6.25% to 33%	33%	20%	20%	10% to 20%	20%	

CAN

Note 17, Property, Plant and Equipment - Continued...

Year Ended June 30, 2023

Description	Freehold Land	Buildings on Freehold Land	Plant, Machinery and Equipment	Plant, Machinery and Equipment - Catalyst	Laboratory Equipment	Material Handling	Tools and Equipment	Computer Equipment	Electrical Equipment	Office Equipment	Furniture and Fixture	Vehicles	Total
---- Rupees in Thousands ----													
Cost													
Balance as at July 01, 2022	101,316	349,510	4,035,824	27,197	17,384	3,276	21,912	19,871	1,989	11,678	12,490	4,456	4,606,903
Additions	-	12,021	258,795	-	191	740	9,411	6,200	-	6,273	1,508	12,166	307,305
Disposals during the year	-	-	-	-	-	-	-	(975)	-	(265)	(322)	-	(1,562)
Balance as at June 30, 2023	<u>101,316</u>	<u>361,531</u>	<u>4,294,619</u>	<u>27,197</u>	<u>17,575</u>	<u>4,016</u>	<u>31,323</u>	<u>25,096</u>	<u>1,989</u>	<u>17,686</u>	<u>13,676</u>	<u>16,622</u>	<u>4,912,646</u>
Accumulated depreciation													
Balance as at July 01, 2022	-	198,243	2,197,527	23,142	13,087	2,914	10,367	12,998	1,861	6,823	8,479	4,114	2,479,555
Charge for the year	-	19,486	333,582	-	1,352	122	3,503	3,936	114	1,942	1,169	614	365,820
Disposals during the year	-	-	-	-	-	-	-	(940)	-	(265)	(306)	-	(1,511)
Balance as at June 30, 2023	<u>-</u>	<u>217,729</u>	<u>2,531,109</u>	<u>23,142</u>	<u>14,439</u>	<u>3,036</u>	<u>13,870</u>	<u>15,994</u>	<u>1,975</u>	<u>8,500</u>	<u>9,342</u>	<u>4,728</u>	<u>2,843,864</u>
Balance as at June 30, 2023	101,316	143,802	1,763,510	4,055	3,136	980	17,453	9,102	14	9,186	4,334	11,894	2,068,782
Depreciation rates	-	5% to 10%	6.25% to 33%	10% to 50%	6.25% to 20%	20%	6.25% to 33%	33%	20%	20%	10% to 20%	20%	

17.1.1 Particulars of immovable property (i.e. land and building) in the name of Company are as follows:

Location / Address	Usage of immovable property	Total Area (Sq. ft.)	Covered Area (Sq. ft.)
18 Km Lahore Sheikhpura Road <i>cm</i>	Production plant and factory	1,220,000	566,280

Note 17, Property, Plant and Equipment - Continued...

17.1.2 Apportionment of depreciation charge for the year

	Note	2024	2023
Depreciation charge for the year has been apportioned as follows:			
---- Rupees in Thousands ----			
Cost of sales	29	378,102	362,264
Administrative expenses	30	2,894	3,020
Distribution cost	31	914	535
		<u>381,910</u>	<u>365,819</u>

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

17.1.4 Borrowings of the Company are secured against first pari passu charge over all present and future fixed assets (plant and machinery) of the Company amounting to Rs. 880 million and ranking charge over present and future fixed assets (plant and machinery) of the Company amounting to Rs. 22 million.

17.1.5 The cost of fully depreciated assets which are still in use as at June 30, 2024 is Rs. 89.114 million (2023: Rs. 71.84 million).

17.2 Right-of-Use Assets

Gensets

Opening balance	18,717	23,092
Add: Additions during the year	-	-
Re-assessment / modification during the year	-	15,750
	<u>18,717</u>	<u>38,842</u>
Less: Depreciation charge for the year	<u>(18,717)</u>	<u>(20,125)</u>
Closing balance	<u>-</u>	<u>18,717</u>

17.2.1 Depreciation expense relating to the right of use assets has been recognized in Cost of sales (Note 29).

17.3 Capital work-in-progress

Plant and machinery	46,842	21,594
Civil works	10,500	39,576
Others	1,105	12,879
Advances to suppliers and contractors	-	40,147
	<u>58,447</u>	<u>114,196</u>

17.3.1 Reconciliation of the carrying amount is as follows:

		2024				
		Balance as at July 01, 2023	Expenditure incurred during the year	Inter classification	Transfers to operating assets and repairs	Balance as at June 30, 2024
---- Rupees in Thousands ----						
Plant and machinery	17.3.2	21,594	45,378	40,147	(60,277)	46,842
Civil works		39,576	39,863	-	(68,939)	10,500
Others		12,879	951	-	(12,725)	1,105
Advances to suppliers and contractors		40,147	-	(40,147)	-	-
		<u>114,196</u>	<u>86,192</u>	<u>-</u>	<u>(141,941)</u>	<u>58,447</u>
		2023				
		Balance as at July 01, 2022	Expenditure incurred during the year	Inter classification	Transfers to operating assets and repairs	Balance as at June 30, 2023
---- Rupees in Thousands ----						
Plant and machinery		195,801	61,707	3,982	(239,896)	21,594
Civil works		15,182	40,977	(4,562)	(12,021)	39,576
Others		12,713	14,499	580	(14,913)	12,879
Advances to suppliers and contractors		4,834	40,147	-	(4,834)	40,147
		<u>228,530</u>	<u>157,330</u>	<u>-</u>	<u>(271,664)</u>	<u>114,196</u>

17.3.2 The capital work in progress as at June 30, 2024 mainly represents solar system to be installed during the year.

Use

Note 17, Property, Plant and Equipment - Continued...

17.4 Major spare parts, catalyst and standby equipment

The reconciliation of carrying amount is as follows:

	2024	2023
Note	---- Rupees in Thousands ----	
Opening balance	91,592	110,861
Additions	161,759	63,049
Less: Transfers during the year	(162,145)	(32,472)
Less: Provision for capital stores	-	(49,846)
17.4.1	<u>91,206</u>	<u>91,592</u>

17.4.1 Provision for Capital Stores

Opening balance	49,846	-
Loss allowance for the year	-	49,846
	<u>49,846</u>	<u>49,846</u>
Less: Balance written off	(49,846)	-
Balance as at June 30	<u>-</u>	<u>49,846</u>

Note 18

Intangible Assets

	2024	2023
Note	---- Rupees in Thousands ----	
Net Carrying Value		
Opening balance	25,161	26,972
Additions during the year	-	9,666
	<u>25,161</u>	<u>36,638</u>
Amortization during the year	(8,757)	(11,477)
Closing balance	<u>16,404</u>	<u>25,161</u>
Gross Carrying Value		
Cost	158,284	158,284
Accumulated amortization	(141,880)	(133,123)
Net book value	<u>16,404</u>	<u>25,161</u>
Amortization rate	<u>10% - 33.33%</u>	<u>10% - 33.33%</u>

18.1 Amortization charge for the year has been allocated as follows:

Cost of sales	29	5,641	7,670
Administrative expenses	30	<u>3,116</u>	<u>3,807</u>
		<u>8,757</u>	<u>11,477</u>

18.2 Intangible assets represent the cost of ERP software.

18.3 As at June 30, 2024, the carrying value of Distributed Control System is Rs. 2.41 million (2023: Rs. 6.61 million), Data Recovery System is Rs. 8.36 million (2023: Rs. 11.23 million), Server Licenses is Rs. 0.484 million (2023: Rs. 0.302 million) and ERP & Database Upgradation is Rs. 5.15 million (2023: Rs. 6.66 million). Their remaining useful lives are 3 years, 3 years, 1 year and 3.5 years respectively as at June 30, 2024. The residual value of these intangible assets is insignificant. These intangibles are not internally generated.

Note 19

Long Term Investment

This represents 25 ordinary shares of AED 1,000 each, representing 100% (2023: 100%) shares in the Company's subsidiary, Descon Oxychem FZE, a limited liability company setup in Hamriyah Free Zone, Sharjah, United Arab Emirates. As of the reporting date, no payment has been made against its share capital. The investment in subsidiary is accounted for at cost in accordance with IAS-27.

cm

Note 20

Long Term Loans

	2024	2023
	---- Rupees in Thousands ----	
Due from employees - considered good	9,792	13,000
Present value adjustment	(2,059)	(3,785)
	<u>7,733</u>	<u>9,215</u>
Current portion of long term loans	(3,250)	(3,063)
	<u>4,483</u>	<u>6,152</u>

20.1 This represents interest free loan given to employees in accordance with the terms of employment. The loan is secured against the property documents and is recoverable over a period of five years including grace period of one year. This loan is discounted using the market rate prevalent as at the reporting date.

Note 21

Long Term Deposits and Prepayments

		2024	2023
	Note	---- Rupees in Thousands ----	
Utility companies		15,102	15,102
Other deposits	21.1	5,102	7,102
Other prepayments		-	2,267
		<u>20,204</u>	<u>24,471</u>

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

Note 22

Stores and Spares

		2024	2023
	Note	---- Rupees in Thousands ----	
General stores and spares	22.1	243,170	358,631
General stores and spares in transit		24,499	45,165
Working solution		259,713	239,883
Less: Provision for obsolescence	22.2	(3,445)	(103,389)
		<u>523,937</u>	<u>540,290</u>

22.1 General stores and spares include raw material for working solution of Rs. 52.528 million (2023: Rs. 108.148 million).

22.2 Movement of provision for obsolescence is as under:

Opening balance	103,389	6,658
Provision for the year	-	96,731
	<u>103,389</u>	<u>103,389</u>
Less: Stores and spares written off	(99,944)	-
Balance as at June 30,	<u>3,445</u>	<u>103,389</u>

Note 23

Stock in Trade

		2024	2023
	Note	---- Rupees in Thousands ----	
Raw materials		464,897	357,276
Raw materials in transit		29,672	202,780
Work in process		17,994	33,513
Finished goods	23.1		
- purchased for resale		638	638
- own manufactured		118,224	122,970
		<u>631,425</u>	<u>717,177</u>

23.1 This includes provision for obsolescence of finished goods amounting to Rs. 1.249 million (2023: Rs. 1.249 million).

CE

Note 24

Trade Debts

		2024	2023
	Note	---- Rupees in Thousands ----	
Considered good:	24.1	171,540	162,283
-Local sales	24.2	149,921	3,221
-Export sales		6,204	6,204
Considered doubtful		327,665	171,708
Less: Expected credit loss allowance	24.3	(6,204)	(6,204)
		<u>321,461</u>	<u>165,504</u>

24.1 These include Rs. 158.42 million (2023: Rs 162.65 million) secured by way of inland letter of credit.

24.2 Trade debts include an amount of Rs. 149.621 million due from related party (2023: Nil) as at June 30, 2024. The aging of this balance is as under:

Related party	Less than 30 days	More than 30 but less than 60 days	More than 60 but less than 90 days	More than 90 but less than 180 days	More than 180 days	Total
---- Rupees in Thousands ----						
Descon Oxychem FZE - 2024	24,041	25,719	30,143	69,718	-	<u>149,621</u>
2023	-	-	-	-	-	-

24.3 Expected Credit Loss Allowance

	2024	2023
	---- Rupees in Thousands ----	
Opening balance	6,204	6,189
Loss allowance for the year	-	15
	<u>6,204</u>	<u>6,204</u>
Less: Bad debts written off	-	-
	<u>6,204</u>	<u>6,204</u>

24.4 These customers have no history of default. For age analysis of these trade debts, refer to note 41.1 (b).

24.5 The maximum aggregate amount due from the related parties at the end of any month during the year was Rs. 149.621 million (2023: Nil).
cm

Note 25

Loans, Advances, Deposits, Prepayments and Other Receivables

		2024	2023
	Note	---- Rupees in Thousands ----	
Advances to supplier - Unsecured			
- Considered good		15,079	86,273
- Considered doubtful		3,843	1,848
		18,922	88,121
Loss allowance for doubtful advances	25.2	(3,843)	(1,848)
		15,079	86,273
Advances and short term loans to employees (Unsecured - Considered good)	25.3	5,334	4,750
Security deposits		6,915	6,915
Sales tax refundable - Net		14,577	11,382
Prepayments		6,755	3,920
Contract asset		4,549	3,501
		<u>53,209</u>	<u>116,741</u>

25.1 Advances to employees do not include any amount given to any related party of the Company (2023: Nil).

25.2 Loss allowance for doubtful advances

Opening balance	1,848	1,338
Loss allowance for the year	1,995	510
	<u>3,843</u>	<u>1,848</u>
Less: Balance written off	-	-
Balance as at June 30,	<u>3,843</u>	<u>1,848</u>

25.3 These represent interest free loans given to employees as per the Company's policy. These loans are recoverable from salary in monthly installments.

Note 26

Short Term Investments

	2024	2023
	---- Rupees in Thousands ----	
NBP Money Market Fund	83,760	896,726
8.369 million units (2023: 89.855 million units)		
NBP Cash Fund	56,295	-
5.624 million units (2023: Nil).		
	<u>140,055</u>	<u>896,726</u>

26.1 Short term investments are designated at fair value through profit or loss. Fair value as at the reporting date has been determined based on net asset value (level 2 inputs).

Note 27

Bank Balances

		2024	2023
	Note	---- Rupees in Thousands ----	
Current accounts		181,842	187,826
Saving accounts	27.1	93,473	60,531
		<u>275,315</u>	<u>248,357</u>

27.1 These carry mark up at the rate of 19.5% to 20.5% (2023: 12.5% to 19.5%) per annum.

27.2 The bank balances include an amount of post dated cheques issued in favor of National Tariff Commission of Pakistan and Collector of customers aggregating to Rs. 42.14 million (2023: Rs. 42.14 million).

27.3 The above figures reconcile to the amount of cash and cash equivalents shown in the statement of cash flow.

27.4 This includes shariah compliant bank deposits in Meezan Bank Limited amounting to Rs. 18.665 million (2023: Rs. Nil).

Note 28

Sales

	Note	2024 ---- Rupees in Thousands ----	2023
Gross sales			
- Local		6,434,955	7,294,524
- Export		374,989	643,163
	28.1	<u>6,809,944</u>	<u>7,937,687</u>
Commission on sales		(140,713)	(148,860)
Sales tax		<u>(975,142)</u>	<u>(1,067,481)</u>
		<u>5,694,089</u>	<u>6,721,346</u>

28.1 Gross sales includes the following recognized at a point in time.

Hydrogen peroxide

- Own manufactured
- Purchase for resale

	6,809,944	7,878,614
	-	59,073
	<u>6,809,944</u>	<u>7,937,687</u>

28.2 Contract balances

Trade receivables
Contract liabilities
Contract assets

28.2.1	321,461	165,504
28.2.2	85,724	131,988
	4,549	3,501

28.2.1 Trade receivables are non-interest bearing and become due after 30 to 90 days of invoice date.

28.2.2 Contract liabilities represents short term advances received from customers against delivery of goods in future. Revenue recognized in the current year that was included in the contract liabilities at the beginning of the year amounts to Rs. 122.8 million (2023: Rs. 114.38 million).

cmw

Note 29

Cost of Sales

	Note	2024	2023
		---- Rupees in Thousands ----	
Raw materials consumed		2,307,630	2,222,992
Packing materials		16,883	12,496
Salaries, wages and other benefits	29.1	253,839	208,635
Repairs and maintenance		307,441	225,082
Shut down expenses		28,771	-
Fuel and power		1,079,531	682,484
Quality assurance		5,801	5,423
Provision for obsolescence of stores		-	97,780
Provision for impairment of capital spare parts		-	49,846
Services through contractors		83,864	66,094
Travelling and conveyance		15,636	17,807
Communication		2,247	2,385
Rent and rates		8,679	10,760
Amortization of intangible assets	18.1	5,641	7,670
Insurance		25,262	14,396
Safety items consumed		4,429	2,831
Depreciation on property, plant and equipment:	17.1.2		
- owned assets		378,102	362,264
- right of use assets	17.2	18,717	20,125
Miscellaneous		18,401	15,833
		<u>4,560,874</u>	<u>4,024,903</u>
Add: Opening work in process		33,513	16,748
Less: Closing work in process		(17,994)	(33,513)
		<u>15,519</u>	<u>(16,765)</u>
Cost of goods produced		<u>4,576,393</u>	<u>4,008,138</u>
Add: Opening finished goods		122,970	25,263
Less: Closing finished goods		(118,224)	(122,970)
		<u>4,746</u>	<u>(97,707)</u>
Cost of goods sold - own manufactured		<u>4,581,139</u>	<u>3,910,431</u>
Cost of goods sold - purchase for resale		-	54,486
		<u>4,581,139</u>	<u>3,964,917</u>

29.1 Salaries, wages and other benefits include Rs. 6.81 million (2023: Rs. 5.77 million) in respect of provident fund contribution by the Company.

Ude

Note 30

Administrative Expenses

		2024	2023
	Note	---- Rupees in Thousands ----	
Salaries, allowances and other benefits	30.1	101,283	90,789
Vehicle running and maintenance		8,601	5,745
Entertainment		1,953	3,253
Communication		537	653
Printing and stationery		1,926	3,509
Travelling and conveyance		924	9,006
Repairs and maintenance		1,512	327
Insurance		70	61
Donations	30.2	18,806	-
Fees and subscriptions		27,286	31,107
Legal and professional fee		12,297	9,462
Auditors' remuneration	30.3	5,725	5,796
Depreciation on property, plant and equipment	17.1.2	2,894	3,020
Amortization of intangible assets	18.1	3,116	3,807
Miscellaneous		2,991	6,134
		<u>189,921</u>	<u>172,669</u>

30.1 Salaries, wages and other benefits include Rs. 2.68 million (2023: Rs. 2.26 million) in respect of provident fund contribution by the Company.

30.2 This represents donation made to Bilquis Abdul Razzak Dawood Foundation, a related party.

30.3 Auditors' remuneration:

- Audit fee	2,900	2,846
- Half yearly review	1,100	1,025
- Audit of group financial statements, group reporting and other certifications	1,725	1,694
- Out of pocket expenses	-	231
	<u>5,725</u>	<u>5,796</u>

Note 31

Distribution and Selling Costs

		2024	2023
	Note	---- Rupees in Thousands ----	
Salaries, allowances and other benefits	31.1	46,006	37,414
Communication		624	869
Travelling and conveyance		18,588	19,717
Advertisement		17,934	10,814
Insurance		44	48
Freight and forwarding		48,315	61,897
Fees and subscriptions		16,452	34,302
Royalty	31.2	28,443	33,596
Rent, rates and taxes		11,732	5,724
Net impairment loss / (reversal) on trade debts		-	15
Depreciation on property, plant and equipment	17.1.2	914	535
Miscellaneous		1,524	5,669
		<u>190,576</u>	<u>210,600</u>

31.1 Salaries, wages and other benefits include Rs. 0.83 million (2023: Rs. 0.71 million) in respect of provident fund contribution by the Company.

31.2 This represents royalty charged by Descon (Private) Limited, a related party due to common directorship, located at Descon Headquarters, 18-Km, Ferozepur Road, Lahore.

Note 32

Other Operating Expenses

		2024	2023
	Note	---- Rupees in Thousands ----	
Worker's (profit) participation fund	11.4	43,963	118,499
Worker's welfare fund	11.5	18,666	44,240
Exchange loss		-	78,865
Loss allowance for doubtful advances		1,995	-
		<u>64,624</u>	<u>241,604</u>

Note 33

Finance Cost

	Note	2024 ---- Rupees in Thousands ----	2023
Markup on :			
- Long term finance	33.1	2,808	4,255
- Finances under markup arrangements - secured		10,111	4,954
- Lease liabilities		3,047	2,559
Bank and other charges		7,841	14,161
		<u>23,807</u>	<u>25,929</u>

33.1 Amortization of deferred grant of Rs. 7.349 million (2023: Rs. 8.462 million) has been netted off against the markup on long term finances.

Note 34

Other Income

	Note	2024 ---- Rupees in Thousands ----	2023
Profit on bank deposits		29,998	33,571
Dividend income from investments		91,557	70,461
Unwinding of long term loan		1,726	-
Realized gain on sale of investments		3,851	3,638
Unrealized gain on investments		308	4,037
Scrap sales		9,533	6,475
Gain on disposal of property, plant and equipment		60	107
Foreign indenting commission		-	26
Exchange gain		4,170	-
Excess liability written back	34.1	31,410	-
		<u>172,613</u>	<u>118,315</u>

34.1 This includes payable amounting to Rs. 31.372 million (2023: Nil) that pertains to a vendor that has been written back, following the agreement signed on October 26, 2023.

Note 35

Taxation

	2024 ---- Rupees in Thousands ----	2023
- Current year	275,389	829,148
- Adjustment for prior years	28,956	5,625
	304,345	834,773
Deferred tax	11,971	(48,270)
	<u>316,316</u>	<u>786,503</u>

35.1 Reconciliation of tax charge for the year

	2024 ---- Rupees in Thousands ----	2023
Profit before Levy and Taxation	816,635	2,223,942
Tax @ 29% (2023: 29%) on profit before taxation	236,824	644,943
Adjustment on account of normal tax	(38,479)	(47,921)
Prior year tax	28,956	5,625
Super tax	77,044	232,126
Deferred taxation	11,971	(48,270)
<i>am</i>	<u>316,316</u>	<u>786,503</u>

Note 35, Taxation - Continued...

35.2 Reconciliation of Levy and Income tax under IAS-12

	2024	2023
	---- Rupees in Thousands ----	
Current Tax liability as per applicable tax laws	333,625	871,578
Portion of current tax liability representing income tax as per IAS -12	(304,345)	(834,773)
Portion of current tax liability representing levy as per IFRIC 21 / IAS 37	(29,280)	(36,805)
Difference	<u>-</u>	<u>-</u>

35.3 The current tax expense for the year is calculated using corporation tax rate of 29% (2023: 29%) and super tax at 10% (2023: 10%). Deferred tax assets and liabilities on temporary differences are measured at effective rate of 39% (2023: 36.62%).

Note 36

Earnings per Share

		2024	2023
Profit for the year	Rupees in thousand	471,039	1,400,634
Weighted average number of ordinary shares	Number in thousand	175,031	175,031
Earning per share - basic	Rupees	<u>2.69</u>	<u>8.00</u>

36.1 There is no dilution effect on the earnings per share of the Company as the Company does not have any convertible instruments in issue as at June 30, 2024 and June 30, 2023 which would have any effect on the earnings per share if the option to convert is exercised.

Note 37

Cash Generated from Operations

		2024	2023
	Note	---- Rupees in Thousands ----	
Profit before levy and taxation		816,635	2,223,942
Adjustments for:			
- Depreciation on property, plant and equipment	17.1.2	381,910	365,819
- Depreciation on right of use asset	17.2	18,717	20,125
- Amortization of intangible asset	18	8,757	11,477
- Provision for obsolescence of stock	29	-	97,780
- Impairment of capital spares	29	-	49,846
- Excess liability written back	34	(31,410)	-
- Impairment reversal on trade debts	31	-	15
- Unwinding of long term loan	34	(1,726)	-
- Loss allowance for doubtful advances	32	1,995	510
- Interest on bank deposits	34	(29,998)	(33,571)
- Dividend income	34	(91,557)	(70,461)
- Unrealized gain on investment	34	(308)	(4,037)
- Net exchange (gain) / loss	34	(4,170)	78,865
- Finance cost	33	23,807	25,929
- Gain on disposal of property, plant and equipment	34	(60)	(107)
		<u>275,957</u>	<u>542,190</u>
Operating profit before working capital changes		1,092,592	2,766,132
(Increase) / decrease in current assets			
- Stores and spares		16,353	(128,154)
- Stock in trade		85,752	(468,361)
- Trade debts		(155,957)	71,864
- Loans and advances		63,991	(10,907)
Increase / (decrease) in current liabilities			
- Trade and other payables		(291,021)	67,115
		<u>(280,882)</u>	<u>(468,443)</u>
Cash Generated from Operations		<u>811,710</u>	<u>2,297,689</u>

Note 38

Liabilities arising from Financing Activities

	Note	---- Rupees in Thousands ----			
		As at June 30, 2023	Non-cash changes	Cash flows (Net)	As at June 30, 2024
Long term financing	7	153,489	-	(27,374)	126,115
Dividend payable		9,177	350,062	(347,996)	11,243
Lease liabilities	9	21,742	3,047	(24,789)	-
Finances under mark up arrangements - secured	13	110,383	-	(110,383)	-
Total liabilities from financing activities		294,791	353,109	(510,542)	137,358
		As at June 30, 2022	Non-cash changes	Cash flows (Net)	As at June 30, 2023
		---- Rupees in Thousands ----			
Long term financing - secured	7	349,362	11,950	(207,823)	153,489
Dividend payable		3,237	700,126	(694,186)	9,177
Lease liabilities	9	26,603	18,309	(23,170)	21,742
Finances under mark up arrangements - secured	13	14,620	-	95,763	110,383
Total liabilities from financing activities		393,822	730,385	(829,416)	294,791

38.1 The Company classifies the finance cost paid as cashflow from operating activities.

Note 39

Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amounts charged in the financial statements for the year as remuneration and benefits paid to the chief executive officer, directors and executives of the Company are as follows:

	Chief Executive Officer		Non-Executive Directors		Executives		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
	---- Rupees in Thousands ----							
Remuneration	22,990	19,716	-	-	68,589	51,117	91,579	70,833
Meeting fee	-	-	2,125	1,937	-	-	2,125	1,937
Contribution to provident fund	1,424	1,228	-	-	3,939	3,002	5,363	4,230
Car allowance	1,164	1,164	-	-	14,353	9,081	15,517	10,245
Medical facility	-	61	-	-	1,538	1,291	1,538	1,352
Bonus	5,069	5,069	-	-	11,485	11,087	16,554	16,156
Membership subscription	-	131	-	-	-	-	-	131
Advisory fee	-	-	15,240	11,000	-	-	15,240	11,000
Reimbursable expenses	-	308	-	-	-	1,414	-	1,722
	30,647	27,677	17,365	12,937	99,904	76,992	147,916	117,606
Number of persons	1	1	7	7	14	11		

39.1 An executive is defined as an employee, other than the chief executive officer and directors, whose basic salary exceeds Rs. 1.2 million in a financial year.

Note 40

Balances and Transaction with Related Parties

Related parties comprise the holding company, associated companies due to common directorship, staff retirement funds, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. The Company enters into transactions with related parties on the basis of mutually agreed terms. Outstanding balances as at the reporting date are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party's receivable or payable balances. Significant balances and transactions with related parties are as follows:

Transaction during the year

Nature of Transaction	Related Party	---- Rupees in Thousands ----	
		2024	2023
1. Sale of Goods			
Sale of goods	Descon Oxychem FZE	161,870	-
Sale of goods	Descon Engineering Limited	77	130
2. Goods / Services Purchased			
Ticketing purchased	Interworld Travels (Private) Limited	1,211	9,570
Ticketing purchased	Popular Travels and Tours	573	-
Services for Manpower, Calibration and PSV Calibration	Inspectest (Private) Limited	18,169	19,779
Turn around and other Services	Descon Engineering Limited	6,600	5,437
IT Services	Descon Corporation (Private) Limited	8,406	16,114

UNA

Note 40, balances and transactions with related party - Continued...

Reimbursement of cost

3. Expenses Charged by Related Parties

	2024	2023
	---- Rupees in Thousands ----	
Descon Engineering Limited	21,557	14,302
Descon Corporation (Private) Limited	59,791	30,971
Descon Oxychem Limited - Employees Provident Fund Trust	5,042	8,742
Descon (Private) Limited	28,443	33,597

4. Expenses Charged to Related Parties

Descon Corporation (Private) Limited	6,398	6,000
--------------------------------------	-------	-------

5. Payments Received / (Made) - Net

Descon Engineering Limited	(21,527)	(77,714)
Descon Corporation (Private) Limited	(60,854)	(30,722)
Descon (Private) Limited	(32,598)	(32,640)
Descon Oxychem FZE	13,065	-
Interworld Travels (Private) Limited	(1,211)	(9,570)
Descon Engineering Services and Technology (Private) Limited	-	(278)
Popular Travels and Tours	(573)	-
Inspectest (Private) Limited	(16,336)	(18,417)

6. Dividend Paid

Descon Engineering Limited	113,420	192,818
Descon Corporation (Private) Limited	20,094	34,176
DEL Chemicals (Private) Limited	120,702	205,220

7. Loan Repayment and Others

Afzal Ali	500	-
Muhammad Mushfiq Hussain	2,500	208
Bilquis Abdul Razzak Dawood Foundation	18,806	-

Balance outstanding as at June 30,

Trade Debts

Descon Oxychem FZE	149,621	-
--------------------	---------	---

Trade Creditors

Descon Engineering Limited	10,098	3,468
Descon Corporation (Private) Limited	4,359	3,415
Descon (Private) Limited	-	17,422
Inspectest (Private) Limited	-	1,362

Accrued Liabilities

Descon Engineering Limited	5,168	5,901
Descon (Private) Limited	20,951	7,684
Inspectest (Private) Limited	3,195	-

40.1 Following are the related parties with whom the Company had entered into transactions or have arrangement / agreement in place.

S. No.	Company Name	Relationship	% of Shareholding
1	DEL Chemicals (Private) Limited	Holding Company	34.48%
2	Descon Engineering Limited	Associate	32.40%
3	Descon Corporation (Private) Limited	Associate	5.74%
4	Interworld Travels (Private) Limited	Associate	N/A
5	Inspectest (Private) Limited	Associate	N/A
6	Descon (Private) Limited	Associate	N/A
7	Mr. Taimoor Dawood	Director	0.11%
8	Mr. Farooq Nazir	Director	0.0003%
9	Mr. Faisal Dawood	Director	0.0666%
10	Ms. Mehreen Dawood	Director	0.0003%
11	Mr. Asif Qadir	Director	0.0003%
12	Mr. Jehanzeb Khan	Director	0.0003%
13	Mr. Muhammad Zahir	Director	0.0003%
14	Mr. Muhammad Mohsin Zia	Chief Executive Officer	None
15	Mr. Muhammad Mushfiq Hussain	Key Management Personnel	None
16	Mr. Muhammad Rizwan Qaiser	Key Management Personnel	None
17	Mr. Tauheed Ahmed Khan	Key Management Personnel	None
18	Mr. Adil Akbar	Key Management Personnel	None
19	Mr. Shehryar Jafri	Key Management Personnel	None
20	Mr. Azhar Ali	Key Management Personnel	None
21	Mr. Fawad Ul Islam Hirani	Key Management Personnel	None
22	Mr. Afzal Ali	Key Management Personnel	None
23	Mr. Imran Rauf Butt	Key Management Personnel	None
24	Mr. Muhammad Bilal Hussain	Key Management Personnel	None
25	Mr. Mujahid Ali	Key Management Personnel	None

Note 41
Financial Risk Management

41.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This exists due to the Company's exposure resulting from outstanding import and export payments.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to US Dollars and UAE Dirham. The Company's exposure to currency risk as at reporting date is as follows:

	2024	2023
	---- Rupees in Thousands ----	
Export receivables	149,921	3,221
Foreign currency bank	44,639	43,102
Bills payable	-	(173,316)
Letters of credit outstanding	(158,549)	(296,400)
	<u>36,011</u>	<u>(423,393)</u>

The following significant exchange rates were applied during the year.

June 30, 2024	AED	USD	GBP
Average rate	77.73	282.60	358.60
Reporting date rate	76.78	278.34	351.92
June 30, 2023	AED	USD	GBP
Average rate	67.56	246.30	305.93
Reporting date rate	78.67	286.85	365.27

Sensitivity analysis

If the functional currency, as at the reporting date, had weakened / strengthened by 1% against the foreign currencies with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 0.360 million (2023: Rs. 4.234 million) respectively lower / higher, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not entirely reflect the exposure during the year.

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer or factors affecting all similar financial instrument traded in the market. The Company is exposed to price risk in respect of certain investments amounting to Rs. 140.055 million (2023: Rs. 896.726 million).

A change of 1% in the value of investments at fair value through profit or loss would have increased / decreased profitability of the Company by Rs. 1.401 million (2023: Rs. 8.967 million) on the basis that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from short and long-term borrowings. These are benchmarked to variable rates which expose the Company to cash flow interest rate risk.

As at the reporting date the interest rate profile of the Company's interest bearing financial instruments was as under:

mm

Note 41, Financial Risk Management - Continued...

	2024	2023
	---- Rupees in Thousands ----	
Fixed rate instruments		
Financial liabilities		
Long term Financing	126,115	153,489
Floating rate instruments		
Financial liabilities		
Lease Liabilities	-	21,742
Finances under mark up arrangements	-	110,383
Financial assets		
Saving accounts	93,473	60,531

Cash flow sensitivity analysis for variable rate instruments

As at June 30, 2024, if interest rates had been 1% higher / lower with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 0.935 million (2023: Rs. 0.716 million), mainly as a result of interest exposure on variable rate instruments.

The Company has certain financial liabilities at fixed rate. Therefore, no impact on profit or loss of the Company is expected.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk of the Company arises from deposits with banks, trade receivables and other receivables. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings, if any. As at June 30, 2024, the maximum exposure to credit risk is equal to the carrying amount of the financial assets as detailed below:

Long term loans	Note 20	9,792	13,000
Trade debts	Note 24	321,461	165,504
Loans and other receivables	Note 25	16,798	15,166
Short term investments	Note 26	140,055	896,726
Bank balances	Note 27	275,315	248,357

The aging of trade debts as at the reporting date was as follows:

1 - 30 days	89,634	99,041
31 - 60 days	95,178	33,475
61 - 180 days	136,649	32,988
More than 180 days	-	-
	<u>321,461</u>	<u>165,504</u>

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk as at the reporting date was as follows:

	Rating	Rating		2024	2023
	Short term	Long term	Agency	---- Rupees in Thousands ----	
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	28,036	53,488
Bank Al-Habib Limited	A1+	AAA	PACRA	117,539	67,530
Bank Alfalah Limited	A1+	AAA	PACRA	2,644	4,146
Allied Bank Limited	A1+	AAA	PACRA	54,685	10,794
The Bank of Punjab Limited	A1+	AA+	PACRA	53,746	112,399
Meezan Bank Limited	A1+	AAA	JCR-VIS	18,665	-
				<u>275,315</u>	<u>248,357</u>

Note 41, Financial Risk Management - Continued...

(c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Company maintains flexibility in funding by maintaining committed credit lines available. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios and maintaining debt financing plans. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

Contractual maturities of financial liabilities as at June 30, 2024:

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	Above 5 Years
---- Rupees in Thousands ----						
Long term financing	126,115	132,042	29,474	30,063	72,505	-
Trade and other payables	435,710	435,710	435,710	-	-	-
Dividend payable	11,243	11,243	11,243	-	-	-
Accrued finance costs	1,241	1,241	1,241	-	-	-
	<u>574,309</u>	<u>580,236</u>	<u>477,668</u>	<u>30,063</u>	<u>72,505</u>	<u>-</u>

Contractual maturities of financial liabilities as at June 30, 2023:

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	Above 5 Years
---- Rupees in Thousands ----						
Long term financing	153,489	153,489	28,896	28,896	77,676	18,021
Lease liabilities	21,742	21,742	21,742	-	-	-
Trade and other payables	780,448	780,448	780,448	-	-	-
Finances under mark up arrangements	110,383	126,940	126,940	-	-	-
Dividend payable	9,177	9,177	9,177	-	-	-
Accrued finance cost	345	345	345	-	-	-
	<u>1,075,584</u>	<u>1,092,141</u>	<u>967,548</u>	<u>28,896</u>	<u>77,676</u>	<u>18,021</u>

(d) Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the reporting date. Fair value is determined on the basis of objective evidence at each reporting date. The management believes that the fair values of financial assets and financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

41.2 Financial instruments by categories

Financial asset as at amortized cost

	Note	2024	2023
---- Rupees in Thousands ----			
Long term loans	20	9,792	13,000
Trade debts	24	321,461	165,504
Loans and other receivables	25	16,798	15,166
Bank balances	27	275,315	248,357
		<u>623,366</u>	<u>442,027</u>

Financial asset as at fair value through profit or loss

Short term investments		<u>140,055</u>	<u>896,726</u>
------------------------	--	----------------	----------------

Financial liabilities at amortized cost

Trade and other payables		435,710	780,448
Lease liabilities		-	21,742
Accrued mark up		1,241	345
Finances under mark up arrangements - secured		-	110,383
Long term financing		126,115	153,489
Dividend Payable		11,243	9,177
		<u>574,309</u>	<u>1,075,584</u>

Note 42

Operating Segment Information

Operating segments are reported in a manner consistent with the internal reporting used by the Chief Operating Decision Maker. The Chief Executive Officer (CEO) of the Company has been identified as the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments.

The CEO is responsible for the management of the Company's entire business which is considered as a single operating segment. The Company's assets allocation decisions are based on a single integrated investment strategy and the Company's performance is evaluated on an overall basis.

The internal reporting provided to the CEO for the Company's assets, liabilities and performance is prepared on a basis consistent with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Company is domiciled in Pakistan. All of the Company's income is from the entities incorporated in both inside and outside Pakistan. The Company has only one reportable segment.

Entity-wide disclosures regarding reportable segment are as follows:

- *Information about major customers*

No sale has been made to any customer representing 10% or more of total sales for the year (2023: 11%). Further, aggregate sales to major distributors represented 83% (2023: 75%) of the revenue and each distributor individually exceeded 10% of the revenue.

- *Information about geographical areas*

All non-current assets of the Company except from long term investments are located in Pakistan as at the reporting date.

Revenue from export sales is Rs. 374.989 million (2023: Rs. 643.163 million).

- *Information about product*

The main product of the Company is Hydrogen Peroxide having different concentrations.

Note 43

Capital Risk Management

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhances shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchasing shares, if possible, selling surplus property, plant and equipment without affecting the optimal operating level and regulating its dividend payout thus maintaining smooth capital management.

In line with the industry norms, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital employed is calculated as equity, as shown in the statement of financial position, plus net debt.

As at the reporting date, the gearing ratio of the Company was worked out as under:

	2024	2023
	---- Rupees in Thousands ----	
Total borrowings	126,115	263,872
Cash and bank balances	(275,315)	(248,357)
Net debt	(149,200)	15,515
Equity	3,180,460	3,059,483
Total capital employed	<u>3,031,260</u>	<u>3,074,998</u>
Gearing ratio	<u>Not Geared</u>	<u>0.50%</u>

U.S.

Note 44

Shari'ah Screening Disclosure

	Note	2024 ---- Rupees in Thousands ----	2023
Loans and advances as per Islamic mode	13.2	-	110,383
Interest or mark up accrued on any conventional loan or advances	12.1	1,241	345
Shariah compliant bank deposits / bank balances / overdrawn	27.4	18,665	-
Profit earned from Shariah compliant bank deposits/bank balances		-	-
Revenue earned from a Shariah compliant business segment	28	5,694,089	6,721,346
Gain/loss or dividend earned from Shariah compliant investments		-	-
Gain earned from Shariah compliant investments		-	-
Exchange gain / (loss) earned from actual currency	34 & 32	4,170	(78,865)
Mark up paid on Islamic mode of financing	44.1	5,625	-
Interest paid on any conventional loan or advance		14,239	28,386
Relationship with shariah compliant banks;		No relationship	No relationship

44.1 This pertains to the markup paid to Meezan Bank Limited on finances under markup arrangements - secured utilised.

Note 45

Plant Capacity and Production

		Production Capacity		Actual Production	
		2024	2023	2024	2023
Production of hydrogen peroxide (on 100% concentration and based on 365 working days)	metric tones	21,000	21,000	20,186	21,066
Production of packing material (based on 365 working days)	Number	1,080,000	1,080,000	929,261	901,733

45.1 Production of goods relates to the sales orders received from customers and the Company produces goods to meet those orders.

Note 46

Number of Employees

	2024 Number	2023 Number
Employees as at June 30,		
- Permanent	105	107
- Contractual	12	8
Average employees during the year		
- Permanent	105	104
- Contractual	6	3

cm

Note 47

Authorization of Financial Statements

These financial statements were approved and authorized by the Board of Directors of the Company for issuance on _____.

Note 48

Subsequent Events

The Board of Directors of the Company has proposed a final cash dividend of Rs. 2 per share (2023: Rs. 2 per share) for the year ended June 30, 2024 at their meeting held on September 06, 2024 for the approval of members at the Annual General Meeting to be held on October 17, 2024. These financial statements do not include the effect of these appropriations which will be accounted for in the period in which they are approved.

Note 49

General

Corresponding figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. No material reclassifications have been made in these financial statements except for the following:

Nature	From	To	Amount
			---- Rupees in Thousands ----
Levy / Final taxation	Taxation (Note 35)	Levy (Face of statement of profit or loss)	36,805
Provident fund payable	Other liabilities (Note 11)	Provident fund payable (Note 11)	1,411
Auditors' remuneration	Legal and professional fee (Note 30) <i>cm</i>	Auditors' remuneration (Note 30)	5,796


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

Consolidated

INDEPENDENT AUDITOR’S REPORT
TO THE MEMBERS OF DESCON OXYCHEM LIMITED
REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL
STATEMENTS

Opinion

We have audited the annexed consolidated financial statements of **DESCON OXYCHEM LIMITED** and its subsidiary (the Group), which comprise the consolidated statement of financial position as at June 30, 2024 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

Key Audit Matters	How the Matter was Addressed in our Report
1. Revenue	
Refer to notes 3.13 & 27 to the financial statements. Revenue of the Group for the year ended June 30, 2024 amounted to Rs 5,694 million.	Our key audit procedures included: <ul style="list-style-type: none"> • Obtaining an understanding of the Group’s processes and related internal controls for revenue recognition and on a sample basis, testing the operating effectiveness of those controls.

Key Audit Matters	How the Matter was Addressed in our Report
<p>The Group is primarily engaged in the manufacturing and sale of hydrogen peroxide at different concentrations. We identified recognition of revenue as a key audit matter due to revenue being one of the key performance indicators of the Group.</p>	<ul style="list-style-type: none"> • Assessing the appropriateness of the Group's revenue recognition policies and their compliance with applicable accounting and reporting standards. • Comparing a sample of revenue transactions recorded during the year with customers' orders, sales invoices, delivery orders and other relevant underlying documents. • Performing cut-off procedures on sales to ensure revenue has been recorded in the correct period. • Checking receipts from customers to whom sales were made. • Assessing the appropriateness and adequacy of disclosed information in the consolidated financial statements in accordance with the relevant accounting and reporting standards.
2. Stock in trade	
<p>Refer to note 3.10 & 22 to the consolidated financial statements which reflect stock in trade at the reporting date. Stock in trade amounts to Rs. 631.425 million.</p> <p>We identified this area as a key audit matter because stock in trade constitute a significant portion of the total assets of the Group.</p> <p>Further, determining an appropriate write-down as a result of net realizable value (NRV) and provision for slow-moving stock in trade involves management judgment and estimation.</p>	<p>Our key audit procedures included:</p> <ul style="list-style-type: none"> • Inquired and assessed the design and operating effectiveness of the Group's internal controls over inventories. • Observed physical inventory count procedures as at the year end and compared physically counted inventories with closing inventory reports provided by the management. • Inspected purchase documents on sample basis to check quantity and value of certain closing stock. • Checked and evaluated the accuracy of valuation of closing stock. • Compared the net realizable value, on a sample basis, to the cost of finished goods to assess whether any adjustments are required to value stocks in accordance with applicable accounting and reporting standards. • Assessed the provision for slow moving stocks as at the reporting date and assessed whether it is in accordance with the Group's policy and relevant accounting and reporting standards.

Key Audit Matters	How the Matter was Addressed in our Report
	<ul style="list-style-type: none"> • Considered adequacy of the related disclosures and assessed whether these are in accordance with the applicable accounting and reporting standards.

Information Other than the Financial Statements and Auditor’s Report Thereon

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

The Board of Directors is responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

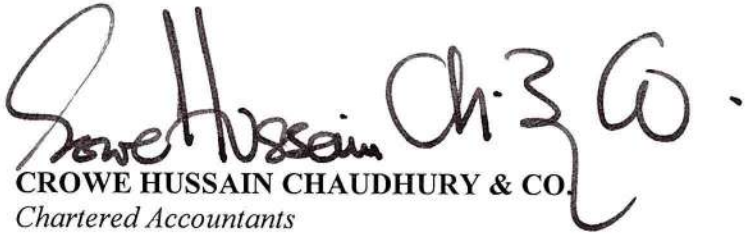


Other Matter

The consolidated financial statements of the Group for the year ended June 30, 2023, were audited by another auditor who expressed an unmodified opinion on those financial statements on September 25, 2023.

The engagement partner on the audit resulting in this independent auditor's report is Amin Ali.

Lahore
Dated: September 06, 2024
UDIN: AR202410051xvU2Za7pr


CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

DESCON OXYCHEM LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2024

	2024	2023		2024	2023
Note	---- Rupees in Thousands ----		Note	---- Rupees in Thousands ----	
EQUITY AND LIABILITIES			ASSETS		
Share Capital and Reserves			Non Current Assets		
Authorized share capital 300,000,000 (2023: 300,000,000) Ordinary shares of Rs. 10 each	3,000,000	3,000,000	Property, plant and equipment	1,992,978	2,293,287
Issued, subscribed and paid up share capital	1,750,311	1,750,311	Intangible assets	16,404	25,161
Share premium	3,022	3,022	Long term loans	4,483	6,152
Unappropriated profit	1,462,860	1,305,908	Long term deposits and prepayments	20,204	24,471
Translation reserve	(467)	-		2,034,069	2,349,071
	3,215,726	3,059,241	Current Assets		
Non Current Liabilities			Stores and spares	523,937	540,290
Long term financing	86,405	100,300	Stock in trade	631,425	717,177
Deferred grant	10,814	16,944	Trade debts	175,646	165,504
Lease liabilities	-	-	Loans, advances, deposits, prepayments and other receivables	53,935	117,800
Deferred tax liability	204,072	192,100	Short term investments	140,055	896,726
	301,291	309,344	Tax refund due from the government	125,904	-
			Bank balances	461,760	248,357
Current Liabilities				2,112,662	2,685,854
Trade and other payables	588,334	911,773	Total Assets		
Accrued finance costs	1,241	345		4,146,731	5,034,925
Finances under mark up arrangements - secured	-	110,383			
Current portion of non current liabilities	28,896	57,987			
Dividend payable	11,243	9,177			
Income tax payable	-	576,675			
	629,714	1,666,340			
Contingencies and Commitments					
	-	-			
Total Equity and Liabilities	4,146,731	5,034,925			

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

DESCON OXYCHEM LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024	2023
		---- Rupees in Thousands ----	
Sales	27	5,738,033	6,721,346
Cost of sales	28	<u>(4,583,920)</u>	<u>(3,964,917)</u>
Gross Profit		1,154,113	2,756,429
Administrative expenses	29	<u>(193,433)</u>	<u>(172,898)</u>
Distribution and selling costs	30	<u>(190,576)</u>	<u>(210,600)</u>
		<u>(384,009)</u>	<u>(383,498)</u>
Operating Profit		770,104	2,372,931
Other operating expenses	31	(64,624)	(241,617)
Finance cost	32	(23,837)	(25,929)
Other income	33	<u>172,613</u>	<u>118,315</u>
Profit before Levy and Taxation		854,256	2,223,700
Levy / final taxation		<u>(29,280)</u>	<u>(36,805)</u>
Profit before Taxation		824,976	2,186,895
Taxation	34		
- Income tax		<u>(305,991)</u>	<u>(834,773)</u>
- Deferred tax		<u>(11,971)</u>	<u>48,270</u>
		<u>(317,962)</u>	<u>(786,503)</u>
Net Profit for the Year		<u>507,014</u>	<u>1,400,392</u>
Profit attributable to:			
- Equity holders of the Parent Company		507,014	1,400,392
- Non controlling interest		-	-
		<u>507,014</u>	<u>1,400,392</u>
Earnings per Share - Basic and Diluted	35	<u>2.90</u>	<u>8.00</u>

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

DESCON OXYCHEM LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2024

	2024	2023
	---- Rupees in Thousands ----	
Net Profit for the Year	507,014	1,400,392
Other comprehensive income		
<i>Items that will not be re-classified subsequently to profit or loss</i>	-	-
<i>Items that may be re-classified subsequently to profit or loss</i>		
Exchange differences on translation of subsidiaries	(467)	-
Other comprehensive loss for the year	(467)	-
Total Comprehensive Income for the Year	506,547	1,400,392
Total comprehensive income attributable to:		
- Equity holders of parent	506,547	1,400,392
- Non controlling interest	-	-
	506,547	1,400,392

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

cm


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

DESCON OXYCHEM LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2024

Particulars	Share Capital	Capital Reserve	Revenue Reserve	Translation Reseve	Total
		Share Premium	Unappropriated Profit		
---- Rupees in Thousands ----					
Balance as at June 30, 2022	1,750,311	3,022	605,642	-	2,358,975
Net profit for the year	-	-	1,400,392	-	1,400,392
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	1,400,392	-	1,400,392
Transactions with owners					
Final dividend for the year ended June 30, 2022 @ 20% (Rs. 2 per share)	-	-	(350,063)	-	(350,063)
Interim dividend for the period ended December 31, 2022 @ 20% (Rs. 2 per share)	-	-	(350,063)	-	(350,063)
	-	-	(700,126)	-	(700,126)
Balance as at June 30, 2023	1,750,311	3,022	1,305,908	-	3,059,241
Net profit for the year	-	-	507,014	-	507,014
Other comprehensive loss for the year	-	-	-	(467)	(467)
Total comprehensive income for the year	-	-	507,014	(467)	506,547
Transactions with owners					
Final dividend for the year ended June 30, 2023 @ 20% (Rs. 2 per share)	-	-	(350,062)	-	(350,062)
Balance as at June 30, 2024	1,750,311	3,022	1,462,860	(467)	3,215,726

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

CM


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

DESCON OXYCHEM LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024	2023
---- Rupees in Thousands ----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Generated from Operations	36	998,205	2,297,689
Finance cost paid		(19,894)	(28,386)
Income tax paid		(1,037,850)	(422,988)
Profit on deposits received		29,998	33,571
Long term deposit		2,000	-
Long term loan to employees - net		3,208	(3,000)
		<u>(1,022,538)</u>	<u>(420,803)</u>
Net Cash (Used in) / Generated from Operating Activities		(24,333)	1,876,886
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(100,352)	(223,549)
Intangible assets purchased		-	(9,666)
Proceeds from disposal of property, plant and equipment		94	159
Short term investments purchased		(492,799)	(1,533,532)
Short term investments redeemed		1,249,778	790,843
Dividend received		91,557	70,461
Net Cash Generated from / (Used in) Investing Activities		748,278	(905,284)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing repaid		(27,374)	(207,823)
Lease liabilities	9	(24,789)	(23,170)
Finances under mark up arrangements - net		(110,383)	95,763
Dividends paid		(347,996)	(694,186)
Net Cash Used in Financing Activities	37	<u>(510,542)</u>	<u>(829,416)</u>
Net Increase in Cash and Cash Equivalents		213,403	142,186
Cash and cash equivalents at the beginning of the year		248,357	106,171
Cash and Cash Equivalents at the End of the Year		<u><u>461,760</u></u>	<u><u>248,357</u></u>

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

DESCON OXYCHEM LIMITED

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

Note 1

The Group and its Operations

The Group consists of:	Note	Status within the Group
- Descon Oxychem Limited (DOL)	1.1	Holding Company
- Descon Oxychem FZE (DOL FZE)	1.2	Subsidiary Company
1.1 DOL was incorporated in Pakistan as a private limited Company on November 12, 2004 under the Companies Ordinance, 1984 (now the Companies Act, 2017) and was later converted into a public limited company. On September 15, 2008, the Company was listed on Pakistan Stock Exchange. DOL is principally engaged in manufacturing, procurement and sale of hydrogen peroxide and allied products. DEL Chemicals (Private) Limited is the parent company of DOL.		
1.2 DOL FZE is a wholly owned subsidiary of Holding Company and is situated in Hamriyah Free Zone, Sharjah, UAE. DOL FZE is engaged in import, export and trading of chemicals & related products, detergents & disinfectants, water treatment & purification chemicals and raw materials.		
1.3 DOL is domiciled in Pakistan and its geographical location and addresses are as under:		
Business Unit	Geographical Location	
Head office / Registered Office	18-KM Ferozepur Road, Lahore	
Production Plant / Factory	18- KM, Lahore-Sheikhupura Road, Lahore	
1.4 Consolidated Financial Statements		
These financial statements are the consolidated financial statements of the DOL and its subsidiary (the Group).		

Note 2

Basis of Preparation

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

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

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except to the extent of the following:

Deferred grant	Note 8	(stated at Present value)
Lease liabilities	Note 9	(stated at Present value)
Short term investments	Note 25	(stated at Fair value)

2.3 Functional and presentation currency

These consolidated financial statements are prepared and presented in Pak Rupees (Rs.) which is the Group's functional and presentation currency. All the figures have been rounded off to the nearest Rupees in thousands, unless otherwise stated.

aw

Note 2, Basis of Preparation - Continued...

2.4 Basis of consolidation**2.4.1 Subsidiaries**

Subsidiaries are such entities over which the Holding Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. These consolidated financial statements include separate financial statements of DOL and its subsidiary company in which DOL directly or indirectly controls, beneficially owns more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The existing voting rights that are currently exercisable are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group and are de-consolidated from the date the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Inter-company transactions, balances and unrealized gains on transactions amongst Group companies are eliminated. Accounting policies of subsidiaries are amended, where necessary, to ensure consistency with the policies adopted by the Group.

When the Group ceases to consolidate an investment in a subsidiary because of loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to statement of profit or loss.

2.4.2 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Excess of Group's share of the net identifiable asset over cost is recognized in consolidated statement profit or loss as a bargain purchase gain.

2.5 Use of estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting and reporting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made. Significant management estimates in these consolidated financial statements relate primarily to:

- Useful lives, residual values and depreciation method of property, plant and equipment – Note 3.8 & 17
- Useful lives, residual values and amortization method of intangible assets – Note 4.4 & 18
- Provision for obsolescence of inventories - Note 3.9, 3.10, 21 & 22
- Revenue from contract with customers - Note 3.13 & 27
- Impairment loss of non-financial assets other than inventories – Note 3.16
- Provision for expected credit losses – Note 3.6.1, 23
- Estimation of provisions - Note 3.1
- Estimation of contingent liabilities - Note 3.7 & 16
- Current income tax expense, provision for current tax and recognition of deferred tax asset / liabilities - Note 3.3, 10, 15 & 34

However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these consolidated financial statements.

CNT

Note 2, Basis of Preparation - Continued...

2.6 Changes in accounting standards, interpretations and pronouncements

2.6.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

The following standards, amendments, and interpretations are effective for the year ended June 30, 2024. These standards, amendments and interpretations are either irrelevant to the Group's operations or are not expected to significantly impact the Group's Consolidated financial statements other than certain additional disclosures.

Standard or Interpretation		Effective Date - Annual Periods
		Beginning on or After
IAS 01	Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting Policies	January 01, 2023
IAS 08	Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
IAS 12	Amendments to IAS 12 'Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
IAS 12	Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction	January 01, 2023
IFRS 17	Initial Application of 'IFRS 17 Insurance Contracts and IFRS 9 - Comparative Information'	January 01, 2023

2.6.2 Standards, interpretation and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Group operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures.

Standard or Interpretation		Effective Date - Annual Periods
		Beginning on or After
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2024
IAS 7	Amendments to IAS 7 "Statement of Cash Flows"	January 1, 2024
IAS 21	The Effects of Changes in Foreign Exchange Rates (Amendments)	January 1, 2024
IFRS 7	Amendments to IFRS 7 "Financial Instruments Disclosures"- Supplier Finance Arrangements	January 1, 2024
IFRS 7 & 9	Amendments to Classification and Measurement of Financial Instruments - Amendments to IFRS 7 and IFRS 9	January 1, 2024
IFRS 16	Amendments to IFRS 16 "Leases" - Clarification on how seller-lessee subsequently measures sale and lease back transaction	January 1, 2024

Other than the aforementioned standards, interpretations, and amendments, IASB has also issued the following standards, which have not been notified locally, in relation to the Group, by the Securities and Exchange Commission of Pakistan (SECP) as at January 31, 2024:

IFRS 18	Presentation and Disclosure in Financial Statements
IFRS 19	IFRS 19 'Subsidiaries Without Public Accountability: Disclosures'
IFRS 1	First Time Adoption of IFRS
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	Climate-Related Disclosures

Note 3

Material Accounting Policy Information

Material accounting policy information adopted in the preparation of these consolidated financial statements is set out below. These policies have been consistently applied to all the periods presented.

3.1 Provisions

A provision is recognized in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are not recognized for future operating losses.

3.2 Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. The Group reassesses whether a contract is, or contains, a lease further when the terms and conditions of the contract are modified. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

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

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

The Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in the determination of the lease term.

The Group revises the lease term if there is a change in the non-cancellable period of a lease.

3.2.1 Group as a lessee

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of all underlying assets that have a lease term of 12 months or less and leases for which the underlying asset, when new, is of low-value. The Group recognizes the lease payments associated with these leases as an expense on straight-line basis over the lease term.

3.2.1.1 Initial measurement*Lease liability*

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid. The lease payments are discounted using the interest rate implicit in the lease, or the Group's incremental borrowing rate if the implicit rate is not readily available. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments comprise fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

CW

*Note 3, Material Accounting Policy Information - Continued...**Right-of-use asset*

The Group initially measures the right-of-use asset at cost. This cost comprises the amount of lease liability as initially measured, plus any lease payments made on or before the commencement date, less lease incentives received, initial direct costs and estimated terminal costs (i.e. dismantling or other site restoration costs required by the terms and conditions of the lease contract).

3.2.1.2 Subsequent measurement*Lease liability*

After the commencement date, the Group re-measures the lease liability to reflect the affect of interest on outstanding lease liability, lease payments made, reassessments and lease modifications etc. Variable lease payments not included in the measurement of the lease liability and interest on lease liability are recognized in the consolidated statement of profit or loss account, unless these are included in the carrying amount of another asset.

Lease payments are apportioned between the finance charges and reduction of the lease liability using the incremental borrowing rate implicit in the lease to achieve a constant rate of interest on the remaining balance of the liability.

Right-of-use asset

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and accumulated identified impairment losses, if any, adjusted for any remeasurement of the lease liability.

The Group depreciates the cost of right-of-use asset, net of residual value, from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. However, if the lease contract transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

Depreciation is charged to the consolidated statement profit or loss at rates given in note 17.2.

3.3 Taxation

Income tax expense for the year comprises current and deferred tax and is recognized in the consolidated statement of profit or loss except to the extent that relates to items recognized directly in other comprehensive income or equity, in which case it is recognized in other comprehensive income or equity.

Current

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the year end of the reporting date.

The charge for current tax is higher of corporate tax (higher of tax based on taxable income and minimum tax) and alternative corporate tax. Super tax applicable on the Group is also as per the applicable rates as per the Income Tax Ordinance, 2001. However, in case of loss for the year, income tax expense is recognized as minimum tax liability on turnover of the Group in accordance with the provisions of the Income Tax Ordinance, 2001.

Corporate tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Alternative corporate tax is calculated at 17% of accounting profit, after taking into account the required adjustments. Current tax for current and prior periods, to the extent unpaid is recognized as a liability. If the amount already paid irrespective of current and prior period exceeds the amount due to those periods the excess recognized as an asset.

The Group offsets current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The management periodically evaluates positions taken in the tax returns with respect to situation in which applicable tax regulations are subject to interpretation and establishes provision where appropriate.

When minimum tax is higher than tax calculated on taxable profits, excess amount is recognized as levy under IFIRC 21. Further, the Group shall also charged tax expense under levy when tax expense is calculated under final tax regime.

CM

*Note 3, Material Accounting Policy Information - Continued...***Deferred**

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary timing differences arising from the difference between the carrying amount of the assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss.

Deferred tax liabilities are recognized for all major taxable temporary differences.

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

The carrying amount of the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average rates that are expected to apply to the taxable profit (tax loss) of the periods in which temporary differences are expected to reverse.

3.4 Post employment benefits

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

3.4.1 Defined contribution scheme

A recognized voluntary contributory provident fund scheme is in operation covering all permanent employees. Equal monthly contributions are made by the Group and employees in accordance with the rules of the scheme at 6.3% of the gross pay.

3.4.2 Compensated absences

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

3.5 Trade and other payables

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

3.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.6.1 Financial assets

All financial assets are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.

Classification

Financial assets are classified in either of the three categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. Currently, the Group classifies its financial assets at amortized cost and fair value through profit or loss. This classification is based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Initial recognition and measurement

All financial assets are initially measured at fair value plus transaction costs that are directly attributable to its acquisition except for trade receivable. Trade receivables are initially measured at transaction price. Trade receivables are initially measured at the transaction price if these do not contain a significant financing component in accordance with IFRS 15.

CW

*Note 3, Material Accounting Policy Information - Continued...***Subsequent measurement**

Financial assets measured at amortized cost are subsequently measured using the effective interest rate method (EIR). The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss.

Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from assets have expired. The difference between the carrying amount and the consideration received is recognized in the consolidated statement of profit or loss.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all financial assets which are measured at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

3.6.2 Financial liabilities**a) Initial recognition and measurement**

Financial liabilities are initially classified at amortized cost. Such liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument and include trade and other payables, loans or borrowings and accrued mark up etc. The Group does not reclassify any of its financial liabilities.

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognized at fair value and transaction costs are credited in profit or loss.

b) Subsequent measurement

The Group measures its financial liabilities subsequently at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of EIR. EIR amortization is included as finance costs profit or loss. Difference between carrying amount and consideration paid is recognized in the profit or loss when the liabilities are derecognized.

3.6.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the consolidated statement of financial position if the Group has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.7 Contingent liabilities

A contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent liability is also disclosed when there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

CM

Note 3, Material Accounting Policy Information - Continued...

3.8 Property, plant and equipment

Owned

Property, plant and equipment except freehold land is stated at cost less accumulated depreciation and identified impairment losses, if any. Freehold land is stated at cost. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable costs of bringing assets to their working condition. Subsequently assets are stated at cost less accumulated depreciation and any identified impairment loss.

Depreciation is charged to consolidated statement of profit or loss using straight line method so as to write off the historical cost of an asset over its estimated useful life at the rates specified in Note 17 without taking into account any residual value which is considered insignificant. Depreciation on assets is charged from the month of additions (i.e., the month when the asset is ready for use) up till the month of disposal.

Depreciation method, residual value and useful lives of assets are reviewed at least at each reporting date and adjusted if impact on depreciation is significant.

Subsequent cost is included in the carrying amount of an asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Day to day maintenance and normal repairs are charged to profit or loss as and when incurred. Gains or losses on disposal of property, plant and equipment are included in the current year's profit or loss.

Capital work-in-progress

Capital work-in-progress is stated at cost less any identified impairment loss. All expenditure connected with specific assets incurred during installation and construction period are carried under capital work in progress. Cost may also include borrowing costs, if any. These are transferred to operating fixed assets as and when these are available for use.

Major spare parts, catalyst and standby

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

3.9 Stores and spares

These are valued at lower of moving average cost and net realizable value while items considered obsolete, if any, are carried at nil value. Cost is determined using the weighted average method. Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Provision is made for obsolete and slow moving stores and spares based on management's best estimate.

3.10 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw materials	- Moving average cost
Material in transit	- Cost comprising invoice value plus incidental charges paid thereon
Work in process	- Estimated average manufacturing cost
Finished goods	- Average manufacturing cost

Manufacturing cost in relation to finished goods comprises cost of materials, labor and appropriate manufacturing overheads. Net realizable value signifies estimated selling price in the ordinary course of business less necessary costs to make the sale.

3.11 Balances from contract with customers

Contract assets

A contract asset is the right to consideration in exchange for goods transferred to the customer. The Group recognizes a contract asset for the earned consideration that is conditional if the Group performs by transferring goods to a customer before the customer pays consideration or before payment is due.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional. Trade receivables are carried at original invoice amount less expected credit loss based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

CM

Note 3, Material Accounting Policy Information - Continued...

Contract liabilities

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration from the customer. A contract liability is recognized at earlier of when the payment is made or the payment is due if a customer pays consideration before the Group transfers goods to the customer.

3.12 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of consolidated statement of cash flows, cash and cash equivalents comprises cash in hand and cash at banks in current and savings accounts.

3.13 Revenue recognition

Revenue is recognized when the performance obligation is satisfied by applying the following five steps of revenue recognition:

- a) Identify the contract with a customer
- b) Identify the performance obligation in the contract
- c) Determine the transaction price of the contract
- d) Allocate the transaction price to each of the separate performance obligations in the contract
- e) Recognize the revenue as the Company satisfies a performance obligation

Revenue is recognized at a point in time, when the Company satisfies performance obligations by transferring goods to its customers and when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Control is transferred when the goods are dispatched to the customers in case of local sales and when goods are shipped to the customers and loaded on vessel or delivered at port in case of export sales. The transaction price is fixed and decided mostly through internal and external factors. The contracts do not contain the right of return as the goods are dispatched to the customer after their inspection and acceptance.

3.14 Related party transactions

Transactions with related parties are based on the transfer pricing policy that all transactions between the Company and the related party or between two or more segments of the Company are at arm's length basis determined using the comparable uncontrolled price method except in circumstances where it is not in the interest of the Company to do so.

3.15 Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit after tax attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit after tax attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, if any.

3.16 Impairment of non-financial assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses on such assets are charged to the consolidated statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Prior impairments of non-financial assets are reviewed for possible reversal at each reporting date. Where impairment loss is recognized, the depreciation / amortization charge is adjusted in future periods to allocate the asset's revised carrying amount over its remaining useful life.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Chief Operating Decision Maker (the Chief Executive Officer of the Company) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly administrative and other operating expenses, and income tax assets and liabilities.

CW

Note 4

Other Accounting Policies

Other accounting policy information adopted in the preparation of these consolidated financial statements is set out below. These policies have been consistently applied to all the periods presented.

4.1 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment, if any, are included in non current liabilities as deferred income and are credited to the consolidated statement of profit or loss on a straight-line basis over the expected lives of the related assets.

4.2 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are charged to the consolidated statement of profit or loss in the period in which they are incurred.

4.3 Dividend distributions

Dividends to shareholders of the Holding Company are recognized as a liability in the period in which these are approved.

4.4 Intangible asset

An intangible asset is recognized as an asset if it is probable that future economic benefits attributable to the asset will flow to the Group and the cost of such asset can be measured reliably. Cost of intangible assets i.e. ERP software includes purchase cost and directly attributable expenses incidental to bring the software to its intended use.

Costs that are directly associated with identifiable software and have probable economic benefits beyond one year, are recognized as an intangible asset. However, costs associated with the maintenance of software are recognized as an expense in the consolidated statement of profit and loss.

All intangibles are measured initially at cost and subsequently stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income using the straight line method so as to write off the cost of an asset over its estimated useful life. Amortization is charged from the date the asset is acquired or capitalized until the date the asset is disposed for impairment. The amortization period and the amortization method for intangible assets are reviewed, at each reporting date, and adjusted if impact on amortization is significant. Intangible assets are amortized at the rates specified in Note 18.

4.5 Interest free loans to employees

The Group provides interest free loans to its employees for various purposes. The loans are initially recognized at fair value which is the present value of future deductions to be made from employees' salaries, discounted at the market interest rate. The difference between fair value of the interest free loan and principal amount at initial recognition is recorded as expense in profit or loss. The loan is subsequently measured at amortized cost with respective finance income to be recorded in profit or loss.

4.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Group has access at that date. There are three levels which are as under:

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group determines transaction price by applying valuation techniques. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received.

CM

Note 4, Other Accounting Policies - Continued..

If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is credited or charged to the profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

4.7 Foreign currency transactions and translations

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

CW

Note 5

Issued, Subscribed and Paid up Share Capital

2024	2023		2024	2023
Number of Shares			---- Rupees in Thousands ----	
102,000,000	102,000,000	Ordinary shares of Rs. 10 each fully paid in cash	1,020,000	1,020,000
48,888,866	48,888,866	Ordinary shares of Rs. 10 each issued as fully paid for consideration other than cash (note 5.2)	488,889	488,889
24,142,218	24,142,218	Ordinary shares of Rs. 10 each fully paid as bonus shares (note 5.3)	241,422	241,422
<u>175,031,084</u>	<u>175,031,084</u>		<u>1,750,311</u>	<u>1,750,311</u>

- 5.1** As at the reporting date, the shares of the Holding Company as held by its parent Company and associated Companies are as under:

	2024	2023	2024	2023
	% Shareholding		Number of shares	
DEL Chemicals (Private) Limited	34.48%	34.48%	60,358,918	60,358,918
Descon Engineering Limited (DEL)	32.40%	32.40%	56,711,084	56,711,084
Descon Corporation (Private) Limited	5.74%	5.74%	10,051,697	10,051,697
	<u>72.62%</u>	<u>72.62%</u>	<u>127,121,699</u>	<u>127,121,699</u>

- 5.2** The shareholders of Holding Company, vide an Extraordinary General Meeting, on November 27, 2019, issued 48,888,866 ordinary shares as right shares against the outstanding loan of DEL of Rs. 733.33 million. These share were issued at a premium of Rs. 5 per share on January 29, 2020 to DEL.
- 5.3** The Holding Company in the year 2021 issued 24,142,218 bonus shares of Rs. 10 each against share premium of Rs. 241.422 million on the basis that 16 shares were issued for every 100 shares held by the shareholders.
- 5.4** All ordinary shares rank equally with regard to residual assets of the Holding Company. Ordinary shareholders are entitled to receive all distributions including dividends and other entitlements in the form of bonus and right shares as and when declared by the Holding Company. Voting and other rights are in proportion to the shareholding.
- 5.5** No shares of the Holding Company were cancelled or further issued during the year.

Note 6

Share Premium

The Holding Company issued 24,142,218 ordinary shares of Rs. 10 as bonus shares as referred to in note 5.3 against the share premium of Rs. 241.422 million in terms of section 81 of the Companies Act, 2017. The outstanding amount of Rs. 3.022 million (2023: Rs. 3.022 million) can be utilized by the Holding Company only for the purposes as specified in section 81 of the Companies Act, 2017.

cm

Note 7

Long Term Financing

	Note	2024	2023
		---- Rupees in Thousands ----	
Allied Bank Limited	7.1	126,115	153,489
Less: Deferred grant		(16,944)	(24,293)
		109,171	129,196
Less: Current portion shown under current liabilities		(22,766)	(28,896)
		<u>86,405</u>	<u>100,300</u>

7.1 Temporary Economic Refinance Facility (TERF)

This represents the outstanding balance of the SBP's Temporary Economic Refinance Facility (TERF) obtained from Allied Bank Limited for capacity expansion of the Holding Company's existing Hydrogen Peroxide plant. Out of the available limit of Rs. 487 million as at June 30, 2024, the Holding Company had utilized Rs. 174.84 million. The recognized portion as at the reporting date is exclusive of grant of Rs. 16.944 million (2023: Rs. 24.293 million). This loan is secured against first pari passu charge over all present and future fixed assets (plant and machinery) of the Holding Company amounting to Rs. 880 million and ranking charge over present and future fixed assets (plant and machinery) of the Holding Company amounting to Rs. 22 million.

Terms of markup

The facility carries markup at SBP rate plus 1% per annum payable quarterly in arrears.

Terms of repayment

Temporary Economic Refinance Facility (TERF) is repayable in twenty equal quarterly installments till May 16, 2029.

Note 8

Deferred Grant

	Note	2024	2023
		---- Rupees in Thousands ----	
Deferred grant	8.1	16,944	24,293
Less: Current portion		(6,130)	(7,349)
		<u>10,814</u>	<u>16,944</u>

8.1 This represents the value of benefit of below market interest rate which has been accounted for as government grant under IAS 20, "Accounting for Government Grant and Disclosure for Government Assistance".

8.2 The grant is amortized in line with the terms of long term financing. During the year, deferred grant of Rs. 7.349 million (2023: Rs. 8.462 million) has been amortized and charged to the finance cost (refer to Note 32).

Note 9

Lease Liabilities

	Note	2024	2023
		---- Rupees in Thousands ----	
Opening balance		21,742	26,603
Add: Additions during the year		-	-
Add: Unwinding of lease liability	32	3,047	2,559
Add: Re-assessment / modification during the year		-	15,750
		24,789	44,912
Less: Repayments during the year		(24,789)	(23,170)
Gross liability		-	21,742
Less: Current portion		-	(21,742)
Closing balance		<u>-</u>	<u>-</u>

9.1 Summary of amounts relating to leases charged in different line items of the financial statements is as follows:

	Included in	Note	2024	2023
			---- Rupees in Thousands ----	
Carrying amount of ROU assets	Consolidated statement of financial position	17.2	-	18,717
Depreciation charge	Consolidated statement of profit or loss	28	18,717	20,125
Interest expense	Consolidated statement of profit or loss	32	3,047	2,559
Payment	Consolidated statement of cash flows		24,789	23,170

Note 9, Lease Liabilities Continued...

9.2 There are no further future cash outflows related to leases.

9.3 Nature of leasing activities

9.3.1 These represented lease arrangement in respect of generators that had been discounted using incremental borrowing rates ranging from 11% to 25% per annum.

9.3.2 There were neither any variable lease payment in the lease contract nor any leases with residual value guarantees or leases not yet commenced to which the Group is committed.

9.3.3 Remaining lease term as at reporting date is Nil (2023: 1 year).

9.3.4 The Group has no lease contracts that includes extension or termination option.

Note 10

Deferred Tax Liability

	2024	2023
	---- Rupees in Thousands ----	
Taxable temporary differences		
Accelerated tax depreciation	210,092	258,420
Unrealized gain on investments	46	1,425
	210,138	259,845
Deductible temporary differences		
Provision for obsolescence of inventories	(1,344)	(36,932)
Impairment of capital stores and spares	-	(19,901)
Loss allowance for doubtful advances	(1,499)	-
Lease liability	-	(7,962)
Loss allowance against doubtful debts	(2,420)	(2,950)
Other	(803)	-
	(6,066)	(67,745)
	<u>204,072</u>	<u>192,100</u>

10.1 Reconciliation of deferred tax liabilities

Opening balance	192,100	240,371
Deferred tax charged during the year recognized in profit or loss	11,972	(48,271)
Deferred tax recognized in other comprehensive income	-	-
Closing balance	<u>204,072</u>	<u>192,100</u>

10.2 Deferred tax assets / liabilities on temporary differences are measured at effective rate of 39% (2023: 36.66%).

	Consolidated Statement of Financial Position		Consolidated Statement of Profit or Loss	
	2024	2023	2024	2023
	---- Rupees in Thousands ----			
Accelerated tax depreciation	210,092	258,420	(48,328)	4,515
Unrealized gain on investments	46	1,425	(1,379)	1,425
Provision for obsolescence of inventories	(1,344)	(36,932)	35,588	(34,413)
Impairment of capital stores and spares	-	(19,901)	19,901	(19,901)
Loss allowance for doubtful advances	(1,499)	-	(1,499)	-
Lease liability	-	(7,962)	7,962	624
Loss allowance against doubtful debts	(2,420)	(2,950)	530	(521)
Other	(803)	-	(803)	-
	<u>204,072</u>	<u>192,100</u>	<u>11,972</u>	<u>(48,271)</u>

10.3 Analysis of change in deferred tax

Accelerated tax depreciation	210,092	258,420	(48,328)	4,515
Unrealized gain on investments	46	1,425	(1,379)	1,425
Provision for obsolescence of inventories	(1,344)	(36,932)	35,588	(34,413)
Impairment of capital stores and spares	-	(19,901)	19,901	(19,901)
Loss allowance for doubtful advances	(1,499)	-	(1,499)	-
Lease liability	-	(7,962)	7,962	624
Loss allowance against doubtful debts	(2,420)	(2,950)	530	(521)
Other	(803)	-	(803)	-
	<u>204,072</u>	<u>192,100</u>	<u>11,972</u>	<u>(48,271)</u>

Note 11

Trade and Other Payables

	Note	2024	2023
		---- Rupees in Thousands ----	
Trade creditors	11.1	128,677	190,395
Bills payable		-	173,316
Contract liabilities	11.2	85,724	131,988
Accrued liabilities	11.3	297,586	247,383
Worker's (profit) participation fund	11.4	43,963	120,942
Worker's welfare fund	11.5	18,666	44,239
Other liabilities		11,947	2,099
Provident fund payable	11.6	1,771	1,411
		<u>588,334</u>	<u>911,773</u>

11.1 Trade creditors includes interest free amounts due to related parties in the normal course of business as follows:

Descon Engineering Limited	11,638	3,468
Descon Corporation (Private) Limited	4,359	3,415
Descon (Private) Limited	-	17,422
Inspectest (Private) Limited	-	1,362
	<u>15,997</u>	<u>25,667</u>

11.2 These contract liabilities are expected to be satisfied during the year ended June 30, 2025 (2023: June 30, 2024).

11.3 This includes payable to Descon (Private) Limited of Rs. 20.951 million (2023: Rs. 7.684 million) against royalty, for inspection service to Inspectest (Private) Limited amounting to Rs. 3.195 million (2023: Nil), and for engineering services to Descon Engineering Limited amounting to Rs. 5.168 million (2023: Rs. 5.901 million).

11.4 Workers' (profit) participation fund

Opening balance	120,942	42,740
Add: Provision for the year	43,963	118,499
Add: Interest for the year	-	2,443
Less: Payments made to the fund during the year	(120,942)	(42,740)
Closing balance	<u>43,963</u>	<u>120,942</u>

11.5 Worker's welfare fund

Opening balance	44,239	25,787
Add: Provision for the year	18,666	44,239
Less: Payments made during the year	(44,239)	(25,787)
Closing balance	<u>18,666</u>	<u>44,239</u>

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

Note 12

Accrued Finance Costs

	2024	2023
	---- Rupees in Thousands ----	
Long term financing	647	-
Finances under mark up arrangements - secured	594	345
	<u>1,241</u>	<u>345</u>

12.1 This represents the markup accrued from conventional banks against borrowings utilised during the year.

cur

Note 13

Finances Under Mark up Arrangements

	2024	2023
	---- Rupees in Thousands ----	
Banking companies - Secured		
Running finance	-	110,383

13.1 Terms and conditions of borrowings

Purpose

The Holding Company has obtained various funded and unfunded financial facilities from different banks for a total sanctioned limit of Rs. 2,475 million (2023: Rs. 1,649 million) including running finance facilities amounting to Rs. 1,650 million (2023: Rs. 1,300 million), to meet the working capital requirements, retirement of local and foreign LCs, discounting local bills / receivables and loan against trust receipts etc.

Markup

Mark-up on these facilities is charged using 1 to 3 months KIBOR+ spread of 0.25% to 0.75% (2023: 1 to 3 Months KIBOR + spread of 0.25% to 0.75%) per annum, payable on quarterly basis in arrears.

Securities

These facilities are secured by way of joint pari passu charge and ranking hypothecation charge over present and future, current assets of the Holding Company and lien over title of imported goods.

13.2 Shariah Compliant

This includes shariah compliant borrowings utilised from Meezan Bank Limited amounting to Rs. Nil (2023: Rs. 110.383 million) out of the total sanction limit of Rs. 400 million (2023: Rs. 400 million).

Note 14

Current Portion of Non Current Liabilities

		2024	2023
	Note	---- Rupees in Thousands ----	
Long term financing	7	22,766	28,896
Deferred grant	8	6,130	7,349
Lease liabilities	9	-	21,742
		<u>28,896</u>	<u>57,987</u>

Note 15

Provision for Taxation / (Tax Refund Due from the Government)

	2024	2023
	---- Rupees in Thousands ----	
Opening balance	576,675	128,084
Add: Charge for the year	277,035	865,954
Add: Prior year adjustment	28,956	5,625
	<u>882,666</u>	<u>999,663</u>
Less: Payment / adjustments	<u>(1,008,570)</u>	<u>(422,988)</u>
(Tax refund due from the government) / provision for taxation	<u>(125,904)</u>	<u>576,675</u>

15.1 The provision for current year tax represents corporate tax at 29% (2023: 29%) and super tax at the rate of 10% (2023: 10%) as per the Income Tax Ordinance, 2001.

15.2 Income tax assessments are deemed finalized by the management up to the Tax Year 2023 as tax returns were filed under the self assessment scheme.

CM

Note 16

Contingencies and Commitments**16.1 Contingencies**

The Honorable Supreme Court of Pakistan ('HSCP') in its decision dated August 13, 2020 held that Gas Infrastructure Development Cess (GIDC), as initially levied through Gas Infrastructure Development Cess Act, 2011 and modified via different notifications issued from time to time and thereafter re-levied through the Gas Infrastructure Development Cess Ordinance, 2014, stands payable to SNGPL in twenty four (24) equal monthly installments with immediate effect.

Pursuant to the order of the HSCP, Sui Northern Gas Pipelines Limited ('SNGPL') raised a demand for the collection of the GIDC arrears. The Group filed a writ petition under article 199 of the Constitution of Islamic Republic of Pakistan, 1973 in the Honorable Lahore High Court ('HLHC') against the demand raised, pleading that demanding arrears of GIDC are illegal, unlawful and ultra vires to the first proviso to section 8 (2) of the Gas Infrastructure Development Cess Act, 2015. The writ petition was decided in favor of the Group by HLHC vide its order dated June 17, 2021. SNGPL filed an intra court appeal in HLHC which was decided against SNGPL vide order of HLHC dated September 21, 2022.

The Group's legal advisor is of the opinion that the judgement does not apply to arrears under the Gas Infrastructure Development Cess Act, 2011 and Gas Infrastructure Development Ordinance 2014 that are, in terms of first proviso of section 8 (2) of the Gas Infrastructure Development Cess Act, 2015, not to be collected. The applicability of first provision of section 8 (2) is subject to the determination by High Level Committee ('Committee') of SNGPL. The decision has not been made by the Committee on its applicability and the amount to be paid by the Group. Accordingly, the Group has not recognized the estimated provision of Rs. 55.32 million (June 30, 2023: Rs. 55.32 million) in these consolidated financial statements. However, the Group has provided guarantee of Rs. 55.32 million (June 30, 2023: Rs. 55.32 million) to SNGPL.

16.2 Guarantees

The Group has issued guarantees to the following parties:

	<u>2024</u>	<u>2023</u>
	---- Rupees in Thousands ----	
Against performance of contracts:		
Sui Northern Gas Pipelines Limited	151,286	144,371
Pakistan State Oil Company Limited	3,500	3,500
Al-Technique Corporation of Pakistan	28,407	28,407
	<u>183,193</u>	<u>176,278</u>

Post dated cheques issued in favor of National Tariff Commission of Pakistan and Collector of Customs aggregate to Rs. 42.14 million (2023: Rs. 42.14 million).

16.3 Commitments

The Group has the following commitments in respect of:

Letters of credits <i>CM</i>	<u>158,549</u>	<u>296,400</u>
---------------------------------	----------------	----------------

Note 17

Property, Plant and Equipment

	Note	2024	2023
		---- Rupees in Thousands ----	
Operating fixed assets			
- owned assets	17.1	1,843,325	2,068,782
- right of use assets	17.2	-	18,717
Capital work in progress	17.3	58,447	114,196
Major spare parts, catalysts and standby equipment	17.4	91,206	91,592
		<u>1,992,978</u>	<u>2,293,287</u>

17.1 Operating fixed assets

Year Ended June 30, 2024

Description	Freehold Land	Buildings on Freehold Land	Plant, Machinery and Equipment	Plant, Machinery and Equipment - Catalyst	Laboratory Equipment	Material Handling	Tools and Equipment	Computer Equipment	Electrical Equipment	Office Equipment	Furniture and Fixture	Vehicles	Total
	---- Rupees in Thousands ----												
Cost													
Balance as at July 01, 2023	101,316	361,531	4,294,619	27,197	17,575	4,016	31,323	25,096	1,989	17,686	13,676	16,622	4,912,646
Additions	-	59,116	63,094	3,208	-	158	13,783	6,082	-	4,842	6,204	-	156,487
Disposals during the year	-	-	-	-	-	-	-	(865)	-	(70)	(50)	-	(985)
Balance as at June 30, 2024	<u>101,316</u>	<u>420,647</u>	<u>4,357,713</u>	<u>30,405</u>	<u>17,575</u>	<u>4,174</u>	<u>45,106</u>	<u>30,313</u>	<u>1,989</u>	<u>22,458</u>	<u>19,830</u>	<u>16,622</u>	<u>5,068,148</u>
Accumulated depreciation													
Balance as at July 01, 2023	-	217,729	2,531,109	23,142	14,439	3,036	13,870	15,994	1,975	8,500	9,342	4,728	2,843,864
Charge for the year	-	23,283	332,432	4,623	1,285	156	7,146	6,167	14	2,457	1,831	2,516	381,910
Disposals during the year	-	-	-	-	-	-	-	(831)	-	(70)	(50)	-	(951)
Balance as at June 30, 2024	<u>-</u>	<u>241,012</u>	<u>2,863,541</u>	<u>27,765</u>	<u>15,724</u>	<u>3,192</u>	<u>21,016</u>	<u>21,330</u>	<u>1,989</u>	<u>10,887</u>	<u>11,123</u>	<u>7,244</u>	<u>3,224,823</u>
Balance as at June 30, 2024	<u>101,316</u>	<u>179,635</u>	<u>1,494,172</u>	<u>2,640</u>	<u>1,851</u>	<u>982</u>	<u>24,090</u>	<u>8,983</u>	<u>-</u>	<u>11,571</u>	<u>8,707</u>	<u>9,378</u>	<u>1,843,325</u>
Depreciation rates	-	5% to 10%	6.25% to 33%	10% to 50%	6.25% to 20%	20%	6.25% to 33%	33%	20%	20%	10% to 20%	20%	

CML

Note 17, Property, Plant and Equipment - Continued...

Year Ended June 30, 2023

Description	Freehold Land	Buildings on Freehold Land	Plant, Machinery and Equipment	Plant, Machinery and Equipment - Catalyst	Laboratory Equipment	Material Handling	Tools and Equipment	Computer Equipment	Electrical Equipment	Office Equipment	Furniture and Fixture	Vehicles	Total
---- Rupees in Thousands ----													
Cost													
Balance as at July 01, 2022	101,316	349,510	4,035,824	27,197	17,384	3,276	21,912	19,871	1,989	11,678	12,490	4,456	4,606,903
Additions	-	12,021	258,795	-	191	740	9,411	6,200	-	6,273	1,508	12,166	307,305
Disposals during the year	-	-	-	-	-	-	-	(975)	-	(265)	(322)	-	(1,562)
Balance as at June 30, 2023	<u>101,316</u>	<u>361,531</u>	<u>4,294,619</u>	<u>27,197</u>	<u>17,575</u>	<u>4,016</u>	<u>31,323</u>	<u>25,096</u>	<u>1,989</u>	<u>17,686</u>	<u>13,676</u>	<u>16,622</u>	<u>4,912,646</u>
Accumulated depreciation													
Balance as at July 01, 2022	-	198,243	2,197,527	23,142	13,087	2,914	10,367	12,998	1,861	6,823	8,479	4,114	2,479,555
Charge for the year	-	19,486	333,582	-	1,352	122	3,503	3,936	114	1,942	1,169	614	365,820
Disposals during the year	-	-	-	-	-	-	-	(940)	-	(265)	(306)	-	(1,511)
Balance as at June 30, 2023	<u>-</u>	<u>217,729</u>	<u>2,531,109</u>	<u>23,142</u>	<u>14,439</u>	<u>3,036</u>	<u>13,870</u>	<u>15,994</u>	<u>1,975</u>	<u>8,500</u>	<u>9,342</u>	<u>4,728</u>	<u>2,843,864</u>
Balance as at June 30, 2023	<u>101,316</u>	<u>143,802</u>	<u>1,763,510</u>	<u>4,055</u>	<u>3,136</u>	<u>980</u>	<u>17,453</u>	<u>9,102</u>	<u>14</u>	<u>9,186</u>	<u>4,334</u>	<u>11,894</u>	<u>2,068,782</u>
Depreciation rates	-	5% to 10%	6.25% to 33%	10% to 50%	6.25% to 20%	20%	6.25% to 33%	33%	20%	20%	10% to 20%	20%	

17.1.1 Particulars of immovable property (i.e. land and building) in the name of Group are as follows:

Location / Address	Usage of immovable property	Total Area (Sq. ft.)	Covered Area (Sq. ft.)
18 Km Lahore Sheikhpura Road <i>CM</i>	Production plant and factory	1,220,000	566,280

Note 17, Property, Plant and Equipment - Continued...

17.1.2 Apportionment of depreciation charge for the year

	Note	2024	2023
Depreciation charge for the year has been apportioned as follows:			
---- Rupees in Thousands ----			
Cost of sales	28	378,103	362,264
Administrative expenses	29	2,894	3,020
Distribution cost	30	914	535
		<u>381,911</u>	<u>365,819</u>

17.1.3 All assets are in the name of the Group and in the Group's possession and control.

17.1.4 Borrowings of the Holding Company are secured against first pari passu charge over all present and future fixed assets (plant and machinery) of the Holding Company amounting to Rs. 880 million and ranking charge over present and future fixed assets (plant and machinery) of the Holding Company amounting to Rs. 22 million.

17.1.5 The cost of fully depreciated assets which are still in use as at June 30, 2024 is Rs. 89.114 million (2023: Rs. 71.84 million).

17.2 Right-of-Use Assets

Gensets

Opening balance	18,717	23,092
Add: Additions during the year	-	-
Re-assessment / modification during the year	-	15,750
	<u>18,717</u>	<u>38,842</u>
Less: Depreciation charge for the year	<u>(18,717)</u>	<u>(20,125)</u>
Closing balance	<u>-</u>	<u>18,717</u>

17.2.1 Depreciation expense relating to the right of use assets has been recognized in Cost of sales (Note 28).

17.3 Capital work-in-progress

Plant and machinery	46,842	21,594
Civil works	10,500	39,576
Others	1,105	12,879
Advances to suppliers and contractors	-	40,147
	<u>58,447</u>	<u>114,196</u>

17.3.1 Reconciliation of the carrying amount is as follows:

		2024				
		Balance as at July 01, 2023	Expenditure incurred during the year	Inter classification	Transfers to operating assets and repairs	Balance as at June 30, 2024
---- Rupees in Thousands ----						
Plant and machinery	17.3.2	21,594	45,378	40,147	(60,277)	46,842
Civil works		39,576	39,863	-	(68,939)	10,500
Others		12,879	951	-	(12,725)	1,105
Advances to suppliers and contractors		40,147	-	(40,147)	-	-
		<u>114,196</u>	<u>86,192</u>	<u>-</u>	<u>(141,941)</u>	<u>58,447</u>
		2023				
		Balance as at July 01, 2022	Expenditure incurred during the year	Inter classification	Transfers to operating assets and repairs	Balance as at June 30, 2023
---- Rupees in Thousands ----						
Plant and machinery		195,801	61,707	3,982	(239,896)	21,594
Civil works		15,182	40,977	(4,562)	(12,021)	39,576
Others		12,713	14,499	580	(14,913)	12,879
Advances to suppliers and contractors		4,834	40,147	-	(4,834)	40,147
		<u>228,530</u>	<u>157,330</u>	<u>-</u>	<u>(271,664)</u>	<u>114,196</u>

17.3.2 The capital work in progress as at June 30, 2024 mainly represents solar system to be installed during the year.

aw

Note 17, Property, Plant and Equipment - Continued...

17.4 Major spare parts, catalyst and standby equipment

	2024	2023
Note	---- Rupees in Thousands ----	
The reconciliation of carrying amount is as follows:		
Opening balance	91,592	110,861
Additions	161,759	63,049
Less: Transfers during the year	(162,145)	(32,472)
Less: Provision for capital stores	-	(49,846)
17.4.1	91,206	91,592
17.4.1 Provision for Capital Stores		
Opening balance	49,846	-
Loss allowance for the year	-	49,846
	49,846	49,846
Less: Balance written off	(49,846)	-
Balance as at June 30,	-	49,846

Note 18

Intangible Assets

	2024	2023
Note	---- Rupees in Thousands ----	
Net Carrying Value		
Opening balance	25,161	26,972
Additions during the year	-	9,666
	25,161	36,638
Amortization during the year	(8,757)	(11,477)
Closing balance	16,404	25,161
Gross Carrying Value		
Cost	158,284	158,284
Accumulated amortization	(141,880)	(133,123)
Net book value	16,404	25,161
Amortization rate	10% - 33.33%	10% - 33.33%
18.1 Amortization charge for the year has been allocated as follows:		
Cost of sales	28	5,641
Administrative expenses	29	3,116
		8,757
		7,670
		3,807
18.2 Intangible assets represent the cost of ERP software.		
18.3 As at June 30, 2024, the carrying value of Distributed Control System is Rs. 2.41 million (2023: Rs. 6.61 million), Data Recovery System is Rs. 8.36 million (2023: Rs. 11.23 million), Server Licenses is Rs. 0.484 million (2023: Rs. 0.302 million) and ERP & Database Upgradation is Rs. 5.15 million (2023: Rs. 6.66 million). Their remaining useful lives are 3 years, 3 years, 1 year and 3.5 years respectively as at June 30, 2024. The residual value of these intangible assets is insignificant. These intangibles are not internally generated.		

Note 19

Long Term Loans

	2024	2023
	---- Rupees in Thousands ----	
Due from employees - considered good	9,792	13,000
Present value adjustment	(2,059)	(3,785)
	7,733	9,215
Current portion of long term loans	(3,250)	(3,063)
	4,483	6,152

19.1 This represents interest free loan given to employees in accordance with the terms of employment. The loan is secured against the property documents and is recoverable over a period of five years including grace period of one year. This loan is discounted using the market rate prevalent as at the reporting date.

um

Note 20

Long Term Deposits and Prepayments

		2024	2023
	Note	---- Rupees in Thousands ----	
Utility companies		15,102	15,102
Other deposits	20.1	5,102	7,102
Other prepayments		-	2,267
		<u>20,204</u>	<u>24,471</u>

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

Note 21

Stores and Spares

		2024	2023
	Note	---- Rupees in Thousands ----	
General stores and spares	21.1	243,170	358,631
General stores and spares in transit		24,499	45,165
Working solution		259,713	239,883
Less: Provision for obsolescence	21.2	(3,445)	(103,389)
		<u>523,937</u>	<u>540,290</u>

21.1 General stores and spares include raw material for working solution of Rs. 52.528 million (2023: Rs. 108.148 million).

21.2 Movement of provision for obsolescence is as under:

Opening balance	103,389	6,658
Provision for the year	-	96,731
	<u>103,389</u>	<u>103,389</u>
Less: Stores and spares written off	(99,944)	-
Balance as at June 30,	<u>3,445</u>	<u>103,389</u>

Note 22

Stock in Trade

		2024	2023
	Note	---- Rupees in Thousands ----	
Raw materials		464,897	357,276
Raw materials in transit		29,672	202,780
Work in process		17,994	33,513
Finished goods			
- purchased for resale		638	638
- own manufactured	22.1	118,224	122,970
		<u>631,425</u>	<u>717,177</u>

22.1 This includes provision for obsolescence of finished goods amounting to Rs. 1.249 million (2023: Rs. 1.249 million).

CM

Note 23

Trade Debts

	Note	2024	2023
		---- Rupees in Thousands ----	
Considered good:	23.1		
-Local sales		171,540	162,283
-Foreign sales	23.2	4,106	3,221
Considered doubtful		6,204	6,204
		181,850	171,708
Less: Expected credit loss allowance	23.2	(6,204)	(6,204)
		<u>175,646</u>	<u>165,504</u>

23.1 These include Rs. 158.42 million (2023: Rs 162.65 million) secured by way of inland letter of credit.

23.2 Expected Credit Loss Allowance

Opening balance	6,204	6,189
Loss allowance for the year	-	15
	<u>6,204</u>	<u>6,204</u>
Less: Bad debts written off	-	-
	<u>6,204</u>	<u>6,204</u>

23.3 These customers have no history of default. For age analysis of these trade debts, refer to note 41.1 (b).

Note 24

Loans, Advances, Deposits, Prepayments and Other Receivables

	Note	2024	2023
		---- Rupees in Thousands ----	
Advances to supplier - Unsecured			
- Considered good		15,079	87,332
- Considered doubtful		3,843	1,848
		18,922	89,180
Loss allowance for doubtful advances	24.2	(3,843)	(1,848)
		15,079	87,332
Advances and short term loans to employees (Unsecured - Considered good)	24.3	5,334	4,750
Security deposits		6,915	6,915
Sales tax refundable - Net		14,577	11,382
Prepayments		7,481	3,920
Contract asset		4,549	3,501
		<u>53,935</u>	<u>117,800</u>

24.1 Advances to employees do not include any amount given to any related party of the Group (2023: Nil).

24.2 Loss allowance for doubtful advances

Opening balance	1,848	1,338
Loss allowance for the year	1,995	510
	<u>3,843</u>	<u>1,848</u>
Less: Balance written off	-	-
Balance as at June 30,	<u>3,843</u>	<u>1,848</u>

24.3 These represent interest free loans given to employees as per the Group's policy. These loans are recoverable from salary in monthly installments.

CM

Note 25

Short Term Investments

	2024	2023
	---- Rupees in Thousands ----	
NBP Money Market Fund 8.369 million units (2023: 89.855 million units)	83,760	896,726
NBP Cash Fund 5.624 million units (2023: Nil).	56,295	-
	<u>140,055</u>	<u>896,726</u>

25.1 Short term investments are designated at fair value through profit or loss. Fair value as at the reporting date has been determined based on net asset value (level 2 inputs).

Note 26

Bank Balances

		2024	2023
	Note	---- Rupees in Thousands ----	
Current accounts		368,287	187,826
Saving accounts	26.1	93,473	60,531
		<u>461,760</u>	<u>248,357</u>

26.1 These carry mark up at the rate of 19.5% to 20.5% (2023: 12.5% to 19.5%) per annum.

26.2 The bank balances include an amount of post dated cheques issued in favor of National Tariff Commission of Pakistan and Collector of customers aggregating to Rs. 42.14 million (2023: Rs. 42.14 million).

26.3 The above figures reconcile to the amount of cash and cash equivalents shown in the statement of cash flow.

26.4 This includes shariah compliant bank deposits in Meezan Bank Limited amounting to Rs. 18.665 million (2023: Rs. Nil).
CM

Note 27
Sales

	Note	2024 ---- Rupees in Thousands ----	2023
Gross sales			
- Local		6,434,955	7,294,524
- Foreign		418,933	643,163
	27.1	<u>6,853,888</u>	<u>7,937,687</u>
Commission on sales		(140,713)	(148,860)
Sales tax		<u>(975,142)</u>	<u>(1,067,481)</u>
		<u><u>5,738,033</u></u>	<u><u>6,721,346</u></u>

27.1 Gross sales includes the following recognized at a point in time.

Hydrogen peroxide

- Own manufactured
- Purchase for resale

	6,853,888	7,878,614
	-	59,073
	<u>6,853,888</u>	<u>7,937,687</u>

27.2 Contract balances

Trade receivables	27.2.1	175,646	165,504
Contract liabilities	27.2.2	85,724	131,988
Contract assets		4,549	3,501

27.2.1 Trade receivables are non-interest bearing and become due after 30 to 90 days of invoice date.

27.2.2 Contract liabilities represents short term advances received from customers against delivery of goods in future. Revenue recognized in the current year that was included in the contract liabilities at the beginning of the year amounts to Rs. 122.8 million (2023: Rs. 114.38 million).

cm

Note 28

Cost of Sales

	Note	2024	2023
		---- Rupees in Thousands ----	
Raw materials consumed		2,310,411	2,222,992
Packing materials		16,883	12,496
Salaries, wages and other benefits	28.1	253,839	208,635
Repairs and maintenance		307,441	225,082
Shut down expenses		28,771	-
Fuel and power		1,079,531	682,484
Quality assurance		5,801	5,423
Provision for obsolescence of stores		-	97,780
Provision for impairment of capital spare parts		-	49,846
Services through contractors		83,864	66,094
Travelling and conveyance		15,636	17,807
Communication		2,247	2,385
Rent and rates		8,679	10,760
Amortization of intangible assets	18.1	5,641	7,670
Insurance		25,262	14,396
Safety items consumed		4,429	2,831
Depreciation on property, plant and equipment:	17.1.2		
- owned assets		378,103	362,264
- right of use assets	17.2	18,717	20,125
Miscellaneous		18,400	15,833
		<u>4,563,655</u>	<u>4,024,903</u>
Add: Opening work in process		33,513	16,748
Less: Closing work in process		(17,994)	(33,513)
		<u>15,519</u>	<u>(16,765)</u>
Cost of goods produced		<u>4,579,174</u>	<u>4,008,138</u>
Add: Opening finished goods		122,970	25,263
Less: Closing finished goods		(118,224)	(122,970)
		<u>4,746</u>	<u>(97,707)</u>
Cost of goods sold - own manufactured		<u>4,583,920</u>	<u>3,910,431</u>
Cost of goods sold - purchase for resale		-	54,486
		<u>4,583,920</u>	<u>3,964,917</u>

28.1 Salaries, wages and other benefits include Rs. 6.81 million (2023: Rs. 5.77 million) in respect of provident fund contribution by the Group.

Note 29

Administrative Expenses

		2024	2023
	Note	---- Rupees in Thousands ----	
Salaries, allowances and other benefits	29.1	101,284	90,789
Vehicle running and maintenance		8,601	5,745
Entertainment		1,953	3,253
Communication		537	653
Printing and stationery		1,926	3,509
Travelling and conveyance		924	9,006
Repairs and maintenance		1,512	327
Insurance		70	61
Donations	29.2	18,806	-
Fees and subscriptions		27,286	31,107
Legal and professional fee		14,202	9,462
Auditors' remuneration	29.3	5,725	5,796
Depreciation on property, plant and equipment	17.1.2	2,894	3,020
Amortization of intangible assets	18.1	3,116	3,807
Miscellaneous		4,597	6,363
		<u>193,433</u>	<u>172,898</u>

29.1 Salaries, wages and other benefits include Rs. 2.68 million (2023: Rs. 2.26 million) in respect of provident fund contribution by the Group.

29.2 This represents donation made to Bilquis Abdul Razzak Dawood Foundation, a related party.

29.3 Auditors' remuneration:

- Audit fee	2,900	2,846
- Half yearly review	1,100	1,025
- Audit of group financial statements, group reporting and other certifications	1,725	1,694
- Out of pocket expenses	-	231
	<u>5,725</u>	<u>5,796</u>

Note 30

Distribution and Selling Costs

		2024	2023
	Note	---- Rupees in Thousands ----	
Salaries, allowances and other benefits	30.1	46,006	37,414
Communication		624	869
Travelling and conveyance		18,588	19,717
Advertisement		17,934	10,814
Insurance		44	48
Freight and forwarding		48,315	61,897
Fees and subscriptions		16,452	34,302
Royalty	30.2	28,443	33,596
Rent, rates and taxes		11,732	5,724
Net impairment loss on trade debts		-	15
Depreciation on property, plant and equipment	17.1.2	914	535
Miscellaneous		1,524	5,669
		<u>190,576</u>	<u>210,600</u>

30.1 Salaries, wages and other benefits include Rs. 0.83 million (2023: Rs. 0.71 million) in respect of provident fund contribution by the Group.

30.2 This represents royalty charged by Descon (Private) Limited, a related party due to common directorship, located at Descon Headquarters, 18-Km, Ferozepur Road, Lahore.

cm

Note 31

Other Operating Expenses

		2024	2023
	Note	---- Rupees in Thousands ----	
Worker's (profit) participation fund	11.4	43,963	118,499
Worker's welfare fund	11.5	18,666	44,240
Exchange loss		-	78,878
Loss allowance for doubtful advances		1,995	-
		<u>64,624</u>	<u>241,617</u>

Note 32

Finance Cost

		2024	2023
	Note	---- Rupees in Thousands ----	
Markup on :			
- Long term finance	32.1	2,808	4,255
- Finances under markup arrangements - secured		10,111	4,954
- Lease liabilities		3,047	2,559
Bank and other charges		7,871	14,161
		<u>23,837</u>	<u>25,929</u>

32.1 Amortization of deferred grant of Rs. 7.349 million (2023: Rs. 8.462 million) has been netted off against the markup on long term finances.

Note 33

Other Income

		2024	2023
	Note	---- Rupees in Thousands ----	
Profit on bank deposits		29,998	33,571
Dividend income from investments		91,557	70,461
Unwinding of long term loan		1,726	-
Realized gain on sale of investments		3,851	3,638
Unrealized gain on investments		308	4,037
Scrap sales		9,533	6,475
Gain on disposal of property, plant and equipment		60	107
Foreign indenting commission		-	26
Exchange gain		4,170	-
Excess liability written back	33.1	31,410	-
		<u>172,613</u>	<u>118,315</u>

33.1 This includes payable amounting to Rs. 31.372 million (2023: Nil) that pertains to a vendor that has been written back, following the agreement signed on October 26, 2023.

Note 34

Taxation

	2024	2023
	---- Rupees in Thousands ----	
- Current year	277,035	829,148
- Adjustment for prior years	28,956	5,625
	305,991	834,773
Deferred tax	11,971	(48,270)
	<u>317,962</u>	<u>786,503</u>

34.1 Reconciliation of tax charge for the year

Profit before levy and taxation	854,256	2,223,700
Tax @ 29% (2023: 29%) on profit before taxation	247,734	644,873
Adjustment on account of normal tax	(47,743)	(47,851)
Prior year tax	28,956	5,625
Super tax	77,044	232,126
Deferred taxation	11,971	(48,270)
	<u>317,962</u>	<u>786,503</u>

Note 34, Taxation - Continued...

34.2 Reconciliation of Levy and Income tax under IAS-12

	2024	2023
	---- Rupees in Thousands ----	
Current tax liability as per applicable tax laws	335,271	871,578
Portion of current tax liability representing income tax as per IAS -12	(305,991)	(834,773)
Portion of current tax liability representing levy as per IFRIC 21 / IAS 37	(29,280)	(36,805)
Difference	<u>-</u>	<u>-</u>

34.3 The current tax expense for the year is calculated using corporation tax rate of 29% (2023: 29%) and super tax at 10% (2023: 10%). Deferred tax assets and liabilities on temporary differences are measured at effective rate of 39% (2023: 36.62%).

Note 35

Earnings Per Share

		2024	2023
Profit for the year	Rupees in thousand	507,014	1,400,392
Weighted average number of ordinary shares	Number in thousand	175,031	175,031
Earning per share - basic	Rupees	<u>2.90</u>	<u>8.00</u>

35.1 There is no dilution effect on the earnings per share of the Group as the Group does not have any convertible instruments in issue as at June 30, 2024 and June 30, 2023 which would have any effect on the earnings per share if the option to convert is exercised.

Note 36

Cash Generated from Operations

	Note	2024	2023
		---- Rupees in Thousands ----	
Profit before levy and taxation		854,256	2,223,700
Adjustments for:			
- Depreciation on property, plant and equipment	17.1.2	381,911	365,819
- Depreciation on right of use asset	17.2	18,717	20,125
- Amortization of intangible asset	18	8,757	11,477
- Provision for obsolescence of stock	28	-	97,780
- Impairment of capital spares	28	-	49,846
- Excess liability written back	33	(31,410)	-
- Impairment reversal on trade debts	30	-	15
- Foreign operation translation reserve		(467)	-
- Unwinding of long term loan	33	(1,726)	-
- Loss allowance for doubtful advances	31	1,995	510
- Interest on bank deposits	33	(29,998)	(33,571)
- Dividend income	33	(91,557)	(70,461)
- Unrealized gain on investment	33	(308)	(4,037)
- Net exchange (gain) / loss	33	(4,170)	78,878
- Finance cost	32	23,837	25,929
- Gain on disposal of property, plant and equipment	33	(60)	(107)
		<u>275,521</u>	<u>542,203</u>
Operating profit before working capital changes		1,129,777	2,765,903
(Increase) / decrease in current assets			
- Stores and spares		16,353	(128,154)
- Stock in trade		85,752	(468,361)
- Trade debts		(10,142)	71,864
- Loans and advances		64,324	(11,966)
Increase / (decrease) in current liabilities			
- Trade and other payables		(287,859)	68,403
		<u>(131,572)</u>	<u>(468,214)</u>
Cash Generated from Operations		998,205	2,297,689

CM

Note 37

Liabilities Arising from Financing Activities

	Note	As at June 30,			
		2023	Non-cash changes	Cash flows (Net)	2024
---- Rupees in Thousands ----					
Long term financing	7	153,489	-	(27,374)	126,115
Dividend payable		9,177	350,062	(347,996)	11,243
Lease liabilities	9	21,742	3,047	(24,789)	-
Finances under mark up arrangements - secured	13	110,383	-	(110,383)	-
Total liabilities from financing activities		294,791	353,109	(510,542)	137,358
---- Rupees in Thousands ----					
As at June 30,					
2022					
---- Rupees in Thousands ----					
Long term financing - secured	7	349,362	11,950	(207,823)	153,489
Dividend payable		3,237	700,126	(694,186)	9,177
Lease liabilities	9	26,603	18,309	(23,170)	21,742
Finances under mark up arrangements - secured	13	14,620	-	95,763	110,383
Total liabilities from financing activities		393,822	730,385	(829,416)	294,791

37.1 The Company classifies the finance cost paid as cashflow from operating activities.

Note 38

Remuneration of Chief Executive Officer, Directors and Executives

The aggregate amounts charged in the consolidated financial statements for the year as remuneration and benefits paid to the chief executive officer, directors and executives of the Group are as follows:

	Chief Executive Officer		Non-Executive Directors		Executives		Total	
	2024	2023	2024	2023	2024	2023	2024	2023
---- Rupees in Thousands ----								
Remuneration	22,990	19,716	-	-	68,589	51,117	91,579	70,833
Meeting fee	-	-	2,125	1,937	-	-	2,125	1,937
Contribution to provident fund	1,424	1,228	-	-	3,939	3,002	5,363	4,230
Car allowance	1,164	1,164	-	-	14,353	9,081	15,517	10,245
Medical facility	-	61	-	-	1,538	1,291	1,538	1,352
Bonus	5,069	5,069	-	-	11,485	11,087	16,554	16,156
Membership subscription	-	131	-	-	-	-	-	131
Advisory fee	-	-	15,240	11,000	-	-	15,240	11,000
Reimbursable expenses	-	308	-	-	-	1,414	-	1,722
	30,647	27,677	17,365	12,937	99,904	76,992	147,916	117,606
Number of persons	1	1	7	7	14	11		

38.1 An executive is defined as an employee, other than the chief executive officer and directors, whose basic salary exceeds Rs. 1.2 million in a financial year.

Note 39

Balances and Transaction with Related Parties

Related parties comprise the parent company, associated companies due to common directorship, staff retirement funds, directors and key management personnel. The Group in the normal course of business carries out transactions with various related parties. The Group enters into transactions with related parties on the basis of mutually agreed terms. Outstanding balances as at the reporting date are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party's receivable or payable balances. Significant balances and transactions with related parties are as follows:

Transaction during the year

Nature of Transaction	Related Party	2024		2023	
		---- Rupees in Thousands ----			
1. Sale of Goods					
Sale of goods	Descon Engineering Limited		77		130
2. Goods / Services Purchased					
Ticketing purchased	Interworld Travels (Private) Limited		1,211		9,570
Ticketing purchased	Popular Travels and Tours		573		-
Services for Manpower, Calibration and PSV Calibration	Inspectest (Private) Limited		18,169		19,779
Turn around and other Services	Descon Engineering Limited		6,600		5,437
IT Services	Descon Corporation (Private) Limited		8,406		16,114

CM

Note 39, balances and transactions with related party - Continued...

Reimbursement of cost

3. Expenses Charged by Related Parties

	2024	2023
	---- Rupees in Thousands ----	
Descon Engineering Limited	23,097	14,302
Descon Corporation (Private) Limited	59,791	30,971
Descon Oxychem Limited - Employees Provident Fund Trust	5,042	8,742
Descon (Private) Limited	28,443	33,597

4. Expenses Charged to Related Parties

Descon Corporation (Private) Limited	6,398	6,000
--------------------------------------	-------	-------

5. Payments Received / (Made) - Net

Descon Engineering Limited	(21,527)	(77,714)
Descon Corporation (Private) Limited	(60,854)	(30,722)
Descon (Private) Limited	(32,598)	(32,640)
Interworld Travels (Private) Limited	(1,211)	(9,570)
Descon Engineering Services and Technology (Private) Limited	-	(278)
Popular Travels and Tours	(573)	-
Inspectest (Private) Limited	(16,336)	(18,417)

6. Dividend Paid

Descon Engineering Limited	113,420	192,818
Descon Corporation (Private) Limited	20,094	34,176
DEL Chemicals (Private) Limited	120,702	205,220

7. Loan Repayment and Others

Afzal Ali	500	-
Muhammad Mushfiq Hussain	2,500	208
Bilquis Abdul Razzak Dawood Foundation	18,806	-

Balance outstanding as at June 30,

Trade Creditors

Descon Engineering Limited	11,638	3,468
Descon Corporation (Private) Limited	4,359	3,415
Descon (Private) Limited	-	17,422
Inspectest (Private) Limited	-	1,362

Accrued Liabilities

Descon Engineering Limited	5,168	5,901
Descon (Private) Limited	20,951	7,684
Inspectest (Private) Limited	3,195	-

39.1 Following are the related parties with whom the Group had entered into transactions or have arrangement / agreement in place.

S. No.	Company Name	Relationship	% of Shareholding
1	DEL Chemicals (Private) Limited	Holding Company	34.48%
2	Descon Engineering Limited	Associate	32.40%
3	Descon Corporation (Private) Limited	Associate	5.74%
4	Interworld Travels (Private) Limited	Associate	N/A
5	Inspectest (Private) Limited	Associate	N/A
6	Descon (Private) Limited	Associate	N/A
7	Mr. Taimoor Dawood	Director	0.11%
8	Mr. Farooq Nazir	Director	0.0003%
9	Mr. Faisal Dawood	Director	0.0666%
10	Ms. Mehreen Dawood	Director	0.0003%
11	Mr. Asif Qadir	Director	0.0003%
12	Mr. Jehanzeb Khan	Director	0.0003%
13	Mr. Muhammad Zahir	Director	0.0003%
14	Mr. Muhammad Mohsin Zia	Chief Executive Officer	None
15	Mr. Muhammad Mushfiq Hussain	Key Management Personnel	None
16	Mr. Muhammad Rizwan Qaiser	Key Management Personnel	None
17	Mr. Tauheed Ahmed Khan	Key Management Personnel	None
18	Mr. Adil Akbar	Key Management Personnel	None
19	Mr. Shehryar Jafri	Key Management Personnel	None
20	Mr. Azhar Ali	Key Management Personnel	None
21	Mr. Fawad Ul Islam Hirani	Key Management Personnel	None
22	Mr. Afzal Ali	Key Management Personnel	None
23	Mr. Imran Rauf Butt	Key Management Personnel	None
24	Mr. Muhammad Bilal Hussain	Key Management Personnel	None
25	Mr. Mujahid Ali	Key Management Personnel	None

cm

Note 40

Financial Risk Management

40.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This exists due to the Group's exposure resulting from outstanding import and export payments.

The Group is exposed to currency risk arising from various currency exposures, primarily with respect to US Dollars and UAE Dirham. The Group's exposure to currency risk as at reporting date is as follows:

	2024	2023
	---- Rupees in Thousands ----	
Receivables	4,106	3,221
Bank balances	231,084	43,102
Trade and other payables	(6,046)	(174,593)
Letters of credit outstanding	(158,549)	(295,400)
	<u>70,595</u>	<u>(424,660)</u>

The following significant exchange rates were applied during the year.

	AED	USD	GBP
June 30, 2024			
Average rate	77.73	282.60	358.60
Reporting date rate	76.78	278.34	351.92
June 30, 2023			
Average rate	67.56	246.30	305.93
Reporting date rate	78.67	286.85	365.27

Sensitivity analysis

If the functional currency, as at the reporting date, had weakened / strengthened by 1% against the foreign currencies with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 0.706 million (2023: Rs. 4.247 million) respectively lower / higher, mainly as a result of exchange losses / gains on translation of foreign exchange denominated financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not entirely reflect the exposure during the year.

(ii) Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to individual financial instrument or its issuer or factors affecting all similar financial instrument traded in the market. The Group is exposed to price risk in respect of certain investments amounting to Rs. 140.055 million (2023: Rs. 896.726 million).

A change of 1% in the value of investments at fair value through profit or loss would have increased / decreased profitability of the Group by Rs. 1.401 million (2023: Rs. 8.967 million) on the basis that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from short and long-term borrowings. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

As at the reporting date the interest rate profile of the Group's interest bearing financial instruments was as under:

CM

Note 40, Financial Risk Management - Continued...

	2024	2023
	---- Rupees in Thousands ----	
Fixed rate instruments		
Long term Financing	126,115	153,489
Floating rate instruments		
Financial liabilities		
Lease Liabilities	-	21,742
Finances under mark up arrangements	-	110,383
Financial assets		
Saving accounts	93,473	60,531
Cash flow sensitivity analysis for variable rate instruments		

As at June 30, 2024, if interest rates had been 1% higher / lower with all other variables held constant, profit before tax for the year would have been higher / lower by Rs. 0.935 million (2023: Rs. 0.716 million), mainly as a result of interest exposure on variable rate instruments.

The Company has certain financial liabilities at fixed rate. Therefore, no impact on profit or loss of the Company is expected.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk of the Group arises from deposits with banks, trade receivables and other receivables. The management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilization of credit limits is regularly monitored. For banks and financial institutions, only independently rated parties with a strong credit rating are accepted.

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings, if any. As at June 30, 2024, the maximum exposure to credit risk is equal to the carrying amount of the financial assets as detailed below:

Long term loans	Note 19	9,792	13,000
Trade debts	Note 23	175,646	165,504
Loans and other receivables	Note 24	16,798	15,166
Short term investments	Note 25	140,055	896,726
Bank balances	Note 26	461,760	248,357

The aging of trade debts as at the reporting date was as follows:

1 - 30 days	65,593	99,041
31 - 60 days	69,459	33,475
61 - 180 days	40,594	32,988
More than 180 days	-	-
	<u>175,646</u>	<u>165,504</u>

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk as at the reporting date was as follows:

	Rating	Rating		2024	2023
	Short term	Long term	Agency	---- Rupees in Thousands ----	
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	28,036	53,488
Bank Al-Habib Limited	A1+	AAA	PACRA	117,539	67,530
Bank Alfalah Limited	A1+	AAA	PACRA	2,644	4,146
Allied Bank Limited	A1+	AAA	PACRA	54,685	10,794
The Bank of Punjab Limited	A1+	AA+	PACRA	53,746	112,399
Meezan Bank Limited	A1+	AAA	JCR-VIS	18,665	-
First Abu Dhabi Bank	Aa3	P-1	Moody's	186,445	-
				<u>461,760</u>	<u>248,357</u>

CME

Note 40, Financial Risk Management - Continued...

(c) Liquidity risk

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Group maintains flexibility in funding by maintaining committed credit lines available. The Group's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios and maintaining debt financing plans. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows:

Contractual maturities of financial liabilities as at June 30, 2024:

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	Above 5 Years
---- Rupees in Thousands ----						
Long term financing	126,115	132,042	29,474	30,063	72,505	-
Trade and other payables	438,210	438,210	438,210	-	-	-
Dividend payable	11,243	11,243	11,243	-	-	-
Accrued finance costs	1,241	1,241	1,241	-	-	-
	<u>576,809</u>	<u>582,736</u>	<u>480,168</u>	<u>30,063</u>	<u>72,505</u>	<u>-</u>

Contractual maturities of financial liabilities as at June 30, 2023:

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	Above 5 Years
---- Rupees in Thousands ----						
Long term financing	153,489	153,489	28,896	28,896	77,676	18,021
Lease liabilities	21,742	21,742	21,742	-	-	-
Trade and other payables	779,785	779,785	779,785	-	-	-
Finances under mark up arrangements	110,383	126,940	126,940	-	-	-
Dividend payable	9,177	9,177	9,177	-	-	-
Accrued finance cost	345	345	345	-	-	-
	<u>1,074,921</u>	<u>1,091,478</u>	<u>966,885</u>	<u>28,896</u>	<u>77,676</u>	<u>18,021</u>

(d) Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the reporting date. Fair value is determined on the basis of objective evidence at each reporting date. The management believes that the fair values of financial assets and financial liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments.

40.2 Financial instruments by categories

Financial asset as at amortized cost

		2024	2023
	Note	---- Rupees in Thousands ----	
Long term loans	19	9,792	13,000
Trade debts	23	175,646	165,504
Loans and other receivables	24	16,798	15,166
Bank balances	26	461,760	248,357
		<u>663,996</u>	<u>442,027</u>

Financial asset as at fair value through profit or loss

Short term investments		<u>140,055</u>	<u>896,726</u>
------------------------	--	----------------	----------------

40.2.1 The group has no other financial assets which are stated under amortized cost or fair value through OCI.

Financial liabilities at amortized cost

Trade and other payables	438,210	779,785
Accrued mark up	1,241	345
Lease liabilities	-	21,742
Finances under mark up arrangements - secured	-	110,383
Long term financing	126,115	153,489
Dividend Payable	11,243	9,177
	<u>576,809</u>	<u>1,074,921</u>

CM

Note 41

Operating Segment Information

Operating segments are reported in a manner consistent with the internal reporting used by the Chief Operating Decision Maker. The Chief Executive Officer (CEO) of the Holding Company has been identified as the Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments.

The CEO is responsible for the management of the Holding Company's entire business which is considered as a single operating segment. The Holding Company's assets allocation decisions are based on a single integrated investment strategy and the Holding Company's performance is evaluated on an overall basis.

The internal reporting provided to the CEO for the Holding Company's assets, liabilities and performance is prepared on a basis consistent with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Holding Company is domiciled in Pakistan. All of the Holding Company's income is from the entities incorporated in Pakistan. The Holding Company has only one reportable segment.

Entity-wide disclosures regarding reportable segment are as follows:

- *Information about major customers*

No sale has been made to any customer representing 10% or more of total sales for the year (2023: 11%). Further, aggregate sales to major distributors represented 83% (2023: 75%) of the revenue and each distributor individually exceeded 10% of the revenue.

- *Information about geographical areas*

All non-current assets of the Holding Company except from long term investments are located in Pakistan as at the reporting date.

Revenue from foreign sales is Rs. 418.933 million (2023: Rs. 643.163 million).

- *Information about product*

The major product of the Holding Company is Hydrogen Peroxide having different concentrations.

Note 42

Capital Risk Management

While managing capital, the objectives of the Group are to ensure that it continues to meet the going concern assumption, enhances shareholders' wealth and meets stakeholders' expectations. The Group ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchasing shares, if possible, selling surplus property, plant and equipment without affecting the optimal operating level and regulating its dividend payout thus maintaining smooth capital management.

In line with the industry norms, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital employed is calculated as equity, as shown in the statement of financial position, plus net debt.

As at the reporting date, the gearing ratio of the Group was worked out as under:

	2024	2023
	---- Rupees in Thousands ----	
Total borrowings	126,115	263,872
Cash and bank balances	(461,760)	(248,357)
Net debt	(335,645)	15,515
Equity	3,215,726	3,059,241
Total capital employed	<u>2,880,081</u>	<u>3,074,756</u>
Gearing ratio	<u>Not Geared</u>	<u>0.50%</u>

um

Note 43

Shari'ah Screening Disclosure

	Note	2024	2023
		---- Rupees in Thousands ----	
Loans and advances as per Islamic mode	13.2	-	110,383
Interest or mark up accrued on any conventional loan or advances	12.1	1,241	345
Shariah compliant bank deposits/bank balances/overdrawn	26.4	18,665	-
Profit earned from Shariah compliant bank deposits/bank balances		-	-
Revenue earned from a Shariah compliant business segment	27	5,738,033	6,721,346
Gain/loss or dividend earned from Shariah compliant investments		-	-
Gain earned from Shariah compliant investments		-	-
Exchange gain / (loss) earned from actual currency	33 & 31	4,170	(78,878)
Mark up paid on Islamic mode of financing	43.1	5,625	-
Profits earned or interest paid on any conventional loan or advance		14,269	28,386
Relationship with shariah compliant banks		No relationship	No relationship

43.1 This pertains to the markup paid to Meezan Bank Limited on finances under markup arrangements - secured.

Note 44

Plant Capacity and Production

		Production Capacity		Actual Production	
		2024	2023	2024	2023
Production of hydrogen peroxide (on 100% concentration and based on 365 working days)	metric tones	21,000	21,000	20,186	21,066
Production of packing material (based on 365 working days)	Number	1,080,000	1,080,000	929,261	901,733

44.1 Production of goods relates to the sales orders received from customers and the Group produces goods to meet those orders.

Note 45

Number of Employees

	2024	2023
	Number	Number
Employees as at June 30,		
- Permanent	105	107
- Contractual	12	8
Average employees during the year		
- Permanent	105	104
- Contractual	6	3

Note 46

Authorization of Consolidated Financial Statements

These consolidated financial statements were approved and authorized by the Board of Directors of the Holding Company for issuance on _____.

Note 47

Subsequent Events

The Board of Directors of the Holding Company has proposed a final cash dividend of Rs. 2 per share (2023: Rs. 2 per share) for the year ended June 30, 2024 at their meeting held on September 06, 2024 for the approval of members at the Annual General Meeting to be held on October 17, 2024. These Consolidated financial statements do not include the effect of these appropriations which will be accounted for in the period in which they are approved.

Note 48

General

Corresponding figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. No material reclassifications have been made in these consolidated financial statements except for the following:

Nature	From	To	Amount
			---- Rupees in Thousands ----
Levy / Final taxation	Taxation (Note 34)	Levy (Face of statement of profit or loss)	36,805
Provident fund payable	Other liabilities (Note 11)	Provident fund payable (Note 11)	1,411
Auditors' remuneration <i>car</i>	Legal and professional fee (Note 29)	Auditors' remuneration (Note 29)	5,796


CHIEF EXECUTIVE OFFICER


CHIEF FINANCIAL OFFICER


DIRECTOR

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

As on June 30, 2024

2.3 Categories of Shareholders	Shares Held	Percentage
2.3.1 Directors, Chief Executive Officer, and their spouse and minor children	312,040	0.1783%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	127,121,699	72.6281%
2.3.3 NIT and ICP	0	0.0000%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
2.3.5 Insurance Companies	585,800	0.3347%
2.3.6 Modarabas and Mutual Funds	296,500	0.1694%
2.3.7 Shareholders holding 10% or more	117,070,002	66.8853%
2.3.8 General Public		
a. Local	41,660,712	23.8019%
b. Foreign	4,641	0.0027%
2.3.9 Others (to be specified)		
- Joint Stock Companies	4,726,632	2.7005%
- Others	323,060	0.1846%

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

S. No.	NAME	HOLDING	% AGE
<u>DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN</u>			
1	MR. TAIMUR DAWOOD (CDC)	580	0.0003
	MR. TAIMUR DAWOOD	191,980	0.1097
2	MR. FAISAL DAWOOD (CDC)	580	0.0003
	MR. FAISAL DAWOOD	116,000	0.0663
3	MR. FAROOQ NAZIR (CDC)	580	0.0003
4	MRS. MEHREEN DAWOOD (CDC)	580	0.0003
5	MR. ASIF QADIR	580	0.0003
6	MR. MUHAMMAD ZAHIR	580	0.0003
7	MR. JEHANZEB KHAN	580	0.0003
		312,040	0.1783
<u>ASSOCIATED COMPANIES</u>			
1	DESCON CORPORATION (PVT.) LIMITED (CDC)	10,051,697	5.7428
2	DEL CHEMICALS (PRIVATE) LIMITED (CDC)	51,728,750	29.5540
3	DEL CHEMICALS (PRIVATE) LIMITED (CDC)	8,630,168	4.9306
4	DESCON ENGINEERING LIMITED (CDC)	56,711,084	32.4006
		127,121,699	72.6281
<u>NIT & ICP</u>			
		0	0.0000
<u>FINANCIAL INSTITUTION</u>			
		0	0.0000
<u>INSURANCE COMPANIES</u>			
1	ASKARI LIFE ASSURANCE COMPANY LIMITED (CDC)	5,800	0.0033
2	IGI GENERAL INSURANCE LIMITED (CDC)	85,000	0.0486
3	PREMIER INSURANCE LIMITED (CDC)	145,000	0.0828
4	SALAAM TAKAFUL LIMITED (CDC)	350,000	0.2000
		585,800	0.3347
<u>MODARABAS</u>			
		0	0.0000
<u>MUTUAL FUNDS</u>			
1	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND (CDC)	146,500	0.0837
2	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND (CDC)	150,000	0.0857
		296,500	0.1694
<u>PENSION FUNDS</u>			
		0	0.0000
<u>JOINT STOCK COMPANIES</u>			
1	SARMAYA FINANCIALS (PRIVATE) LIMITED (CDC)	10,000	0.0057
2	Z.A GHAFAR SECURITIES (PRIVATE) LIMITED (CDC)	2,000	0.0011
3	ABA ALI HABIB SECURITIES (PVT) LIMITED (CDC)	500	0.0003
4	AKD SECURITIES LIMITED (CDC)	250,000	0.1428
5	ALTAF ADAM SECURITIES (PVT) LTD. (CDC)	4,500	0.0026
6	AMER SECURITIES (PRIVATE) LIMITED (CDC)	3,480	0.0020
7	ASDA SECURITIES (PVT.) LTD. (CDC)	375,000	0.2142
8	BULK MANAGEMENT PAKISTAN (PVT.) LTD. (CDC)	65,200	0.0373
9	CENTRAL FACILITATION AGENCY (PVT.) LIMITED (CDC)	100,000	0.0571
10	CREATIVE CAPITAL SECURITIES (PRIVATE) LIMITED - MF (CDC)	5,000	0.0029

JOINT STOCK COMPANIES

11	DARSON SECURITIES (PRIVATE) LIMITED - MF (CDC)	3,000	0.0017
12	ELLAHI CAPITAL (PRIVATE) LIMITED (CDC)	438,000	0.2502
13	FAZAL HOLDINGS (PVT.) LIMITED (CDC)	1,387,000	0.7924
14	FDM CAPITAL SECURITIES (PVT) LIMITED (CDC)	50,000	0.0286
15	INTERMARKET SECURITIES LIMITED - MF (CDC)	25,000	0.0143
16	JS GLOBAL CAPITAL LIMITED - MF (CDC)	5,700	0.0033
17	KTRADE SECURITIES LIMITED (CDC)	1	0.0000
18	MAKDA (PVT.) LIMITED (CDC)	94,500	0.0540
19	MAPLE LEAF CAPITAL LIMITED (CDC)	1	0.0000
20	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LTD. - MF (CDC)	1,083,000	0.6187
21	MRA SECURITIES LIMITED - MF (CDC)	43,900	0.0251
22	MULTILINE SECURITIES LIMITED - MF (CDC)	5,000	0.0029
23	NCC - PRE SETTLEMENT DELIVERY ACCOUNT (CDC)	356,025	0.2034
24	NH SECURITIES (PVT) LIMITED. (CDC)	3,480	0.0020
25	PAKISTAN HOUSE INTERNATIONAL LTD (CDC)	2,320	0.0013
26	RAFI SECURITIES (PRIVATE) LIMITED (CDC)	10,500	0.0060
27	SEVEN STAR SECURITIES (PVT.) LTD. (CDC)	108,917	0.0622
28	SHAFFI SECURITIES (PVT) LIMITED (CDC)	3,000	0.0017
29	TOPLINE SECURITIES LIMITED - MF (CDC)	72,999	0.0417
30	TRADE SMART SECURITIES (PRIVATE) LIMITED (CDC)	113,520	0.0649
31	TRUST SECURITIES & BROKERAGE LIMITED - MF (CDC)	4,000	0.0023
32	TS SECURITIES (PVT) LTD (CDC)	25,000	0.0143
33	A.M.MANSUR LLP (CDC)	335	0.0002
34	TECHNOLOGY LINKS (PVT) LTD. (CDC)	10,000	0.0057
35	RAFUM CORPORATION (PRIVATE) LIMITED (CDC)	65,654	0.0375
36	HOLIDAY TRAVEL AND TOURS (SMC-PRIVATE) LIMITED (CDC)	100	0.0001
		<u>4,726,632</u>	<u>2.7005</u>

FOREIGN COMPANIES

0 0.0000

OTHERS

1	TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F (CDC)	323,060	0.1846
		<u>323,060</u>	<u>0.1846</u>

EXECUTIVES

0 0.0000

SHARES HELD BY THE GENERAL PUBLIC (FOREIGN)

4,641 0.0027

SHARES HELD BY THE GENERAL PUBLIC (LOCAL)

41,660,712 23.8019

41,665,353 23.8045

TOTAL:

175,031,084 **100.0000**

List of S. Holders Holding \geq 10% of total Capital

S. No.	Name	Holding	Percentage
1	DEL CHEMICALS (PRIVATE) LIMITED (CDC)	60,358,918	34.4847
2	DESCON ENGINEERING LIMITED	56,711,084	32.4006
		117,070,002	66.8853

List of S. Holders Holding \geq 5% of total Capital

S. No.	Name	Holding	Percentage
1	DEL CHEMICALS (PRIVATE) LIMITED (CDC)	60,358,918	34.4847
2	DESCON ENGINEERING LIMITED	56,711,084	32.4006
3	DESCON CORPORATION (PVT.) LIMITED (CDC)	10,051,697	5.7428
		127,121,699	72.6281

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

Sr. No.	Name	Sale	Purchase
	NIL		

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

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
1	DESCON CORPORATION (PVT.) LIMITED (CDC)	10,051,697	5.7428
2	DEL CHEMICALS (PRIVATE) LIMITED (CDC)	60,358,918	34.4847
3	DESCON ENGINEERING LIMITED (CDC)	56,711,084	32.4006
Mutual Funds (Name Wise Detail)			
1	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND (CDC)	146,500	0.0837
2	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND (CDC)	150,000	0.0857
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. TAIMUR DAWOOD (CDC)	192,560	0.1100
2	MR. FAISAL DAWOOD (CDC)	116,580	0.0666
3	MR. FAROOQ NAZIR (CDC)	580	0.0003
4	MRS. MEHREEN DAWOOD (CDC)	580	0.0003
5	MR. ASIF QADIR	580	0.0003
6	MR. MUHAMMAD ZAHIR	580	0.0003
7	MR. JEHANZEB KHAN	580	0.0003
Executives:		-	-
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		585,800	0.3347
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)			
1	DEL CHEMICALS (PRIVATE) LIMITED (CDC)	60,358,918	34.4847
2	DESCON ENGINEERING LIMITED	56,711,084	32.4006
3	DESCON CORPORATION (PVT.) LIMITED (CDC)	10,051,697	5.7428

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

Sr. No.	Name	Sale	Purchase
	NIL		



DESCON OXYCHEM LIMITED NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 20th Annual General Meeting (“AGM”) of Descon Oxychem Limited (the ‘Company’) will be held on Wednesday, October 16, 2024 at 10:00 a.m. at the registered office of the Company at Descon Headquarters 18-Km Ferozepur Road, Lahore to transact the following business:

Ordinary Business:

- 1) To confirm minutes of the last Annual General Meeting of the Company held on 18-10-2023.
- 2) To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30th June 2024 together with the reports of Directors’ and Auditors thereon, along with the Annual Audited Consolidated Financial Statements of the Company for the year ended 30th June 2024 along with the Auditor’s report.
3. To appoint the External Auditors of the Company for the ensuing year and fix their remuneration. (The present auditors M/s. Crowe Hussain Chaudhary & Co., Chartered Accountants, have retired and being eligible have offered themselves for re-appointment) as Auditors of the Company for year ending on 30 June 2025.
4. To approve, as recommended by the Board of Directors, payment of Final Cash Dividend @ 20% (i.e. PKR 2.00 per ordinary share) for the year ended June 30, 2024.
5. To transact any other business with the permission of the Chair.

Lahore
September 23, 2024

By order of the Board

Abdul Sohail
Company Secretary

Descon Oxychem Limited:



Corporate Office, 18 KM, Lahore Sheikhpura Road, Lahore - 53000, Pakistan.

T +92 (42) 3797 1823-4-33 F +92 (42) 3797 1831

E info@descon.com.pk W www.descon.com



NOTES:

Circulation of Annual Report through QR Code and Through Web link

In accordance with the Section 223 of the Companies Act, 2017 and pursuant to SRO 389(I)/2023 dated 21 March 2023 of the Securities & Exchange Commission, the Company has obtained Shareholders' approval in the Extraordinary General Meeting of the Company held on June 23, 2023 to circulate the Annual Report of the Company to Members through QR Enabled Code and Web link. The Annual Report is available through following QR Code and Web link.



https://www.descon.com/en/DOL_Annual_Accounts_2024.pdf

Participation in the AGM Proceeding Via the Video Conference Facility

Shareholders interested in attending the meeting through video conferencing are requested to email the following information with the subject "Registration for 20th Annual General Meeting," along with valid copy of their CNIC to shareholders@descon.com. Video link and login credentials will be shared with ONLY those Members, whose email, containing particulars (i.e. Name, Folio No, CNIC No. / NTN) is received from official Email ID, at least 48 hours before the AGM.

Closure of Share Transfer Books

The Share Transfer Books of the Company will be closed from 10-10-2024 to 16-10-2024 (both days inclusive). Transfers received at the Corplink (Pvt.) Limited, 1-K, Commercial Model Town Lahore the close of business on 09 Oct, 2024 will be treated in time for the purpose of above entitlement of final cash dividend.

For Attending the Meeting

In case of individuals, the Account Holders or sub-account holders and/or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing original CNIC or original passport at the time of attending the meeting.

In the case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with the specimen signature of the nominee shall be produced (if it has not been provided earlier) at the time of attending the meeting.

Descon Oxychem Limited:



Corporate Office, 18 KM, Lahore Sheikhpura Road, Lahore - 53000, Pakistan.

T +92 (42) 3797 1823-4-33 F +92 (42) 3797 1831

E info@descon.com.pk W www.descon.com





Proxy

A member entitled to attend and vote at this Annual General Meeting is entitled to appoint a Proxy to attend, speak and vote in his place at the Meeting. A 'Proxy Form' appointing a proxy must be deposited at the Registered Office of the Company, at least 48 hours before the time of the meeting, along with copy of CNIC of Proxy. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee along with his/her copy of CNIC shall be provided at least 48 hours before the time of the meeting. The Form of Proxy in English and Urdu is attached in the Annual Report and should be witnessed by two persons whose names, addresses and CNIC Numbers should be mentioned on the Forms. The Form of Proxy is also available on the Company's website (www.descon.com).

Updating of Particulars

The Shareholders are requested to promptly notify change in their address, if any, to the Company's Share Registrar. In case of Corporate entity, the shareholders are requested to promptly notify change in their particulars of their authorized representative, if applicable.

Submission of Copies of Valid CNIC Not Provided Earlier

Individual Shareholders are once again reminded to submit a copy of their valid CNIC, if not provided earlier to the Company's Share Registrar. In case of non-availability of a valid copy of the Shareholders' CNIC in the records of the Company, the company shall withhold the Dividend under the provisions of Section 243 of the Companies Act, 2017.

Withholding Tax on Dividend

Currently, the deduction of withholding tax on the amount of dividend paid by the companies under section 150 of the Income Tax Ordinance, 2001, are as under:

For Persons appearing in Active Tax Payer list (ATL)	15%
For Persons not appearing in Active Tax Payer list (ATL)	30%

Shareholders who have filed their Return are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as persons not appearing in ATL and tax on their cash dividend will be deducted at the rate of 30%, instead of 15%.

Withholding tax on Dividend in Case of Joint Account Holders

In order to enable the Company to follow the directives of the regulators to determine shareholding ratio of the Joint Account Holder(s) (where shareholding has not been determined by the Principal shareholder) for deduction of withholding tax on dividend of the Company, shareholders are requested to please furnish the shareholding ratio details of themselves as Principal shareholder and their Joint Holders, to the Company's Share Registrar, enabling the Company to compute withholding tax of each shareholder accordingly. The required information must reach the Company's Share Registrar by September 26, 2024, otherwise each shareholder will be assumed to have equal proportion of shares and the tax will be deducted accordingly.

Descon Oxychem Limited:



Corporate Office, 18 KM, Lahore Sheikhpura Road, Lahore - 53000, Pakistan.

T +92 (42) 3797 1823-4-33 F +92 (42) 3797 1831

E info@descon.com.pk W www.descon.com





Payment of Cash Dividend Electronically (E-mandate)

In accordance with the provisions of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations, 2017, it is mandatory that dividend payable in cash, shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder.

In compliance with the above provisions, the Company hereby again requests the shareholders to provide details of their bank mandate specifying: (i) title of account, (ii) account number, (iii) IBAN number (iv) bank name and (v) branch name, code & address; to Company's Share Registrar, CDC Share Registrar Services Limited. Shareholders who hold shares with Participants / Central Depository Company of Pakistan (CDC) are advised to provide the mandate to the concerned Broker/ CDC. In absence of the complete bank details, including IBAN mentioned above, the company shall withhold the Dividend under the provision of Section 243 of the Companies Act, 2017.

Conversion of Physical Shares into Book-Entry Form (i.e. CDC Account)

Section 72 of the Companies Act, 2017, requires all listed companies to replace the shares held in physical form with the shares to be issued in Book-Entry Form within four (04) years from the date of the promulgation of the Companies Act 2017. Pursuant to the SECP letter No. CSD/ED/Misc./2016-639-640 dated March 26, 2021, the Company is following up with all shareholders holding shares in physical form with the request to convert their shares in Book-Entry Form in order to comply with the provisions of the Companies Act, 2017. Shareholders are again requested to contact the Company's Share Registrar to understand and complete the process of conversion of shares held in physical form, into the Book-Entry Form.

Distribution of Annual Report and Notice of Meetings through Email (Optional)

Pursuant to the provisions of section 223(6) of the Companies Act, 2017, the companies are permitted to circulate their Annual Audited Financial Statements, along with Auditor's Report, Directors' Report etc. ("Annual Report") and the Notice of AGM ("Notice"), to its shareholders by email. The Annual Report of the Company for the year ended June 30, 2024 is also available on the Company's website (www.descon.com)

Descon Oxychem Limited:



Corporate Office, 18 KM, Lahore Sheikhpura Road, Lahore - 53000, Pakistan.

T +92 (42) 3797 1823-4-33 F +92 (42) 3797 1831

E info@descon.com.pk W www.descon.com



Form of Proxy Descon Oxchem Limited

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

I/We _____
of _____
being a member of Descon Oxchem Limited entitled to vote and holder of _____
ordinary shares, hereby appoint Mr./Mrs./Mst. _____
of _____

Who is also a member of the Company, as my/our proxy in my / our absence to attend and vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held at Descon Headquarters, 18-km, Ferozpur Road, Lahore on Wednesday, October 16, 2024 at 10:00 am and at any Adjournment there of.

As witness my / Our hand this _____ day of _____ 2024.

Signed by the said _____ in the presence of _____

(Member's Signature)

Place _____

Date _____

(Witness's Signature)

Affix
Revenue Stamp which
must be cancelled
either by signature
over it or by some
other means



BOOK POST



Descon Oxychem Limited

Descon Headquarters, 18 km Ferozepur Road,

Lahore - 54760, Pakistan

T: +92 42 3 7971822-24

F: +92 42 3 7971834

W: www.desconoxychem.com

E: dol@descon.com